RECEIVED
MAY 01 2012
CONTINUING CARE
CONTRACTS BRANCH

ANNUAL REPORT CHECKLIST
for
FISCAL YEAR ENDED:
2011

PROVIDER: Eskaton
FACILITY(IES): Eskaton Village-Carmichael

CONTACT PERSON: Eduard Boogaard
TELEPHONE NO.: (916) 334-0810

Your complete annual report must consist of **2 copies** of all of the following:

- ✓ This cover sheet.
- ✓ Annual Provider Fee in the amount of: $ 15,247.00
- ✓ Certification by the provider's chief *executive* officer that:
  - o The reports are correct to the best of his/her knowledge.
  - o Each continuing care contract form in use or offered to new residents
    has been approved by the Department.
  - o The provider is maintaining the required liquid reserve and refund
    reserve , if applicable.
- ✓ Evidence of the provider's fidelity bond.
- ✓ The provider's audited financial statements, with an accompanying certified
  public accountant's opinion thereon.
- ✓ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community.

RECEIVED
MAY 01 2012
CONTINUING CARE
CONTRACTS BRANCH

Report of Independent Auditors and
Consolidated Financial Statements
with Supplemental Schedules

Eskaton and Subsidiaries

As of and for the Years Ended
December 31, 2011 and 2010

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

CONTENTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Eskaton and Subsidiaries

We have audited the accompanying consolidated balance sheet of Eskaton and Subsidiaries (the "Organization") as of December 31, 2011, and the related consolidated statements of operations and changes in net assets (deficit), and of cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Organization as of and for the year ended December 31, 2010 were audited by another auditor whose opinion dated April 29, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eskaton and Subsidiaries as of December 31, 2011, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Eskaton and Subsidiaries as a whole. The accompanying supplemental schedules of consolidating balance sheets, consolidating schedule of operations and changes in net assets (deficit) and consolidating schedule of cash flows as of and for the year ended December 31, 2011, each for Eskaton and Subsidiaries, Eskaton Properties, Inc. and Eskaton, are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The supplemental information – social responsibility for the years ended December 31, 2011 and 2010 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

San Francisco, California
April 27, 2012

RECEIVED
MAY 01 2012
CONTINUING CARE
CONTRACTS BRANCH

CONSOLIDATED FINANCIAL STATEMENTS

ESKATON AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2011 and 2010
(in thousands)

Assets	2011	2010
Current assets:		
Cash and cash equivalents	$ 16,819	$ 16,409
Assets limited as to use	3,297	3,530
Investments	42,116	42,631
Accounts receivable, less allowance for uncollectible accounts of $253 in 2011 and $191 in 2010	6,523	7,492
Other receivables	1,538	2,381
Notes receivable	274	530
Inventories	221	222
Deposits and prepaid expenses	707	532
Total current assets	71,495	73,727
Assets limited as to use, net of amount required for current liabilities	9,401	8,995
Investments	922	901
Property and equipment, net	117,896	115,025
Other assets:		
Land available for sale	1,050	3,693
Due from liability insurer	2,261	-
Deferred financing costs, net	1,893	1,861
Associate member/resident/patient deposits	4,954	5,301
Other	716	417
	10,874	11,272
Total assets	$ 210,588	$ 209,920

See accompanying notes.

(in thousands)

Liabilities and Net Assets (Deficit)	2011	2010
Current liabilities:		
Current maturities of long-term debt	$ 36,949	$ 4,138
Current portion of deferred revenue from unamortized		
CCRC membership fees	2,132	2,131
Deposits on unoccupied CCRC units	161	368
Accounts payable	1,867	1,416
Accrued liabilities:		
Payroll and payroll taxes	1,705	1,887
Vacation	1,523	1,610
Current portion of self-insured workers' compensation	2,593	2,120
Self-insured employee health plan	1,307	1,270
Interest	349	330
Other	2,353	1,512
Liability related to terminated interest rate swap agreements	5,191	12,574
Total current liabilities	56,130	29,356
Other liabilities:		
Self-insured workers' compensation, net of current portion	1,845	1,359
Interest rate swap agreements	21,077	12,001
Unfunded pension obligation	6,489	6,113
Professional liability	3,591	1,167
Associate member/resident/patient deposits	4,955	5,301
Other	199	245
	38,156	26,186
Long-term debt, less current maturities	115,748	147,038
Deferred revenue from unamortized		
CCRC membership fees, net of current portion	17,587	19,705
Total liabilities	227,621	222,285
Net assets (deficit):		
Unrestricted net assets (deficit)	(17,823)	(12,954)
Temporarily restricted net assets	280	92
Permanently restricted net assets	510	497
Total net assets (deficit)	(17,033)	(12,365)
Total liabilities and net assets (deficit)	$ 210,588	$ 209,920

See accompanying notes.

ESKATON AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
Years Ended December 31, 2011 and 2010
(in thousands)

	2011	2010
Unrestricted net assets (deficit):		
Revenues, gains, and other support:		
Net patient service revenue	$ 44,655	$ 43,950
Resident service revenue, including amortization of CCRC membership fees of $2,132 in 2011 and $2,129 in 2010	53,975	49,333
Other, net	9,546	12,785
Total revenues, gains, and other support	108,176	106,068
Expenses:		
Salaries and wages	49,160	48,098
Employee benefits	16,224	15,028
Professional fees	1,105	1,123
Supplies	4,859	4,282
Purchased services	6,129	5,651
Ancillary costs	2,841	2,784
Utilities	4,128	3,866
Insurance and other	6,551	6,175
Depreciation	9,149	8,592
Interest and amortization	3,606	3,915
Provision for uncollectible accounts	275	237
Total operating expenses	104,027	99,751
Income from operations	4,149	6,317
Nonoperating revenue (expenses):		
Investment (loss) income	588	4,682
Interest rate swap activities	(5,049)	(7,551)
Other	(2,718)	9
Total nonoperating revenue (expenses)	(7,179)	(2,860)
(Deficiency) excess of revenues, gains, and other support over expenses	(3,030)	3,457

See accompanying notes.

(in thousands)

	2011	2010
(Deficiency) excess of revenues, gains, and other support over expenses (page 4)	$ (3,030)	$ 3,457
Net unrealized (losses) gains on other than trading securities	(99)	54
Pension related changes other than net periodic pension cost	(1,740)	841
Change in unrestricted net assets (deficit)	(4,869)	4,352
Unrestricted net assets (deficit), beginning of year	(12,954)	(17,306)
Unrestricted net assets (deficit), end of year	$ (17,823)	$ (12,954)
Temporarily restricted net assets:		
Contributions	$ 273	$ 83
Investment (loss) income	(6)	38
Net assets released from restriction used for operations	(79)	(63)
Increase in temporarily restricted net assets	188	58
Temporarily restricted net assets, beginning of year	92	34
Temporarily restricted net assets, end of year	$ 280	$ 92
Permanently restricted net assets:		
Contributions of endowments	$ 14	$ 10
Change in assets held in trust by others	(1)	6
Increase in permanently restricted net assets	13	16
Permanently restricted net assets, beginning of year	497	481
Permanently restricted net assets, end of year	$ 510	$ 497
Change in net assets (deficit)	$ (4,668)	$ 4,426
Net assets (deficit), beginning of year	(12,365)	(16,791)
Net assets (deficit), end of year	$ (17,033)	$ (12,365)

See accompanying notes.

ESKATON AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010
(in thousands)

	2011	2010
Cash flows from operating activities:		
Change in net assets (deficit)	$ (4,668)	$ 4,426
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:		
Depreciation	9,149	8,592
Amortization of deferred financing costs	650	871
Amortization of CCRC membership fees	(2,132)	(2,129)
Net realized and unrealized gains on assets limited as to use	(378)	(195)
Net realized and unrealized losses (gains) on investments	691	(3,437)
Valuation adjustment on land available for sale	2,643	-
Pension related changes other than net periodic pension cost	1,740	(841)
Change in fair value of interest rate swap agreements	1,693	4,118
Provision for uncollectible accounts	275	237
Proceeds from permanently restricted contributions	(14)	(10)
CCRC resale proceeds	4,668	6,282
Loss (gain) on disposal of property and equipment	1	(1)
Change in receivables	1,537	(1,116)
Change in inventories	1	(31)
Change in deposits and prepaid expenses	(175)	431
Change in other assets	(1,713)	58
Change in accounts payable	451	(127)
Change in accrued liabilities	4,011	590
Change in unfunded pension obligation	(1,364)	(553)
Change in other liabilities	(392)	(126)
Net cash provided by operating activities	16,674	17,039
Cash flows from investing activities:		
Purchases of assets limited as to use	(39,664)	(40,101)
Proceeds from sales of assets limited as to use	39,869	38,799
Purchases of investments	(19,961)	(36,545)
Proceeds from sales of investments	19,764	35,347
Purchase of FountainWood Lodge	(8,503)	-
Acquisition of FountainWood Lodge goodwill	(500)	-
Expenditures for property and equipment	(3,518)	(3,982)
Proceeds from sale of property and equipment	-	16
Payments received on notes receivable	256	688
Net cash used in investing activities	(12,257)	(5,778)

See accompanying notes.

(in thousands)

		2011		2010
Cash flows from financing activities:				
CCRC resale disbursements	$	(4,653)	$	(6,233)
Change in deposits on unoccupied CCRC units		(207)		146
Proceeds from permanently restricted contributions		14		10
Proceeds from long-term borrowing		5,750		-
Principal payments on long-term debt		(4,229)		(3,068)
Debt issuance costs		(682)		(213)
Net cash used in financing activities		(4,007)		(9,358)
Net increase in cash and cash equivalents		410		1,903
Cash and cash equivalents, beginning of year		16,409		14,506
Cash and cash equivalents, end of year	$	16,819	$	16,409
Supplemental disclosure:				
Cash paid for interest	$	2,937	$	3,039

See accompanying notes.

NOTE 1 – ORGANIZATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the following:

Eskaton – Eskaton is a not-for-profit 501(c)(3) California corporation, which was formed in 1967. Eskaton's primary mission is to enhance the quality of life of seniors through innovative health, housing, and social services. Eskaton is the sole corporate member of Eskaton Properties, Inc. (EPI), Eskaton Gold River Lodge (EGRL), Eskaton Village-Grass Valley (EVGV), Eskaton Village-Roseville (EVR), and Eskaton Foundation and the sole stockholder of Livable Design (LD) and California Healthcare Consultants (CHC). Eskaton also operates adult day healthcare services and various community service programs.

EPI – EPI is a not-for-profit 501(c)(3) California corporation that operates skilled nursing care centers and retirement housing communities, home health services, a continuing care retirement community, and a business services group which provides financial and managerial support to all Eskaton operations. EPI also manages retirement housing communities owned by third parties.

EGRL – EGRL is a not-for-profit 501(c)(3) California corporation that operates a 95-apartment assisted living community in Gold River, California.

EVGV – EVGV is a not-for-profit 501(c)(3) California corporation that operates a 57-apartment assisted living and 80-apartment independent living with services community in Grass Valley, California.

EVR – EVR is a not-for-profit 501(c)(3) California corporation that operates a 96-apartment assisted living community in Roseville, California.

Eskaton Village-Placerville, LLC (EVP) – EVP is a California limited liability corporation that operates a 64-apartment assisted living community in Placerville, California.

Eskaton Foundation – Eskaton Foundation is a not-for-profit 501(c)(3) California corporation whose purpose is to raise funds for the benefit of Eskaton programs.

LD – LD is a taxable subsidiary and sells a certification program for home designs for older adults to various home builders.

CHC – CHC is a taxable subsidiary that leases employees to communities owned by third parties.

All material intercompany accounts and transactions have been eliminated in consolidation.

Eskaton is subject to certain risks, including maintaining occupancy in its facilities, sustaining its debt structure, the interest rate environment, potential competition, reliance on key individuals, and uncertainty of future profitability. The ability of Eskaton to generate sufficient revenues depends in large part upon sustaining occupancy of its facilities. The ability of Eskaton to maintain substantial occupancy at its facilities depends to some extent on factors outside its control, including the availability of alternative housing opportunities and future economic and other conditions which are unpredictable. Certain of Eskaton's affiliates that are not members of Eskaton's Obligated Group have financed projects through the issuance of variable rate demand bonds supported by bank letters of credit. As described in Note 8, such affiliates have each previously failed to meet minimum levels of occupancy as of certain dates required under agreements with the banks providing such letters of credit which has required Eskaton to obtain amendments to the minimum occupancy levels. Occupancy levels for these affiliates in 2011 and 2010 are in excess of the amended minimums. Eskaton will need to either renew its bank letter of credit arrangements related to its variable rate demand bonds as the letters of credit expire beginning in 2012, or otherwise refinance these bonds.

Management currently expects that the organization will be able to generate sufficient funds from operations to pay it obligations as they come due and maintain compliance with its debt covenants. Management has developed plans for renewing its bank letter of credit arrangements or otherwise refinancing its variable rate demand bonds. However, an inability to maintain occupancy of its facilities, adverse changes in the interest rate environment, the effects of competition or other unforeseen events could adversely affect the revenues and financial condition of Eskaton. Additionally, no assurance can be given regarding the timing or ultimate success of obtaining renewals of letters of credit or refinancing plans.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents – Cash and cash equivalents include cash in bank and short-term money market accounts. The carrying amounts at face value approximate fair value because of the short maturity of these instruments.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Management has elected to carry alternative investments under the fair value option. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the (deficiency) excess of revenues, gains, and other support over expenses.

Assets limited as to use – Assets limited as to use include assets held by trustees under bond indenture agreements, assets restricted by donor for financial assistance to residents of Eskaton communities, and assets held by banks as collateral securing standby letters of credit. Assets limited as to use are reported at fair value.

Property and equipment – Property and equipment are stated at cost. Interest capitalized (net of investment income from bond proceeds) in connection with the construction of plant and equipment is recorded as part of the cost of the constructed asset to which it relates and is amortized over the asset's useful life. Depreciation is computed using the straight-line method based on estimated useful lives of property and equipment as follows:

Land improvements	10 to 20 years
Buildings and improvements	15 to 40 years
Equipment	5 to 20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the (deficiency) excess of revenues, gains, and other support over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported as net assets released from restriction when the donated or acquired long-lived assets are placed in service.

Impairment of long-lived assets and long-lived assets to be disposed of – Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Land available for sale is recorded in the consolidated balance sheets at fair value in accordance with ASC 820. The fair value estimate was performed by a third-party specialist using unobservable inputs that are supported by little or no market activity and were therefore classified within Level 3 of the valuation hierarchy. During 2011 Eskaton recorded a loss valuation adjustment on land available for sale of approximately $2.6 million. During 2010 there was no impairment of long-lived assets.

The following tables reconcile the beginning and ending balances of land available for sale recognized in the accompanying consolidated financial statements in other income (loss) using significant unobservable (Level 3) inputs:

	Land Available for Sale
Balance, January 1, 2011	$ 3,693
Total valuation adjustment	
Included in (deficiency) excess of revenues, gains, and other support over expenses	(2,643)
Included in changes in unrestricted net assets (deficit)	-
Purchases	-
Sales	-
Transfers in and/or out of Level III	-
Balance, December 31, 2011	$ 1,050

There was no activity or adjustments to the land available for sale during the year ended December 31, 2010.

Continuing Care Retirement Community (CCRC) membership fees – Eskaton owns and operates a CCRC known as Eskaton Village Carmichael (EVC) located on 37 acres in Carmichael, California. EVC membership fees, which were paid by the initial resident of each housing unit upon entering into a resalable continuing care contract, were recorded as deferred revenue. Such deferred revenue is amortized to income using the straight-line method over the estimated remaining life of the facility. Eskaton's share of appreciation in excess of the original membership fee amount earned upon the resale of a membership from one resident to another qualified individual is recorded as deferred revenue and is amortized to income using the straight-line method over the estimated remaining life of the facility. Transfer fees earned upon the resale of a membership are recorded as revenue in the period earned.

Self-insured employee health and workers' compensation – The provisions for estimated self-insured employee health and workers' compensation include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Derivative instruments – Eskaton has entered into various swap agreements to manage interest rate risk on its bonds. Swaps are contracts to exchange, for a period of time, the investment performance of one underlying instrument for the investment performance of another instrument without exchanging the instruments themselves. Eskaton entered into these agreements to mitigate cash flow and fair value risks related to changes in interest rates.

Eskaton records in its consolidated balance sheets the estimated fair value of swaps at the balance sheet date. Because the derivatives have not been designated as hedges for accounting purposes, changes in the fair value of swaps are included in nonoperating revenue and expense in the consolidated statements of operations and changes in net assets (deficit).

Deferred financing costs – Deferred financing costs are amortized over the period the obligation is expected to be outstanding or the life of bank letter of credit agreements associated with variable rate demand bonds, whichever is shorter. Amortization is calculated using the straight-line method, which is not materially different from using the effective interest method. Amortization of deferred financing costs is included as a component of interest expense.

Obligation to provide future services – Management annually calculates the present value of the net cost (difference between cost to operate and maintenance fees charged) of future services and use of the CCRC to be provided to current residents and compares the amount with the balance of deferred revenue from unamortized CCRC membership fees. If the present value of the net cost of future services and use of the CCRC exceeds the deferred revenue from unamortized CCRC membership fees, a liability is recorded with the corresponding charge to income. No liability was recorded at December 31, 2011 or 2010.

Temporarily restricted net assets – Temporarily restricted net assets are those whose use by Eskaton has been limited by donors for a specific time period or purpose.

Permanently restricted net assets – Permanently restricted net assets are those whose use by Eskaton has been restricted by donors to be maintained by Eskaton in perpetuity. The Board of Directors has interpreted California's enacted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of permanently restricted donations absent explicit donor stipulations to the contrary. As a result of this interpretation, Eskaton classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanently restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Generally, the donors of these assets permit Eskaton to use all or part of the investment return on these assets and the donor agreements allow Eskaton to appropriate for distribution each year 5 percent of its endowment fund's prior year average fair value. Unrealized gains and investment income allocated to the permanently restricted fund are classified as temporarily restricted net assets, as supported by the associated agreements, until those amounts are appropriated for expenditure by Eskaton in a manner consistent with the standard of prudence prescribed by UPMIFA. In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund shall reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before a loss occurs. Any remaining loss shall reduce unrestricted net assets.

Net patient service revenue – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Resident service revenue – Residential units are charged a monthly accommodation fee. Additional fees are charged for services rendered in the assisted living and skilled nursing facilities, of which a significant portion may be defrayed by coverage under a long-term care group insurance policy.

Donated services and materials – A number of volunteers donate significant amounts of time to advance Eskaton's program objectives. No amounts are reported in the accompanying consolidated financial statements for donated services since no objective basis is available to measure the value of such services.

Eskaton records the donation of materials when an objective basis is available to measure the value of those donations and when the materials would be purchased if they were not donated. These amounts are recorded as contribution revenues and as expenses.

(Deficiency) excess of revenues, gains, and other support over expenses – The consolidated statements of operations and changes in net assets (deficit) include (deficiency) excess of revenues, gains, and other support over expenses. Changes in unrestricted net assets (deficit), which are excluded from (deficiency) excess of revenues, gains, and other support over expenses, include changes in net unrealized gains and losses on other than trading securities and pension related changes other than net periodic pension cost.

Advertising – Advertising costs are expensed as incurred and included in purchased services expenses. Advertising expense was $513,100 and $439,678 for the years ended December 31, 2011 and 2010, respectively.

Income taxes – Eskaton, EPI, EGRL, EVGV, EVR, EVP, and Eskaton Foundation are exempt from income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3) and applicable state regulations, except for federal and state tax on income resulting from unrelated business income. LD and CHC are taxable entities; however, income taxes for these entities are not significant to the consolidated financial statements.

Accounting Standards Codification (ASC) Topic 740, Income Taxes, prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Recognition of a tax position is determined when it is more likely than not that a tax position will be sustained on examination by the taxing authorities, including resolution of any related appeals or litigation processes. A tax position that meets the more likely than not recognition threshold is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority.

