

**LINCOLN GLEN MANOR FOR SENIOR CITIZENS
(A CALIFORNIA NONPROFIT, PUBLIC BENEFIT CORPORATION)**

ANNUAL REPORT

Year Ended September 30, 2016

LINCOLN GLEN MANOR FOR SENIOR CITIZENS
(A CALIFORNIA NONPROFIT, PUBLIC BENEFIT CORPORATION)

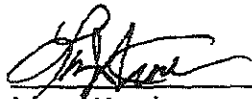
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Lincoln Glen Manor for Senior Citizens, a California Corporation
Certificate of Executive Officer of the Corporation

I hereby certify that Lincoln Glen Manor for Senior Citizens, a California Corporation, has caused its operations for the year ending September 30, 2016 to be reviewed by our accountant, C. Rendell Bayless, CPA. I have reviewed this annual report. Based upon my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report. Based upon my knowledge, the financial statements, and other financial information included in this annual report, fairly represent in all material respects the financial condition, results of operations, and cash flows of Lincoln Glen Manor for Senior Citizens as of, and for the period presented in this annual report.

Based upon my knowledge and the information provided in this report, no event of default under The Trust Agreement, the Sale Agreement or the Deed of Trust has come to my attention.



Loren Kroeker
Executive Director

C. RENDELL BAYLESS CPA
51 E Campbell Ave Ste 101A
Campbell CA 95008
(408) 356-4225

ANNUAL STATEMENT OF CORPORATION'S ACCOUNTANT

To the Board of Directors
Lincoln Glen Manor for Senior Citizens
San Jose, California

I have audited the financial statements of Lincoln Glen Manor for Senior Citizens, a California nonprofit, public benefit corporation as of and for the year ended September 30, 2016, and have issued my report thereon dated January 31, 2017. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Lincoln Glen Manor for Senior Citizens' financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts and grants, including provisions of the Trust Agreement, the Sales Agreement and the Deed of Trust provisions relating to the \$14,000,000 Insured Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2011 and the \$11,965,000 Insured Refunding Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2015. Noncompliance of the aforementioned items could have a direct and material effect on the determination of financial statement amounts.

In the course of my audit examination, including a review of the operations of Lincoln Glen Manor for Senior Citizens, nothing came to my attention that would indicate a failure to comply, in all material respects, with the requirements of the Loan Agreements relating to the \$14,000,000 Insured Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2011 and the \$11,965,000 Insured Refunding Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2015

This report is intended for the information of the audit committee, board of directors, management, others within the organization and certain parties identified in the agreements relating to the \$14,000,000 Insured Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2011 and the \$11,965,000 Insured Refunding Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2015 and is not intended to be and should not be used by anyone other than these specified parties.

Campbell, California
January 31, 2017

C. Rendell Bayless

C. RENDELL BAYLESS CPA
51 E Campbell Ave Ste 101A
Campbell CA 95008
(408) 356-4225

ANNUAL STATEMENT OF CORPORATION'S ACCOUNTANT
CONCERNING COMPLIANCE WITH THE DEBT SERVICE COVERAGE RATIO

To the Board of Directors
Lincoln Glen Manor for Senior Citizens
San Jose, California

I have audited the financial statements of Lincoln Glen Manor for Senior Citizens, a California nonprofit, public benefit corporation as of and for the year ended September 30, 2016, and have issued my report thereon dated January 31, 2017. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Per provisions of the Loan Agreement that is part of the \$14,000,000 Insured Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2011 and the \$11,965,000 Insured Refunding Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2015, I have reviewed the schedule of Debt Service Coverage Ratio for Lincoln Glen Manor for Senior Citizens for the year ended September 30, 2016.

In my opinion, the Debt Service Coverage Ratio for Lincoln Glen Manor for Senior Citizens for the year ended September 30, 2016 represented by the ratio of Net Income Available for Debt Service to the Aggregate Annual Debt Service results in a ratio of 3.80. This exceeds the 1.25 ratio required by the Regulatory Agreement and accordingly, the corporation is in compliance with this provision.

