RETIREMENT Services LLC

May 31, 2013

Allison Nakatomi
Department of Social Services
744 P Street, MS 10-90
Sacramento, CA 95814

Re: Annual Report for California Friends Homes, dba Quaker Gardens Senior Living

Dear Allison:

Enclosed you will find the following compliance items for the fiscal year ending December 31, 2012 for Quaker Gardens Senior Living:

1. Annual Report Checklist
2. Check for the annual provider fee totaling $1,668.25
3. Certification by the CEO letter
4. Resident Population Form 1-1
5. Fidelity Bond
6. Direct Method Cash Flow certification by CEO letter
7. Audited Financial Statements and Auditor Opinion with direct method cash flow
8. Audited Reserve Reports
9. Annual Disclosure Statement
10. Report on CCRC Monthly Service Fees

The Annual Disclosure Statement was signed on May 30, 2013 by the Chief Executive Officer prior to his departure on vacation. However, our Auditors found a small calculation error which prompted a correction to the Reserve Obligation Amount of $25. In addition, due to rounding differences, we increased the Cash and Cash Equivalents by $1. The CEO is unavailable to sign the corrected Reserve Certification. As soon as he returns to the office, we will send in a signed version of the correct certification.

Best Regards,

Sheri Dressler

Sheri Dressler
V.P., Chief Financial Officer
Retirement Services, LLC

965 Ellendale Drive
Medford, Oregon 97504

toll-free: 888-724-6424
Fax: 541-857-6514

www.retirement.org

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ANNUAL REPORT
CHECKLIST
FOR
FISCAL YEAR ENDED: December 31, 2012

PROVIDER: **California Friends Homes**

FACILITY(IES): **Quaker Gardens Senior Living**

CONTACT PERSON: Lynn Acklin

TELEPHONE NO.: (541) 857-7779

****

Your complete annual report must consist of 3 copies of the following:

[X] This cover sheet.

[X] Annual Provider Fee in the amount of: $ 1,668.25

[X] Certification by the provider's chief executive officer that:

- [X] The reports are correct to the best of his/her knowledge.
- [X] Each continuing care contract form in use or offered to new residents has been approved by the Department.
- [X] The Provider is maintaining the required liquid reserve and refund reserve.

[X] Evidence of the provider's fidelity bond.

[X] The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.

[X] The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.

[X] The provider's "Continuing Care Retirement Community Disclosure Statement" for each community.

QUAKER GARDENS

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May 30, 2013

Allison Nakatomi
Department of Social Services
744 "P" Street, M. S. 10-90
Sacramento, CA 95814

Re: Annual Report of Quaker Gardens Senior Living
Certification by Chief Operating Officer

Dear Allison:

The annual report and any amendments thereto are correct to the best of my knowledge.

To the best of my knowledge every continuing care contract form in use or offered to new residents has been approved by the Department of Social Services.

As of May 30, 2013 Quaker Gardens Senior Living is maintaining the required liquid reserve and refund reserve.

Sincerely,

Randal Brown, Chief Executive Officer
Quaker Gardens Senior Living
California Friends Homes

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents		TOTAL
[1]	Number at beginning of fiscal year		62
[2]	Number at end of fiscal year		60
[3]	Total Lines 1 and 2		122
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x	0.50
[5]	Mean number of continuing care residents		61
	All Residents		
[6]	Number at beginning of fiscal year		245
[7]	Number at end of fiscal year		253
[8]	Total Lines 5 and 6		498
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x	0.50
[10]	Mean number of all residents		249
[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).		0.24

FORM 1-2
ANNUAL PROVIDER FEE

Line				TOTAL
[1]	Total Operating Expenses			14,414,493
	[a] Depreciation	512,414		
	[b] Debt Service (Interest Only)	-		
[2]	Subtotal (add Line 1a and 1b)			512,414
[3]	Subtract Line 2 from Line 1 and enter result.			13,902,079
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)			0.24
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)			3,336,499
			x	0.0005
[6]	**Total Amount Due** (multiply Line 5 by .0005)			1,668.25

Provider: **California Friends Homes**
Community: **Quaker Gardens Senior Living**

Policy Number: PHPK904344

Date Entered: 05/29/2013

ACORD® CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 5/29/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER

Parkville Insurance Services, Inc.
Po Box 1275
Whittier, CA. 90609

CONTACT NAME: Pete Duenas
PHONE (A/C, No, Ext): (562) 945-2702 | FAX (A/C, No): (562) 945-4297
E-MAIL ADDRESS:

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Philadelphia Indemnity Insurance Co.	18058
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

