FISCAL YEAR ENDED:
09/30/13

ANNUAL REPORT CHECKLIST

PROVIDER(S): American Baptist Homes of the West and Terraces at San Joaquin Gardens

CCRC(S): Terraces at Los Altos, Grand Lake Gardens, Rosewood, Piedmont Gardens, Plymouth Village, Valle Verde, Terraces of Los Gatos. Terraces at San Joaquin Gardens

CONTACT PERSON: Kay Lunes

TELEPHONE NO.: (925) 924-7109 **EMAIL:** KLunes@abhow.com

• •

A complete annual report must consist of *3 copies* of all of the following:

❑ Annual Report Checklist.

❑ Annual Provider Fee in the amount of: $ 82,846

- ❑ If applicable, late fee in the amount of: $________

❑ Certification by the provider's ***Chief Executive Officer*** that:
- ❑ The reports are correct to the best of his/her knowledge.
- ❑ Each continuing care contract form in use or offered to new residents has been approved by the Department.
- ❑ The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.

❑ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.

❑ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.

❑ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.

❑ Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for ***each*** community.

❑ N/A Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.

RECEIVED
FEB 03 2014
CONTINUING CARE
CONTRACTS BRANCH

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	61
[2]	Number at end of fiscal year	62
[3]	Total Lines 1 and 2	123
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	61.5
	All Residents	
[6]	Number at beginning of fiscal year	82
[7]	Number at end of fiscal year	78
[8]	Total Lines 6 and 7	160
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	80
[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).	0.77

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$3,931,000
[a]	Depreciation	$588,000	
[b]	Debt Service (Interest Only)	$124,000	
[2]	Subtotal (add Line 1a and 1b)		$712,000
[3]	Subtract Line 2 from Line 1 and enter result.		$3,219,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		77%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$2,474,606
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$2,475

PROVIDER American Baptist Homes of West
COMMUNIT Grand Lake Gardens

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	231
[2]	Number at end of fiscal year	232
[3]	Total Lines 1 and 2	463
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	231.5
	All Residents	
[6]	Number at beginning of fiscal year	295
[7]	Number at end of fiscal year	302
[8]	Total Lines 6 and 7	597
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	298.5
[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).	0.78

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$20,908,000
[a]	Depreciation	$2,563,000	
[b]	Debt Service (Interest Only)	$461,000	
[2]	Subtotal (add Line 1a and 1b)		$3,024,000
[3]	Subtract Line 2 from Line 1 and enter result.		$17,884,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		78%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$13,869,836
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$13,870

PROVIDER: American Baptist Homes of West
COMMUNITY Piedmont Gardens

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	208
[2]	Number at end of fiscal year	250
[3]	Total Lines 1 and 2	458
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	229
	All Residents	
[6]	Number at beginning of fiscal year	278
[7]	Number at end of fiscal year	273
[8]	Total Lines 6 and 7	551
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	275.5
[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).	0.83

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$14,996,000
[a]	Depreciation	$2,392,000	
[b]	Debt Service (Interest Only)	$341,000	
[2]	Subtotal (add Line 1a and 1b)		$2,733,000
[3]	Subtract Line 2 from Line 1 and enter result.		$12,263,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		83%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$10,193,201
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$10,193

PROVIDER American Baptist Homes of West
COMMUNIT Plymouth Village

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	88
[2]	Number at end of fiscal year	91
[3]	Total Lines 1 and 2	179
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	89.5
	All Residents	
[6]	Number at beginning of fiscal year	226
[7]	Number at end of fiscal year	237
[8]	Total Lines 6 and 7	463
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	231.5
[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).	0.39

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$16,110,000
[a]	Depreciation	$1,322,000	
[b]	Debt Service (Interest Only)	$445,000	
[2]	Subtotal (add Line 1a and 1b)		$1,767,000
[3]	Subtract Line 2 from Line 1 and enter result.		$14,343,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		39%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$5,545,134
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$5,545

PROVIDEF American Baptist Homes of West
COMMUNI Rosewood

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	83
[2]	Number at end of fiscal year	69
[3]	Total Lines 1 and 2	152
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	76
	All Residents	
[6]	Number at beginning of fiscal year	119
[7]	Number at end of fiscal year	93
[8]	Total Lines 6 and 7	212
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	106
[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).	0.72

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$9,839,000
[a]	Depreciation	$514,000	
[b]	Debt Service (Interest Only)	$95,000	
[2]	Subtotal (add Line 1a and 1b)		$609,000
[3]	Subtract Line 2 from Line 1 and enter result.		$9,230,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		72%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$6,617,736
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$6,618

PROVIDER: American Baptist Homes of West
COMMUNIT Terraces at Los Altos

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	268
[2]	Number at end of fiscal year	275
[3]	Total Lines 1 and 2	543
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	271.5
	All Residents	
[6]	Number at beginning of fiscal year	308
[7]	Number at end of fiscal year	315
[8]	Total Lines 6 and 7	623
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	311.5
[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).	0.87

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$19,839,000
[a]	Depreciation	$2,590,000	
[b]	Debt Service (Interest Only)	$2,235,000	
[2]	Subtotal (add Line 1a and 1b)		$4,825,000
[3]	Subtract Line 2 from Line 1 and enter result.		$15,014,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		87%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$13,086,039
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$13,086

PROVIDER American Baptist Homes of West
COMMUNITY Terraces of Los Gatos

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	306
[2]	Number at end of fiscal year	308
[3]	Total Lines 1 and 2	614
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	307
	All Residents	
[6]	Number at beginning of fiscal year	295
[7]	Number at end of fiscal year	364
[8]	Total Lines 6 and 7	659
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	329.5
[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).	0.93

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$22,719,000
[a]	Depreciation	$2,691,000	
[b]	Debt Service (Interest Only)	$687,000	
[2]	Subtotal (add Line 1a and 1b)		$3,378,000
[3]	Subtract Line 2 from Line 1 and enter result.		$19,341,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		93%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$18,020,294
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$18,020

PROVIDER American Baptist Homes of West

COMMUNIT Valle Verde

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ABHOW

AMERICAN BAPTIST HOMES OF THE WEST
6120 Stoneridge Mall Rd., 3rd Floor - Pleasanton, CA 94588-3296

January 31, 2014 Ref: CEO Certification.doc

Continuing Care Contracts Branch
Department of Social Services
744 P Street, MS 17 - 19
Sacramento, CA 95814

RE: Annual Audit and Reports - September 30, 2013
Financial Statements - September 30, 2013

I, David B. Ferguson, President & CEO of American Baptist Homes of the West, hereby certify to the best of my knowledge and belief that:

1. The annual reserve reports and any amendments thereto are correct.
2. Each continuing care contract form in use for new residents has been approved by the Department of Social Services as required by Section 1787 of the State of California Health and Safety Code.
3. An approved refund reserve trust fund, as required under Health and Safety Code Section 1793, contains the amount of the refund reserve required as of the date of certification. Appropriate levels of statutory reserves, as required by the Department of Social Services, are maintained.