In reviewing the Schedule of Current Ratio for Lincoln Glen Manor for Senior Citizens for the year ended September 30, 2016 and the Schedule of Days Cash on Hand for Lincoln Glen Manor for Senior Citizens for the year ended September 30, 2016, the reported results of a Current Ratio of 2.88:1.0 and Days Cash on Hand of 66 exceed the minimum requirements of a Current Ratio of 1.5:1.0 and 30 Days Cash on Hand. Accordingly, the corporation is in compliance with these latter two debt coverage ratios.

This report is intended for the information of the audit committee, board of directors, management, others within the organization and certain parties identified in the agreements relating to the \$14,000,000 Insured Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2011 and the \$11,965,000 Insured Refunding Revenue Bonds (Lincoln Glen Manor for Senior Citizens) Series 2015 and is not intended to be and should not be used by anyone other than these specified parties.

Campbell, California
January 31, 2017

C. Rendell Bayless

Occupancy and Facility Utilization

Occupancy of Facilities on 9/30/2016

Lincoln Glen Manor	<u>Units Occupied = 51</u>	<u>5 Units Available*</u>
Lincoln Glen Skilled Nursing	<u>Beds Occupied = 54</u>	<u>5 Beds Available</u>
Lincoln Glen Assisted Living	<u>Units Occupied = 24</u>	<u>7 Units Available</u>
Memory Care	<u>Units Occupied = 11</u>	<u>0 Units Available</u>

*Currently keeping 8 units in a block available to convert to Memory Care

Average Occupancy for Fiscal Year Ending 9/30/2016

Lincoln Glen Manor

Average Occupancy = 91.50 %

Average Number of Units Occupied = 51.24*

Average Number of Units Available = 4.76*

*8 units taken out of total for conversion to Memory Care

Lincoln Glen Skilled Nursing

Average Occupancy = 94.77%

Average Number of Beds Occupied = 55.91

Average Number of Beds Available = 3.09

Lincoln Glen Assisted Living Center

Average Occupancy = 81.25 %

Average Number of Units Occupied = 25.19

Average Number of Units Available = 5.81

Lincoln Glen Memory Care Center

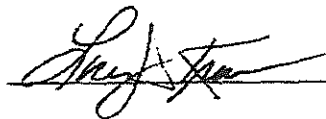
Average Occupancy = 92.73 %

Average Number of Units Occupied = 10.20

Average Number of Units Available = 0.80

The above information was prepared directly from reports provided by the facility administration to the Lincoln Glen Manor Board of Directors and to the appropriate governmental agencies.

I certify that this information accurately represents occupancy at Lincoln Glen Manor, Assisted Living and Skilled Nursing Facility for the Fiscal Year ending 9/30/2016.



Loren J. Kroeker
Executive Director

LINCOLN GLEN MANOR FOR SENIOR CITIZENS
 (A CALIFORNIA NONPROFIT, PUBLIC BENEFIT CORPORATION)
 SCHEDULE OF DEBT SERVICE COVERAGE RATIO
 FOR THE YEAR ENDING SEPTEMBER 30, 2016

	Change in Net Assets, per Statement of Activities	\$186,568
Plus:	Interest, including amortization of OID and loan costs	580,648
	Depreciation	1,062,905
Exclusions:	Profits or losses on the sale or other disposition, not in the ordinary course of business, of fixed or capital assets or resulting from the early extinguishment of debt.	-
	Gifts, grants, bequests, donations and contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Debt Service or operating expense.	-
	Net proceeds of insurance (other than business interruption insurance) and condemnation awards.	-
	Change in net realized and unrealized investment (gains) losses	<u>(85,636)</u>
	Net Income Available for Debt Service	<u>\$1,744,485</u>
	Annual Debt Service for FYE 9/30/16	<u><u>459,418.80</u></u>
	Ratio of Net Income Available for Debt Service to Aggregate Annual Debt Service	<u><u>3.80</u></u>