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INSURED

Quaker Gardens DBA:California Friends
Home
12151 Dale Street
Stanton, CA 90680

COVERAGES

CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	GENERAL LIABILITY COMMERCIAL GENERAL LIABILITY CLAIMS-MADE / OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: POLICY / PRO-JECT / LOC						EACH OCCURRENCE	$
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$
							MED EXP (Any one person)	$
							PERSONAL & ADV INJURY	$
							GENERAL AGGREGATE	$
							PRODUCTS - COMP/OP AGG	$
								$
	AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS / SCHEDULED AUTOS HIRED AUTOS / NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident)	$
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
	UMBRELLA LIAB / OCCUR EXCESS LIAB / CLAIMS-MADE DED / RETENTION $						EACH OCCURRENCE	$
							AGGREGATE	$
								$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					WC STATU-TORY LIMITS / OTH-ER	
							E.L. EACH ACCIDENT	$
							E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
A	Employee Dishonesty			PHPK904344	08/28/2012	08/28/2013	Limit Deductible	$50,000 $500

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER

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

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE: Fred Taylor

QUAKER GARDENS

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May 30, 2013

Allison Nakatomi
Department of Social Services
744 "P" Street, M. S. 10-90
Sacramento, CA 95814

RE: Direct Method Cash Flow

Dear Allison:

I certify that the Direct Method Cash Flow that is attached has been reviewed by our auditors, Michael L. Piels CPAs, LLP. They have assured us that they found it to be accurately stated.

Sincerely,

Randal Brown, Chief Executive Officer
Quaker Gardens Senior Living
California Friends Homes

CALIFORNIA FRIENDS HOMES
dba QUAKER GARDENS

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012
WITH
INDEPENDENT AUDITOR'S REPORT

CALIFORNIA FRIENDS HOMES

Year Ended December 31, 2012

Table of Contents

Member
Division for CPA Firms AICPA

MICHAEL L. PIELS CERTIFIED PUBLIC ACCOUNTANTS, LLP
940 Town Centre Drive, Medford, Oregon 97504-6100
(541) 779-8261 FAX (541) 779-4245 www.mlpcpa.com

INDEPENDENT AUDITOR'S REPORT

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Board of Directors
California Friends Homes
dba Quaker Gardens
Stanton, CA

We have audited the accompanying financial statements of California Friends Homes dba Quaker Gardens (a non-profit organization), which comprise the Statement of Financial Position as of December 31, 2012 and the related Statement of Activities and Changes in Net Assets, and Statement of Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors
California Friends Homes
dba Quaker Gardens
Stanton, CA

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Friends Homes dba Quaker Gardens as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Michael L. Piels CPAs, LLP

Michael L. Piels CPAs, LLP
May 30, 2013

CALIFORNIA FRIENDS HOMES
STATEMENT OF FINANCIAL POSITION
December 31, 2012

Assets	
Current assets:	
Cash and cash equivalents	$ 3,424,985
Accounts receivable, net	807,410
Supplies and prepaid expenses	453,696
Total current assets	4,686,091
Property and equipment, net	5,453,787
Other assets:	
Capital investments	287,582
Note receivable	1,337,165
Total other assets	1,624,747
Total assets	$ 11,764,625
Liabilities and net assets	
Current liabilities:	
Accounts payable and accrued expenses	$ 1,218,122
Refundable fees	14,000
Total current liabilities	1,232,122
Other liabilities:	
Deferred revenue from entrance fees	2,774,598
Total liabilities	4,006,720
Net assets	
Unrestricted	7,727,591
Temporarily restricted	30,314
Total Net Assets	7,757,905
	$ 11,764,625

CALIFORNIA FRIENDS HOMES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Service fees	$ 8,174,681	$ -	$ 8,174,681
Health center revenue	6,258,377	-	6,258,377
Entrance fees earned	662,715	-	662,715
Contributions	100	56,416	56,516
Friends Church endowment income	22,260	-	22,260
Investment income	63,398	5	63,403
Other income	241,035	-	241,035
	15,422,566	56,421	15,478,987
Net assets released from restriction	55,562	(55,562)	-
Total revenue, gains and support	15,478,128	859	15,478,987
Expenses:			
Program services:			
Dietary services	2,417,978	-	2,417,978
Facility services and utilities	1,804,965	-	1,804,965
Health and social services	7,507,901	-	7,507,901
General and administrative:			
Administrative and marketing	1,626,988	-	1,626,988
Depreciation	512,414	-	512,414
Management fees	544,247	-	544,247
Total expenses	14,414,493	-	14,414,493
Operating income	1,063,635	859	1,064,494
Other changes			
Unrealized change in value of investments	(476,877)	-	(476,877)
Total other changes	(476,877)	-	(476,877)
Change in net assets	586,758	859	587,617
Net assets, beginning of year	7,140,833	29,455	7,170,288
Net assets, end of year	$ 7,727,591	$ 30,314	$ 7,757,905