Sincerely,

David B. Ferguson
President and CEO

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FEB 03 2014
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CONTRACTS BRANCH

National Union Fire Insurance Company of Pittsburgh, Pa.®
A capital stock company

NOT- FOR- PROFIT INDIVIDUAL AND ORGANIZATION INSURANCE POLICY INCLUDING EMPLOYMENT PRACTICES LIABILITY INSURANCE

NOT-FOR-PROFIT PROTECTOR®

NOTICE: EXCEPT TO SUCH EXTENT AS MAY OTHERWISE BE PROVIDED HEREIN, THE COVERAGE OF THIS POLICY IS GENERALLY LIMITED TO LIABILITY FOR ONLY THOSE CLAIMS THAT ARE FIRST MADE AGAINST THE INSURED DURING THE POLICY PERIOD AND REPORTED IN WRITING TO THE INSURER PURSUANT TO THE TERMS HEREIN. PLEASE READ THE POLICY CAREFULLY AND DISCUSS THE COVERAGE THEREUNDER WITH YOUR INSURANCE AGENT OR BROKER.

NOTICE: THE LIMIT OF LIABILITY AVAILABLE TO PAY JUDGMENTS OR SETTLEMENTS SHALL BE REDUCED BY AMOUNTS INCURRED FOR LEGAL DEFENSE. AMOUNTS INCURRED FOR LEGAL DEFENSE SHALL BE APPLIED AGAINST THE RETENTION AMOUNT.

NOTICE: THE INSURER DOES NOT ASSUME ANY DUTY TO DEFEND. HOWEVER, THE INSUREDS MAY UNDER CERTAIN CONDITIONS TENDER THE DEFENSE OF A CLAIM. IN ALL EVENTS, THE INSURER MUST ADVANCE DEFENSE COSTS PAYMENTS PURSUANT TO THE TERMS HEREIN PRIOR TO THE FINAL DISPOSITION OF A CLAIM.

POLICY NUMBER: *01-283-44-51* REPLACEMENT OF POLICY NUMBER: *01-181-88-03*

DECLARATIONS

ITEM 1. NAMED ORGANIZATION: *CORNERSTONE AFFILIATES C/O AMERICAN BAPTIST HOMES OF THE WEST*

MAILING ADDRESS: *6120 STONERIDGE MALL ROAD*
SUITE 300
PLEASANTON, CA 94588

STATE OF INCORPORATION OF THE NAMED ORGANIZATION:
California

ITEM 2. SUBSIDIARY COVERAGE: any past, present or future Subsidiary of the Named Organization

ITEM 3. POLICY PERIOD: From: *October 1, 2012* To: *October 1, 2013*
(12:01 A.M. standard time at the address stated in Item 1.)

ITEM 4. LIMIT OF LIABILITY: *$10,000,000*
aggregate for each Policy Year Coverages A, B and C combined (including Defense Costs)

129307

ITEM 5. RETENTION:

A. Judgments, Settlements and Defense Costs (Non-Indemnifiable Loss or Indemnifiable Loss incurred solely by Organizations in Financial Insolvency) — None

B. Judgments, Settlements and Defense Costs (Coverage C and all other Indemnifiable Loss) — *$100,000* for Loss arising from Claims alleging the same Wrongful Act or related Wrongful Acts (waivable under Clause 6 in certain circumstances)

ITEM 6. CONTINUITY DATES:

A. Coverages A and B: *December 18, 1992*

B. Coverage C: *December 18, 1992*

ITEM 7. A. PREMIUM: 1 Year Premium *$121,720*

3 Year Premium Prepaid *n/a.*

3 Year Premium Installments payable each anniversary

1st *n/a.* inception

2nd *n/a.*

3rd *n/a.*

Premium for Certified Acts of Terrorism Coverage under Terrorism Risk Insurance Act 2002: Not applicable, coverage rejected by insured. Any coverage provided for losses caused by an act of terrorism as defined by TRIA (TRIA Losses) may be partially reimbursed by the United States under a formula established by TRIA as follows: 85% of TRIA Losses in excess of the insurer deductible mandated by TRIA, the deductible to be based on a percentage of the insurer's direct earned premiums for the year preceding the act of terrorism.

A copy of the TRIA disclosure sent with the original quote is attached hereto.

B. ADDITIONAL PREMIUM FOR PUNITIVE, EXEMPLARY AND MULTIPLIED DAMAGES *NO CHARGE* (included in above ☒) (No punitive damages coverage provided ☐)

129307

ITEM 8. NAME AND ADDRESS OF INSURER (hereinafter "Insurer"):
(This policy is issued only by the insurance company indicated below.)

National Union Fire Insurance Company of Pittsburgh, Pa.

175 Water Street

New York, NY 10038-4969

129307

POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM INSURANCE COVERAGE
(APPLICABLE TO CERTIFIED AND NON-CERTIFIED ACTS)

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, that you have a right to purchase insurance coverage for losses resulting from acts of terrorism, as defined in Section 102(1) of the Act: The term "act of terrorism" means any act that is certified by the Secretary of the Treasury- in concurrence with the Secretary of State, and the Attorney General of the United States- to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 85% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS THAT MAY BE COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A $100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS $100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED $100 BILLION, YOUR COVERAGE MAY BE REDUCED.

COPY OF DISCLOSURE SENT WITH ORIGINAL QUOTE

Insured Name: CORNERSTONE AFFILIATES C/O AMERICAN BAPTIST HOMES OF THE WEST

Policy Number: 01-283-44-51
Policy Period Effective Date From: October 1, 2012 To: October 1, 2013

IN WITNESS WHEREOF, the Insurer has caused this Policy to be signed by its President, Secretary and Authorized Representative. This Policy shall not be valid unless signed below at the time of issuance by an authorized representative of the insurer.

PRESIDENT

SECRETARY

Robert M [illegible]

AUTHORIZED REPRESENTATIVE

COUNTERSIGNATURE

DATE

COUNTERSIGNED AT

LOCKTON COMPANIES, LLC
725 S FIGUEROA ST 35TH FLOOR
LOS ANGELES, CA 90017-5524

129307

DECLARATIONS

Policy Number: 8221-2306

FEDERAL INSURANCE COMPANY
A stock insurance company, incorporated under the laws of Indiana, herein called the Company

Capital Center, 251 North Illinois, Suite 1100
Indianapolis, IN 46204-1927

THE EXECUTIVE LIABILITY, ENTITY LIABILITY, AND EMPLOYMENT PRACTICES LIABILITY, FIDUCIARY LIABILITY, AND OUTSIDE DIRECTORSHIP LIABILITY COVERAGE SECTIONS (WHICHEVER ARE PURCHASED) PROVIDE CLAIMS MADE COVERAGE, WHICH APPLIES ONLY TO "CLAIMS" FIRST MADE DURING THE "POLICY PERIOD", OR ANY EXTENDED REPORTING PERIOD. THE APPLICABLE LIMIT(S) OF LIABILITY TO PAY "LOSS" WILL BE REDUCED, AND MAY BE EXHAUSTED, BY "DEFENSE COSTS" UNLESS OTHERWISE SPECIFIED HEREIN. "DEFENSE COSTS" WILL BE APPLIED AGAINST THE RETENTION. IN NO EVENT WILL THE COMPANY BE LIABLE FOR "DEFENSE COSTS" OR OTHER "LOSS" IN EXCESS OF THE APPLICABLE LIMIT(S) OF LIABILITY. READ THE ENTIRE POLICY CAREFULLY.