Use of management's estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value measurements – ASC Topic 820, Fair Value Measurement and Disclosure, prescribes fair value measurements and disclosures for financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (notes 4 & 5).

Recent accounting pronouncements – In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-24, Health Care Entities (Topic 954), Presentation of Insurance Claims and Related Insurance Recoveries (ASU 2010-24), which clarifies that a healthcare entity should not net insurance recoveries against a related claim liability. Eskaton adopted ASU 2010-24 in the fiscal year ending December 31, 2011. The adoption did not have a material impact on the consolidated financial statements.

In August 2010, the FASB issued ASU No. 2010-23, Health Care Entities (Topic 954), Measuring Charity Care for Disclosure (ASU 2010-23), which requires that cost be used as a measurement for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care. It also requires disclosure of the method used to identify or determine such costs. Eskaton adopted ASU 2010-23 in the fiscal year ending December 31, 2011. The adoption did not have a material impact on the consolidated financial statements.

Reclassifications – Certain reclassifications have been made to the 2010 consolidated financial statements to conform to the 2011 presentation.

NOTE 3 – THIRD-PARTY PAYORS

Eskaton has agreements with third-party payors that provide for payments to Eskaton at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare** – Skilled nursing services provided to Medicare program beneficiaries are reimbursed under the Prospective Payment System. Eskaton is reimbursed under this system on a per diem rate depending on each patient category, which is determined by the Resource Utilization Groups (RUG) system. Home health visits rendered to Medicare program beneficiaries are reimbursed under the Prospective Payment System. Eskaton is reimbursed under this system on a per 60-day case rate depending on each patient category, which is detemiined by the Home Health Resource Groups (HHRG) system.

- **Medi-Cal** – Skilled nursing services and home health visits rendered to Medi-Cal program beneficiaries are reimbursed under prospectively determined per diem or per visit rates.

- **Other** – Eskaton has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to Eskaton under these agreements includes prospectively determined daily rates and discounts from established charges.

NOTE 4 – ASSETS LIMITED AS TO USE AND INVESTMENTS

Assets limited as to use – Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use, stated at fair value, as of December 31 is set forth in the following table (in thousands):

	2011	2010
Required under bond indenture agreements for escrow, principal, interest, reserves, and insurance, held by trustee:		
Cash and short-term investments	$ 2,071	$ 2,409
U.S. Treasury notes, government securities, and other corporate debt securities	7,490	6,982
	9,561	9,391
Investments restricted by donors:		
Cash and short-term investments	20	28
Mutual funds	479	476
	499	504
Required to secure stand-by letters of credit supporting the self-insured workers' compensation program and the Eskaton Retirement Plan, held by the issuing bank:		
Cash and short-term investments	2,638	2,630
	12,698	12,525
Less current portion	3,297	3,530
	$ 9,401	$ 8,995

Investments – Investments, at fair value, at December 31 include the following (in thousands):

	2011	2010
Corporate reserves for capital replacement, liquidity, and growth:		
Cash and short-term investments	$ 2,641	$ 2,673
U.S. Treasury notes, government securities, and other corporate debt securities	3,980	4,130
Equity securities	13,336	16,653
Mutual funds	18,016	15,462
Alternative investments	4,143	3,713
	42,116	42,631
Board designated Eskaton Foundation Endowment:		
Cash and short-term investments	48	56
Mutual funds	874	845
	922	901
	43,038	43,532
Less current portion	42,116	42,631
	$ 922	$ 901

ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

> ***Level 1*** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Eskaton has the ability to access at the measurement date.
>
> ***Level 2*** inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
>
> ***Level 3*** inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement, in its entirety.

The fair values of the financial instruments as of December 31, 2011 and 2010, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents – The carrying amounts at face value approximate fair value because of the short maturity of these instruments.

Marketable investment securities – Marketable equity securities, debt securities, and mutual funds are measured using quoted market prices at the reporting date multiplied by the quantity held.

Alternative investment securities – Management has elected to carry alternative investments at fair value under the fair value option. The fair value of alternative investments has been determined using net asset value as a practical expedient.

Investments by level at December 31, 2011 and 2010 are as follows (in thousands):

		Fair value measurements at reporting date using		
	December 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments (including assets limited as to use):				
Cash and cash equivalents	$ 4	$ 4	$ -	$ -
Certificates of deposits	4,190	-	4,190	-
Money market funds	3,224	3,224	-	-
Common stock	13,336	13,336	-	-
Mutual funds	19,369	19,369	-	-
U.S. Government securities	4,090	-	4,090	-
U.S. Government bonds	3,059	-	3,059	-
Other government bonds	3,001	-	3,001	-
Corporate bonds	1,320	-	1,320	-
Alternative investments	4,143	-	-	4,143
Total	$ 55,736	$ 35,933	$ 15,660	$ 4,143

		Fair value measurements at reporting date using		
	December 31, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments (including assets limited as to use):				
Cash and cash equivalents	$ 5	$ 5	$ -	$ -
Certificates of deposits	4,015	-	4,015	-
Money market funds	3,775	3,775	-	-
Common stock	12,287	12,287	-	-
Mutual funds	21,151	21,151	-	-
U.S. Government securities	3,852	-	3,852	-
U.S. Government bonds	4,512	-	4,512	-
Other government bonds	2,645	-	2,645	-
Corporate bonds	103	-	103	-
Alternative investments	3,712	-	-	3,712
Total	$ 56,057	$ 37,218	$ 15,127	$ 3,712

The following table presents Eskaton's alternative investments measured at estimated fair value as of December 31, 2011 and 2010 (in thousands):

Description	Balance as of December 31, 2011	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds (i)	$ 2,305	$ -	Quarterly	95 days
Hedge funds (ii)	1,838	-	Annually	60 days
Total	$ 4,143	$ -		

Description	Balance as of December 31, 2010	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds (i)	$ 2,002	$ -	Quarterly	95 days
Hedge funds (ii)	1,711	-	Annually	60 days
Total	$ 3,713	$ -		

(i) Hedge funds in this category were established for the purpose of achieving capital appreciation through a multi-manager, multi-strategy investment approach while maintaining a low level of volatility. The hedge funds implement their investment programs through investments in individually managed accounts, private investment funds, and affiliated funds.

(ii) Hedge funds in this category were established for the purpose of achieving consistent, positive returns, which are not dependent upon a rising equity market, while attempting to reduce risk and volatility. The hedge funds invest with other hedge funds and other experienced portfolio managers or otherwise utilize the services of investment advisors or other investment managers employing a variety of trading styles or strategies, including, but not limited to, direct lending, convertible arbitrage, merger or risk arbitrage and other event-driven investing, distressed and long/short credit, long/short equity, multi-strategy, and other relative value strategies. The hedge funds have a one-year initial lock-up period subsequent to the initial subscription, which expired on November 1, 2011.

The following tables reconcile the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated financial statements using significant unobservable (Level 3) inputs:

	Hedge funds (i)	Hedge funds (ii)
Balance, January 1, 2011	$ 2,001	$ 1,711
Total realized and unrealized gains and losses		
Included in (deficiency) excess of revenues, gains, and other support over expenses	(32)	27
Included in changes in unrestricted net assets (deficits)	-	-
Purchases	335	100
Sales	-	-
Transfers in and/or out of Level III	-	-
Balance, December 31, 2011	$ 2,305	$ 1,838

	Hedge funds (i)	Hedge funds (ii)
Balance, January 1, 2010	$ -	$ -
Total realized and unrealized gains and losses		
Included in (deficiency) excess of revenues, gains, and other support over expenses	1	11
Included in changes in unrestricted net assets (deficits)	-	-
Purchases	2,000	1,700
Sales	-	-
Transfers in and/or out of Level III	-	-
Balance, December 31, 2010	$ 2,001	$ 1,711

Investment income (loss), expenses, and gains (losses) for assets limited as to use, cash equivalents, and investments are comprised of the following for the years ended December 31 (in thousands):

	Year ended December 31, 2011		
	Obligated Group	Nonobligated	Total
Income (loss):			
Interest and dividend income	$ 1,081	$ 25	$ 1,106
Realized gains on sales of securities	904	52	956
Unrealized losses on trading securities and alternative investments	(1,146)	-	(1,146)
	839	77	916
Less investment expenses	327	1	328
Total investment (loss) income:	$ 512	$ 76	$ 588

	Year ended December 31, 2010		
	Obligated Group	Nonobligated	Total
Income:			
Interest and dividend income	$ 1,377	$ 85	$ 1,462
Realized gains on sales of securities	1,004	23	1,027
Unrealized gains (losses) on trading securities and alternative investments	2,555	(60)	2,495
	4,936	48	4,984
Less investment expenses	301	1	302
Total investment income:	$ 4,635	$ 47	$ 4,682

NOTE 5 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Eskaton has interest rate swap derivative instruments (swaps) to manage its exposure on its debt instruments. By using derivative instruments, Eskaton exposes itself to credit risk and termination risk.

Credit risk exists because Eskaton is dependent upon the interest rate swap counterparty to meet its obligations under the agreement. This risk is measured by the cost associated with replacing the agreement, not by the notional amount of the agreement. At inception, the swap's replacement cost, or fair market value, is close to zero. If interest rates change such that the fair market value of the swap is positive, Eskaton's exposure to the swap counterparty increases, as the cost of replacing the agreement increases. If the fair market value decreases, Eskaton's exposure to the swap counterparty decreases. Eskaton minimizes the credit risk in derivative instruments by entering into transactions with high quality counterparties whose credit rating is higher than A2/A.

Termination risk is the risk that a swap will be terminated by the swap counterparty before maturity and Eskaton, due to adverse market conditions, will be forced to make a cash termination payment to the counterparty. The termination risk associated with swaps is managed by establishing and monitoring parameters that limit the market value sensitivity Eskaton is willing to accept. Termination risk is also mitigated by allowing only Eskaton to have voluntary termination rights and allowing the swap counterparty to terminate only under specific ratings downgrade triggers of Eskaton.

The estimated fair values of derivative instruments have been determined using Level 2 inputs including available market information and valuation methodologies. At December 31, 2011 and 2010, the fair values of these derivatives were recorded in the consolidated balance sheets at net liabilities of $21.1 million and $12.0 million, respectively. The credit risk assumption, as required under ASC Topic 820, reduced Eskaton's interest rate swap liability by $2.9 million and $0.8 million in 2011 and 2010, respectively.

Interest rate swap agreements for variable-rate debt – Eskaton has issued variable-rate debt to refinance various debt issuances and finance capital improvements. The variable-rate debt obligations expose Eskaton to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps effectively changed the variable-rate cash flow exposure on the debt obligations to fixed-rate cash flows. Under the terms of the swaps, Eskaton makes fixed interest rate payments and receives variable interest rate payments, thereby creating the equivalent of fixed-rate debt. As of December 31, 2011 and 2010, Eskaton was party to swap agreements with an aggregate notional principal amount of $89.2 million and $91.0 million, respectively.

Terminated interest rate swap agreements with Lehman Brothers – Eskaton held six interest rate swap agreements with Lehman Brothers Special Financing Inc. (Lehman) at the time Lehman declared bankruptcy in 2008. Lehman's bankruptcy was an event of default under the swap agreements providing Eskaton various rights as the nondefaulting party to the agreements. Eskaton subsequently exercised its rights under the agreements and terminated all six of its swaps with Lehman effective November 25, 2008. At the effective date of termination, the fair value of the net liability position of Eskaton to Lehman was approximately $12.6 million.

In accordance with the terms of the swap agreements, Eskaton conducted a bid process with alternative counterparties to determine the market value of the swaps based on terms of an acceptance of assignment from replacement counterparties. Due to the absence of any bids from alternative counterparties for the swap agreements, Eskaton retained a consultant to perform a loss-method valuation of the swaps based on a reasonable estimate of what a replacement swap with different terms might cost, adjusted for the differences in terms from the existing swaps. The loss-method valuation resulted in a net receivable position of Eskaton from Lehman of approximately $7.9 million. Eskaton filed the appropriate settlement amount notices with Lehman but did not recognize a receivable for the $7.9 million from Lehman due to its bankruptcy filing status.

In accordance with the alternative dispute resolution (ADR) process established by the United States Bankruptcy Court, Southern District of New York, Lehman filed a Derivatives ADR Notice on February 4, 2011 with a settlement demand in the amount of $15.1 million. Eskaton filed a Response to Derivatives ADR Notice on March 21, 2011 denying the settlement demand. On April 5, 2011, Lehman replied to Eskaton's response to derivatives ADR notice and revised their settlement demand to $13.4 million due to an error in its original calculation. Mediation commenced in August 2011 in accordance with the ADR process and a settlement was reached in December 2011. In accordance with the termination settlement agreement, Eskaton made a payment to Lehman of approximately $5.2 million on January 5, 2012 as full settlement of all interest rate swap agreement claims between the parties. Accordingly, Eskaton reduced its liability related to terminated interest rate swap agreements from approximately $12.6 million to approximately $5.2 million and recognized a gain on settlement of approximately $7.4 million which is included in interest rate swap activities in the consolidated statement of operations and changes in net assets (deficit) for the year ended December 31, 2011.

Interest rate swap activities – Interest rate swap activities recognized as a change in total revenues, gains, and other support for the years ended December 31 consist of the following (in thousands):

	2011	2010
Obligated Group:		
Unrealized loss on interest rate swap agreements for variable-rate debt	$ (6,345)	$ (2,739)
Gain on settlement of terminated swaps	7,759	-
Nonobligated:		
Unrealized loss on interest rate swap agreements for variable-rate debt	(2,731)	(1,379)
Loss on settlement of terminated swaps	(376)	-
Net unrealized loss on interest rate swap agreements (including terminated swaps)	(1,693)	(4,118)
Obligated Group:		
Net payments on interest rate swap agreements	(2,131)	(2,200)
Nonobligated:		
Net payments on interest rate swap agreements	(1,225)	(1,233)
Total interest rate swap activities (including terminated swaps)	$ (5,049)	$ (7,551)

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of the following (in thousands):

	2011	2010
Land	$ 16,254	$ 14,878
Land improvements	16,859	16,813
Buildings and improvements	168,086	160,799
Equipment	23,062	20,101
	224,261	212,591
Accumulated depreciation	(107,083)	(97,947)
	117,178	114,644
Construction in progress	718	381
Property and equipment, net	$ 117,896	$ 115,025

During the years ended December 31, 2011 and 2010, no interest was capitalized.

NOTE 7 – LONG-TERM DEBT

Long-term debt at December 31 consists of the following (in thousands):

	2011	2010
Obligated Group:		
Series 2008A Tax-Exempt Variable-Rate Demand Revenue Refunding Bonds (Series 2008A Bonds) due 2029, principal due in annual installments and variable interest due monthly (0.10% and 0.35% at December 31, 2011 and 2010, respectively); supported by direct-pay irrevocable bank letter of credit; secured by deeds of trust.	$ 20,750	$ 21,500
Series 2008B Tax-Exempt Variable-Rate Demand Revenue Refunding Bonds (Series 2008B Bonds) due 2035, principal due in annual installments and variable interest due monthly (0.10% and 0.39% at December 31, 2011 and 2010, respectively); supported by direct-pay irrevocable bank letter of credit; secured by deeds of trust.	44,720	45,790
Series 2007 Taxable Variable-Rate Demand Revenue Bonds (Series 2007 Granite Bay Bonds) due 2037, principal due in annual installments and variable interest due monthly (0.35% and 0.60% at December 31, 2011 and 2010, respectively); supported by direct-pay irrevocable bank letter of credit; secured by deeds of trust.	11,655	11,830
Series 1999 Tax-Exempt Convertible Certificates of Participation Select Auction Variable-Rate Securities (Series 1999 Certificates) due 2029; principal due in annual installments and variable interest due every 35 days (0.81% and 0.78% at December 31, 2011 and 2010, respectively); insured by ACA Financial Guaranty and wrapped with insurance by Radian Asset Assurance; secured by deeds of trust.	33,100	34,100
Other notes, due through 2013	3,028	3,571
Nonobligated:		
Series 2007 Tax-Exempt Variable-Rate Demand Revenue Bonds (Series 2007 Placerville Bonds) due 2038, principal due in annual installments commencing in 2011 and variable interest due monthly (0.14% and 0.39% at December 31, 2011 and 2010, respectively); supported by direct-pay irrevocable bank letter of credit; secured by deed of trust.	12,540	12,750
Series 2006 Tax-Exempt Variable-Rate Demand Revenue Bonds (Series 2006 Bonds) due 2037, principal due in annual installments commencing in 2010 and variable interest due monthly (2.00% and 0.38% at December 31, 2011 and 2010, respectively); supported by direct-pay irrevocable bank letter of credit, secured by deed of trust.	21,250	21,635
Other notes, due through 2014	5,654	-
	152,697	151,176
Less current maturities	36,949	4,138
	$ 115,748	$ 147,038

As of December 31, 2011 and 2010, Eskaton was comprised of the entities described in Note 1. Pursuant to a Master Indenture and related agreements, the Eskaton Properties Incorporated Obligated Group (Obligated Group) is comprised of EPI, EVGV, and EGRL (see Schedule 1).

Maturities (as calculated based on the following paragraph) of long-term debt are as follows (in thousands):

Year ending December 31:		
2012	$	36,949
2013		6,388
2014		79,260
2015		1,250
2016		1,300
Thereafter		27,550
	$	152,697

Eskaton calculated the above maturities of long-term debt as if the variable rate demand bonds were put by the holders and not successfully remarketed or refinanced and were required to be repaid under an accelerated schedule in accordance with the terms of the related bank letters of credit. If the bonds are put by the investors, the bonds are immediately redeemed by the bank for the benefit of the investors, and if the remarketing agent is unable to remarket the bonds, or if Eskaton is unable to refinance the bonds, then Eskaton is required to repay the bank under an accelerated schedule of installment payments and/or in a balloon payment upon the expiration date of the letter of credit agreement.

The total amount of long-term debt supported by letter of credit agreements at December 31, 2011 was approximately $111 million. Eskaton pays fees on each letter of credit facility, which range from 0.75% to 1.50% per annum.

Interest expense related to long-term debt for the years ended December 31, 2011 and 2010, comprises the following (in thousands):

		2011		2010
Obligated Group:				
Interest on bonds and notes	$	552	$	733
Letter of credit and other financing fees		1,467		1,648
Amortization of debt issuance costs		426		628
Nonobligated:				
Interest on bonds and notes		359		103
Letter of credit and other financing fees		578		560
Amortization of debt issuance costs		224		243
	$	3,606	$	3,915

Under the terms of the Series 2008A Bonds, Series 2008B Bonds, Series 2007 Placerville Bonds, Series 2007 Granite Bay Bonds, Series 2006 Bonds, and Series 1999 Certificates, Eskaton is required to maintain certain deposits with a trustee. Such deposits are included in assets limited as to use. The Master Indenture (Series 2008A Bonds, Series 2008B Bonds, Series 2007 Granite Bay Bonds, and Series 1999 Certificates) and the bank letters of credit (Series 2008A Bonds, Series 2008B Bonds, Series 2007 Placerville Bonds, Series 2007 Granite Bay Bonds, and Series 2006 Bonds) contain restrictive covenants that require, among other things, that Eskaton maintain specified debt service coverage ratios and days cash on hand ratios and include certain requirements regarding the management of revenues. The Master Indenture and the bank letters of credit also place limits on the incurrence of additional borrowings as long as the bonds or certificates are outstanding. The bank letters of credit and remarketing agreements require Eskaton to report material adverse changes. The remaining Series 1999 Certificates are insured by the ACA Financial Guaranty Corporation and wrapped with insurance by Radian Asset Assurance. The Series 2006 Bonds are secured by a bank letter of credit with KBC Bank N.V. expiring May 15, 2012. The Series 2007 Granite Bay Bonds, which were previously secured by a bank letter of credit with KBC Bank N.V. through March 31, 2011, are now secured by a bank letter of credit with U.S. Bank, N.A. expiring March 31, 2014. The Series 2008B Bonds, which were previously secured by a bank letter of credit with Bank of America, N.A. through March 31, 2011, are now secured by a bank letter of credit with U.S. Bank, N.A. expiring March 31, 2014. The Series 2008A Bonds are secured by a bank letter of credit with U.S. Bank, N.A. expiring March 31, 2014. The Series 2007 Placerville Bonds are secured by a bank letter of credit with Bank of America, N.A. expiring August 2, 2012.