CALIFORNIA FRIENDS HOMES
STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

Cash flows from operating activities	
Cash received from customers	$ 14,176,777
Advanced fees received	541,000
Other operating cash receipts	205,402
Cash paid to employees and suppliers	(13,992,419)
Contributions received	56,516
Net cash provided by operating activities	987,276
Cash flows from investing activities	
Purchases of property and equipment	(209,250)
Net cash provided by investing activities	(209,250)
Net increase in cash and cash equivalents	778,026
Cash and cash equivalents, January 1, 2012	2,646,959
Cash and cash equivalents, December 31, 2012	$ 3,424,985
Reconciliation of increase in net assets to new cash flows from operating activites	
Increase in net assets	$ 587,617
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	512,414
Entrance fees received from new residents	541,000
Entrance fees earned	(662,715)
Unrealized change in value of investments	476,877
Realized gain and reinvested income on investments	(51,429)
Net changes in:	
Accounts receivable, net	(382,577)
Supplies and prepaid expenses	(119,703)
Accounts payable and accrued expenses	80,926
Deferred Compensation	(134)
Refundable fees	5,000
Net cash provided by operating activities	$ 987,276
Supplemental disclosure of non-cash investing and financing activities	
Property and equipment purchases financed with accounts payable and accrued expenses	$ -

California Friends Homes

Notes to Financial Statements

December 31, 2012

NOTE 1 – ORGANIZATION

Organization and basis of presentation – California Friends Homes, dba Quaker Gardens Senior Living (the Corporation) was founded in 1962 as a California non-profit 501(c)(3) corporation to provide residential facilities, health and welfare programs, and various services and sponsor programs for the elderly and operates a continuing care retirement community in Stanton, California.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Corporation have been prepared on the accrual basis of accounting and are presented in accordance with accounting for financial statements of not-for-profit organizations, which requires classification of an organization's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be presented in a statement of financial position and that the amounts of change in each of those classes of net assets be presented in a statement of activities. The Corporation does not currently have any permanently restricted net assets. The assets, liabilities, revenues, expenses, and net assets of the Corporation are reported in the following categories:

Unrestricted net assets represent unrestricted resources available to support the Corporation's operations and temporarily restricted revenues which have become available for use by the Corporation in accordance with the intention of the donor.

Temporarily restricted net assets represent contributions that are limited in use by the Corporation in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Corporation according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets. Temporarily restricted net assets are available primarily for chapel expenses as designated by the donors.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and reported amounts of revenues, expenses, gains and losses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include cash and other commercial paper with maturities of three months or less at the date of acquisition.

Accounts Receivable - Accounts receivable primarily represent amounts due from residents for living accommodations, services, and amounts due from third parties. An allowance for doubtful accounts is established based on past collection history and specific identification of uncollectable amounts. The Corporation's policy is to charge off uncollectible receivables when management determines the receivable will not be collected.

Supplies inventory - The accounting method used to record inventory is the FIFO (First In First Out) method. Inventory is valued at the lower of cost or market value as of December 31, 2012.

Property and Equipment - Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value as of the date of contribution. Maintenance, repairs, and minor replacements are charged to expense when incurred. Replacements and betterments with a cost of $1,000 or more are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years.

The Corporation, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets when indicators of impairment are identified. No impairment losses were present for the year ended December 31, 2012.

Refundable Fees - The Corporation requires each applicant for independent living and assisted living to pay a $1,175 application fee and each applicant for memory care and skilled nursing care pay a $495 application fee. This fee will be refunded if no move-in occurs. Should the resident move out within the first three months, the fee is subject to a pro-rated refund.

Deferred Revenue from Entrance Fees - Fees paid by a resident upon entering into a Lifecare contract are recorded as deferred revenue and are amortized to income over the estimated remaining actuarial life expectancy of the resident. California law requires a 90 day cancellation period during which the resident is entitled to a refund of the amounts subject to a fee to process the cancelation. After the cancelation period, residents are entitled to refunds of their entrance fee reduced by 1.67% for each month of residency should they withdraw within the first 60 months. There is no refund of any of the entrance fee in the event of death. No refunds were pending as of December 31, 2012.