Item 1. **Parent Organization:** Cornerstone Affiliates

Principal Address: 6120 Stoneridge Mall Rd.
Suite 300
Pleasanton, CA 94588

Item 2. **Policy Period:** From 12:01 A.M. on October 1, 2012
To 12:01 A.M. on October 1, 2013
Local time at the address shown in Item 1.

Item 3. Coverage Summary
Description of Coverage(s) purchased:

Executive Liability and:	
Optional Entity Coverage	
Optional Employment Practices Liability Coverage	
Optional Third Party Liability Coverage	
Outside Directorship Liability Coverage	
Fiduciary Liability Coverage	
Crime Coverage	X
Kidnap/Ransom and Extortion Coverage	

Item 4. Termination of Prior Bonds or Policies: 8221-2306 (October 1, 2011 - October 1, 2012)

In Witness Whereof, the Company issuing this policy has caused this policy to be signed by its Authorized Officers, but it shall not be valid unless also signed by a duly Authorized Representative of the Company.

FEDERAL INSURANCE COMPANY

W. Andrew Macan

Secretary

Paul J. Krump

President

10/08/2012

Date

Authorized Representative

In consideration of payment of the premium and subject to the Declarations and the limitations, conditions, provisions and other terms of this policy, the Company and the Insureds agree as follows:

Territory

1. Coverage shall extend anywhere in the world.

Terms and Conditions

2. Except for these General Terms and Conditions or unless stated to the contrary in any coverage section of this policy, the terms and conditions of each coverage section shall apply only to that coverage section. If any provision in these General Terms and Conditions is inconsistent or in conflict with the terms and conditions of any coverage section, the terms and conditions of such coverage section shall control for purposes of that coverage section. Any defined term referenced in these General Terms and Conditions but defined in a coverage section shall, for purposes of coverage under that coverage section, have the meaning set forth in that coverage section.

Definitions

3. When used in this policy:

Affiliate means any entity added as an affiliate by specific written endorsement to these General Terms and Conditions.

Claim shall have the meaning set forth in the applicable coverage section.

Financial Impairment means the status of an **Organization** resulting from:

(a) the appointment by any state or federal official, agency or court of any receiver, conservator, liquidator, trustee, rehabilitator or similar official to take control of, supervise, manage, liquidate, or rehabilitate such **Organization**; or

(b) such **Organization** becoming a debtor in possession under the United States bankruptcy law or the equivalent of a debtor in possession under the law of any other country.

Insured shall have the meaning set forth in the applicable coverage section.

Manager means any natural person who was, now is or shall become a manager, member of the Board of Managers or equivalent executive of an **Organization** that is a limited liability company.

Organization shall have the meaning set forth in the applicable coverage section.

Parent Organization means the organization designated in Item 1 of the Declarations of these General Terms and Conditions.

Policy Period means the period of time specified in Item 2 of the Declarations of these General Terms and Conditions, subject to prior termination in accordance with Subsection 11 below. If this period is less than or greater than one year, then the limits of liability specified in the Declarations for each coverage section shall be the Company's maximum limit of liability under such coverage section for the entire period.

Subsidiary means any organization while more than fifty percent (50%) of the outstanding securities or rights representing the present right to vote for election of or to appoint directors or trustees of such organization are owned, directly or indirectly, in any combination, by one or more **Organizations**; provided that **Subsidiary** shall not include any **Affiliate**.

Limits of Liability and Retentions

4. Unless stated to the contrary in any coverage section, the limits of liability and retentions shown for each coverage section are separate limits of liability and separate retentions pertaining to the coverage section for which they are shown. Unless stated to the contrary in any coverage section of this policy, the payment of a retention under one coverage section shall not constitute payment of, and shall not reduce, the applicable retention under any other coverage section.

Notice

5. Any notice to the Company with respect to any coverage section shall designate the coverage section under which notice is being given and shall be treated as notice only under the coverage section(s) so designated.

Notice to the Company of a **Claim** or loss, or of circumstances which could give rise to a **Claim**, shall be given in writing addressed to:

Attn: Claims Department
Chubb Group of Insurance Companies
82 Hopmeadow Street
Simsbury, Connecticut 06070-7683

All other notices to the Company shall be given in writing addressed to:

Attn: Underwriting
Chubb Group of Insurance Companies
82 Hopmeadow Street
Simsbury, Connecticut 06070-7683

Any such notice shall be effective on the date of receipt by the Company at such address.

Valuation and Foreign Currency

6. All premiums, limits, retentions, loss and other amounts under this policy are expressed and payable in the currency of the United States of America. Except as otherwise provided in any coverage section, if a judgment is rendered, a settlement is denominated or any element of loss under this policy is stated in a currency other than United States of America dollars, payment under this policy shall be made in United States of America dollars at the rate of exchange published in The Wall Street Journal on the date the judgment becomes final, the amount of the settlement is agreed upon or the element of loss is due, respectively.

Subrogation

7. In the event of any payment under this policy, the Company shall be subrogated to the extent of such payment to all the **Insured's** rights of recovery, and such **Insured** shall execute all papers required and shall do everything necessary to secure and preserve such rights, including the execution of such documents necessary to enable the Company effectively to bring suit or otherwise pursue subrogation rights in the name of the **Insured**.

Action Against the Company

8. No action may be taken against the Company unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this policy. No person or entity shall have any right under this policy to join the Company as a party to any action against any **Insured** to determine such **Insured's** liability nor shall the Company be impleaded by such **Insured** or legal representatives of such **Insured**.

Parent Organization Rights and Obligations

9. By acceptance of this policy, the **Parent Organization** agrees that it shall be considered the sole agent of, and shall act on behalf of, each **Insured** with respect to: the submission of any application; the payment of premiums and the receiving of any return premiums that may become due under this policy; the negotiation, agreement to and acceptance of endorsements; the giving or receiving of any notice provided for in this policy; the adjustment of loss amounts; and the receipt or enforcement of payment of loss (and the **Parent Organization** further agrees that it shall be responsible for application of any such payment as provided in this policy). Each **Insured** agrees that the **Parent Organization** shall act on its behalf with respect to all such matters.

Alteration and Assignment

10. No change in, modification of, or assignment of interest under this policy shall be effective except when made by written endorsement to this policy which is signed by an authorized employee of Chubb & Son, a division of Federal Insurance Company.