Long-term debt is carried at amortized cost. The fair value of Eskaton's long-term debt is estimated to equal its carrying value based on Level 2 inputs, such as the quoted market prices for the same or similar issues or on the current rates offered to Eskaton for debt of the same remaining maturities.

The Obligated Group has entered into support agreements in favor of banks providing letters of credit to certain affiliates that are not members of the Obligated Group. The Obligated Group advanced a total of $1,000,000 and $600,000 in 2011 and 2010, respectively, pursuant to the support agreements.

EVR's letter of credit agreement associated with the Series 2006 Bonds contains a covenant related to minimum occupancy. The EVR minimum occupancy covenant was violated effective September 30, 2010, triggering the need for management to file a report with the letter of credit provider, which was done in October 2010. If the minimum occupancy covenant at December 31, 2010 were also violated (for a second consecutive quarter) an event of default would have occurred, which may have caused the acceleration of payments of the associated debt. In December 2010, EVR and the letter of credit provider amended the Series 2006 Bonds letter of credit agreement and modified the December 31, 2010 and future minimum occupancy covenants. Management expects that the occupancy of the facility will remain in excess of the minimum occupancy levels required by the letter of credit agreement, as amended, for the foreseeable future, but there can be no assurance of continuing compliance.

EVP's letter of credit agreement associated with the Series 2007 Placerville Bonds contains a covenant related to minimum occupancy of the facility. The EVP minimum occupancy covenant was violated effective September 30, 2010, which constituted an event of default. In October 2010, EVP and the letter of credit provider amended the Series 2007 Placerville Bonds letter of credit agreement and modified the September 30, 2010 and future minimum occupancy covenants such that EVP is, and has been, in compliance with the minimum occupancy level. Management expects that the occupancy of the facility will remain in excess of the minimum occupancy levels required by the letter of credit agreement, as amended, for the foreseeable future, but there can be no assurance of continuing compliance.

NOTE 8 – PENSION PLANS

Eskaton has a defined benefit cash balance pension plan whereby a participant's monthly rate of retirement benefits shall equal one twelfth of the amount determined in accordance with the Plan provisions. A participant may elect an optional form of benefit, including a single lump-sum payment. The Eskaton Retirement Plan covers all employees of Eskaton, EPI, EGRL, EVGV, EVR, EVP, Eskaton Foundation, and LD who have attained the age of 21 after completion of one year of service in which the employee completes 1,000 hours of service. The Plan requires five benefit years to vest. Contributions of $3,308,000 and $2,476,000 were made for the years ended December 31, 2011 and 2010, respectively.

Eskaton is party to an irrevocable standby letter of credit totaling $3,155,000 at December 31, 2011 and 2010, with the Eskaton Retirement Plan named as beneficiary. The standby letter of credit supports restricted distributions (amounts distributed as lump sums in excess of amounts that would have been distributed as annuity payments) to 4 of the top 25 retirees of the Plan. The stand-by letter of credit would only be called upon in the event that Eskaton terminated the Plan and assets were insufficient to meet the Plan liabilities. Management has no plans to terminate the Plan and thus performance is not expected to be required. Management is therefore of the opinion that the fair value of this instrument is zero.

Eskaton also maintains a Supplemental Executive Retirement Plan (SERP) that provides supplemental funds for retirement or death for selected key employees of Eskaton in the event that the Eskaton Retirement Plan benefits of such individuals are less than the specified target. The SERP is a nonqualified plan intended to meet the requirements of an ineligible deferred compensation plan as described in Section 457(f) of the Internal Revenue Code of 1986. The benefit under the SERP is offset by certain portions of the Eskaton Retirement Plan. It is expected over time that the benefits payable from the SERP will be nearly completely offset by the cash balance pension plan.

The following table sets forth the plan's benefit obligations, fair value of assets, and funded status at December 31, 2011 and 2010 (in thousands):

	Eskaton Retirement Plan		SERP	
	2011	2010	2011	2010
Benefit obligation	$ 23,501	$ 21,119	$ -	$ 339
Fair value of assets	17,614	15,345	-	-
Funded status at end of year (liabilities recognized in consolidated balance sheets)	$ (5,887)	$ (5,774)	$ -	$ (339)

The accumulated benefit obligation for the pension plan was $23,234,000 and $20,908,000 at December 31, 2011 and 2010, respectively. Net periodic benefit cost recognized and other changes in plan assets and benefit obligations is excluded from (deficiency) excess of revenues over expenses in 2011 and 2010 and were as follows (in thousands):

	Eskaton Retirement Plan		SERP	
	2011	2010	2011	2010
Net periodic benefit cost recognized	$ 1,807	$ 1,877	$ -	$ 47
Other changes in plan assets and benefit obligations recognized in accumulated unrestricted net assets (deficit):				
Net actuarial (loss) gain	1,611	(641)	-	75
Prior service cost	3	(239)	-	(36)
Total recognized in accumulated unrestricted net assets (deficit)	1,614	(880)	-	39
Total recognized in net periodic benefit cost and accumulated unrestricted net assets (deficit)	$ 3,421	$ 997	$ -	$ 86

The net loss and prior service cost for the Eskaton Retirement Plan that will be amortized from unrestricted net assets (deficit) into net periodic benefit cost over the next fiscal year is $897,000 and $158,000, respectively. The net gain and prior service cost for the SERP that will be amortized from unrestricted net assets (deficit) into net periodic benefit cost over the next fiscal year is $3,000 and $0, respectively.

Weighted average assumptions used are as follows:

	Eskaton Retirement Plan		SERP	
	2011	2010	2011	2010
Discount rate - benefit obligation	4.30%	5.20%	4.30%	5.20%
Discount rate - benefit cost	5.20%	5.70%	5.20%	5.70%
Expected rate of return on plan assets	7.50%	8.50%	n/a	n/a
Rate of compensation increase	3.00%	3.00%	4.00%	4.00%

Eskaton's expected rate of return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The following table summarizes benefit costs, employer contributions, settlement payments, and benefits paid during 2011 and 2010 (in thousands):

	Eskaton Retirement Plan				SERP			
	2011		2010		2011		2010	
Benefit cost	$	1,807	$	1,877	$	137	$	47
Employer contribution	$	3,308	$	2,476	$	-	$	-
Settlement	$	-	$	-	$	-	$	-
Benefits paid	$	(1,355)	$	(517)	$	-	$	-

Measurement date – The measurement date used to determine pension benefit measures for the plans is December 31.

Cash flows – Eskaton expects to contribute $2,398,000 to the Eskaton Retirement Plan and $0 to the SERP during the year ending December 31, 2012.

The benefits expected to be paid are as follows (in thousands):

	Eskaton Retirement Plan		SERP	
2012	$	3,541	$	-
2013	$	2,003	$	-
2014	$	1,824	$	-
2015	$	1,768	$	-
2016	$	1,585	$	-
2017 - 2021	$	7,619	$	-

The expected benefits are based on the same assumptions used to measure Eskaton's benefit obligation at December 31, 2011 and include estimated future employee service.

Plan assets – Eskaton's investment policy for the Eskaton Retirement Plan states the overall investment objectives of the account. It also contains a target asset mix and asset mix restrictions, which in combination with the skills of each investment manager should achieve these objectives.

The objectives of the account are expected to be pursued as a long-term goal designed to maximize the returns without exposure to undue risk. Each investment manager's greatest concern is expected to be long-term appreciation of the assets and consistency of total portfolio returns. Recognizing that short-term market fluctuations may cause variations in the account performance, management expects the account to achieve the following objectives over a three-year rolling time period:

- The account's total return will exceed the increase in the Consumer Price Index by 3.0% annually.

- The total return will exceed 8.4% annually, net of fees.

Target Asset Mix Table
Overall Portfolio

Asset class	Minimum percentage	Target percentage	Maximum percentage
Domestic equities	30%	45%	60%
Real estate	0%	5%	10%
International equities	10%	15%	20%
Domestic fixed income	15%	25%	35%
Alternative investments	0%	10%	20%

The asset allocations of plan assets at December 31, 2011 are as follows (in thousands):

		Fair value measurements at December 31, 2011 — Plan assets		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset category				
Cash	$ 1,808	$ 1,808	$ -	$ -
Money market funds	668	668	-	-
Common stock	4,669	4,669	-	-
Mutual funds	6,502	6,502	-	-
U.S. government securities	670	-	670	-
U.S. government bonds	557	-	557	-
Guaranteed investment account	1,125	-	1,125	-
Pooled separate account	88	-	88	-
Alternative investments	1,527	-	-	1,527
Total pension assets	$ 17,614	$ 13,647	$ 2,440	$ 1,527

There were no redemptions, sales, or realized investment gains related to Level 3 securities in 2011.

The asset allocations of plan assets at December 31, 2010 are as follows (in thousands):

		Fair value measurements at December 31, 2010		
		Plan assets		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset category				
Cash	$ 28	$ 28	$ -	$ -
Money market funds	288	288	-	-
Common stock	4,398	4,398	-	-
Mutual funds	6,793	6,793	-	-
U.S. government securities	480	-	480	-
U.S. government bonds	760	-	760	-
Guaranteed investment account	1,202	-	1,202	-
Pooled separate account	87	-	87	-
Alternative investments	1,309	-	-	1,309
Total pension assets	$ 15,345	$ 11,507	$ 2,529	$ 1,309

There were no redemptions, sales, or realized investment gains related to Level 3 securities in 2010.

NOTE 9 – ESKATON VILLAGE CARMICHAEL

EVC is a multi-level continuing care community offering independent living, assisted living for those residents needing assistance with two or more of the functions of daily living and residents with cognitive impairments, and skilled nursing for all other residents. EVC is located on a 37-acre parcel of land in Carmichael, California, and consists of the following living units:

Unit type	Number of units
Apartments	201
Cottages	94
Assisted living	38
Assisted living – special care unit	20
Skilled nursing	35

Residents of the apartments and cottages pay a membership fee and sign a membership agreement, which has been approved by the Continuing Care Contracts Branch of the California Department of Social Services. The membership fee is refundable only from reoccupancy proceeds. Residents may resell their membership to another qualified individual, and Eskaton receives a transfer fee of 10% of the original membership fee amount, capped at a maximum of 10% of the new sales price. In addition, appreciation in excess of the original membership fee amount is shared equally between the resident and Eskaton.

Eskaton is obligated to provide future services and the use of the EVC facility to the residents. Residents are charged monthly maintenance fees, which are used to pay routine operating expenses of EVC. Management has determined that the deferred revenue from unamortized EVC membership fees and future monthly fees exceeds the present value of the net cost of future services and use of the EVC facility to be provided to residents as of December 31, 2011 and 2010, discounted at 6%. Accordingly, Eskaton has not recorded a liability to provide future services as of December 31, 2011 and 2010.

NOTE 10 – SELF-INSURED EMPLOYEE HEALTH AND WORKERS' COMPENSATION

Eskaton and its subsidiaries are self-insured for employee health and workers' compensation up to $150,000 and $1,500,000 per claim, respectively. Eskaton maintains stop-loss insurance policies with limits of $0 and $25,000,000 per claim, respectively. Accruals have been made for estimated liabilities, including estimates for incurred but not reported claims. Eskaton has recorded a liability of $1,307,000 and $1,270,000 at December 31, 2011 and 2010, respectively, in relation to employee health. Eskaton has recorded a liability of $4,438,000 and $3,479,000 at December 31, 2011 and 2010, respectively, in relation to workers' compensation. Eskaton is party to an irrevocable standby letter of credit for workers' compensation totaling $3,740,000, at December 31, 2011 and 2010, with the State of California named as beneficiary. In Eskaton's past experience, no claims have been made against this financial instrument. Management does not expect any material loss to result from this off-balance-sheet instrument because performance is not expected to be required and, therefore, is of the opinion that the fair value of this instrument is zero.

NOTE 11 – PROFESSIONAL LIABILITY INSURANCE

Eskaton maintains claims-made commercial professional liability insurance coverage with California Healthcare Insurance Company covering losses up to $5,000,000 per claim, annual aggregate of $15,000,000, with a $10,000 deductible per claim. Eskaton has recorded a liability of $1,330,000 and $1,167,000 for the tail exposure at December 31, 2011 and 2010, respectively. In accordance with ASU 2010-24, Eskaton has also recorded a liability of $2,261,000 at December 31, 2011 for estimated claim liabilities insured under its liability policy.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Eskaton is a defendant in various legal actions arising from its normal conduct of business. It is the opinion of Eskaton's management, after consulting with legal counsel, that the outcome of such matters will not have a material adverse effect on the consolidated financial position or results of operations of Eskaton.

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

Eskaton's financial instruments that are exposed to concentrations of credit risk consist primarily of its accounts receivable.

Eskaton's operating facilities are located primarily in the Sacramento, California, metropolitan area. Eskaton grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. Receivables (before allowances for uncollectible accounts and net of applicable contractual allowances) from patients and third-party payors at December 31 are as follows (in thousands):

	2011	2010
Medicare	$ 612	$ 1,097
Medi-Cal	1,732	1,989
Other third-party payors	3,771	4,009
Patients and residents	661	588
	$ 6,776	$ 7,683

NOTE 14 – FUNCTIONAL EXPENSES

Eskaton provides health services, residential services, and community service programs within its geographic location. Expenses related to providing these services are as follows (in thousands):

	2011	2010
Health services	$ 38,494	$ 36,626
Residential services	50,959	49,963
Community service programs	1,170	998
Fund raising	695	698
General and administrative	12,709	11,466
	$ 104,027	$ 99,751

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before consolidated financial statements are issued.

Eskaton FountainWood Lodge (EFWL) is a not-for-profit 501(c)(3) California corporation formed in 2011 that will own and operate at 94-apartment assisted living community in Orangevale, CA. On January 1, 2012, Eskaton transferred all of its assets and liabilities related to its acquisition of a 94-apartment assisted living community on March 31, 2011 to the newly formed corporation. Concurrent with the transfer of assets and liabilities, Eskaton terminated its lease with EPI for the operation of the 94-apartment assisted living community and all operations were transferred from EPI to EFWL.

Eskaton Village – Placerville, LLC (EVP) is a not-for-profit 501(c)(3) California corporation formed in 2009 that will own and operate a 64-apartment assisted living community in Placerville, CA. On January 1, 2012, EVP transferred all of its assets and liabilities related to the 64-apartment assisted living community to the EVP.

Effective January 1, 2012, Eskaton entered into a new obligation under the Master Indenture, and a new supplemental master indenture of trust supplementing the Master Indenture, in order to secure the irrevocable standby letter of credit for the Eskaton Retirement Plan (as referenced in Note 8) and the irrevocable standby letter of credit for the self-insured workers' compensation plan (as referenced in Note 10). The standby letters of credit were previously secured by certificates of deposit totaling approximately $2.6 million and were included in assets whose use is limited on the balance sheets at December 31, 2011 and 2010. Upon the execution of the new obligation and supplemental master indenture of trust, the certificates of deposit were released from restriction and are included in unrestricted cash and cash equivalents in 2012.

As discussed in Note 5, on January 5, 2012, Eskaton made a payment of approximately $5.2 million to Leman in accordance with the termination agreement entered into by the parties in December 2011.

As a result of favorable conditions in the credit markets, it was determined that an opportunity had arisen to potentially refinance with fixed rate debt the Series 1999 Certificates. Eskaton will continue to pursue this refinancing effort should prevailing favorable market conditions permit.

Eskaton has entered in an agreement to extend its existing letter of credit with KBC Bank, N.V. that was scheduled to expire May 15, 2012 for an additional 60-day period expiring July 15, 2012. The extension agreement is pending final signatures. Prior to or concurrent with the revised expiration at July 15, 2012, management expects to replace the letter of credit with KBC Bank, N.V. with a direct placement of the Series 2006 Bonds with a different bank for a five year term. In order to secure the Series 2006 Bonds for the benefit of the direct placement bank, Eskaton intends to admit EVR to the Obligtated Group concurrent with the direct placement. The revised Obligated Group will then be comprised of EPI, EVGV, EGRL, and EVR. Thereafter, the Series 2006 Bonds will be secured by deeds of trust under the Master Indenture.

Subsequent events have been evaluated through April 27, 2012, which is the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

ESKATON AND SUBIDIARIES
CONSOLIDATING SCHEDULE – BALANCE SHEET
December 31, 2011

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Gold River Lodge	Eskaton Obligated Group Total	Edenton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Roseville	Eskaton Village Placerville	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Assets															
Current assets:															
Cash and cash equivalents	$ 11,814	$ 170	$ 153	$ 12,137	$ -	$ 12,137	$ 305	$ 699	$ 2,088	$ 1,307	$ 94	$ 189	$ 16,819	$ -	$ 16,819
Assets limited as to use	3,227	46	24	3,297	-	3,297	-	-	-	-	-	-	3,297	-	3,297
Investments	41,849	-	-	41,849	-	41,849	-	-	164	103	-	-	42,116	-	42,116
Accounts receivable, net	6,322	20	51	6,393	-	6,393	95	-	23	12	-	-	6,523	-	6,523
Other receivables	1,260	21	(2)	1,279	-	1,279	46	202	-	-	9	2	1,538	-	1,538
Notes receivable	274	-	-	274	-	274	-	-	-	-	-	-	274	-	274
Inventories	195	7	8	210	-	210	-	-	5	6	-	-	221	-	221
Deposits and prepaid expenses	573	14	12	599	-	599	20	-	68	19	-	1	707	-	707
Due from related parties	2,508	-	-	2,508	-	2,508	13	31	-	-	102	118	2,772	(2,772)	-
Total current assets	68,022	278	246	68,546	-	68,546	479	932	2,348	1,447	205	310	74,267	(2,772)	71,495
Assets limited as to use, net of amount required for current liabilities	4,362	1,446	753	6,561	-	6,561	-	-	1,418	923	-	499	9,401	-	9,401
Investments	-	-	-	-	-	-	-	-	-	-	-	922	922	-	922
Property and equipment, net	58,358	10,438	8,134	76,930	(187)	76,743	9,308	-	18,671	12,536	633	5	117,896	-	117,896
Other assets:															
Land available for sale	1,050	-	-	1,050	-	1,050	-	-	-	-	-	-	1,050	-	1,050
Due from liability insurer	2,261	-	-	2,261	-	2,261	-	-	-	-	-	-	2,261	-	2,261
Deferred financing costs, net	1,491	149	77	1,717	-	1,717	32	-	49	94	-	-	1,892	-	1,892
Associate member/resident/patient deposits	4,945	-	9	4,954	-	4,954	-	-	-	1	-	-	4,955	-	4,955
Other	157	-	-	157	-	157	1,784	-	-	-	-	-	1,941	(1,225)	716
Due from related parties, net of current portion	5,200	-	-	5,200	-	5,200	-	-	-	-	-	-	5,200	(5,200)	-
	15,104	149	86	15,339	-	15,339	1,816	-	49	95	-	-	17,299	(6,425)	10,871
Total assets	$ 145,846	$ 12,311	$ 9,219	$ 167,376	$ (187)	$ 167,189	$ 11,603	$ 932	$ 22,486	$ 15,001	$ 838	$ 1,736	$ 219,785	$ (9,197)	$ 210,588

ESKATON AND SUBIDIARIES
CONSOLIDATING SCHEDULE – BALANCE SHEET (Continued)
December 31, 2011