The Lifecare agreement includes a provision for room and board as well as provides health and personal care services for assisted living, memory care and skilled nursing care.

Obligation to Provide Future Services - Every five years the Corporation calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. At December 31, 2012, no future service liability is deemed to exist.

General Liability Policy - The Corporation has secured claims-made policies for general liability insurance with self-insured retentions of $1,000,000 per claim and $3,000,000 aggregate per policy period. The Corporation has also secured excess general and professional liability insurance with limits of $5,000,000 aggregate per policy period. Policy period begins January 1, 2012, and ends January 1, 2013. The Corporation has accrued no liability as its best estimate of the cost of known claims incurred, or claims incurred but not yet reported, prior to December 31, 2012, which are within the retention amount. These liabilities would be included in accounts payable and accrued expenses in the accompanying balance sheet.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Revenue Recognition - Service fees and health center revenues are recognized in the month in which services are provided and collectability is reasonably assured. In addition, health center revenue is presented net of third party rate adjustments. Other revenue is recognized as the related services are performed.

Charity Care - As part of their charitable mission the Corporation provides care without charge or at amounts less than its established rates to residents who meet certain criteria under its charity care policy. Total charges for charity care services amounted to $249,623 for the year ended December 31, 2012.

Tax-Exempt Status - The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related activities. No tax provision has been made in the accompanying statements of activities and changes in net assets. The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2012, there were no such uncertain tax positions. The Corporation is no longer subject to federal and state income tax examinations for the years prior to 2008.

Advertising - The Corporation expenses advertising costs as incurred. The Corporation incurred advertising costs for the year ended December 31, 2012 of $47,497.

Concentrations of Credit Risk - The Corporation maintains cash balances in several financial institutions located in California. These balances may subject the Corporation to concentrations of risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. Cash balances exceeded the insurable amount by $1,703,377, which represents the amount at risk of loss as of December 31, 2012.

Concentration of credit risk results from the Corporation granting credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables at December 31, 2012 from residents, third-party payors, is listed at Note 3.

Reclassifications - Certain accounts have been reclassified from the prior year's financial statements.

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 health care entity should not net insurance recoveries against related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The adoption of ASU 2010-24 was effective for the Corporation beginning January 1, 2011. The adoption of ASU 2010-24 did not have a material impact on the statements of activities and changes in net assets.

In February 2010, the FASB issued ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements* ("ASU 2010-06"), which amended ASC No. 820, *Fair Value Measurements and Disclosures* ("ASC 820"), to require new disclosures related to transfers in and out of Level 1, Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 clarifies existing disclosure requirements related to the level of disaggregation of classes of assets and liabilities and provides further detail about input and valuation techniques used for fair value measurements. The Corporation adopted this guidance in 2010 (see Note 12).

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2012 consisted of the following:

Resident monthly fees	$ 141,295
Health care	581,790
Miscellaneous receivables	121,296
Subtotal accounts receivable	844,381
Less allowance for doubtful accounts	(36,971)
Total accounts receivable	$ 807,410

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment, net at December 31, 2012 consisted of the following:

Land improvements	$ 312,349
Building	12,198,726
Furniture and equipment	2,663,870
Automobiles	215,603
Totals	15,390,548
Less accumulated depreciation	(11,001,776)
Construction-in-progress	25,629
Land	1,039,386
Net book value	$ 5,453,787

NOTE 5 – CAPITAL INVESTMENTS

The Corporation has made two investments in which they are active participants: Captive Insurance Company and a Risk Retention Group.

Captive Insurance Company: The Corporation has entered into an agreement with two other unaffiliated retirement communities to establish a worker's compensation self-insured program. The Corporation purchased preferred stock in the re-insurer which entitles it to a share of the equity in the re-insurer based upon the percentage of ownership (34%). At December 31, 2012, the fair market value of this investment was $(148,977).

Risk Retention Group: The Corporation invested in a traditional risk retention group which converted to a reciprocal mutual insurance exchange. It was formed under the Federal Liability Risk Retention Act to insure various affiliated members (subscribers) of a group of faith-based retirement organizations. The investment amount is recorded at cost plus a reciprocal adjustment, for a total of $436,559 at December 31, 2012. The fair value of the investment is not estimated as there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value. The organizational documents authorize the return of the charter capital account of a discontinued or withdrawing subscriber within seven years without interest as long as it doesn't cause substantial harm to the group's asset position.

NOTE 6 – MANAGEMENT AGREEMENT

On March 15, 2011 the Corporation entered into a management contract with Retirement Services, LLC (RS, LLC) for a term of three (3) years. The Corporation elected to terminate the contract as of September 15, 2013 and will incur a $75,000 early termination fee. Management fees charged by RS, LLC for the year ended December 31, 2012 were $544,247. The amount due for management services and other expenses as of December 31, 2012 was $95,981.