Termination of Policy or Coverage Section

11. This policy or any coverage section shall terminate at the earliest of the following times:

    (a) sixty (60) days after receipt by the **Parent Organization** of written notice of termination from the Company for any reason other than non-payment of premium;

    (b) ten (10) days after receipt by the **Parent Organization** of written notice of termination from the Company for non-payment of premium;

    (c) upon receipt by the Company of written notice of termination from the **Parent Organization** stating when thereafter such termination shall be effective; provided that this policy or any coverage section may not be terminated by the **Parent Organization** after the effective date of any acquisition of the **Parent Organization** as described in the Changes in Exposure subsection of the applicable coverage section of this policy;

    (d) upon expiration of the **Policy Period** as set forth in Item 2 of the Declarations of these General Terms and Conditions; or

    (e) at such other time as may be agreed upon by the Company and the **Parent Organization**.

    The Company shall refund the unearned premium computed at customary short rates if this policy or any coverage section is terminated by the **Parent Organization**. Under any other circumstances the refund shall be computed pro rata. Payment or tender of any unearned premium by the Company shall not be a condition precedent to the effectiveness of a notice of termination, but such payment shall be made as soon as practicable thereafter.

Termination of Prior Bonds or Policies

12. Any bonds or policies issued by the Company or its affiliates and specified in Item 4 of the Declarations of these General Terms and Conditions shall terminate, if not already terminated, as of the inception of this policy.

Bankruptcy

13. Bankruptcy or insolvency of any **Insured** shall not relieve the Company of its obligations nor deprive the Company of its rights or defenses under this policy.

Headings

14. The descriptions in the headings and sub-headings of this policy are solely for convenience, and form no part of the terms and conditions of coverage.

CHUBB

Schedule of Forms

To be attached to and form part of
Policy No. 8221-2306

Company: Federal Insurance Company

Issued to: Cornerstone Affiliates

Health Care Portfolio General Terms and Conditions Section (Federal)

14-02-1350 (1/95 ed.)

14-02-9103B (12/04 ed.)

14-02-9981 (8/04 ed.)

Health Care Portfolio Crime Coverage Section (Federal)

14-02-12559 (11/06 ed.)

14-02-12622 (6/09 ed.)

14-02-13660 (4/08 ed.)

14-02-8530 (6/03 ed.)

14-02-8673 (10/07 ed.)

CHUBB

ENDORSEMENT

Coverage Section: Health Care Portfolio General Terms and Conditions Section (Federal)

Effective date of
this endorsement: October 1, 2012

Company: Federal Insurance Company

Endorsement No. 1

To be attached to and
form a part of Policy No. 8221-2306

Issued to: Cornerstone Affiliates

CALIFORNIA PREMIUM ENDORSEMENT

In consideration of the premium charged, it is agreed that:

It is agreed that in compliance with the ruling of the Commissioner of Insurance of the State of California and the opinion of the Attorney-General of that state requiring that the premium for all bonds or policies be endorsed thereon, the basic premium charged for the attached bond/policy for the period

From: October 1, 2012

To: October 1, 2013

Is: Seven Thousand One Hundred Eighty One Dollars and 00/100 ($7,181.00)

CALIFORNIA SURCHARGE N/A

ALL OTHER TERMS AND CONDITIONS REMAINED UNCHANGED.

Authorized Representative

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

American Baptist Homes of the West and Affiliates
(a Member of Cornerstone Affiliates)

**As of and for the Years Ended
September 30, 2013 and 2012**

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants
Acumen. Agility. Answers.

CONTENTS

REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Directors
American Baptist Homes of the West and Affiliates

Report on Financial Statements

We have audited the accompanying consolidated financial statements of American Baptist Homes of the West ("ABHOW") and Affiliates, (a member of Cornerstone Affiliates) (collectively referred to as the "Corporation"), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the years 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 consolidated 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 consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements of Casa de la Vista, Fern Lodge, Oak Knolls Haven, Tahoe Senior Plaza, Judson Terrace Lodge, Broadmoor Plaza, Hillcrest Gardens, Shepherd's Garden, Salishan Gardens or Three Rivers Village, (collectively, the "affordable housing communities") which statements reflect total assets constituting approximately 8 percent and 10 percent, respectively, of consolidated total assets at September 30, 2013 and 2012, and total revenues constituting approximately 3 percent, of consolidated total revenues for the years then ended. These statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the affordable housing communities, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Baptist Homes of the West and Affiliates as of September 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
December 20, 2013

CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2013 and 2012
(In Thousands)

	2013	2012
ASSETS		
CASH AND CASH EQUIVALENTS	$ 16,856	$ 16,307
RESTRICTED CASH	21,011	15,313
INVESTMENTS	98,441	91,093
INVESTMENTS IN LAS VENTANAS BONDS	8,250	8,250
RESTRICTED INVESTMENTS	119,516	60,591
RESIDENT ACCOUNTS AND OTHER RECEIVABLES, LESS ALLOWANCES FOR DOUBTFUL ACCOUNTS OF $1,491 AND $1,756, RESPECTIVELY	10,859	10,399
NOTES RECEIVABLE - Net	4,315	4,315
SUBORDINATED NOTES RECEIVABLE - Net	29,774	29,774
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	2,560	2,095
OTHER ASSETS	12,202	11,424
LAND, BUILDING, AND EQUIPMENT - Net	310,590	270,778
TOTAL	$ 634,374	$ 520,339
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 19,835	$ 15,295
DEPOSITS	11,709	8,605
ACCRUED INTEREST	8,782	7,359
REBATABLE ENTRANCE FEES DUE	17,552	18,132
ENTRANCE FEES SUBJECT TO REFUND	35,459	33,611
ENTRANCE FEES NON-REFUNDABLE	77,219	76,188
DEFERRED REVENUE FROM INVESTMENT CONTRACT	2,987	3,201
REVOCABLE TRUSTS	685	714
OBLIGATIONS UNDER ANNUITY AGREEMENTS	2,290	2,409
NOTES AND BONDS PAYABLE	364,173	282,225
RETIREMENT LIABILITIES	3,761	9,053
WORKERS' COMPENSATION LIABILITY	3,586	4,308
OTHER LIABILITIES	8,337	7,978
Total liabilities	556,375	469,078
COMMITMENTS AND CONTINGENCIES (SEE NOTE 14)		
NET ASSETS		
Unrestricted - Controlling	32,006	25,507
Unrestricted - Non-controlling	37,636	17,905
Temporarily restricted	7,930	7,437
Permanently restricted	427	412
Total net assets	77,999	51,261
TOTAL	$ 634,374	$ 520,339

 See accompanying notes.