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Gold River Lodge	Eskaton Obligated Group Total	Edenton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Roseville	Eskaton Village Placerville	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Liabilities and net assets (deficit)															
Current liabilities															
Current maturities of long-term debt	$ 2,166	$ 543	$ 283	$ 2,992	$ -	$ 2,992	$ 167	$ -	$ 21,250	$ 12,540	$ -	$ -	$ 36,949	$ -	$ 36,949
Current portion of deferred revenue from unamortized CCRC membership fees	2,132	-	-	2,132	-	2,132	-	-	-	-	-	-	2,132	-	2,132
Deposits on unoccupied CCRC units	149	12	-	161	-	161	-	-	-	-	-	-	161	-	161
Accounts payable	1,552	63	73	1,688	-	1,688	12	-	109	50	-	8	1,867	-	1,867
Accured liabilities:															
Payroll and payroll taxes	1,309	72	89	1,470	-	1,470	32	61	88	54	-	-	1,705	-	1,705
Vacation	1,176	44	46	1,266	-	1,266	45	86	80	34	3	9	1,523	-	1,523
Current portion of self-insured workers compensation	2,593	-	-	2,593	-	2,593	-	-	-	-	-	-	2,593	-	2,593
Self-insured employee health plan	1,307	-	-	1,307	-	1,307	-	-	-	-	-	-	1,307	-	1,307
Interest	109	61	32	202	-	202	18	-	88	41	-	-	349	-	349
Other	2,281	7	31	2,319	-	2,319	-	-	2	19	13	-	2,353	-	2,353
Liability related to terminated interest rate swap agreements	4,970	221	-	5,191	-	5,191	-	-	-	-	-	-	5,191	-	5,191
Due to related parties	155	-	-	155	-	155	1,597	785	139	96	-	-	2,772	(2,772)	-
Total current liabilities	19,899	1,023	554	21,476	-	21,476	1,871	932	21,756	12,834	16	17	58,902	(2,772)	56,130
Other liabilities															
Self-insured workers' compensation net of current portion	1,845	-	-	1,845	-	1,845	-	-	-	-	-	-	1,845	-	1,845
Interest rate swap agreements	6,574	4,861	2,529	13,964	-	13,964	-	-	5,199	1,914	-	-	21,077	-	21,077
Unfunded pension obligation	6,489	-	-	6,489	-	6,489	-	-	-	-	-	-	6,489	-	6,489
Professional liability	3,591	-	-	3,591	-	3,591	-	-	-	-	-	-	3,591	-	3,591
Associate member/resident/patient deposts	4,945	-	9	4,954	-	4,954	-	-	-	1	-	-	4,955	-	4,955
Other	36	11	-	47	-	47	21	-	126	5	-	-	199	-	199
Due to related parties, net of current portion	-	-	-	-	-	-	1,250	-	2,450	1,500	-	-	5,200	(5,200)	-
	23,480	4,872	2,538	30,890	-	30,890	1,271	-	7,775	3,420	-	-	43,356	(5,200)	38,156
Long-term debt, lease current maturities	77,350	21,647	11,264	110,261	-	110,261	5,487	-	-	-	-	-	115,748	-	115,748
Deferred revenue from unamortized CCRC membership fees, net of current portion	17,587	-	-	17,587	-	17,587	-	-	-	-	-	-	17,587	-	17,587
Total liabilities	138,316	27,542	14,356	180,214	-	180,214	8,629	932	29,531	16,254	16	17	235,593	(7,572)	227,621
Commitments and contingencies															
Net assets (deficit)															
Unrestricted net assets (deficit)	7,518	(15,231)	(5,137)	(12,850)	(187)	(13,037)	2,974	-	(7,045)	(1,253)	822	941	(16,598)	(1,225)	(17,823)
Temporarily restricted net assets	12	-	-	12	-	12	-	-	-	-	-	268	280	-	280
Permanently restricted net assets	-	-	-	-	-	-	-	-	-	-	-	510	510	-	510
Total net assets (deficit)	7,530	(15,231)	(5,137)	(12,838)	(187)	(13,025)	2,974	-	(7,045)	(1,253)	822	1,719	(15,808)	(1,225)	(17,033)
Total liabilities and net assets (deficit)	$ 145,846	$ 12,311	$ 9,219	$ 167,376	$ (187)	$ 167,189	$ 11,603	$ 932	$ 22,486	$ 15,001	$ 838	$ 1,736	$ 219,785	$ (9,197)	$ 210,588

ESKATON AND SUBIDIARIES
CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
Year ended December 31, 2011

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Gold River Lodge	Eskaton Obligated Group Total	Edenton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Roseville	Eskaton Village Placerville	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Unrestricted net assets (deficit):															
Revenue, gains, and other support:															
Net patient service revenue	$ 43,867	$ -	$ -	$ 43,867	$ -	$ 43,867	$ 788	$ -	$ -	$ -	$ -	$ -	$ 44,655	$ -	$ 44,655
Resident service revenue, including amortization of CCRC membership fees	35,232	5,599	4,787	45,618	-	45,618	-	-	4,949	3,408	-	-	53,975	-	53,975
Other, net	4,441	358	37	4,836	(737)	4,099	261	6,706	486	294	101	213	12,160	(2,614)	9,546
Total revenues, gains, and other support	83,540	5,957	4,824	94,321	(737)	93,584	1,049	6,706	5,435	3,702	101	213	110,790	(2,614)	108,176
Expenses:															
Salaries and wages	36,915	1,667	1,841	40,423	-	40,423	1,117	5,112	1,948	1,257	104	406	50,367	(1,207)	49,160
Employee benefits	12,326	512	576	13,414	-	13,414	363	1,592	604	437	32	121	16,563	(339)	16,224
Professional fees	968	1	1	970	-	970	5	-	-	32	61	37	1,105	-	1,105
Supplies	3,434	448	340	4,222	-	4,222	95	-	320	241	9	27	4,914	(55)	4,859
Purchased services	4,991	700	558	6,249	(737)	5,512	199	-	601	423	48	43	6,826	(697)	6,129
Ancillary costs	2,690	26	43	2,759	-	2,759	1	-	52	29	-	-	2,841	-	2,841
Utilities	3,222	310	214	3,746	-	3,746	16	-	107	174	3	2	4,128	-	4,123
Insurance and other	5,858	237	211	6,306	-	6,306	348	2	259	179	26	287	7,407	(856)	6,551
Depreciation	5,790	819	503	7,112	(9)	7,103	413	-	973	629	25	6	9,149	-	9,149
Interest and amortization	1,520	608	317	2,445	-	2,445	250	-	631	280	-	-	3,606	-	3,606
Provision for uncollectible accounts	270	-	5	275	-	275	-	-	-	-	-	-	275	-	275
Total operating expenses	77,984	5,328	4,609	87,921	(746)	87,175	2,807	6,706	5,575	3,681	308	929	107,181	(3,154)	104,027
Income (loss) from operations	5,556	629	215	6,400	9	6,409	(1,758)	-	(140)	21	(207)	(716)	3,609	540	4,149
Nonoperating revenue and expenses:															
Investment (loss) income	440	47	25	512	-	512	-	-	3	2	-	71	583	-	588
Interest rate swap activities	3,560	(2,749)	(1,528)	(717)	-	(717)	-	-	(3,535)	(797)	-	-	(5,049)	-	(5,049)
Other	(2,682)	-	-	(2,682)	-	(2,682)	540	-	(36)	-	-	-	(2,178)	(540)	(2,718)
Total nonoperating revenue and expenses	1,318	(2,702)	(1,503)	(2,887)	-	(2,887)	540	-	(3,568)	(795)	-	71	(6,639)	(540)	(7,179)
Excess (deficiency) of revenues, gains, and other support over expenses	6,874	(2,073)	(1,288)	3,513	9	3,522	(1,218)	-	(3,708)	(774)	(207)	(645)	(3,030)	-	(3,030)

CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (Continued)

Year Ended December 31, 2011

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Gold River Lodge	Eskaton Obligated Group Total	Edenton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Roseville	Eskaton Village Placerville	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Excess (deficiency) of revenues, gains and other support over expenses (page 32)	$ 6,874	$ (2,073)	$ (1,288)	$ 3,513	$ 9	$ 3,522	$ (1,218)	$ -	$ (3,708)	$ (774)	$ (207)	$ (645)	$ (3,030)	$ -	$ (3,030)
Net unrealized losses on investment securities	-	-	-	-	-	-	-	-	-	-	-	(99)	(99)	-	(99)
Pension related changes other than net period pension cost	(1,740)	-	-	(1,740)	-	(1,740)	-	-	-	-	-	-	(1,740)	-	(1,740)
Transfers between related entities	(3,337)	273	198	(2,866)	-	(2,866)	2,000	-	-	-	-	866	-	-	-
Change in unrestricted net assets (deficit)	1,797	(1,800)	(1,090)	(1,093)	9	(1,084)	782	-	(3,708)	(774)	(207)	122	(4,869)	-	(4,869)
Unrestricted net assets (deficit), beginning of year	5,721	(13,431)	(4,047)	(11,757)	(196)	(11,953)	2,192	-	(3,337)	(479)	1,029	819	(11,729)	(1,225)	(12,954)
Unrestricted net assets (deficit), end of year	$ 7,518	$ (15,231)	$ (5,137)	$ (12,850)	$ (187)	$ (13,037)	$ 2,974	$ -	$ (7,045)	$ (1,253)	$ 822	$ 941	$ (16,593)	$ (1,225)	$ (17,823)
Temporarily restricted net assets:															
Contributions	$ 2	$ -	$ -	$ 2	$ -	$ 2	$ -	$ -	$ -	$ -	$ -	$ 271	$ 273	$ -	$ 273
Investment loss	-	-	-	-	-	-	-	-	-	-	-	(6)	(6)	-	(6)
Net assets released from restriction used for operations	(2)	-	-	(2)	-	(2)	-	-	-	-	-	(77)	(79)	-	(79)
Increase in temporarily restricted net assets	-	-	-	-	-	-	-	-	-	-	-	188	188	-	188
Temporarily restricted net assets, beginning of year	12	-	-	12	-	12	-	-	-	-	-	80	92	-	92
Temporarily restricted net assets, end of year	$ 12	$ -	$ -	$ 12	$ -	$ 12	$ -	$ -	$ -	$ -	$ -	$ 268	$ 280	$ -	$ 280
Permanently restricted net assets:															
Contributions of endowments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 14	$ 14	$ -	$ 14
Change in assets held in trust by others	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Increase in permanently restricted net assets	-	-	-	-	-	-	-	-	-	-	-	13	13	-	13
Permanently restricted net assets, beginning of year	-	-	-	-	-	-	-	-	-	-	-	497	497	-	497
Permanently restricted net assets, end of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 510	$ 510	$ -	$ 510
Change in net assets (deficit)	$ 1,797	$ (1,800)	$ (1,090)	$ (1,093)	$ 9	$ (1,084)	$ 782	$ -	$ (3,708)	$ (774)	$ (207)	$ 323	$ (4,668)	$ -	$ (4,668)
Net assets (deficit), beginning of year	5,733	(13,431)	(4,047)	(11,745)	(196)	(11,941)	2,192	-	(3,337)	(479)	1,029	1,396	(11,140)	(1,225)	(12,365)
Net assets (deficit), end of year	$ 7,530	$ (15,231)	$ (5,137)	$ (12,838)	$ (187)	$ (13,025)	$ 2,974	$ -	$ (7,045)	$ (1,253)	$ 822	$ 1,719	$ (15,808)	$ (1,225)	$ (17,033)

ESKATON AND SUBIDIARIES
CONSOLIDATING SCHEDULE – CASH FLOWS
Year Ended December 31, 2011

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Gold River Lodge	Eskaton Obligated Group Total	Edenton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Roseville	Eskaton Village Placerville	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Cash flows from operating activities:															
Change in net assets (deficit)	$ 1,797	$ (1,800)	$ (1,090)	$ (1,093)	$ 9	$ (1,084)	$ 782	$ -	$ (3,708)	$ (774)	$ (207)	$ 323	$ (4,668)	$ -	$ (4,668)
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:															
Depreciation	5,790	819	503	7,112	(9)	7,103	413	-	973	629	25	6	9,149	-	9,149
Amortization of deferred financing cost	268	104	54	426	-	426	11	-	100	113	-	-	650	-	650
Amortization of CCRC membership fees	(2,132)	-	-	(2,132)	-	(2,132)	-	-	-	-	-	-	(2,132)	-	(2,132)
Net realized and unrealized gains on assets limited as to use	(334)	(44)	(22)	(400)	-	(400)	-	-	7	4	-	11	(378)	-	(378)
Net realized and unrealized (gains) losses on investment	643	-	-	643	-	643	-	-	-	-	-	48	691	-	691
Valuation adjustment on land available for sale	2,643	-	-	2,643	-	2,643	-	-	-	-	-	-	2,643	-	2,643
Pension related changes other than net period pension costs	1,740	-	-	1,740	-	1,740	-	-	-	-	-	-	1,740	-	1,740
Change in fair value of interest rate swap agreement	(4,540)	1,993	1,134	(1,413)	-	(1,413)	-	-	2,788	318	-	-	1,693	-	1,693
Provision for uncollectible accounts	270	-	5	275	-	275	-	-	-	-	-	-	275	-	275
Transfers between related entities	3,337	(273)	(198)	2,866	-	2,866	(2,000)	-	-	-	-	(866)	-	-	-
Proceeds from permanently restricted contributions	-	-	-	-	-	-	-	-	-	-	-	(14)	(14)	-	(14)
CCRC resale proceeds	4,668	-	-	4,668	-	4,668	-	-	-	-	-	-	4,668	-	4,668
(Gain) loss on disposal of property and equipment	1	-	-	1	-	1	-	-	-	-	-	-	1	-	1
Change in receivables	1,348	2	(10)	1,340	-	1,340	(33)	251	(1)	(10)	(9)	(1)	1,537	-	1,537
Change in inventories	(10)	3	-	(7)	-	(7)	-	-	5	3	-	-	1	-	1
Change in deposits and prepaid expenses	(183)	8	3	(172)	-	(172)	6	-	(8)	(1)	-	-	(175)	-	(175)
Change in other assets	(1,713)	-	-	(1,713)	-	(1,713)	-	-	-	-	-	-	(1,713)	-	(1,713)
Change in accounts payable	376	-	16	392	-	392	(6)	-	48	25	(4)	(4)	451	-	451
Change in accrued liabilities	4,074	(3)	10	4,081	-	4,081	24	(184)	34	49	2	5	4,011	-	4,011
Change in unfunded pension obligation	(1,364)	-	-	(1,364)	-	(1,364)	-	-	-	-	-	-	(1,364)	-	(1,364)
Change in other liabilities	(358)	6	(8)	(360)	-	(360)	(31)	-	(4)	3	-	-	(392)	-	(392)
Net cash provided by (used in) operating activities	16,321	815	397	17,533	-	17,533	(834)	67	234	359	(193)	(492)	16,674	-	16,674
Cash flows from investing activities:															
Purchases of assets limited as to use	(10,691)	(12,796)	(6,659)	(30,146)	-	(30,146)	-	-	(5,717)	(3,605)	-	(196)	(39,664)	-	(39,664)
Proceeds from sales of assets limited as to use	10,921	12,791	6,656	30,368	-	30,368	-	-	5,707	3,603	-	191	39,869	-	39,869
Purchase of investments	(19,416)	-	-	(19,416)	-	(19,416)	-	-	-	-	-	(545)	(19,961)	-	(19,961)
Proceeds from sales of investments	19,288	-	-	19,288	-	19,288	-	-	-	-	-	476	19,764	-	19,764
Purchase of FountainWood Lodge	-	-	-	-	-	-	(8,503)	-	-	-	-	-	(8,503)	-	(8,503)
Acquisition of FountainWood Lodge goodwill	-	-	-	-	-	-	(500)	-	-	-	-	-	(500)	-	(500)
Expenditures for property and equipment	(2,578)	(305)	(154)	(3,037)	-	(3,037)	(427)	-	(28)	(25)	-	(1)	(3,518)	-	(3,518)
Proceeds from disposal of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments received from notes receivables	242	-	-	242	-	242	-	14	-	-	-	-	256	-	256
Net cash provided by (used in) investing activities	(2,234)	(310)	(157)	(2,701)	-	(2,701)	(9,430)	14	(38)	(27)	-	(75)	(12,257)	-	(12,257)
Cash flows from financing activities:															
CCRC resale disbursements	(4,653)	-	-	(4,653)	-	(4,653)	-	-	-	-	-	-	(4,653)	-	(4,653)
Change in deposits on unoccupied CCRC unit	(204)	(1)	-	(205)	-	(205)	-	-	(2)	-	-	-	(207)	-	(207)
Proceeds from restricted contributions	-	-	-	-	-	-	-	-	-	-	-	14	14		14
Proceeds from borrowing of long-term debt	-	-	-	-	-	-	5,750	-	-	-	-	-	5,750		5,750
Principal payments on long-term debt	(2,730)	(531)	(277)	(3,538)	-	(3,538)	(96)	-	(385)	(210)	-	-	(4,229)	-	(4,229)
Debt issuance costs	(277)	(208)	(108)	(593)	-	(593)	(42)	-	(19)	(28)	-	-	(682)	-	(682)
Net change in due to/due from related entities	(7,379)	273	198	(6,908)	-	(6,908)	4,834	77	703	378	282	634	-	-	-
Net cash (used in) provided by financing activities	(15,243)	(467)	(187)	(15,897)	-	(15,897)	10,446	77	297	140	282	648	(4,007)	-	(4,007)
Net (decrease) increase in cash and cash equivalents	(1,156)	38	53	(1,065)	-	(1,065)	182	158	493	472	89	81	410	-	410
Cash and cash equivalents, beginning of year	12,970	132	100	13,202	-	13,202	123	541	1,595	835	5	108	16,409	-	16,409
Cash and cash equivalents, end of year	$ 11,814	$ 170	$ 153	$ 12,137	$ -	$ 12,137	$ 305	$ 699	$ 2,088	$ 1,307	$ 94	$ 189	$ 16,819	$ -	$ 16,819
Supplemental disclosure:															
Cash paid for interest	$ 1,253	$ 513	$ 268	$ 2,034	$ -	$ 2,034	$ 221	$ -	$ 512	$ 170	$ -	$ -	$ 2,937	$ -	$ 2,937

ESKATON AND SUBIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – BALANCE SHEET
December 31, 2011

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Assets														
Current assets														
Cash and cash equivalents	$ 10,896	$ 1	$ 1	$ 1	$ 1	$ -	$ 1	$ 1	$ 910	$ -	$ 2	$ -	$ -	$ 11,814
Assets limited as to use	2,660	-	-	-	-	-	-	-	-	-	567	-	-	3,227
Investments	33,546	-	-	-	-	-	-	-	151	-	8,152	-	-	41,849
Accounts receivable, net	-	1,517	2,070	1,987	6	1	6	9	(4)	349	378	3	-	6,322
Other receivables	1,050	-	-	-	1	-	-	-	10	-	199	-	-	1,260
Notes receivable	274	-	-	-	-	-	-	-	-	-	-	-	-	274
Inventories	39	21	32	33	2	-	6	4	7	5	46	-	-	195
Deposits and prepaid expenses	214	45	66	38	11	2	9	11	3	12	162	-	-	573
Due from related parties	3,734	-	-	-	-	-	-	-	-	-	-	-	(1,226)	2,508
Total current assets	52,413	1,584	2,169	2,059	21	3	22	25	1,077	366	9,506	3	(1,226)	68,022
Assets limited as to use, net of amount required for current liabilities	716	-	-	-	-	-	-	-	-	-	3,646	-	-	4,362
Property and equipment, net	1,155	1,138	2,687	3,153	1,326	2,023	2,526	12,478	-	43	31,829	-	-	58,358
Other assets:														
Land available for sale	1,050	-	-	-	-	-	-	-	-	-	-	-	-	1,050
Due from liability insurer	2,261	-	-	-	-	-	-	-	-	-	-	-	-	2,261
Deferred financing costs, net	89	10	36	44	13	18	27	88	-	-	1,166	-	-	1,491
Associate member/resident/patient deposits	-	-	5	15	-	-	2	-	3	-	4,920	-	-	4,945
Other	-	-	-	-	-	-	-	-	-	-	157	-	-	157
Due from related parties, net of currrent portions	5,200	-	-	-	-	-	-	-	-	-	-	-	-	5,200
	8,600	10	41	59	13	18	29	88	3	-	6,243	-	-	15,104
Total assets	$ 62,884	$ 2,732	$ 4,897	$ 5,271	$ 1,360	$ 2,044	$ 2,577	$ 12,591	$ 1,080	$ 409	$ 51,224	$ 3	$ (1,226)	$ 145,846

ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – BALANCE SHEET (Continued)

December 31, 2011

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Liabilities and net assets (deficit)														
Current liabilities														
Current maturities of long-term debt	$ 385	$ 33	$ 121	$ 145	$ 43	$ 60	$ 110	$ 185	$ -	$ -	$ 1,084	$ -	$ -	$ 2,166
Current portion of deferred revenue from unamortized CCRC membership fees	-	-	-	-	-	-	-	-	-	-	2,132	-	-	2,132
Deposits on unoccupied CCRC units	-	-	-	-	-	-	-	-	-	-	149	-	-	149
Accounts payable	488	177	133	155	46	11	15	43	23	4	457	-	-	1,552
Accrued liabilities:														
Payroll and payroll taxes	593	111	167	174	18	-	35	34	-	33	144	-	-	1,309
Vacation	287	170	193	217	20	4	23	28	9	37	188	-	-	1,176
Current portion of self-insured workers compensation	2,593	-	-	-	-	-	-	-	-	-	-	-	-	2,593
Self-insured employee health plan	1,307	-	-	-	-	-	-	-	-	-	-	-	-	1,307
Interest	31	-	-	1	-	-	-	53	-	-	24	-	-	109
Other	354	288	502	464	88	26	5	16	1	169	368	-	-	2,281
Liability related to terminated interest rate swap agreements	27	78	337	402	101	140	211	-	-	-	3,674	-	-	4,970
Due to related parties	118	-	-	-	-	-	-	-	1,109	-	-	154	(1,226)	155
Total current liabilities	6,183	857	1,453	1,558	316	241	399	359	1,142	243	8,220	154	(1,226)	19,899
Other liabilities														
Self-insured workers' compensation net of current portion	1,845	-	-	-	-	-	-	-	-	-	-	-	-	1,845
Interest rate swap agreements	2,406	-	-	-	-	-	-	4,168	-	-	-	-	-	6,574
Unfunded pension obligation	6,489	-	-	-	-	-	-	-	-	-	-	-	-	6,489
Professional liability	3,591	-	-	-	-	-	-	-	-	-	-	-	-	3,591
Associate member/resident/patient deposits	-	-	5	15	-	-	2	-	4	-	4,919	-	-	4,945
Other	1	3	1	-	1	-	-	-	-	-	30	-	-	36
Due to related parties, net of current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	14,332	3	6	15	1	-	2	4,168	4	-	4,949	-	-	23,480
Long-term debt, lease current maturities	14,310	947	3,473	4,143	1,235	1,709	2,580	11,470	-	-	37,483	-	-	77,350
Deferred revenue from unamortized CCRC membership fees, net of current portion	-	-	-	-	-	-	-	-	-	-	17,587	-	-	17,587
Total liabilities	34,825	1,807	4,932	5,716	1,552	1,950	2,981	15,997	1,146	243	68,239	154	(1,226)	138,316
Commitments and contingencies														
Net assets (deficit)														
Unrestricted net assets (deficit)	28,059	925	(35)	(445)	(192)	94	(404)	(3,406)	(66)	166	(17,027)	(151)	-	7,518
Temporarily restricted net assets	-	-	-	-	-	-	-	-	-	-	12	-	-	12
Total net assets (deficit)	28,059	925	(35)	(445)	(192)	94	(404)	(3,406)	(66)	166	(17,015)	(151)	-	7,530
Total liabilities and net assets (deficit)	$ 62,884	$ 2,732	$ 4,897	$ 5,271	$ 1,360	$ 2,044	$ 2,577	$ 12,591	$ 1,080	$ 409	$ 51,224	$ 3	$ (1,226)	$ 145,846

ESKATON AND SUBIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
Year Ended December 31, 2011

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Unrestricted net assets (deficit):														
Revenue, gains, and other support:														
Net patient service revenue	$ -	$ 10,636	$ 15,539	$ 14,999	$ -	$ -	$ -	$ -	$ -	$ 2,693	$ -	$ -	$ -	$ 43,867
Resident service revenue, including amortization of CCRC membership fees	-	-	-	-	2,340	573	1,695	4,563	2,972	-	23,093	(4)	-	35,232
Other, net	8,037	83	22	35	95	20	25	165	12	-	845	34	(4,932)	4,441
Total revenues, gains, and other support	8,037	10,719	15,561	15,034	2,435	593	1,720	4,728	2,984	2,693	23,938	30	(4,932)	83,540
Expenses:														
Salaries and wages	6,462	5,134	6,949	6,834	657	63	797	1,428	1,286	1,502	5,739	64	-	36,915
Employee benefits	2,604	1,692	2,187	2,126	225	20	269	458	378	493	1,857	17	-	12,326
Professional fees	652	94	93	76	-	-	1	1	3	2	45	1	-	968
Supplies	308	478	688	614	279	10	147	388	229	10	250	33	-	3,434
Purchased services	738	808	1,050	1,069	277	60	222	409	295	197	4,728	70	(4,932)	4,991
Ancillary costs	-	830	752	783	-	-	1	36	19	17	252	-	-	2,690
Utilities	237	233	272	254	210	117	105	188	149	16	1,441	-	-	3,222
Insurance and other	599	760	1,172	1,177	66	23	98	216	692	177	872	6	-	5,858
Depreciation	363	203	528	501	209	132	150	543	-	16	3,145	-	-	5,790
Interest and amortization	451	23	85	102	30	42	66	287	-	-	439	-	-	1,520
Provision for uncollectible accounts	-	100	36	113	-	-	7	-	-	2	12	-	-	270
Total operating expenses	12,414	10,355	13,812	13,649	1,953	467	1,863	3,949	3,051	2,432	18,780	191	(4,932)	77,984
Income (loss) from operations	(4,377)	364	1,749	1,385	482	126	(143)	779	(67)	261	5,158	(161)	-	5,556
Nonoperating revenue and expenses:														
Investment income	50	-	-	-	-	-	-	-	1	-	389	-	-	440
Interest rate swap activities	(1,413)	118	514	613	154	213	321	(2,558)	-	-	5,598	-	-	3,560
Other	(2,643)	-	-	-	-	-	-	-	-	-	(39)	-	-	(2,682)
Total nonoperating revenue and expenses	(4,006)	118	514	613	154	213	321	(2,558)	1	-	5,948	-	-	1,318
Excess (deficiency) of revenues, gains, and other support over expenses	(8,383)	402	2,263	1,998	636	339	178	(1,779)	(66)	261	11,106	(161)	-	6,874

ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (Continued)

Year Ended December 31, 2011

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Excess (deficiency) of revenues, gains and other support over expenses (page 37)	$ (8,383)	$ 482	$ 2,263	$ 1,998	$ 636	$ 339	$ 178	$ (1,779)	$ (66)	$ 261	$ 11,106	$ (161)	$ -	$ 6,874
Pension related changes other than net period pension cost	(1,740)	-	-	-	-	-	-	-	-	-	-	-	-	(1,740)
Transfers between related entities	8,993	(958)	(3,017)	(2,064)	(289)	(83)	172	(311)	-	(247)	(5,543)	10	-	(3,337)
Change in unrestricted net assets (deficit)	(1,130)	(476)	(754)	(66)	347	256	350	(2,090)	(66)	14	5,563	(151)	-	1,797
Unrestricted net assets (deficit), beginning of year	29,189	1,401	719	(379)	(539)	(162)	(754)	(1,316)	-	152	(22,590)	-	-	5,721
Unrestricted net assets (deficit), end of year	$ 28,059	$ 925	$ (35)	$ (445)	$ (192)	$ 94	$ (404)	$ (3,406)	$ (66)	$ 166	$ (17,027)	$ (151)	$ -	$ 7,518
Temporarily restricted net assets:														
Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2	$ -	$ -	$ 2
Net assets released from restriction used for operation	-	-	-	-	-	-	-	-	-	-	(2)	-	-	(2)
Change in temporarily restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Temporarily restricted net assets, beginning of year	-	-	-	-	-	-	-	-	-	-	12	-	-	12
Temporarily restricted net assets, end of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12	$ -	$ -	$ 12
Change in net assets (deficit)	$ (1,130)	$ (476)	$ (754)	$ (66)	$ 347	$ 256	$ 350	$ (2,090)	$ (66)	$ 14	$ 5,563	$ (151)	$ -	$ 1,797
Net assets (deficit), beginning of year	29,189	1,401	719	(379)	(539)	(162)	(754)	(1,316)	-	152	(22,578)	-	-	5,733
Net assets (deficit), end of year	$ 28,059	$ 925	$ (35)	$ (445)	$ (192)	$ 94	$ (404)	$ (3,406)	$ (66)	$ 166	$ (17,015)	$ (151)	$ -	$ 7,530

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Cash flows from operating activities:														
Change in net assets (deficit)	$ (1,130)	$ (476)	$ (754)	$ (66)	$ 347	$ 256	$ 350	$ (2,090)	$ (66)	$ 14	$ 5,563	$ (151)	$ -	$ 1,797
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:														
Depreciation	363	203	528	501	209	132	150	543	-	16	3,145	-	-	5,790
Amortization of deferred financing cost	60	5	20	24	7	9	14	47	-	-	82	-	-	268
Amortization of CCRC membership fees	-	-	-	-	-	-	-	-	-	-	(2,132)	-	-	(2,132)
Net realized and unrealized gains on assets limited as to use	(22)	-	-	-	-	-	-	-	-	-	(312)	-	-	(334)
Net realized and unrealized losses on investment	548	-	-	-	-	-	-	-	-	-	95	-	-	643
Valuation adjustment on land held for sale	2,643	-	-	-	-	-	-	-	-	-	-	-	-	2,643
Pension related changes other than net period pension costs	1,740	-	-	-	-	-	-	-	-	-	-	-	-	1,740
Change in fair value of interest rate swap agreement	1,038	(118)	(514)	(613)	(154)	(213)	(321)	1,953	-	-	(5,596)	-	-	(4,540)
Provision for uncollectible accounts	-	100	36	113	-	-	7	-	-	2	12	-	-	270
Transfers between related entities	(8,993)	958	3,017	2,064	289	83	(172)	311	-	247	5,543	(10)	-	3,337
CCRC resale proceeds	-	-	-	-	-	-	-	-	-	-	4,668	-	-	4,668
Loss on disposal of property and equipment	-	-	-	-	1	-	-	-	-	-	-	-	-	1
Change in receivables	(52)	96	505	81	3	-	19	(1)	(5)	(63)	768	(3)	-	1,348
Change in inventories	(2)	5	(6)	1	-	-	(1)	-	(7)	1	(1)	-	-	(10)
Change in deposits and prepaid expenses	(131)	(32)	(13)	11	(3)	1	1	(2)	(3)	(1)	(11)	-	-	(183)
Change in other assets	(2,261)	2	(1)	(7)	-	(1)	-	-	(4)	-	559	-	-	(1,713)
Change in accounts payable	368	49	(22)	(98)	1	(31)	(18)	(13)	22	2	116	-	-	376
Change in accrued liabilities	2,852	292	474	397	9	(3)	(1)	(14)	11	30	27	-	-	4,074
Change in unfunded pension obligation	(1,364)	-	-	-	-	-	-	-	-	-	-	-	-	(1,364)
Change in other liabilities	1	(1)	(4)	8	1	-	-	(17)	4	-	(350)	-	-	(358)
Net cash (used in) provided by operating activities	(4,342)	1,083	3,266	2,416	710	233	28	717	(48)	248	12,174	(164)	-	16,321
Cash flows from investing activities:														
Purchases of assets limited as to use	(6,367)	(37)	(138)	(164)	(49)	(68)	(102)	-	-	-	(3,766)	-	-	(10,691)
Proceeds from sales of assets limited as to use	6,358	37	138	164	49	68	102	-	-	-	4,005	-	-	10,921
Purchase of investments	(14,577)	-	-	-	-	-	-	-	(151)	-	(4,688)	-	-	(19,416)
Proceeds from sales of investments	13,894	-	-	-	-	-	-	-	-	-	5,394	-	-	19,288
Expenditures for property and equipment	(72)	(90)	(117)	(194)	(374)	(86)	(60)	(114)	-	(1)	(1,470)	-	-	(2,578)
Proceeds from disposal of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments received from notes receivables	242	-	-	-	-	-	-	-	-	-	-	-	-	242
Net cash used in investing activities	(522)	(90)	(117)	(194)	(374)	(86)	(60)	(114)	(151)	(1)	(525)	-	-	(2,234)
Cash flows from financing activities:														
CCRC resale disbursements	-	-	-	-	-	-	-	-	-	-	(4,653)	-	-	(4,653)
Change in deposits on unoccupied CCRC unit	-	-	-	-	-	-	-	-	-	-	(204)	-	-	(204)
Principal payments on long-term debt	(788)	(35)	(130)	(155)	(46)	(64)	(139)	(175)	-	-	(1,198)	-	-	(2,730)
Debt issuance costs	(103)	-	(2)	(2)	(1)	-	(1)	(117)	-	-	(51)	-	-	(277)
Net change in due to/due from related entities	3,689	(958)	(3,017)	(2,065)	(289)	(83)	172	(311)	1,109	(247)	(5,543)	164	-	(7,379)
Net cash provided by (used in) financing activities	2,798	(993)	(3,149)	(2,222)	(336)	(147)	32	(603)	1,109	(247)	(11,649)	164	-	(15,243)
Net (decrease) increase in cash and cash equivalents	(2,066)	-	-	-	-	-	-	-	910	-	-		-	(1,156)
Cash and cash equivalents, beginning of year	12,962	1	1	1	1	-	1	1	-	-	2	-	-	12,970
Cash and cash equivalents, end of year	$ 10,896	$ 1	$ 1	$ 1	$ 1	$ -	$ 1	$ 1	$ 910	$ -	$ 2	$ -	$ -	$ 11,814
Supplemental disclosure:														
Cash paid for interest	$ 395	$ 18	$ 66	$ 78	$ 23	$ 34	$ 53	$ 240	$ -	$ -	$ 346	$ -	$ -	$ 1,253

ESKATON AND SUBIDIARIES
ESKATON CONSOLIDATING SCHEDULE – BALANCE SHEET
December 31, 2011

	Parent	Carmichael Adult Day Health Care	Eskaton Combined
Assets			
Current assets:			
Cash and cash equivalents	$ 28	$ 277	$ 305
Accounts receivable, net	16	79	95
Other receivables	42	4	46
Deposits and prepaid expenses	11	9	20
Due from related parties	13	-	13
Total current assets	110	369	479
Property and equipment, net	9,257	51	9,308
Other assets:			
Deferred financing costs, net	32	-	32
Other	1,784	-	1,784
	1,816	-	1,816
Total assets	$ 11,183	$ 420	$ 11,603
Liabilities and Net Assets (Deficit)			
Current liabilities:			
Current maturities of long-term debt	$ 167	$ -	$ 167
Accounts payable	11	1	12
Accrued liabilities:			
Payroll and payroll taxes	18	14	32
Vacation	22	23	45
Interest	18	-	18
Other	4	(4)	-
Due to related parties	1,079	518	1,597
Total current liabilities	1,319	552	1,871
Other liabilities:			
Other	10	11	21
Due to related parties, net of current portion	1,250	-	1,250
	1,260	11	1,271
Long-term debt, less current maturities	5,487	-	5,487
Total liabilities	8,066	563	8,629
Commitments and contingencies			
Net assets (deficit):			
Unrestricted net assets (deficit)	3,117	(143)	2,974
Total net assets (deficit)	3,117	(143)	2,974
Total liabilities and net assets (deficit)	$ 11,183	$ 420	$ 11,603

	Parent	Carmichael Adult Day Health Care	Eskaton Combined
Unrestricted net assets (deficit):			
Revenues, gains, and other support:			
Net patient services revenue	$ -	$ 788	$ 788
Other, net	230	31	261
Total revenues, gains, and other support	230	819	1,049
Expenses:			
Salaries and wages	597	520	1,117
Employee benefits	189	174	363
Professional fees	1	4	5
Supplies	32	63	95
Purchased services	80	119	199
Ancillary costs	-	1	1
Utilities	15	1	16
Insurance and other	147	201	348
Depreciation	399	14	413
Interest and amortization	250	-	250
Total operating expenses	1,710	1,097	2,807
Loss from operations	(1,480)	(278)	(1,758)
Nonoperating revenue:			
Investment income	540	-	540
Total nonoperating revenue	540	-	540
Deficiency of revenues, gains and other support over expenses	$ (940)	$ (278)	$ (1,218)

	Parent	Carmichael Adult Day Health Care	Eskaton Combined
Deficiency of revenues, gains, and other support over expenses (page 41)	$ (940)	$ (278)	$ (1,218)
Transfers between related entities	2,000	-	2,000
Change in unrestricted net assets (deficit)	1,060	(278)	782
Unrestricted net assets , beginning of year	2,057	135	2,192
Unrestricted net assets (deficit), end of year	3,117	(143)	2,974
Temporarily restricted net assets:			
Net assets released from restriction used for operations	-	-	-
Increase in temporarily restricted net assets	-	-	-
Temporarily restricted net assets, beginning of year	-	-	-
Temporarily restricted net assets, end of year	$ -	$ -	$ -
Change in net assets (deficit)	$ 1,060	$ (278)	$ 782
Net assets, beginning of year	2,057	135	2,192
Net assets (deficit), end of year	$ 3,117	$ (143)	$ 2,974

	Parent	Carmichael Adult Day Health Care	Eskaton Combined
Cash flows from operating activities:			
Change in net assets	$ 1,060	$ (278)	$ 782
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation	399	14	413
Amortization of deferred financing costs	11	-	11
Transfers between related entities	(2,000)	-	(2,000)
Change in receivables	(44)	11	(33)
Change in deposits and prepaid expenses	6	-	6
Change in accounts payable	-	(6)	(6)
Change in accrued liabilities	30	(6)	24
Change in other liabilities	(42)	11	(31)
Net cash used in operating activities	(580)	(254)	(834)
Cash flows from investing activities:			
Purchase of FountainWood Lodge	(8,503)	-	(8,503)
Acquisition of FountainWood Lodge goodwill	(500)	-	(500)
Expenditures for property and equipment	(423)	(4)	(427)
Net cash used in investing activities	(9,426)	(4)	(9,430)
Cash flows from financing activity:			
Proceeds from long-term borrowing	5,750	-	5,750
Principal payments on long-term debt	(96)	-	(96)
Debt issuance costs	(42)	-	(42)
Net change in due to/from related entities	4,316	518	4,834
Net cash provided by financing activity	9,928	518	10,446
Net increase (decrease) in cash and cash equivalents	(78)	260	182
Cash and cash equivalents, beginning of year	106	17	123
Cash and cash equivalents, end of year	$ 28	$ 277	$ 305
Supplemental disclosure:			
Cash paid for interest	$ 221	$ -	$ 221

EPI develops affordable housing projects for older adult residents utilizing various funding programs from the U.S. Department of Housing and Urban Development (HUD) and other federal, state, and local government funding programs. EPI also sponsors community education, health fairs, community fundraising for charitable purposes, and aging services organizations that research technology and other services appropriate to older adult living. Eskaton's National Demonstration Home presents innovative solutions in home design and technology that will enable older adults to maximize their independence and remain in their own homes. Eskaton provides educational guided tours of the National Demonstration Home to the public for free.