In addition to management services, the Corporation reimburses RS, LLC for travel fees up to $25,000 per year and other services provided by RS, LLC personnel. Other significant expenditures involving entities related to RS, LLC include payroll expenses and capital computer expenditures.

Management fee commitments for the Corporation are as follows:

September 15, 2013	$444,922

NOTE 7 – RELATED PARTY TRANSACTIONS

Friends Church Southwest Yearly Meeting (FCSYM) is the sole corporate member of California Friends Inc. (CFI), CFI is the sole corporate member of the Corporation. CFI is also the sole corporate member of California Friends Foundation, Inc. (CFF).

At December, 31, 2012, $9,487 was owed from CFI related to various operational activities.

The Corporation carries a note receivable with CFF in the amount of $1,337,165. The note receivable is classified as a long term asset as the note does not require annual principal payments. Interest is accrued at 4% per annum. Unpaid interest of $51,429 was accrued to the note receivable balance for the year ended December 31, 2012.

NOTE 8 – DEFERRED COMPENSATION PLAN

The Corporation had one non-qualified deferred compensation plan for a former member of executive management, the Deferred Compensation Agreement (a defined benefit plan).

The Deferred Compensation Agreement provided vested payments in the amount of $40,000 per year, through the termination of the agreement after payment of the vested amount in 2017. On October 19, 2011, the board of directors renegotiated the deferred compensation package for the former member of executive management. The Deferred Compensation Agreement was amended to change the vested amount to $44,000 per year beginning in 2012 through the termination of the agreement after payment of the vested amount in 2017.

The deferred compensation expense for the year ended December 31, 2012 was $44,000.

NOTE 9 – THIRD-PARTY RATE ADJUSTMENTS AND REVENUE

Approximately 19% of health center revenue for the year ended December 31, 2012, was derived under federal third-party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position, the changes in net assets, or cash flows of the Corporation.

NOTE 10 – RETIREMENT PLAN

The Corporation offered a 401(a) plan, (post-tax retirement plan) and a 403(b) (pre-tax retirement plan). These plans were available for eligible employees with at least three years of full-time service. An employee could enroll in a plan following their third anniversary date. If a qualifying employee chose to participate in the 401(a) plan, they could contribute up to 20% of their annual eligible compensation with Federal limits on contributions of $16,500 to $22,000 per year depending on their age. For both plans, the employee's contribution was matched by the Corporation up to 5% of their annual salary or compensation.

Beginning June 1, 2011 the Corporation, sunset the previous two plans and adopted a new 403(b) matching retirement plan that covers employees who have reached the age of 21 and have completed 12 months of eligibility service. Employees who normally work fewer than 30 hours per week are not covered under the plan for purposes of receiving employer contributions. Contributions to the plan are based on a match of the employee's own contribution, which is discretionary, up to a maximum of 2.5% of employee's eligible compensation.

Total contributions charged to expense for the plans were $65,843 for the year ended December 31, 2012.

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted contributions have been received and are available for the following purposes at December 31, 2012:

Activities	$	1,235
Chapel		2,964
Chapel Maintenance		6,301
Employee General Purpose		19,379
Employee Assistance		435
Total temporarily restricted net assets	$	30,314

NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC Topic 820 *Fair Value Measurements and Disclosures* defines fair value as the price that would be received from the sale of 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 fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC Topic 820 describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value per share (or its equivalent) with the ability to redeem the investment in the near term.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position at December 31, 2012, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The Corporation has an interest in a Captive Insurance Company. The value was derived as the percentage of owner's equity held by the corporation. In addition, the Corporation has an interest in a risk retention group, which is recorded at cost plus a reciprocal adjustment.

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, and refundable fees approximate fair value due to the short maturity of such instruments.

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and Cash Equivalents	3,424,985	–	–	3,424,985
Capital Investments	–	–	287,582	287,582
Total assets	$ 3,424,985	$ –	$ 287,582	$ 3,712,567

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

	Level 3 Funds
Balance, January 1, 2012	$ 767,046
Total realized and unrealized gains and losses	
Included in excess of revenues and expenses	-
Included in excess of revenues and expenses, investments still held at December 31, 2011	-
Included in changes in unrestricted net assets	(479,464)
Included in changes in temporarily restricted net assets	-
Purchases, issuances and settlements	-
Transfers in and/or out of Level III	-
Balance, December 31, 2012	$ 287,582

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Health care reform – In March 2010, President Obama signed the Health Care Reform Legislation into law. The new law will result in sweeping changes across the health care industry. The primary goal of this comprehensive legislation is to extend health care coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. The Corporation is unable to predict the full impact of the Health Care Reform Legislation at this time due to the law's complexity and current lack of implementing regulations or interpretive guidance. However, the Corporation expects that provisions of the Health Care Reform Legislation may have a material effect on its business.