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012
(In Thousands)

	2013	2012
UNRESTRICTED NET ASSETS		
OPERATING REVENUES		
Residential living	$ 42,708	$ 40,654
Assisted living	11,112	11,061
Health center	50,368	51,871
Memory support	5,229	4,905
Other residential services	988	357
Amortization of entrance fees	17,473	17,817
Affordable housing fees and rents	9,100	8,203
Other operating revenue	7,352	10,108
Bequests and charitable giving	695	133
Net assets released from restrictions	918	571
Total operating revenues	145,943	145,680
OPERATING EXPENSES		
Employee costs	80,925	77,175
Supplies	9,732	9,408
Chargeable ancillary services	7,127	8,063
Other purchased services	7,792	7,717
Marketing and advertising	3,263	2,308
Utilities	6,708	6,282
Insurance	1,976	1,853
Travel and related	1,594	1,282
Leases and rents	1,341	1,279
Other operating expenses	4,582	4,610
Total operating expenses	125,040	119,977
INCOME BEFORE OTHER OPERATING INCOME	20,903	25,703
OTHER OPERATING INCOME (EXPENSE)		
Investment income - net	2,523	2,538
Realized gains on investments - net	1,667	2,486
Depreciation and amortization	(20,288)	(20,441)
Mortgage interest	(7,619)	(8,002)
Decrease (increase) in unrealized loss on interest rate swaps and caps	1,527	(761)
INCOME (LOSS) FROM OPERATIONS	$ (1,287)	$ 1,523

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (continued)
(In Thousands)

	2013	2012
UNRESTRICTED NET ASSETS		
Income (loss) from operations	$ (1,287)	$ 1,523
Change in unrealized gains on investments - net	3,335	6,989
Loss from early retirement of debt	-	(824)
Unrealized loss on investment in Las Ventanas bonds	-	(5,634)
Gain on forgiveness of funds due to Terraces at San Joaquin Gardens	-	13,243
Loss (gain) on syndication of Harbor View Manor	(37)	8,885
Gain on syndication of Three Rivers Village	643	-
Contributions in aid of construction	19,277	8,069
Gain from change in unrecognized pension obligation	4,299	199
CHANGE IN UNRESTRICTED NET ASSETS	26,230	32,450
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,300	1,004
Dividend and interest income	210	275
Realized gains on investments - net	18	54
Contractual liability adjustments	354	250
Contractual payments to beneficiaries	(494)	(657)
Special project fund distribution	(341)	(385)
Loss on disposition of Baptist Senior Adult Ministries	-	(2,316)
Change in unrealized gains - net	364	1,114
Net assets released from restrictions	(918)	(571)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	493	(1,232)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	15	(114)
INCREASE IN NET ASSETS	26,738	31,104
NET ASSETS - Beginning of year, as adjusted	51,261	20,157
NET ASSETS - End of year	$ 77,999	$ 51,261

See accompanying notes.

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012
(In Thousands)

	2013	2012
OPERATING ACTIVITIES		
Cash received for resident services	$ 116,383	$ 115,010
Cash received for entrance fees from reoccupancy	23,913	24,102
Cash received from other operating activities	17,641	11,255
Cash received from bequests and trust maturities	1,663	617
Cash earnings realized from investments	3,912	4,814
Cash paid for employee salaries	(57,555)	(55,309)
Cash paid for employee benefits	(16,522)	(15,775)
Cash paid for temporary labor	(4,841)	(5,287)
Cash paid to vendors	(51,933)	(45,474)
Cash paid for interest, net of amounts capitalized	(7,863)	(6,877)
Net cash provided by operating activities	24,798	27,076
INVESTING ACTIVITIES		
Acquisition of land, buildings, and equipment - Continuing Care Retirement Communities ("CCRCs")	(45,261)	(17,654)
Acquisition of land, buildings, and equipment - Affordable Housing	(10,074)	(11,327)
Proceeds from reimbursement of capital expenditures - Affordable Housing	743	-
Increase in restricted cash	(5,497)	(6,347)
Purchase of unrestricted investments	(33,278)	(30,444)
Proceeds from sale of unrestricted investments	29,049	32,860
Purchase of restricted investments	(145,397)	(24,036)
Cash utilized from restricted investments	86,868	28,217
Net cash used in investing activities	(122,847)	(28,731)
FINANCING ACTIVITIES		
Cash received from initial entrance fees and deposits	2,628	5,236
Refunds of deposits and refundable fees	(3,853)	(4,116)
Net proceeds from issuance of notes and bonds payable - CCRCs	93,032	24,505
Cash paid for deferred debt issuance costs - CCRCs	(1,486)	(1,017)
Principal payments on notes and bonds payable - CCRCs	(3,517)	(25,110)
Net proceeds from issuance of notes and bonds payable - ABP	3,030	-
Principal payments on notes and bonds payable - ABP	(3,030)	(4,229)
Proceeds from issuance of notes and bonds payable - Affordable Housing	1,850	20,380
Cash paid for deferred debt issuance costs - Affordable Housing	(48)	(240)
Principal payments on notes and bonds payable - Affordable Housing	(9,300)	(19,011)
Cash received from capital contributions	19,277	8,069
Cash received from restricted gifts and donations	1,313	1,022
Cash paid from other trust activity - net	(1,298)	(1,252)
Net cash provided by financing activities	98,598	4,237
INCREASE IN CASH AND CASH EQUIVALENTS	549	2,582
CASH AND CASH EQUIVALENTS - Beginning of year	16,307	13,725
CASH AND CASH EQUIVALENTS - End of year	$ 16,856	$ 16,307

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (continued)
(In Thousands)

	2013	2012
OPERATING ACTIVITIES		
Increase in net assets	$ 26,738	$ 31,104
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Amortization of entrance fees	(17,473)	(17,817)
Entrance fees from reoccupancy	23,913	24,102
Amortization of deferred revenue from investment contract	(213)	(213)
Depreciation and amortization	20,288	20,441
Change in unrealized gains on investments - net	(3,699)	(8,103)
Change in unrealized loss on investment in Las Ventanas bonds	-	5,634
Change in net unrecognized pension obligation	(4,299)	(199)
Change in unrealized loss on interest rate swaps and caps	(1,527)	761
Contributions in aid of construction	(19,277)	(8,069)
Loss from early retirement of debt	-	824
Gains and losses on transfer of BSAM and TSJG	-	(10,927)
Loss (gain) on syndication of Harbor View Manor	37	(8,885)
Gain on syndication of Three Rivers Village	(643)	-
Change in accounts receivable from residents and clients	(910)	(3,029)
Change in prepaid expenses and deposits	(465)	766
Other changes in operating assets and liabilities - net	2,328	686
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 24,798	$ 27,076
NONCASH DISCLOSURES		
Acquisition of buildings and equipment financed through accounts payable and accrued expenses	$ 5,737	$ 4,437
Purchase and sale of affordable housing fixed assets with debt	$ 649	$ 9,830
Transfer of ownership of TSJG fixed assets to Cornerstone for subordinated notes receivable	$ -	$ 29,774
Disposition of Las Ventanas land in exchange for investment in Las Ventanas bonds	$ -	$ 8,671
Disposition of Las Ventanas construction note in exchange for investment in Las Ventanas bonds	$ -	$ 2,700
Transfer of sole membership in BSAM to DCBCF	$ -	$ 2,451
Disposition of owned affordable housing fixed assets in exchange for debt paydown	$ -	$ 1,379
Payment of acquisition and issuance costs with debt	$ -	$ 496
Payment of interest expense with debt	$ -	$ 289

See accompanying notes.