In addition, Eskaton and EPI provide the following community service programs under their social responsibility policies:

The Senior Connection – Eskaton owns and operates The Senior Connection (TSC). TSC provides older adults and their family members with information about community resources, assistance in selecting the appropriate level and source of care, educational courses, placement referrals, legal consultation services, case management, transportation services, and other services. These services are provided free or at nominal cost to the clients.

Telephone Reassurance Program – Eskaton owns and operates a telephone reassurance/home visitor program. The Telephone Reassurance Program is provided primarily by volunteers, is free to clients, and includes daily telephone calls or weekly home visits to isolated older adults.

Adult Day Health Care Center (ADHC) – Eskaton owns and operates an ADHC program that provides social, recreational, and rehabilitation services to residents of a portion of Sacramento County. The ADHC program accepts Medi-Cal clients despite the shortfall of Medi-Cal reimbursement compared to cost. The ADHC program also accepts uninsured clients at rates below actual cost.

Social Responsibility Costs - The unreimbursed affordable housing development and operating costs; the actual costs of community education and health fairs, community and aging services sponsorships, and demonstration home tours; and the difference between the cost and reimbursement of providing community service programs are all considered to be social responsibility. The level of social responsibility provided for the years ended December 31 is measured as follows (dollar amounts in thousands):

	2011	2010
Unreimbursed affordable housing costs	$ 76	$ 247
Community education and health fairs	-	17
Community sponsorships	12	8
Aging services sponsorships	5	17
Demonstration Home tours	73	57
Community service program cost in excess of reimbursement:		
The Senior Connection	674	564
Telephone Reassurance Program	238	201
ADHC	278	323
Total	$ 1,356	$ 1,434
Community service program operating statistics:		
Demonstration Home people toured	413	362
The Senior Connection:		
Information and referral calls	4,941	5,039
Legal appointments	45	43
Community education and support attendees	4,017	4,114
Transportation hours	2,542	2,624
Telephone Reassurance Program:		
Telephone calls	98,547	102,436
Home visits	1,361	1,409
ADHC client days	10,034	9,359

RECEIVED
MAY 01 2012
CONTINUING CARE
CONTRACTS BRANCH

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

Eskaton and Subsidiaries

As of and for the year ended December 31, 2011

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

CONTENTS

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

WWW.MOSSADAMS.COM

RECEIVED
MAY 01 2012
CONTINUING CARE
CONTRACTS BRANCH

REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Directors of
Eskaton and Subsidiaries
Carmichael, California

We have audited the accompanying Continuing Care Reserve Report (Part 5) of Eskaton and Subsidiaries (the "Organization") as of and for the year ended December 31, 2011. The Continuing Care Reserve Report (Part 5) is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Continuing Care Reserve Report (Part 5) based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Continuing Care Reserve Report (Part 5) is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Continuing Care Reserve Report (Part 5). An audit of a continuing care reserve report also includes assessing conformity with the provisions of California Health and Safety Code Section 1792 in so far as it relates to accounting and reporting matters. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such Continuing Care Reserve Report (Part 5) presents fairly, in all material respects, the continuing care reserve requirements of Eskaton and Subsidiaries as of and for the year ended December 31, 2011, in conformity with the report preparation provisions of the California Health and Safety Code Section 1792.

This report is intended solely for the information and use of the Board of Directors and management of Eskaton and Subsidiaries and for filing with the California Department of Social Services and should not be used for any other purposes. However, this report is a matter of public record and its distribution is not limited.

Moss Adams LLP

San Francisco, California
April 27, 2012

CONTINUING CARE LIQUID RESERVE SCHEDULES

FORM 5-1
LONG-TERM DEBT INCURRED

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1		See attachment	to Form 5-1 on page 13		$0
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$4,133,000	$671,000	$0	$4,804,000

(Transfer this amount to Form 5-3, Line 1)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Eskaton

ATTACHMENT TO FORM 5-1
LONG-TERM DEBT INCURRED
IN PRIOR FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	07/28/99	$1,000,000	$ 223,000		$1,223,000
2	03/06/00	419,000	13,000		432,000
3	05/01/00	43,000	3,000		46,000
4	03/29/02	80,000	115,000		195,000
5	12/31/06	385,000	71,000		456,000
6	03/01/07	210,000	32,000		242,000
7	03/01/07	175,000	56,000		231,000
8	04/01/08	750,000	47,000		797,000
9	05/01/08	1,071,000	111,000		1,182,000
10					$0
11					$0
12					$0
13					$0
14					$0
	TOTAL:	$ 4,133,000	$ 671,000	$0	$ 4,804,000

PROVIDER: Eskaton

FORM 5-2
LONG-TERM DEBT INCURRED

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	03/31/11	$222,000	$40,000	12	$480,000
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$222,000	$40,000	12	$480,000

(Transfer this amount to Form 5-3, Line 2)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Eskaton

FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$4,804,000
2	Total from Form 5-2 bottom of Column (e)	$480,000
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$0
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$5,284,000

PROVIDER: Eskaton

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$18,780,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$234,000	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c.	Depreciation	$3,145,000	
	d.	Amortization	$82,000	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$544,000	
	f.	Extraordinary expenses approved by the Department	**$0**	
3		Total Deductions		$4,005,000
4		Net Operating Expenses		$14,775,000
5		Divide Line 4 by 365 and enter the result.		$40,000
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve		$3,000,000

PROVIDER: Eskaton
COMMUNITY: Eskaton Village - Carmichael

ESKATON AND SUBSIDIARIES
FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Eskaton
Fiscal Year Ended: 31-Dec-11

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2011 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

		Amount
[1]	Debt Service Reserve Amount	$5,284,000
[2]	Operating Expense Reserve Amount	$3,000,000
[3]	**Total Liquid Reserve Amount:**	$8,283,999

Qualifying assets sufficient to fulfill the above requirements are held as follows:

	Qualifying Asset Description	Amount: Debt Service Reserve		Amount: Operating Reserve
[4]	Cash and Cash Equivalents	$0		$19,459,866
[5]	Investment Securities	$0		$3,979,567
[6]	Equity Securities	$0		$31,351,441
[7]	Unused/Available Lines of Credit	$0		$0
[8]	Unused/Available Letters of Credit	$0		$0
[9]	Debt Service Reserve	$9,561,368		(not applicable)
[10]	Other: (describe qualifying asset)			$4,143,286
	Total Amount of Qualifying Assets	$9,561,368	[12]	$58,934,160
[13]	**Reserve Obligation Amount:**	$5,284,000	[14]	$3,000,000
[15]	**Surplus/(Deficiency):**	$4,277,368	[16]	$55,934,160

Signature:

(Authorized Representative)

Date: April 27, 2012

Chief Executive Officer
(Title)

SUPPLEMENTAL SCHEDULES

ESKATON VILLAGE CARMICHAEL
STATEMENT OF CASH FLOWS – DIRECT METHOD
DECEMBER 31, 2011
(IN THOUSANDS)

Cash flows from operating activities:		
Cash received from independent residents	$	14,286
Cash received from ALU contract residents		2,756
Cash received from SNF contract residents		3,596
Cash received from non-contract residents		380
Cash received from guest services		166
Cash received from other revenue		6,063
Cash received from investment income used for operations		-
Cash received from other investment income		697
Cash paid to suppliers and employees		(15,770)
Net cash provided by operating activities		12,174
Cash flows from investing activities:		
Purchases of assets limited as to use		(3,766)
Proceeds from sale of assets limited as to use		4,005
Purchases of investments		(4,688)
Proceeds from sale of investments		5,394
Expenditures for capital maintenance		(1,470)
Net cash used in investing activities		(525)
Cash flows from financing activities:		
Proceeds from appreciation on resold CCRC memberships		(4,653)
Change in deposits on unoccupied CCRC units		(204)
Principal payments on long-term debt		(1,198)
Debt issuance costs		(51)
Change in due from related party - current year cash flow		(5,543)
Net cash used in financing activities		(11,649)
Net change in cash		-
Cash and cash equivalents at December 31, 2010		2
Cash and cash equivalents at December 31, 2011	$	2
Supplemental Disclosures:		
Cash paid for interest (net of amount capitalized)		346

ESKATON VILLAGE CARMICHAEL
STATEMENT OF RECEIPTS AND DISBURSEMENT WORKSHEET
DECEMBER 31, 2011
(IN THOUSANDS)

	Per Audited Stmt of Operations	Adjustments Dr.	Adjustments Cr.	Cash Basis
Revenues:				
Net Independent resident revenue (net of prov for Bad Debt)	$ 16,369	264	313	$ 16,418
Amortization of deferred revenue	-	2,132	-	(2,132)
Net ALU contract resident revenue (net of prov for Bad Debt)	2,747	48	57	2,756
Net SNF contract resident revenue (net of prov for Bad Debt)	3,587	55	64	3,596
Net ALU non-contract resident revenue (net of prov for Bad Debt)	325	5	6	326
Net SNF non-contract resident revenue (net of prov for Bad Debt)	53	6	7	54
Sub-total	23,081			21,018
Reimbursements for services to non-residents	166			166
Unrestricted contributions	-			-
Other operating revenue	679	200	5,584	6,063
Sub-total	845			
Unrestricted Investment income	-			-
Other Investment income (net of unrealized)	389		347	736
Sub-total	389			
Change in unrealized gains	-			-
Other non operating income	(39)			(39)
Restricted Contributions	-			-
Change in temporarily restricted net assets	-			-
Change in fair value of derivative activities	5,598		(5,598)	-
Total Revenue	29,874	2,710	780	27,944
Expenses:				
Salaries and wages	5,739	684	700	5,723
Employee benefits	1,857			1,857
Professional Fees	45			45
Supplies	250	142	46	346
Purchased services	4,728	694	606	4,816
Ancillary costs	252			252
Utilities	1,441			1,441
Insurance & Other	872	152	162	862
Depreciation and amortization	3,145		3,145	-
Interest	439	13	24	428
Total Expense	18,768			15,770
Total of Cash Operating Expenses				15,770
Net Cash Provided By Operating Activities	**$ 11,106**			**$ 12,174**

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	417
[2]	Number at end of fiscal year	419
[3]	Total Lines 1 and 2	836
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	418
	All Residents	
[6]	Number at beginning of fiscal year	425
[7]	Number at end of fiscal year	423
[8]	Total Lines 6 and 7	848
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	424
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.99

FORM 1-2
ANNUAL PROVIDER FEE

Line				TOTAL
[1]		Total Operating Expenses (including depreciation and debt service - interest only)		$18,780,000
	[a]	Depreciation	$3,145,000	
	[b]	Debt Service (Interest Only)	$234,000	
[2]		Subtotal (add Line 1a and 1b)		$3,379,000
[3]		Subtract Line 2 from Line 1 and enter result.		$15,401,000
[4]		Percentage allocated to continuing care residents (Form 1-1, Line 11)		99%
[5]		Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$15,246,990
				x .001
[6]		**Total Amount Due** (multiply Line 5 by .001)		**$15,247**

PROVIDER: Eskaton
COMMUNITY: Eskaton Village - Carmichael

ESKATON VILLAGE CARMICHAEL
SUPPLEMENTAL FORM 1-1
CALCULATION OF NONRESIDENT REIMBURSEMENT
DECEMBER 31, 2011

	Independent	Assisted	Skilled	Total
Contract Residents @ 12/31/10	337	46	34	417
Contract Residents @ 12/31/11	338	47	34	419
Total	675	93	68	836
Mean	337.5	46.5	34	418
All Residents @ 12/31/10	337	54	34	425
All Residents @ 12/31/11	338	50	35	423
Total	675	104	69	848
Mean	337.5	52	34.5	424
% Contract Residents to Total Residents	100.00%	89.42%	98.55%	98.58%
% Nonresidents to Total Residents	0.00%	10.58%	1.45%	1.42%

2011 OPERATING REVENUES

Assisted Living (Contract Residents)		2,747,000	
Assisted Living (Nonresidents)		**325,000**	
Less: Bad Debt Expense		-	
Net Assisted Living (Nonresidents)		**325,000**	
Total		$ 3,072,000	
Skilled Nursing (Contract Residents)			3,587,000
Skilled Nursing (Nonresidents)			**53,000**
Less: Bad Debt Expense			-
Net Skilled Nursing (Nonresidents)			**53,000**
Total Skilled Nursing (without Bad Debt adj)			$ 3,640,000
Total Non-residents Revenues	**$ 378,000**		

Interest paid during fiscal year (per financial schedules)		$ 2,937,000
Less:		
Finance fees - 1999 bonds	24,000	
Finance fees - 2006 bonds	441,000	
Finance fees - 2007 EVP bonds	137,000	
Finance fees - 2007 ELGB bonds	184,000	
Finance fees - 2008A bonds	333,000	
Finance fees - 2008B bonds	925,000	
Total interest expense adjustment		2,044,000
Total long term interest expense paid during the year ended December 31, 2011		$ 893,000
Form 5-1		
Total column (c) interest expense paid during fiscal year		$ 671,000
Form 5-2		
Total column (b) interest expense paid during fiscal year		222,000
Less:		
Capitalized interest		-
Total long term interest expense paid during the year ended December 31, 2011		$ 893,000

Interest Paid During Fiscal Year (per financial schedules)		$	346,000
Less:			
Finance fees - 1999 Bonds	24,000		
Finance fees - 2008A Bonds	88,000		112,000
Total long term interest expense paid during the year ended December 31, 2011		$	234,000

ESKATON VILLAGE CARMICHAEL
SUPPLEMENTAL FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
DECEMBER 31, 2011

Total Resident Revenue	$ 23,093,000
Less: Reimbursements for services to residents	22,549,000
Reimbursements for services to non-residents	544,000

Assisted Living services to non-residents	$ 325,000
Skilled Nursing services to non-residents	53,000
Guest Meals	129,000
Guest Room Meals	37,000
Reimbursements for services to non-residents	544,000

Total Qualifying Assets as Filed:		
Cash and Cash Equivalents	$ 19,459,866	Cash and short-term investments
Investment Securities	3,979,567	Government securities and corporate debt
Equity Securities	31,351,441	Equity securities and mutual funds
Alternative Investments	4,143,286	Other
Total Qualifying Assets as Filed:	58,934,160	
Reservations and Designations:		
Workers' Compensation	4,438,174	Self-insured Workers' Compensation Plan
Deposits	161,000	Refundable deposits
Tail Exposure - Professional Liability Insurance	1,329,658	Claims-made professional liability insurance
Eskaton Health Plan	1,306,962	Self-insured Employee Health Plan
Unfunded Pension Obligation	6,489,062	Defined benefit cash balance pension plan
Remaining Liquid Reserves	$ 45,209,304	

ESKATON AND SUBSIDIARIES
SUPPLEMENTAL FORM 5-5
ALATU – COMPOSITION OF ASSETS
DECEMBER 31, 2011

	Total	Cash & ST Investments	US Treas Govt Sec & Corp Debt	Equity Sec's	Mutual Funds
1999 SAVRS	4,212,525	1,151,533	3,060,992	-	-
2006 Bonds-EVR	1,418,288	12,145	1,406,143	-	-
2007 Bonds-EVP	922,935	7,781	915,154	-	-
2008B Bonds	3,007,620	899,264	2,108,356	-	-
TOTAL DEBT SERVICE RESERVE	9,561,368	2,070,723	7,490,645	-	-
Restricted WC & Pension LC Collateral	2,637,663	2,637,663			
TOTAL RESERVES AND COLLATERAL IN ALATU	12,199,031				

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	3,234 – 4,353	4,191 – 5,791	8,670
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	2.80%	1.70%	3.00%

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: 01/01/11
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☑ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☑ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☑ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☑ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☑ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☑ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

Monthly service fees were increased in 2011 by 1.70% to 3.00% to offset expected increases in costs for labor, food, supplies, contractor support, etc. There were also higher expected increases in the cost of employee health insurance.

PROVIDER NAME: Eskaton
COMMUNITY NAME: Eskaton Village - Carmichael

ROUTINE REVENUE - ASSISTED LIVING

Line Ref.	Account Number	2010	Description				31 Jan	28 Feb	31 Mar	30 Apr	31 May	30 Jun	31 Jul	31 Aug	30 Sep	31 Oct	30 Nov	31 Dec	365 Total
			Number of Units Available																
			One Bedroom				7	7	7	7	7	7	7	7	7	7	7	7	
			Studio				31	31	31	31	31	31	31	31	31	31	31	31	
			Total Units Available				38	38	38	38	38	38	38	38	38	38	38	38	
			Number of Units Occupied																
			One Bedroom				6.72	6.72	6.72	6.72	6.72	6.72	6.72	6.72	6.72	6.72	6.72	6.72	
			Studio				29.78	29.78	29.78	29.78	29.78	29.78	29.78	29.78	29.78	29.78	29.78	29.78	
			Total Units Occupied				36.50	36.50	36.50	36.50	36.50	36.50	36.50	36.50	36.50	36.50	36.50	36.50	
			Percent Occupancy				96.05%	96.05%	96.05%	96.05%	96.05%	96.05%	96.05%	96.05%	96.05%	96.05%	96.05%	96.05%	
			Resident Day Payor Type Percentage																
			Private Pay				75.62%	75.62%	75.62%	75.62%	75.62%	75.62%	75.62%	75.62%	75.62%	75.62%	75.62%	75.62%	
			Met Life				24.38%	24.38%	24.38%	24.38%	24.38%	24.38%	24.38%	24.38%	24.38%	24.38%	24.38%	24.38%	
							100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
			Resident Day By Payor Type		(@ 9/1/10)	# Units													
			Private Pay		29	27.6	856	773	856	828	856	828	856	856	828	856	828	856	10,077
			Met Life		8	8.9	276	249	276	267	276	267	276	276	267	276	267	276	3,249
			Extra days due to Respite				-	-	-	-	-	-	-	-	-	-	-	-	-
			Extra days due to Flexible Respite				-	-	-	-	-	-	-	-	-	-	-	-	-
					37	36.5	1,132	1,022	1,132	1,095	1,132	1,095	1,132	1,132	1,095	1,132	1,095	1,132	13,326
			Room Rates		*2010*	*Increase*													
			One Bedroom		$ 4,693	3.00%	$ 4,834	$ 4,834	$ 4,834	$ 4,834	$ 4,834	$ 4,834	$ 4,834	$ 4,834	$ 4,834	$ 4,834	$ 4,834	$ 4,834	
			Studio		$ 3,928	3.00%	$ 4,046	$ 4,046	$ 4,046	$ 4,046	$ 4,046	$ 4,046	$ 4,046	$ 4,046	$ 4,046	$ 4,046	$ 4,046	$ 4,046	
			Average Monthly Unit Rate				$ 4,191	$ 4,191	$ 4,191	$ 4,191	$ 4,191	$ 4,191	$ 4,191	$ 4,191	$ 4,191	$ 4,191	$ 4,191	$ 4,191	
		2010	***Daily Rates***	*Increase*															
		$ 140	Respite	3.00%			$ 144	$ 144	$ 144	$ 144	$ 144	$ 144	$ 144	$ 144	$ 144	$ 144	$ 144	$ 144	
		$ -	Flexible Respite	3.00%			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-	
			Gross Revenue by Payor Type																
			Private Pay				(147,457)	(147,997)	(147,457)	(147,637)	(147,457)	(147,637)	(147,457)	(147,457)	(147,637)	(147,457)	(147,637)	(147,457)	(1,770,744)
			Met Life	Per day:	$ 20		(5,520)	(4,980)	(5,520)	(5,340)	(5,520)	(5,340)	(5,520)	(5,520)	(5,340)	(5,520)	(5,340)	(5,520)	(64,980)
			Total Gross Revenue				(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(1,835,724)
			Combined Routine Revenues																
	02-3001-000		Monthly Service Fees				(147,457)	(147,997)	(147,457)	(147,637)	(147,457)	(147,637)	(147,457)	(147,457)	(147,637)	(147,457)	(147,637)	(147,457)	(1,770,744)
	02-3001-010		Respite Care				-	-	-	-	-	-	-	-	-	-	-	-	-
	02-3001-020		Flexible Respite				-	-	-	-	-	-	-	-	-	-	-	-	-
	02-3001-030		Met Life Revenue				(5,520)	(4,980)	(5,520)	(5,340)	(5,520)	(5,340)	(5,520)	(5,520)	(5,340)	(5,520)	(5,340)	(5,520)	(64,980)
1			Total Routine Revenues				(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(152,977)	(1,835,724)