Commercial Credit Line – The Corporation has two commercial credit line commitments from two banks. The first credit line is from Citibank, in the amount of $500,000 with interest at 4.5%. The second credit line is from Farmers & Merchants bank in the amount of $700,000 with interest at 6.5%. At December 31, 2012, there were no amounts outstanding on either of the credit lines.

Lifecare Agreement – The Corporation has agreed to enter into a Lifecare Agreement with a former member of executive management and his spouse. As part of this agreement, the entrance fee and all monthly fees (at all levels of care) will be waived. On January 16, 2012, the Lifecare Agreement was executed. The former executive has yet to move into the facility.

NOTE 14 – SUBSEQUENT EVENTS

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

The Corporation evaluated all events or transactions that occurred after December 31, 2012 up through May 30, 2013, the date the financial statements were available to be issued.

CALIFORNIA FRIENDS HOMES
dba QUAKER GARDENS

Continuing Care Reserve Reports
as of and for the
Year Ended December 31, 2012

With

Independent Auditor's Report

Member
Division for CPA Firms AICPA

MICHAEL L. PIELS CERTIFIED PUBLIC ACCOUNTANTS, LLP
940 Town Centre Drive, Medford, Oregon 97504-6100
(541) 779-8261 FAX (541) 779-4245 www.mlpcpa.com

Independent Auditor's Report

To the Board of Directors of
California Friends Homes dba
Quaker Gardens

We have audited the accompanying continuing care reserve report Forms 5-1 through 5-5 ("Reports") of California Friends Homes dba Quaker Gardens as of and for the year ended December 31, 2012.

Management's Responsibility for the Continuing Care Reserve Report

Management is responsible for the preparation and fair presentation of these Continuing Care Reserve Reports, in conformity with the report preparation provision of California Health and Safety Code section 1792.

Auditor's Responsibility

Our responsibility is to express an opinion of these reports based on our audit of California Friends Homes dba Quaker Gardens as of and for the year ended December 31, 2012. We conducted our audit of the financial statements in accordance with auditing standards general accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about the whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Quaker Gardens' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Quaker Gardens' internal control. Accordingly, we express no such opinion An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

The accompanying Reports were prepared for the purpose of complying with California Health and Safety Code section 1792 and are not intended to be a complete presentation of Quaker Gardens' assets, liabilities, revenues and expenses.

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	© Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
					-
Subtotal		-	-	-	-
					-
		TOTAL	-	-	-

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

Note: For column (b), do not include voluntary payments made to paydown principal.

Provider: **Quaker Gardens Senior Living**

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

LINE		TOTAL
1	Total from Form 5-1 bottom of column (e)	-
2	Total from Form 5-2 bottom of Column (e)	-
3	Facility leasehold or rental payment paid by provider during fiscal year. (including related payments such as lease insurance)	-
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	-

PROVIDER: Quaker Gardens Senior Living

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JUN 24 2013
CONTINUING CARE
CONTRACTS BRANCH

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name:	Quaker Gardens Senior Living
Fiscal Year Ended:	December 31, 2012

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2012 and are in compliance with those requirements.

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

		Amount
[1]	Debt Service Reserve Amount	-
[2]	Operating Expense Reserve Amount	402,075
[3]	**Total Liquid Reserve Amount:**	402,075

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

	Qualifying Asset Description		Amount (market value at end of quarter)		
	Description		**Debt Service Reserve**		**Operating Reserve**
[4]	Cash and Cash Equivalents				3,424,985
[5]	Investment Securities				0
[6]	Equity Securities				0
[7]	Unused/Available Lines of Credit				1,200,000
[8]	Unused/Available Letters of Credit				
[9]	Debt Service Reserve		0.00		
[10]	Other:		0.00		
	(describe qualify asset)				
	Total Amount of Qualifying Assets Listed for Reserve Obligation:	[11]	0.00	[12]	4,624,985
	Reserve Obligation Amount:	[13]	-	[14]	402,075
	Surplus/(Deficiency):	[15]	-	[16]	4,222,910

Signature: [signature]
(Authorized Representative)

Date: 6-19-2013

CHAIRMAN, CEO
(Title)

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name:	Quaker Gardens Senior Living
Fiscal Year Ended:	December 31, 2012

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2012 and are in compliance with those requirements.