Note 1 – Business and Organization

Parent Organization – Cornerstone Affiliates ("Parent Organization" or "Cornerstone") is a California nonprofit public benefit corporation. Cornerstone appoints the majority of the directors of American Baptist Homes of the West (the "Corporation" or "ABHOW") and is the sole member of American Baptist Estates, Inc. ("ABE" or d.b.a. Terraces of Phoenix), Las Ventanas Retirement Community ("Las Ventanas"), Boise Retirement Community ("Boise" or d.b.a. the Terraces at Harris Ranch), Terraces at San Joaquin Gardens ("TSJG") and Cornerstone Affiliates International, Inc. ("CAI").

Cornerstone Related Enterprises

American Baptist Estates, Inc. – American Baptist Estates, Inc. is an Arizona nonprofit tax-exempt corporation providing housing, health care and supportive services for the elderly in Phoenix through its continuing care retirement community, Terraces of Phoenix. Prior to September 29, 2003, ABE was a controlled affiliate of ABHOW. The funds previously advanced by ABHOW to support ABE's operating and capital needs were retained in the form of a note receivable from ABE. Based on Terraces of Phoenix's projected cash flows, payments on the note receivable are not anticipated by ABHOW until 2021. The note has been recorded as part of notes receivable in the accompanying consolidated balance sheets at the estimated net realizable value of $4,315,000 at September 30, 2013 and 2012.

ABHOW manages Terraces of Phoenix under a multiyear management agreement. Terraces of Phoenix and the holders of the Terraces of Phoenix's debt have a maximum recourse of $800,000 to ABHOW in the event of default. In November 2013, Terraces of Phoenix refunded its Series 2003 and 2007 debt with the existing lender after ABHOW committed to a credit support package (see Note 18).

Las Ventanas Retirement Community – Las Ventanas Retirement Community ("Las Ventanas") is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Las Vegas, Nevada through its continuing care retirement community. On July 1, 2004, ABHOW began providing oversight management services to Las Ventanas. On January 1, 2010, ABHOW began providing full management services to Las Ventanas. In September 2012, Las Ventanas' existing obligations were restructured; including the forgiveness of all previously accrued management fees. Certain obligations of Las Ventanas have a maximum recourse of $2,000,000 to American Baptist Properties, Inc. ("ABP") backed by ABHOW liquidity support, in the event of default under a limited debt service advance agreement in exchange for bonded indebtedness (see ABP section in Note 1).

Note 1 – Business and Organization (continued)

Boise Retirement Community – Boise Retirement Community ("Boise") is a California nonprofit public benefit tax-exempt corporation which leases a site in Boise, Idaho upon which the Terraces at Harris Ranch is planned for development. The obligations of Boise Retirement Community are non-recourse to ABHOW. In October 2013, a Preliminary Official Statement was distributed to potential investors in Boise debt. ABHOW and American Baptist Properties, Inc. have committed to an equity contribution and funded and unfunded liquidity support upon financing (see Note 18).

Terraces at San Joaquin Gardens – Terraces at San Joaquin Gardens ("TSJG") is a California nonprofit public benefit tax-exempt corporation providing housing, healthcare, and supportive services for the elderly in Fresno, California through its continuing care retirement community.

Prior to September 26, 2012, Terraces at San Joaquin Gardens was one of the eight continuing care retirement communities constituting ABHOW's California Obligated Group. Effective September 26, 2012, by vote of the ABHOW Board of Directors, and consistent with the rights and abilities granted in ABHOW's Master Trust Indenture, sole corporate membership and control of TSJG was transferred from ABHOW to Cornerstone. During fiscal year 2013, the recognition of $754,000 of TSJG management fee revenue was deferred by ABHOW, and an additional $1,151,000 of interest income related to the TSJG Subordinated Notes A and B, payable to ABHOW, was accrued, with collection pending achievement of certain TSJG operating performance criteria.

Cornerstone Affiliates International, Inc. – Cornerstone Affiliates International, Inc. ("CAI") is a California for-profit corporation wholly owned by Cornerstone. CAI is the holding company for the activities surrounding the development of international senior housing consulting and management business opportunities.

American Baptist Homes of the West – American Baptist Homes of the West is a California nonprofit public benefit tax-exempt corporation which owns, operates, and manages both continuing care retirement communities and rental housing communities in which housing, health care, and supportive services are provided for the elderly. Cornerstone is the sole member of ABHOW and elects eight of ABHOW's fifteen directors. The executive officers of Cornerstone also serve as executive officers of ABHOW. As of September 30, 2013, the following continuing care retirement communities were owned and operated by the Corporation:

- Grand Lake Gardens
- Piedmont Gardens
- Terraces at Los Altos
- Plymouth Village
- Rosewood
- Valle Verde
- Terraces of Los Gatos

Note 1 – Business and Organization (continued)

American Baptist Homes Foundation of the West, Inc. – American Baptist Homes Foundation of the West, Inc. (the "Foundation") is a California nonprofit public benefit tax-exempt corporation whose primary purpose is to develop, invest, and administer funds to provide residential and nursing home care on behalf of the residents of certain communities of the Corporation. The Foundation's principal activity is to administer such funds under trust agreements. The Corporation is the sole member of the Foundation, and therefore, elects the directors of the Foundation. As a result, the Corporation has control over the Foundation, and therefore, the Foundation is included in the Corporation's consolidated financial statements. The Foundation guarantees the bond obligations of the Corporation. The Foundation's obligations under the guaranty agreement are limited to the Foundation's income earned on its unrestricted net assets (see Note 6).

Other Affiliates Included in the Consolidation – The Corporation is also the sole member and controlling organization for the following separately incorporated not-for-profit affiliates:

- American Baptist Homes of Washington (d.b.a. Judson Park)
- American Baptist Properties, Inc.
- Baptist Senior Adult Ministries, divested in March 2012

Affordable Housing:
- Redlands Senior Housing, Inc. (d.b.a. Casa de la Vista)
- Redlands Senior Housing Two (d.b.a. Fern Lodge)
- Harborview Properties, Inc. (formerly d.b.a Harbor View Manor)
- Oak Knolls Haven, Inc. (d.b.a. Oak Knolls Haven)
- Tahoe Senior Plaza, Inc. (d.b.a. Tahoe Senior Plaza)
- Carmel Senior Housing, Inc. including Tahoe Senior Housing II, L.P. (d.b.a. Kelly Ridge), Pacific Meadows Senior Housing L.P. (d.b.a. Pacific Meadows), Valley Vista Senior Housing (d.b.a. Valley Vista), and Harborview Manor LLLP (d.b.a. Harbor View Manor), Bay Vista Partners LLLP (d.b.a Bay Vista Senior Housing) and Three Rivers Senior Housing LLLP (d.b.a Three Rivers Village)
- Judson Terrace Lodge, Inc. (d.b.a. Judson Terrace Lodge)
- San Leandro Senior Housing, Inc. (d.b.a. Broadmoor Plaza)
- Hillcrest Senior Housing, Inc. (d.b.a. Hillcrest Gardens)
- Good Shepherd Senior Housing (d.b.a. Shepherd's Garden)
- Richland Senior Housing LLC (formerly d.b.a. Three Rivers Village)
- Salishan Senior Housing, Inc. (d.b.a. Salishan Gardens)

The Corporation is also the sole shareholder and controlling organization of Seniority, Inc., a California for-profit corporation.