ROUTINE REVENUE - MEMORY CARE

Line Ref.	Account Number	2010			31 Jan	28 Feb	31 Mar	30 Apr	31 May	30 Jun	31 Jul	31 Aug	30 Sep	31 Oct	30 Nov	31 Dec	365 Total
			Number of Units Available		20	20	20	20	20	20	20	20	20	20	20	20	
			Number of Units Occupied	(@ 9/1/10)													
			Private Pay	12	13.0	13.0	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	
			Met Life	4	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	
				16	18.0	18.0	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5	
			Percent Occupancy		90.00%	90.00%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	
			Care Level Mix Percentage														
			Level 1		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
			Level 2		57.00%	57.00%	57.00%	57.00%	57.00%	57.00%	57.00%	57.00%	57.00%	57.00%	57.00%	57.00%	
			Level 3		37.00%	37.00%	37.00%	37.00%	37.00%	37.00%	37.00%	37.00%	37.00%	37.00%	37.00%	37.00%	
			Level 4		6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	
					100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
				(@ 9/1/10)													
			Average Level of Care	2.75	2.49	2.49	2.49	2.49	2.49	2.49	2.49	2.49	2.49	2.49	2.49	2.49	
			Resident Days by Care Level														
			Level 1		-	-	-	-	-	-	-	-	-	-	-	-	-
			Level 2		230	207	239	231	239	231	239	239	231	239	231	239	2,795
			Level 3		149	135	155	150	155	150	155	155	150	155	150	155	1,814
			Level 4		24	22	25	24	25	24	25	25	24	25	24	25	292
			Met Life		155	140	155	150	155	150	155	155	150	155	150	155	1,825
			Extra days due to Respite		-	-	-	-	-	-	-	-	-	-	-	-	
			Extra days due to Flexible Respite		-	-	-	-	-	-	-	-	-	-	-	-	-
					558	504	574	555	574	555	574	574	555	574	555	574	6,726
		2010	***Monthly Rent by Care Level***	Increase													
		$ 5,488	Level 1	0.00%	$ 5,488	$ 5,488	$ 5,488	$ 5,488	$ 5,488	$ 5,488	$ 5,488	$ 5,488	$ 5,488	$ 5,488	$ 5,488	$ 5,488	
		$ 6,016	Level 2	0.00%	$ 6,016	$ 6,016	$ 6,016	$ 6,016	$ 6,016	$ 6,016	$ 6,016	$ 6,016	$ 6,016	$ 6,016	$ 6,016	$ 6,016	
		$ 6,548	Level 3	0.00%	$ 6,548	$ 6,548	$ 6,548	$ 6,548	$ 6,548	$ 6,548	$ 6,548	$ 6,548	$ 6,548	$ 6,548	$ 6,548	$ 6,548	
		$ 7,080	Level 4	0.00%	$ 7,080	$ 7,080	$ 7,080	$ 7,080	$ 7,080	$ 7,080	$ 7,080	$ 7,080	$ 7,080	$ 7,080	$ 7,080	$ 7,080	
		2010	***Daily Rates***	Increase													
		$ 180	Respite	0.00%	$ 180	$ 180	$ 180	$ 180	$ 180	$ 180	$ 180	$ 180	$ 180	$ 180	$ 180	$ 180	
		$ -	Flexible Respite	0.00%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-	
		$ 20	Met Life	0.00%	$ 20	$ 20	$ 20	$ 20	$ 20	$ 20	$ 20	$ 20	$ 20	$ 20	$ 20	20	
			Private Revenue by Care Level														
			Level 1		-	-	-	-	-	-	-	-	-	-	-	-	-
			Level 2		(59,957)	(60,128)	(61,672)	(61,729)	(61,672)	(61,729)	(61,672)	(61,672)	(61,729)	(61,672)	(61,729)	(61,672)	(737,033)
			Level 3		(42,463)	(42,574)	(43,674)	(43,711)	(43,674)	(43,711)	(43,674)	(43,674)	(43,711)	(43,674)	(43,711)	(43,674)	(521,925)
			Level 4		(7,460)	(7,478)	(7,673)	(7,679)	(7,673)	(7,679)	(7,673)	(7,673)	(7,679)	(7,673)	(7,679)	(7,673)	(91,692)
			Total Private Revenue		(109,880)	(110,180)	(113,019)	(113,119)	(113,019)	(113,119)	(113,019)	(113,019)	(113,119)	(113,019)	(113,119)	(113,019)	(1,350,650)
			Combined Routine Revenues														
	04-3001-000		Monthly Service Fees		(109,880)	(110,180)	(113,019)	(113,119)	(113,019)	(113,119)	(113,019)	(113,019)	(113,119)	(113,019)	(113,119)	(113,019)	(1,350,650)
	04-3001-010		Respite Care		-	-	-	-	-	-	-	-	-	-	-	-	-
	04-3001-020		Flexible Respite		-	-	-	-	-	-	-	-	-	-	-	-	-
	04-3001-030		Met Life Revenue		(3,100)	(2,800)	(3,100)	(3,000)	(3,100)	(3,000)	(3,100)	(3,100)	(3,000)	(3,100)	(3,000)	(3,100)	(36,500)
1			Total Routine Revenues		(112,980)	(112,980)	(116,119)	(116,119)	(116,119)	(116,119)	(116,119)	(116,119)	(116,119)	(116,119)	(116,119)	(116,119)	(1,387,150)

ESKATON AND SUBSIDIARIES
MONTHLY FEES – HISTORICAL AND BUDGETED

03-3111	CERTIFIED DISTINCT PART

Line Ref.	Account Number				31 Jan	28 Feb	31 Mar	30 Apr	31 May	30 Jun	31 Jul	31 Aug	30 Sep	31 Oct	30 Nov	31 Dec	365 Total
		Number of Beds Available															
		Private Room			6	6	6	6	6	6	6	6	6	6	6	6	
		Semi-Private Room			29	29	29	29	29	29	29	29	29	29	29	29	
					35	35	35	35	35	35	35	35	35	35	35	35	
		Number of Beds Occupied															
		Private Room			6	6	6	6	6	6	6	6	6	6	6	6	
		Semi-Private Room			27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	
					33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5	
		Percent Occupancy			95.80%	95.80%	95.80%	95.80%	95.80%	95.80%	95.80%	95.80%	95.80%	95.80%	95.80%	95.80%	
		Patient Day Payor Type Percentage															
		Private Pay			48.36%	48.36%	48.36%	48.36%	48.36%	48.36%	48.36%	48.36%	48.36%	48.36%	48.36%	48.36%	
		Managed Care			5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	
		Medicare			9.42%	9.42%	9.42%	9.42%	9.42%	9.42%	9.42%	9.42%	9.42%	9.42%	9.42%	9.42%	
		Medi-Cal			2.98%	2.98%	2.98%	2.98%	2.98%	2.98%	2.98%	2.98%	2.98%	2.98%	2.98%	2.98%	
		Met Life			33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	33.33%	
		Total Percentage			99.98%	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	99.98%	99.99%	99.99%	99.99%	
		Patient Day By Payor Type	***(YTD 9/1/10)***	***# Units***													
		Private Pay	15.61	16.22	503	454	503	486	503	486	503	503	486	503	486	503	5,935
		Managed Care	1.99	1.98	61	55	61	59	61	59	61	61	59	61	59	61	720
		Medicare	2.75	3.16	98	88	98	95	98	95	98	98	95	98	95	98	1,157
		Medi-Cal	1.00	1.00	31	28	31	30	31	30	31	31	30	31	30	31	366
		Met Life	12.15	11.18	346	313	346	335	346	335	346	346	335	346	335	346	4,088
		Total Patient Days	33.50	33.53	1,039	938	1,039	1,005	1,039	1,005	1,039	1,039	1,005	1,039	1,005	1,039	12,265
		Room Rates	***2010***	***Increase***													
		Private Room	$ 334.00	3.00%	$ 345.00	$ 345.00	$ 345.00	$ 345.00	$ 345.00	$ 345.00	$ 345.00	$ 345.00	$ 345.00	$ 345.00	$ 345.00	$ 345.00	
		Semi-Private Room	$ 280.00	3.00%	$ 289.00	$ 289.00	$ 289.00	$ 289.00	$ 289.00	$ 289.00	$ 289.00	$ 289.00	$ 289.00	$ 289.00	$ 289.00	$ 289.00	
		Routine Revenue															
		Private Room			(64,170)	(57,960)	(64,170)	(62,100)	(64,170)	(62,100)	(64,170)	(64,170)	(62,100)	(64,170)	(62,100)	(64,170)	(755,550)
		Semi-Private Room			(246,645)	(222,776)	(246,645)	(238,689)	(246,645)	(238,689)	(246,645)	(246,645)	(238,689)	(246,645)	(238,689)	(246,645)	(2,904,047)
					(310,815)	(280,736)	(310,815)	(300,789)	(310,815)	(300,789)	(310,815)	(310,815)	(300,789)	(310,815)	(300,789)	(310,815)	(3,659,597)
		Gross Revenue by Payor Type															
	03-3111-000	Private Pay			(150,310)	(135,764)	(150,310)	(145,462)	(150,310)	(145,462)	(150,310)	(150,310)	(145,462)	(150,310)	(145,462)	(150,310)	(1,769,782)
	03-3111-010	Managed Care			(18,338)	(16,563)	(18,338)	(17,747)	(18,338)	(17,747)	(18,338)	(18,338)	(17,747)	(18,338)	(17,747)	(18,338)	(215,917)
	03-3111-040	Medicare			(29,279)	(26,445)	(29,279)	(28,334)	(29,279)	(28,334)	(29,279)	(29,279)	(28,334)	(29,279)	(28,334)	(29,279)	(344,734)
	03-3111-050	Medi-Cal			(9,262)	(8,366)	(9,262)	(8,964)	(9,262)	(8,964)	(9,262)	(9,262)	(8,964)	(9,262)	(8,964)	(9,262)	(109,056)
	03-3100-030	Met Life			(103,595)	(93,569)	(103,595)	(100,253)	(103,595)	(100,253)	(103,595)	(103,595)	(100,253)	(103,595)	(100,253)	(103,595)	(1,219,746)
1		Total Gross Revenue			(310,784)	(280,707)	(310,784)	(300,760)	(310,784)	(300,760)	(310,784)	(310,784)	(300,760)	(310,784)	(300,760)	(310,784)	(3,659,235)
		Contractual Allowances	***Jan-July Per Diem***	***Aug-Dec Per Diem***													
		Managed Care	$ 533.00	$ 533.00	(14,175)	(12,752)	(14,175)	(13,700)	(14,175)	(13,700)	(14,175)	(14,175)	(13,700)	(14,175)	(13,700)	(14,175)	(166,777)
		Medicare	$ 540.82	$ 540.82	(23,721)	(21,147)	(23,721)	(23,044)	(23,721)	(23,044)	(23,721)	(23,721)	(23,044)	(23,721)	(23,044)	(23,721)	(279,370)
		Medi-Cal	$ 179.23	$ 179.23	3,706	3,348	3,706	3,587	3,706	3,587	3,706	3,706	3,587	3,706	3,587	3,706	43,638
		Met Life	$ 168.54	$ 168.54	45,280	40,816	45,280	43,792	45,280	43,792	45,280	45,280	43,792	45,280	43,792	45,280	532,944
		Total Contractuals			11,090	10,265	11,090	10,635	11,090	10,635	11,090	11,090	10,635	11,090	10,635	11,090	130,435
		Net Revenue by Payor Type															
		Private Pay			(150,310)	(135,764)	(150,310)	(145,462)	(150,310)	(145,462)	(150,310)	(150,310)	(145,462)	(150,310)	(145,462)	(150,310)	(1,769,782)
		Managed Care			(32,513)	(29,315)	(32,513)	(31,447)	(32,513)	(31,447)	(32,513)	(32,513)	(31,447)	(32,513)	(31,447)	(32,513)	(382,694)
		Medicare			(53,000)	(47,592)	(53,000)	(51,378)	(53,000)	(51,378)	(53,000)	(53,000)	(51,378)	(53,000)	(51,378)	(53,000)	(624,104)
		Medi-Cal			(5,556)	(5,018)	(5,556)	(5,377)	(5,556)	(5,377)	(5,556)	(5,556)	(5,377)	(5,556)	(5,377)	(5,556)	(65,418)
		Met Life			(58,315)	(52,753)	(58,315)	(56,461)	(58,315)	(56,461)	(58,315)	(58,315)	(56,461)	(58,315)	(56,461)	(58,315)	(686,802)
		Total Net Revenue			(299,694)	(270,442)	(299,694)	(290,125)	(299,694)	(290,125)	(299,694)	(299,694)	(290,125)	(299,694)	(290,125)	(299,694)	(3,526,800)
		Bad Debt	***Monthly***														
15	03-7700-700	Coverage for Private Bad Debt	$ 300		300	300	300	300	300	300	300	300	300	300	300	300	3,600

ESKATON VILLAGE - CARMICHAEL

MONTHLY MAINTENANCE FEE SCHEDULE (W/O METLIFE)

2011 Budget - 12/01/10

	Units	Number of Units	1992 and Prior Monthly Fee	1993 Monthly Fee	1994 Monthly Fee	1995 Monthly Fee	1996 Monthly Fee	1997 Monthly Fee	1998 Monthly Fee	1999 Monthly Fee	2000 Monthly Fee	2001 Monthly Fee	2002 Monthly Fee	2003 Monthly Fee	2004 Monthly Fee	2005 Monthly Fee	2006 Monthly Fee	2007 Monthly Fee	2008 Monthly Fee	2009 Monthly Fee	2010 Monthly Fee	2011 Monthly Fee	Cumulative 2011 Monthly Fee
				5.7% Increase	7.4% Increase	11.3% Increase	6.7% Increase	8.7% Increase	6.5% Increase	2.0% Increase	2.0% Increase	5.75% Increase	3.75% Increase	5.00% Increase	5.00% Increase	5.00% Increase	4.25% Increase	4.50% Increase	4.00% Increase	4.75% Increase	2.75% Increase	2.80% Increase	
Apartments:																							
B	One bedroom, one bath	5	1,138	1,206	1,304	1,456	1,556	1,693	1,806	1,842	1,879	1,987	2,062	2,165	2,273	2,386	2,488	2,600	2,704	2,832	2,910	2,991	14,955
BM	One bedroom, one bath	17	1,138	1,206	1,304	1,456	1,556	1,693	1,806	1,842	1,879	1,987	2,062	2,165	2,273	2,386	2,488	2,600	2,704	2,832	2,910	2,991	50,847
BN	One bedroom, one bath	1	1,138	1,206	1,304	1,456	1,556	1,693	1,806	1,842	1,879	1,987	2,062	2,165	2,273	2,386	2,488	2,600	2,704	2,832	2,910	2,991	2,991
C	One bedroom, one bath	23	1,238	1,311	1,412	1,574	1,682	1,829	1,950	1,989	2,029	2,145	2,226	2,337	2,454	2,577	2,686	2,808	2,920	3,059	3,143	3,231	74,313
CM	One bedroom, one bath	7	1,238	1,311	1,412	1,574	1,682	1,829	1,950	1,989	2,029	2,145	2,226	2,337	2,454	2,577	2,686	2,808	2,920	3,059	3,143	3,231	22,617
CL	One bedroom, one bath	8	1,238	1,311	1,412	1,574	1,682	1,829	1,950	1,989	2,029	2,145	2,226	2,337	2,454	2,577	2,686	2,808	2,920	3,059	3,143	3,231	25,848
D	One bedroom, den, 1-1/2 baths	24	1,338	1,416	1,521	1,694	1,809	1,967	2,095	2,137	2,180	2,305	2,391	2,511	2,637	2,768	2,886	3,016	3,137	3,286	3,377	3,472	83,328
E	Two bedrooms, two baths	20	1,438	1,521	1,630	1,814	1,936	2,104	2,240	2,285	2,330	2,464	2,557	2,685	2,819	2,960	3,086	3,225	3,354	3,513	3,609	3,710	74,200
EM	Two bedrooms, two baths	12	1,488	1,573	1,680	1,869	1,994	2,167	2,307	2,353	2,400	2,538	2,633	2,765	2,903	3,048	3,178	3,321	3,454	3,618	3,717	3,821	45,852
F	Two bedrooms, two baths	29	1,438	1,521	1,630	1,814	1,936	2,104	2,240	2,285	2,330	2,464	2,557	2,685	2,819	2,960	3,086	3,225	3,354	3,513	3,609	3,710	107,590
G	Two bedrooms, two baths	11	1,663	1,757	1,878	2,087	2,225	2,416	2,571	2,622	2,675	2,829	2,935	3,081	3,236	3,397	3,542	3,701	3,849	4,032	4,143	4,259	46,849
GM	Two bedrooms, two baths	1	1,663	1,757	1,878	2,087	2,225	2,416	2,571	2,622	2,675	2,829	2,935	3,081	3,236	3,397	3,542	3,701	3,849	4,032	4,143	4,259	4,259
H	Two bedrooms, two baths	13	1,663	1,757	1,878	2,087	2,225	2,416	2,571	2,622	2,675	2,829	2,935	3,081	3,236	3,397	3,542	3,701	3,849	4,032	4,143	4,259	55,367
J	Two bedroom, den, two baths	14	1,738	1,836	1,977	2,196	2,340	2,541	2,703	2,757	2,812	2,974	3,085	3,240	3,402	3,572	3,724	3,892	4,048	4,240	4,357	4,479	62,706
N	Two bedroom, den, two baths	11	1,738	1,836	1,977	2,196	2,340	2,541	2,703	2,757	2,812	2,974	3,085	3,240	3,402	3,572	3,724	3,892	4,048	4,240	4,357	4,479	49,269
P	Two bedroom, den, two baths	1	1,438	1,521	1,630	1,814	1,936	2,104	2,240	2,285	2,330	2,464	2,557	2,685	2,819	2,960	3,086	3,225	3,354	4,210	4,357	4,479	4,479
P	Two bedroom, den, two baths	4	1,743	1,841	1,977	2,196	2,340	2,541	2,703	2,757	2,812	2,974	3,085	3,240	3,402	3,572	3,724	3,892	4,048	4,240	4,357	4,479	17,916
Cottages:																							
K	One bedroom, one bath	5	1,488	1,573	1,680	1,869	1,994	2,167	2,307	2,353	2,400	2,538	2,633	2,765	2,903	3,048	3,178	3,321	3,454	3,618	3,717	3,821	19,105
L	Two bedroom, two baths	49	1,638	1,731	1,858	2,065	2,202	2,391	2,545	2,596	2,648	2,800	2,905	3,050	3,203	3,363	3,506	3,664	3,811	3,992	4,102	4,217	206,633
M	Three bedroom, two baths	24	1,788	1,888	2,026	2,250	2,398	2,603	2,769	2,824	2,881	3,047	3,161	3,319	3,485	3,659	3,814	3,987	4,146	4,343	4,463	4,588	110,112
MM	Three bedroom, two baths	16	1,788	1,888	2,026	2,250	2,398	2,603	2,769	2,824	2,881	3,047	3,161	3,319	3,485	3,659	3,814	3,987	4,146	4,343	4,463	4,588	73,408
		295																					3,907
	Second Person Fee		238	288	288	388	438	497	538	549	560	655	679	713	749	786	820	857	891	933	959	988	247
																							4,154

COMMENTS FROM PROVIDER: Eskaton Village was initially accredited by the Continuing Care Accreditation Commission in December 1998. Future rate increases are generally based on the expected increases in costs of services. Independent living rates have increased annually from 2.75% to 5.75% including increases of 4.00% in 2008, 4.75% in 2009, 2.75% in 2010 and 2.80% in 2011. A group long-term care policy provides continuing protection from nursing home cost increases. Upon departure from the Village, residents, or their estates, receive 90% of the initial membership price or resale price, whichever is less, plus 50% of any appreciation.