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

		Amount
[1]	Debt Service Reserve Amount	-
[2]	Operating Expense Reserve Amount	402,075
[3]	**Total Liquid Reserve Amount:**	402,075

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

	Qualifying Asset Description		**Amount (market value at end of quarter)**		
	Description		**Debt Service Reserve**		**Operating Reserve**
[4]	Cash and Cash Equivalents				3,424,985
[5]	Investment Securities				0
[6]	Equity Securities				0
[7]	Unused/Available Lines of Credit				1,200,000
[8]	Unused/Available Letters of Credit				
[9]	Debt Service Reserve		0.00		
[10]	Other:		0.00		
	(describe qualify asset)				
	Total Amount of Qualifying Assets Listed for Reserve Obligation:	[11]	0.00	[12]	4,624,985
	Reserve Obligation Amount:	[13]	-	[14]	402,075
	Surplus/(Deficiency):	[15]	-	[16]	4,222,910

Signature:

______________________________ Date: ____________

(Authorized Representative)

____

(Title)

RECEIVED
JUN 03 2013
CONTINUING CARE
CONTRACTS BRANCH

CONTINUING CARE RETIREMENT COMMUNITY
DISCLOSURE STATEMENT
GENERAL INFORMATION

FACILITY NAME: Quaker Gardens Senior Living
ADDRESS: 12151 Dale Street, Stanton, CA | ZIP CODE: 90680 | PHONE: (714) 530-9100
FACILITY OWNER: California Friends Homes | FACILITY OPERATOR: Retirement Services, LLC
RELATED FACILITIES: | RELIGIOUS AFFILIATION:
YEAR OPENED: 1965 | NO. OF ACRES: 7 | MULTI-STORY: ___ SINGLE STORY: ___ BOTH: X
MILES TO SHOPPING CTR: 2 | MILES TO HOSPITAL: 4

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS -STUDIO	31	ASSISTED LIVING	115
APARTMENTS -1 BDRM	36	SKILLED NURSING	58
APARTMENTS - 2 BDRM	0	SPECIAL CARE	50
APARTMENTS - 3 BDRM	0	DESCRIBE SPECIAL CARE:	Dementia Care
COTTAGES/HOUSES	5		
% OCCUPANCY AT YEAR END	82.4%		

TYPE OF OWNERSHIP: ☑ NOT FOR PROFIT ☐ FOR PROFIT ACCREDITED ☐ Y ☐ N BY: ______

FORM OF CONTRACT: ☑ LIFE CARE ☑ CONTINUING CARE ☑ FEE FOR SERVICE
☐ ASSIGN ASSETS ☐ EQUITY ☐ ENTRY FEE ☐ RENTAL

REFUND PROVISIONS (CHECK ALL THAT APPLY) ☐ 90% ☐ 75% ☐ 50% ☐ PRORATED TO 0% ☐ OTHER: ______

RANGE OF ENTRANCE FEES: $146,000 TO $483,000 LONG -TERM CARE INSURANCE REQUIRED? ☐ Y ☑ N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Yes

ENTRY REQUIREMENTS: MIN. AGE: 55 PRIOR PROFESSION: ______ OTHER: ______

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☑	☑
BILLIARD ROOM	☐	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☑	☐
CHAPEL	☑	☐
COFFEE SHOP	☐	☐
CRAFT ROOMS	☐	☐
EXERCISE ROOM	☑	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☑	☐
PUTTING GREEN	☑	☐
SHUFFLEBOARD	☐	☐
SPA	☐	☐
SWIMMING POOL-INDOOR	☐	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☐	☐
OTHER General Store	☑	☐
On-site Banking	☐	☐
On-site Physical Therapist	☐	☐

SERVICES AVAILABLE

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

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: California Friends Homes

CCRCs	LOCATION (City, State)	PHONE (with area code)
Quaker Gardens Senior Living (Lifecare)	Stanton, CA	(714) 530-9100

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

***PLEASE INDICATE IF THE FACILITY IS LIFE CARE.**

SINGLE-SITE FACILITY
FINANCIAL DISCLOSURE STATEMENT

FACILITY NAME: Quaker Gardens Senior Living

	2008	2009	2010	2011	2012
INCOME FROM ONGOING OPERATIONS					
OPERATING INCOME (excluding amortization of entrance fee income)	12,581,680	13,430,663	13,654,290	14,692,694	14,759,756
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	12,808,153	13,304,771	13,682,824	13,970,250	13,902,079
NET INCOME FROM OPERATIONS	(226,473)	125,892	(28,534)	722,444	857,677
LESS INTEREST EXPENSE	-	-	-	-	-
PLUS CONTRIBUTIONS	80,000	75,000	-	66,790	56,515
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(1,091,421)	12,058	66,349	(187,573)	-
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(1,237,894)	212,950	37,815	601,661	914,192
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	734,172	384,050	804,500	518,000	541,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD	AMORTIZATION PERIOD