Note 1 – Business and Organization (continued)

American Baptist Homes of Washington – American Baptist Homes of Washington ("ABHW") is a Washington nonprofit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Washington through its continuing care retirement community, Judson Park. During 2012, $22,201,000 in bonds remaining from a 2007 financing were retired and replaced with $21,505,000 of private placement financing (see Note 6).

American Baptist Properties, Inc. – American Baptist Properties, Inc. ("ABP") is a California nonprofit public benefit corporation established in 1997 to serve as a real property holding company for the Corporation. In May 2008, ABP completed the purchase of a parcel of land in Boise, Idaho, for the purpose of developing a continuing care retirement community. The land was purchased for $4,075,000 using a combination of cash and $3,075,000 of debt. In June 2009, ABP completed the $8,500,000 purchase of the land underlying Las Ventanas, the corresponding ground lease and the rights to a $5,000,000 contingent deferred payment using a combination of cash and $4,250,000 of debt. ABHOW also previously provided a debt service guaranty for the obligations of ABP (see Note 14).

On December 12, 2011, ABHOW approved an advance of $3,000,000 to ABP to be used for the purchase, at a substantial discount, of the Santander, formerly Sovereign Bank, $5,600,000 Las Ventanas construction loan with the remaining proceeds to be used for a partial loan pay down on ABP's obligations. ABP secured Santander's rights in the Las Ventanas construction loan on December 16, 2011, and was secured by entrance fees on the remaining apartments that have never been sold as well as a portion of operating cash flows on the attainment of certain occupancy thresholds. ABP, as owner of the construction loan, also assumed rights under the Las Ventanas intercreditor agreement and other security documents.

On June 22, 2012, Las Ventanas, its bondholders, ABHOW as manager, and ABP as construction loan and ground lease holder, executed a letter of agreement for the restructuring of Las Ventanas' debt and lease obligations. On September 12, 2012, the restructuring was finalized, which involved the exchanging of existing bonded indebtedness for three new series of tax-exempt bonds. ABP contributed $2,000,000, which was used to pay down accrued interest on the Las Ventanas Series 2004 bonds, in exchange for an equivalent interest in the newly issued Las Ventanas Series A-2 and Series B-2 bonds. ABP released its interests in the ground lease and construction loan in exchange for additional interests in the Las Ventanas Series A-2, Series B-2, and Series C-2 bonds. The bonds received by ABP are at parity with the Las Ventanas Series A-1, Series B-1, and Series C-1 bonds issued to bondholders in terms of collateral and principal, but have lower interest rates for an initial period of time and no voting rights.

Note 1 – Business and Organization (continued)

As part of the restructuring, all but $2,000,000 of outstanding accrued bonds interest and all construction loan interest was forgiven, along with all outstanding accrued management fees and the $5,000,000 contingent liability due to ABP. Further, in connection with the restructuring, ABP terminated the existing ground lease and transferred ownership of the land to LVRC.

In conjunction with the restructuring, ABP transferred $500,000 to Las Ventanas, which was deposited with the trustee in an escrow account and will be utilized to support the voluntary reduction and restructuring of resident entry fee rebate liabilities. In exchange, ABP received $500,000 in Las Ventanas Series B-3 bonds. Finally, ABP, with liquidity support from ABHOW, provided an unfunded $2,000,000 debt service support agreement for the Las Ventanas Series A-1 bonds, with any resulting funded amounts triggering the issuance to ABP of an equal amount of Las Ventanas Series B-4 bonds, comparable in structure to the Las Ventanas Series B-3 bonds.

As a result of the aforementioned restructuring, ABP received $16,414,000 (par value) of LVRC bonds, classified as Investments in Las Ventanas bonds in the accompanying consolidated balance sheets. The restructuring and subsequent revaluation of the investments as of September 12, 2012, resulted in an unrealized loss on investment in Las Ventanas bonds of $5,634,000, in the accompanying consolidated statements of operations and changes in net assets (see Note 3).

Baptist Senior Adult Ministries of the Metropolitan Washington Area, Inc. – ("BSAM") is a District of Columbia nonprofit tax-exempt corporation located in Washington D.C. BSAM owned and operated a continuing care retirement community, Thomas House, and adult care centers in the Washington, D.C. metropolitan area until March 29, 2005, when the community was sold. The legal entity BSAM remained, with its primary asset being funds restricted for the benevolence needs of Thomas House contract residents at the date of sale. The Corporation was the sole corporate member of BSAM.

On March 31, 2012, ABHOW entered into a Benevolence Fund Transfer Agreement with The District of Columbia Baptist Convention Foundation ("DCBCF"), whereby ABHOW transferred its sole membership in BSAM, along with all assets related thereto, to DCBCF who will continue to manage the funds on behalf of the existing residents at the Thomas House community. This resulted in a fiscal year 2012 loss on disposition of BSAM of $2,316,000, in the accompanying consolidated statements of operations and changes in net assets.

Note 1 – Business and Organization (continued)

Redlands Senior Housing, Inc. – Redlands Senior Housing, Inc. ("Redlands" d.b.a. Casa de la Vista) is a California nonprofit public benefit tax-exempt corporation whose cost of construction was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

Redlands Senior Housing Two – Redlands Senior Housing Two (d.b.a. Fern Lodge) is a California nonprofit public benefit tax-exempt corporation established in 1997 to develop a senior housing complex in Redlands, California. Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

Harborview Properties, Inc. – Harborview Properties, Inc. ("Harbor View Manor") is a Washington nonprofit tax-exempt corporation that provided housing for low-income elderly in the Tacoma, Washington area. The community was financed with a mortgage note payable to Prudential Huntoon Paige Association, Ltd., secured by a deed of trust on Harborview's property.

In December 2011, Harbor View Manor completed a syndication whereby the community was sold to a partnership in which Carmel Senior Housing, Inc. ("CSH") is the managing member of the General Partner, in conjunction with a planned refurbishment of the community which began in December 2011. As part of the sale, Harborview Properties, Inc. obtained a 20% interest in Harborview Manor GP LLC, the newly-formed General Partner, holding a 0.01% interest in Harbor View Manor, with CSH holding the remaining 80% interest. The community was purchased using a combination of loans and tax credits. The sale resulted in the recognition of $321,000 of acquisition costs in the other operating expenses line item in the accompanying consolidated statements of operations and changes in net assets. The syndication of Harbor View Manor also resulted in the recognition of a gain of $8,885,000 in the accompanying consolidated statements of operations and changes in net assets for the year ended September 30, 2012.