Long-Term Debt to Total Assets Ratio

	2007	2008	2009	2010	2011
Long-Term Debt	159,637	157,141	154,244	151,176	152,697
Less: Current Portion	(6,128)	(2,883)	(3,059)	(4,138)	(36,949)
	153,509	154,258	151,185	147,038	115,748
Divided By:					
Total Assets	225,079	205,376	207,435	209,920	210,588
Long-Term Debt to Total Assets Ratios	**68.20%**	**75.11%**	**72.88%**	**70.04%**	**54.96%**

Operating Ratio

	2007	2008	2009	2010	2011
Total Operating Expenses	86,415	98,795	96,189	99,751	104,027
Less: Depreciation & Amortization	(6,414)	(7,523)	(8,484)	(8,592)	(9,149)
	80,001	91,272	87,705	91,159	94,878
Divided By:					
Total Operating Revenues	89,361	94,781	99,732	106,068	108,176
Less: Amortization of Deferred Revenue	(1,955)	(2,080)	(2,118)	(2,129)	(2,132)
	87,406	92,701	97,614	103,939	106,044
Operating Ratio	**91.53%**	**98.46%**	**89.85%**	**87.70%**	**89.47%**

Debt Service Coverage Ratio

	2007	2008	2009	2010	2011
Total Excess of Revenues over Expenses	808	(37,097)	17,544	3,457	(3,030)
Plus: Interest & amortization	6,470	9,509	3,846	3,915	3,606
Depreciation	7,523	7,523	8,484	8,592	9,149
Net Proceeds from Entrance Fees	1,231	717	277	49	15
Less: Amortization of Deferred Revenue	(1,955)	(2,080)	(2,118)	(2,129)	(2,132)
	14,077	(21,428)	28,033	13,884	7,608
Divided By:					
Annual Debt Service	9,396	8,905	4,157	3,899	5,284
Debt Service Coverage Ratio	**1.50**	**(2.41)**	**6.74**	**3.56**	**1.44**

	2007	2008	2009	2010	2011
Cash & Cash Equivalents	9,076	12,526	14,506	16,409	16,819
Monterey Proceeds	7,607	5,819	7,195	-	-
General Purpose Funds	10,513	7,970	9,816	32,294	32,412
Growth Funds	7,235	5,955	7,161	-	-
Board Restricted - Village	10,070	6,986	8,211	8,952	8,152
EAC Building Loan Proceeds	3,384	2,868	3,320	-	-
Capital Replacement Reserve	1,227	923	1,121	-	-
Self Insured Workers' Comp LOC Reserve	-	-	-	-	-
Other Short Investments	951	1,200	1,370	1,385	1,552
Woodrow Wilson CD	-	-	-	-	-
Unrestricted Cash & Investments	50,063	44,247	52,700	59,040	58,935
Divided By:					
Operating Expenses	86,415	98,795	96,189	99,751	104,027
Less: Depreciation & Amortization	(6,414)	(7,523)	(8,484)	(8,592)	(9,149)
	80,001	91,272	87,705	91,159	94,878
Divided By:	365	365	365	365	365
Operating Expenses per Day	219.18	250.06	240.29	249.75	259.94
Days Cash On Hand Ratio	**228**	**177**	**219**	**236**	**227**

	2009	2010	2011
INCOME FROM ONGOING OPERATIONS			
OPERATING INCOME (excluding amortization of entrance fee income)	97,614	103,939	106,044
LESS OPERATING EXPENSES (excluding depreciation, amortization and interest)	83,859	87,244	91,272
NET INCOME FROM OPERATIONS	13,755	16,695	14,772
LESS INTEREST EXPENSE	3,846	3,915	3,606
PLUS CONTRIBUTIONS			
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	14,001	(2,860)	(7,179)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	23,910	9,920	3,987
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	277	49	15

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CSCDA Auction Rate Securities	33,100,000	Variable	Jul-99	2029	30 years
ABAG Variable Rate Demand Bonds	20,750,000	Variable	Apr-08	2029	21 years
ABAG Variable Rate Demand Bonds	21,250,000	Variable	Dec-06	2037	31 years
ABAG Variable Rate Demand Bonds	11,655,000	Variable	May-07	2038	31 years
ABAG Variable Rate Demand Bonds	12,540,000	Variable	Aug-07	2038	31 years
ABAG Variable Rate Demand Bonds	44,720,000	Variable	May-08	2035	27 years
Other (see attached)	8,682,064				

FINANCIAL RATIOS (see next page for ratio formulas)

	2003 CCAC Medians 50th percentile (optional)	2009	2010	2011
DEBT TO ASSET RATIO	41.50%	72.88%	70.04%	54.96%
OPERATING RATIO	102.94%	89.86%	87.70%	89.47%
DEBT SERVICE COVERAGE RATIO	2.64%	6.74	3.56	1.44
DAYS CASH-ON-HAND RATIO	201	219.32	236.40	226.73

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2009	%	2010	%	2011	%
STUDIO	N/A		N/A		N/A	
ONE BEDROOM	3,062	4.76	3,146	2.74	3,234	2.80
TWO BEDROOM	3,817	4.72	3,923	2.78	4,032	2.78
COTTAGE/HOUSE	4,121	4.76	4,235	2.77	4,353	2.79
ASSISTED LIVING	3,913	4.05	4,069	4.00	4,191	3.00
SKILLED NURSING	7,710	4.05	8,400	4.09	8,670	3.21
SPECIAL CARE	5,280	4.75	5,791	2.01	5,791	-

COMMENTS FROM PROVIDER: Please see attached disclosure worksheet.

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER		OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Wells Fargo Bank	$	3,007,955	Variable	Oct-08	2013	25 years
Pilegaard		20,424	8.000%	Jun-99	2012	12 years
Five Star Bank		5,653,685	Variable	Mar-11	2014	20 years
Total	$	8,682,064				

	2009	2010	2011
Net patient revenues	41,229	43,950	44,655
Net resident revenues	46,756	49,333	53,975
Less amortization of entrance fees	(2,118)	(2,129)	(2,132)
Other	11,747	12,785	9,546
Income from ongoing operations	**97,614**	**103,939**	**106,044**
Total expenses	96,189	99,751	104,027
Less loss on disposal of property and equipment	-	-	-
Less loss on early repayment of debt	-	-	-
Less depreciation and amortization	(8,484)	(8,592)	(9,149)
Less Interest	(3,846)	(3,915)	(3,606)
Operating expenses	**83,859**	**87,244**	**91,272**
Net income from operations	**13,755**	**16,695**	**14,772**
Interest expense	**(3,846)**	**(3,915)**	**(3,606)**
Non Operating Income	**14,001**	**(2,860)**	**(7,179)**
NI before entrance fees, depreciation and amortization	**23,910**	**9,920**	**3,987**

Continuing Care Retirement Community Disclosure Worksheet
General Information

FACILITY NAME: Eskaton Village Carmichael

ADDRESS: 3939 Walnut Avenue ZIP CODE: 95608 PHONE: 916/974-2000

FACILITY OWNER: Eskaton FACILITY OPERATOR: Eskaton

RELATED FACILITIES: See attached RELIGIOUS AFFILIATION: N/A

YEAR OPENED: 1992 NO. OF ACRES: 37 MULTI-STORY: ___ SINGLE STORY: ___ BOTH: X

MILES TO SHOPPING CTR: one mile MILES TO HOSPITAL: MSJ four miles

NUMBER OF UNITS: **INDEPENDENT LIVING** **HEALTHCARE**

INDEPENDENT LIVING		HEALTHCARE	
APARTMENTS – STUDIO	0	ASSISTED LIVING	38
APARTMENTS – 1 BDRM	85	SKILLED NURSING	35
APARTMENTS – 2 BDRM	116	MEMORY CARE	20
COTTAGES/HOUSES	94	DESCRIBE MEMORY CARE: Secured perimeter unit for care of residents with Alzheimer's or related dementia.	
% OCCUPANCY AT YEAR END	98.6%		

TYPE OF OWNERSHIP: X NOT FOR PROFIT ☐ FOR PROFIT **ACCREDITED:** X Y ☐ N BY: CCAC

FORM OF CONTRACT: ☐ LIFECARE X CONTINUING CARE X FEE FOR SERVICE
☐ ASSIGN ASSETS X EQUITY ☐ ENTRY FEE ☐ RENTAL

REFUND PROVISIONS (Check all that apply): X 90% ☐ 75% ☐ 50 % ☐ PRORATED TO 0% ☐ OTHER: ___

RANGE OF ENTRANCE FEES: $100,000 TO $350,000 **LONG-TERM CARE INSURANCE REQUIRED?** Y X N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Priority access to ALU, SNF, & MCU (income eligible fee for service)

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER:

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☐	X
BILLIARD ROOM	X	☐
BOWLING GREEN	☐	☐
CARD ROOMS	X	☐
CHAPEL	X	☐
COFFEE SHOP	☐	X
CRAFT ROOMS	X	☐
EXERCISE ROOM	X	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	X	☐
PUTTING GREEN	X	☐
SHUFFLEBOARD	☐	☐
SPA	X	☐
SWIMMING POOL- INDOOR	X	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	X	☐
OTHER - Painting Studio and Gardening Area	X	☐

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES PER MONTH	4	
NUMBER OF MEALS PER DAY	3	
SPECIAL DIETS AVAILABLE	X	☐
24 HOUR EMERGENCY RESPONSE	X	☐
ACTIVITIES PROGRAM	X	☐
ALL UTILITIES EXCEPT PHONE	X	☐
APARTMENT MAINTENANCE	X	☐
CABLE TV	X	☐
LINENS FURNISHED	X	☐
LINENS LAUNDERED	X	☐
MEDICATION MANAGEMENT	☐	X
NURSING/WELLNESS CLINIC	X	☐
PERSONAL NURSING/HOME CARE	☐	X
TRANSPORTATION-PERSONAL	☐	X
TRANSPORTATION-PREARRANGED	X	☐
OTHER - 24 hour security	X	☐

Participation in this report is voluntary and accuracy of information in not guaranteed. Many communities are part of multi-facility operations, which may influence financial reporting. Consumers are encouraged to ask questions of the CCRC that they are considering and to seek advice from professional advisors if necessary.

We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status, or national origin.

Multi-Facility Owner: General Information Worksheet

CORPORATE NAME: ESKATON

CCRCs	**LOCATION (City, State):**	**PHONE (with area code)**
Eskaton Village, Carmichael	Carmichael, CA	916-974-2000
MULTI-LEVEL RETIREMENT COMUNITIES		
Eskaton Village – Grass Valley	Grass Valley, CA	530-273-1778
Eskaton Village Roseville	Roseville, CA	916-789-7831
Eskaton Village Placerville	Placerville, CA	530-295-3400
FREE-STANDING ASSISTED LIVING		
Eskaton Lodge Gold River	Gold River, CA	916-852-7900
Eskaton Lodge Cameron Park	Cameron Park, CA	530-672-8900
Eskaton Lodge Granite Bay	Granite Bay, CA	916-789-0326
Eskaton FountainWood Lodge	Orangevale, CA	916-988-2200
FREE-STANDING SKILLED NURSING		
Eskaton Care Center Manzanita	Carmichael, CA	916-331-8513
Eskaton Care Center Fair Oaks	Fair Oaks, CA	916-965-4663
Eskaton Care Center Greenhaven	Sacramento, CA	916-393-2550
SUBSIDIZED SENIOR HOUSING		

Eskaton has been in business since 1968 and owns or operates approximately 30 communities, 14 of which are low income housing
communities in the Northern California area.

*** PLEASE INDICATE IF THE FACILITY IS LIFECARE.**

	2009	2010	2011
INCOME FROM ONGOING OPERATIONS			
OPERATING INCOME (excluding amortization of entrance fee income)	97,614	103,939	106,044
LESS OPERATING EXPENSES (excluding depreciation, amortization and interest)	83,859	87,244	91,272
NET INCOME FROM OPERATIONS	13,755	16,695	14,772
LESS INTEREST EXPENSE	3,846	3,915	3,606
PLUS CONTRIBUTIONS			
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	14,001	(2,860)	(7,179)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	23,910	9,920	3,987
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	277	49	15

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CSCDA Auction Rate Securities	33,100,000	Variable	Jul-99	2029	30 years
ABAG Variable Rate Demand Bonds	20,750,000	Variable	Apr-08	2029	21 years
ABAG Variable Rate Demand Bonds	21,250,000	Variable	Dec-06	2037	31 years
ABAG Variable Rate Demand Bonds	11,655,000	Variable	May-07	2038	31 years
ABAG Variable Rate Demand Bonds	12,540,000	Variable	Aug-07	2038	31 years
ABAG Variable Rate Demand Bonds	44,720,000	Variable	May-08	2035	27 years
Other (see attached)	8,682,064				

FINANCIAL RATIOS (see next page for ratio formulas)

	2003 CCAC Medians 50th percentile (optional)	2009	2010	2011
DEBT TO ASSET RATIO	41.50%	72.88%	70.04%	54.96%
OPERATING RATIO	102.94%	89.86%	87.70%	89.47%
DEBT SERVICE COVERAGE RATIO	2.64%	6.74	3.56	1.44
DAYS CASH-ON-HAND RATIO	201	219.32	236.40	226.73

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2009	%	2010	%	2011	%
STUDIO	N/A		N/A		N/A	
ONE BEDROOM	3,062	4.76	3,146	2.74	3,234	2.80
TWO BEDROOM	3,817	4.72	3,923	2.78	4,032	2.78
COTTAGE/HOUSE	4,121	4.76	4,235	2.77	4,353	2.79
ASSISTED LIVING	3,913	4.05	4,069	4.00	4,191	3.00
SKILLED NURSING	7,710	4.05	8,400	4.09	8,670	3.21
SPECIAL CARE	5,280	4.75	5,791	2.01	5,791	-

COMMENTS FROM PROVIDER: Please see attached disclosure worksheet.

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

As required by the Continuing Care Contract Statutes, I hereby certify that:

- The annual reserve reports and any amendments thereto are correct to the best of my knowledge.
- Each continuing care contract form in use or offered to new residents has been approved by the Department.
- As of the date of my certification, the provider is maintaining the required liquid reserve and, if applicable, the required refund reserve.

Dated: April 27, 2012

Todd Murch, Chief Executive Officer

ESKATON
Transforming the Aging Experience

Eskaton Administrative Center
5105 Manzanita Avenue
Carmichael, CA 95608-0598
916-334-0810 PH
916-338-1248 FX

RECEIVED
MAY 25 2012
CONTINUING CARE
CONTRACTS BRANCH

May 25, 2012

Continuing Care Contracts Branch
California Department of Social Services
Community Care Licensing Division
744 P Street, MS 10-90
Sacramento, CA 95814

To Whom It May Concern:

Please find enclosed Eskaton's 2011 Key Indicators Report.

Lines 2, 3, 6, 7 and 15 were prepared using CCRC facility data and all other lines in the report were prepared using Obligated Group data.

We have not identified any trends that we feel are cause for concern but we will be happy to discuss any questions the Department may have.

Best regards,

Bill Pace

Bill Pace
Chief Financial Officer

BP:eab

cc: Ed Boogaard

KEY INDICATORS REPORT
ESKATON, INC.

Date Prepared: 5/25/2012

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

Bill Pace (signature)
Chief Financial Officer Signature

	2007	2008	2009	2010	2011	Projected 2012	Forecast 2013	2014	2015	2016	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)			See Attached Schedule								N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%) *	32.42%	29.25%	31.27%	28.57%	30.37%	29.95%	29.95%	29.95%	29.95%	29.95%	↑
3. Net Operating Margin - Adjusted (%) *	36.26%	31.64%	32.15%	28.73%	30.42%	29.99%	29.99%	29.99%	29.99%	29.98%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$29,704	$27,867	$49,559	$55,566	$53,986	$56,430	$58,874	$61,318	$63,762	$66,206	↑
5. Days Cash on Hand (Unrestricted)	252.99	192.28	250.23	276.70	248.26	252.86	256.87	260.72	264.23	267.38	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000) *	$25,071	$23,653	$21,790	$19,704	$17,587	$15,467	$13,283	$11,033	$8,715	$6,327	N/A
7. Net Annual E/F proceeds ($000) *	$1,231	$718	$276	$49	$15	$14	$14	$14	$14	$14	N/A
8. Unrestricted Net Assets ($000)	-$20,804	-$18,110	-$24,790	-$22,590	-$17,027	-$15,324	-$13,792	-$12,413	-$9,668	-$6,640	N/A
9. Annual Capital Asset Expenditure ($000)	$6,023	$4,983	$3,011	$3,332	$3,037	$4,500	$4,500	$4,500	$4,500	$4,500	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	1.90	1.25	2.52	2.28	2.73	1.80	1.78	1.89	1.87	1.93	↑
11. Annual Debt Service Coverage (x)	2.04	1.32	2.57	2.42	2.73	1.80	1.78	1.89	1.88	1.93	↑
12. Annual Debt Service/Revenue (%)	11.26%	19.87%	5.98%	7.29%	6.05%	8.97%	9.04%	8.48%	8.51%	8.24%	↓
13. Average Annual Effective Interest Rate (%)	5.33%	7.09%	2.49%	2.05%	1.78%	4.78%	4.84%	4.84%	4.81%	4.79%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	39.90%	34.03%	42.43%	49.07%	48.96%	52.66%	56.80%	61.14%	66.09%	71.59%	↑
15. Average Age of Facility (years) *	13.98	14.04	14.51	15.09	15.75	17.13	17.63	18.12	18.59	19.05	↓

NUMBERS MARKED WITH AN ASTERICK ARE VILLAGE CARMICHAEL ONLY. ALL OTHER NUMBERS ARE OBLIGATED GROUP NUMBERS.

SOME RATIOS CHANGED DUE TO RESTRUCTURING OF R&E IN 2009 APPLIED TO PAST YEARS.

J:\Support Services\Finance\Common\GL FACILITIES\47\RatioPro Key Indicators 2011\Key Indicators - 2011/ Draft

Key Indicator Report - Occupancy By Facility
Eskaton

	2007	2008	2009	2010	2011	Budget 2012	2013	2014	2015
Care Center Manzanita	86.58%	90.22%	93.68%	91.60%	92.80%	93.70%	93.70%	93.70%	93.70%
Care Center Fair Oaks	91.58%	92.53%	92.57%	93.40%	95.80%	93.90%	93.90%	93.90%	93.90%
Care Center Greenhaven	91.69%	82.19%	93.20%	93.20%	93.00%	92.60%	92.60%	92.60%	92.60%
Monroe Lodge	97.98%	88.00%	93.00%	79.60%	86.10%	86.00%	86.00%	86.00%	86.00%
Henson Manor	96.77%	93.75%	97.25%	89.90%	79.00%	92.50%	92.50%	92.50%	92.50%
Cameron Park Lodge	83.03%	95.92%	93.88%	81.20%	74.60%	91.80%	91.80%	91.80%	91.80%
Granite Bay Lodge	96.97%	88.54%	93.48%	84.50%	88.70%	92.60%	92.60%	92.60%	92.60%
Village Carmichael	99.04%	99.25%	99.25%	98.40%	98.70%	98.80%	98.80%	98.80%	98.80%
Village Grass Valley	95.80%	87.59%	93.43%	83.00%	81.90%	88.30%	88.30%	88.30%	88.30%
Gold River Lodge	91.18%	93.68%	93.68%	82.80%	76.50%	85.30%	85.30%	85.30%	85.30%