FINANCIAL RATIOS (see next page for ratio formulas)

	2008	2009	2010	2011	2012
DEBT TO ASSET RATIO	0.0035	0.0022	0.0006	0.00	0.00
OPERATING RATIO	1.02	0.99	1.00	0.95	0.94
DEBT SERVICE COVERAGE RATIO	25.50	37.77	178.14	0.00	0.00
DAYS CASH-ON-HAND RATIO	51	46	61	69	69

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2008		2009		2010		2011		2012
STUDIO	$ 2,170	5.8%	$ 2,295	3.9%	$ 2,385	3.77%	$ 2,475	3.00%	$ 2,550
ONE BEDROOM	$ 2,170	5.8%	$ 2,295	3.9%	$ 2,385	3.77%	$ 2,475	3.00%	$ 2,550
TWO BEDROOM			$ -		$ -		$ -		
COTTAGE/HOUSE	$ 2,170	5.8%	$ 2,295	3.9%	$ 2,385	3.77%	$ 2,475	3.00%	$ 2,550
ASSISTED LIVING	$ 2,170	5.8%	$ 2,295	3.9%	$ 2,385	3.77%	$ 2,475	3.00%	$ 2,550
SKILLED NURSING	$ 2,170	5.8%	$ 2,295	3.9%	$ 2,385	3.77%	$ 2,475	3.00%	$ 2,550
SPECIAL CARE	$ 2,170	5.8%	$ 2,295	3.9%	$ 2,385	3.77%	$ 2,475	3.00%	$ 2,550

COMMENTS FROM PROVIDER:

Provider Name: Quaker Gardens Senior Living

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{c}\text{Total Operating Expenses}\\ \text{--Depreciation Expense}\\ \text{--Amortization Expense}\end{array}}{\begin{array}{c}\text{Total Operating Revenues}\\ \text{--Amortization of Deferred Revenue}\end{array}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{c}\text{Total Excess of Revenues over Expenses}\\ \text{+Interest, Depreciation,}\\ \text{and Amortization Expenses}\\ \text{--Amortization of Deferred Revenue}\\ \text{+ Net Proceeds from Entrance Fees}\end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{c}\text{Unrestricted Current Cash}\\ \text{And Investments}\\ \text{+ Unrestricted Non-Current Cash}\\ \text{And Investments}\end{array}}{\begin{array}{c}\text{(Operating Expenses - Depreciation}\\ \text{-Amortization)/365}\end{array}}$$

Note: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

		INDEPENDENT LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	$ 2,550	$ 2,550	$ 2,550
[2]	Indicate percentage of increase in fees imposed during reporting period:	3.0%	3.0%	3.0%

[ ] Check here if monthly service fees at this community were not increased during the reporting period.

[3] Indicate the date the fee increase was implemented: January 1, 2012

[4] Check each of the appropriate boxes:

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

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

[X] 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.

[X] 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.

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

[X] 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.

PROVIDER NAME: California Friends Homes

COMMUNITY NAME: Quaker Gardens Senior Living

Each year as part of our budget process we incorporate suggestions from residents on ways in which we can improve the services we provide. We also work closely with our department heads to include those suggestions where possible and to refine our program of services while keeping the costs as low as possible.

With so many different individuals: residents, employees and board members, our budget takes several months each year to prepare before it is finalized. The California Friends Home Board and Retirement Services, LLC have reviewed and approved the budget for this next fiscal year.

Our goal each year is to produce a budget, which keeps monthly rate increases reasonable while continuing to maintain and improve the services we provide. The budget must cover inflationary increases (including the necessary adjustments to salaries and benefits to retain and attract quality employees), meet regulatory requirements and our actuarial reserve requirements.

Monthly Accomodation Fees for contract residents increased by 3.0% and Monthly Accomodation Fees for private residents increased 3.0% for the calendar year 2012. Our goal has been to build and staff Quaker Gardens Senior Living to provide a great place for you to live a happy and healthy life. We will be monitoring our services and implementing change as necessary.

We realize the importance of keeping fee increases to the most reasonable level possible and have made every effort to do so.