LINCOLN GLEN MANOR FOR SENIOR CITIZENS
(A CALIFORNIA NONPROFIT, PUBLIC BENEFIT CORPORATION)
SCHEDULE OF CURRENT RATIO
SEPTEMBER 30, 2016

Current Assets	
Cash and cash equivalents	\$ 1,159,303
Marketable securities	683,646
Current portion of assets whose use is limited	267,010
Receivables	964,104
Prepaid expense	67,454
Current portion of prepaid mortgage insurance	52,749
Inventory	6,381
Total Current Assets	<u>3,200,647</u>
Current Liabilities	
Accounts payable	77,984
Accrued liabilities	1,021,119
Current portion of long-term debt	10,947
Total Current Liabilities	<u>1,110,050</u>
Current Ratio	<u>2.88</u>

LINCOLN GLEN MANOR FOR SENIOR CITIZENS
(A CALIFORNIA NONPROFIT, PUBLIC BENEFIT CORPORATION)
SCHEDULE OF FUND BALANCES FOR ALL TRUSTEE-HELD FUNDS
SEPTEMBER 30, 2016

	Estimated Fair Value			Cost
	U.S. Bank Money Market	Corporate CD's	Total	
2011 Series Bonds:				
Revenue Fund	\$ 6,968		\$ 6,968	\$ 6,968
Interest Fund	74,689		74,689	74,689
Principal Fund	6		6	6
Bond Reserve Fund	4,340	\$ 455,869	460,209	459,340
2015 Series Bonds:				
Revenue Account	3,217		3,217	3,217
Interest Account	229,743		229,743	229,743
Debt Service Reserve Account	10,030	556,467	566,497	564,030
 Total	 <u>\$ 328,993</u>	 <u>\$ 1,012,336</u>	 <u>\$ 1,341,329</u>	 <u>\$ 1,337,993</u>

LINCOLN GLEN MANOR FOR SENIOR CITIZENS
(A CALIFORNIA NONPROFIT, PUBLIC BENEFIT CORPORATION)
SCHEDULE OF DAYS CASH ON HAND
FOR THE YEAR ENDING SEPTEMBER 30, 2016

Cash and marketable securities		\$1,842,949
Less:	Donor restricted cash and marketable securities	-
	Cash and marketable securities not available per discretion of board of directors	-
		-
Net cash and marketable securities, after exclusions		\$1,842,949
Operating Expenses		\$11,500,535
Less:	Depreciation	(1,062,905)
	Amortization	(44,181)
	Bad Debt Provisions	(141,594)
		(1,248,680)
Net operating expenses, net of adjustments		\$10,251,855
Number of days in fiscal year		366
Costs per day		\$28,011
Days cash on hand		66

LINCOLN GLEN MANOR FOR SENIOR CITIZENS
(A CALIFORNIA NONPROFIT, PUBLIC BENEFIT CORPORATION)
SCHEDULE OF OUTSTANDING INDEBTEDNESS
SEPTEMBER 30, 2016

California Municipal Finance Authority Insured Revenue Bonds, Series 2011	\$ 1,620,000
Less unamortized OID	(18,116)
California Health Facilities Financing Authority, Series 2015	11,965,000
Plus net unamortized premium	714,321
Equipment Financing	<u>35,926</u>
Total Outstanding Indebtedness	<u>\$ 14,317,131</u>

LINCOLN GLEN MANOR FOR SENIOR CITIZENS
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ANALYSIS OF CAPITAL REPLACEMENT EXPENDITURES
FOR THE YEAR ENDING SEPTEMBER 30, 2016

Capital Expenditures Placed Into Service:	
Land and site improvements	\$ 71,073
Computers	34,405
Equipment	26,990
Dietary equipment	11,904
Furniture	24,726
Furnishments and furnishings	298,977
Building equipment - fixed	10,245
Building improvements	171,242
Total	<u>\$ 649,562</u>

Note A: Purchased Equipment, Repairs and Maintenance
These expenditures were acquired and placed into service during the fiscal year ended September 30, 2016 and are depreciable in accordance with generally accepted accounting principles.