ABHOW and CSH, as co-guarantors issued guarantees related to the project. In March 2013, the refurbishment of the community was completed and Harbor View Manor received its Certificate of Occupancy. On September 26, 2013, the US Bank Series B loan was retired using Limited Partner capital contributions. In conjunction with the project completion and loan retirement, the material financial guarantees were released (see Note 14).

Harborview Manor LLLP – Harborview Manor LLLP ("Harbor View Manor") is a Washington limited liability limited partnership providing housing for low-income elderly in the Tacoma, Washington area. See "Harborview Properties, Inc." in Note 1 for further discussion of the formation and capital structure of this corporation. As CSH is the managing member of the general partner, Harbor View Manor's financial statements are required to be consolidated into CSH.

Note 1 – Business and Organization (continued)

Oak Knolls Haven, Inc. – Oak Knolls Haven, Inc. ("Oak Knolls Haven") is a California nonprofit public benefit tax-exempt corporation, whose cost of construction was financed largely through loans endorsed for insurance by the United States Department of Housing and Urban Development.

Tahoe Senior Plaza, Inc. – Tahoe Senior Plaza, Inc. ("Tahoe Senior Plaza") is a California nonprofit public benefit tax-exempt corporation incorporated in January 1998 to develop a low-income senior housing complex in South Lake Tahoe, California. Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

Carmel Senior Housing, Inc. – Carmel Senior Housing, Inc. ("CSH"), an affiliate of the Corporation, is a California nonprofit public benefit tax-exempt corporation.

In April 2010, the Corporation completed the resyndication of Pacific Meadows Senior Housing ("Pacific Meadows"). Under the resyndication agreement, CSH, as managing member, acquired a 79% interest in Carmel Senior Housing, LLC, the newly-formed General Partner holding a 0.01% interest in Pacific Meadows.

In December 2011, as part of the syndication of Harbor View Manor, CSH, as managing member, acquired an 80% interest in Harborview Manor GP LLC, the newly-formed General Partner holding a 0.01% interest in Harbor View Manor (see Note 14).

CSH is acting as General Partner with separate 0.01% interests in Valley Vista Senior Housing, L.P. ("Valley Vista"), Tahoe Senior Plaza II ("Kelly Ridge"), Bay Vista Partners LLLP ("Bay Vista Senior Housing") and Three Rivers Senior Housing LLLP ("Three Rivers Village"). Both Valley Vista and Kelly Ridge are California limited partnerships formed for the development of affordable housing and both are funded through the use of a combination of debt and tax credit investors. Bay Vista Senior Housing and Three Rivers Village are Washington limited liability limited partnerships. Tax credit investors have been subscribed as Limited Partners, with a 99.99% collective interest in each project.

Tahoe Senior Housing II, L.P. – Tahoe Senior Housing II ("Kelly Ridge") is a California limited partnership formed in 2008 for the development of an affordable senior housing community in South Lake Tahoe, California. The project was financed primarily with a combination of loans and tax credits. Construction is complete and the community became fully occupied and operational in June 2009. As CSH is the sole general partner, Kelly Ridge's financial statements are required to be consolidated into CSH.

Note 1 – Business and Organization (continued)

Valley Vista Senior Housing – Valley Vista Senior Housing ("Valley Vista") is a California limited partnership formed in 2008 for the development of an affordable housing community in San Ramon, California. Development activities are complete and the project commenced occupancy on May 25, 2011. The project was financed primarily with a combination of loans and tax credits. As CSH is the sole general partner, Valley Vista's financial statements are required to be consolidated into CSH. In February 2012, Valley Vista's construction loan was retired using a combination of new permanent debt and limited partner equity contributions. ABHOW provided certain temporary guarantees, which were subsequently released, as discussed in Note 14.

Pacific Meadows Senior Housing, L.P. – Pacific Meadows Senior Housing ("Pacific Meadows") is a California limited partnership acquired in 2010 to provide housing for low income elderly in the Carmel, California area. In conjunction with its April 2010 resyndication, Pacific Meadows secured tax credit financing to allow for a significant refurbishment of the campus. CSH is the managing member of the General Partner, Carmel Senior Housing, LLC, and as such, Pacific Meadow's financial statements are required to be consolidated into CSH. ABHOW provided certain temporary guarantees, which were subsequently released, as discussed in Note 14.

On October 1, 2012, Pacific Meadows finalized a permanent conversion financing whereby its Series 2010A Variable Rate Demand Multifamily Housing Revenue Bonds were retired and replaced with a combination of debt and partner equity contributions. As part of this financing, the start date of its forward starting swap was extended to coincide with the issuance of the new variable rate debt.

Bay Vista Partners LLLP – Bay Vista Partners LLLP ("Bay Vista Senior Housing") is a Washington limited liability limited partnership developed to provide housing for low income elderly in the Bremerton, Washington area. Bay Vista GP LLC is the sole General Partner of Bay Vista, with CSH acting as its sole member, and as such, Bay Vista Senior Housing's financial statements are required to be consolidated into CSH.

In conjunction with its July 2013 syndication, Bay Vista Senior Housing secured debt and tax credit financing to fund the construction of its campus. ABHOW and CSH, as co-guarantors issued an unconditional guaranty related to the completion of the project and compliance with certain on-going aspects of the Limited Partnership Agreement (see Note 14).

The debt financing secured consist of a $9,769,000 capital advance to Bay Vista GP LLC from the Department of Housing and Urban Development. Consistent with the terms of the agreement, Bay Vista GP LLC then advanced the proceeds to Bay Vista Partners LLLP through a separate loan agreement.

Note 1 – Business and Organization (continued)

Richland Senior Housing LLC – Richland Senior Housing LLC (formerly "Three Rivers Village") is a Washington state nonprofit tax exempt corporation acquired in 2010 to provide housing for low-income elderly in the Richland area. The 40 apartment community was acquired in June 2010 through the issuance of debt from state agencies.

In July 2013, Three Rivers Village completed a syndication whereby Richland Senior Housing LLC sold Three Rivers Village to Three Rivers Senior Housing LLLP, an entity in which CSH is the sole member of the General Partner holding a 0.01% interest, in conjunction with a planned refurbishment of the community. The community was purchased using a combination of debt and tax credits.

In connection with the sale of Three Rivers Village, Richland Senior Housing LLC received a $195,000 Reserve Note from Three Rivers Senior Housing LLLP, with annually compounding interest of 6.5%, a 40 year life, and payments made solely from distributable cash flows of the community. This note was immediately contributed to CSH where it was fully reserved due to the conditional nature of payments. Similarly, as part of the sale, Richland Senior Housing LLC also received a $231,000 Seller Financing Note from Three Rivers Senior Housing LLLP, which it also contributed to CSH. This note also pays 6.5% interest compounding annually, however it has a 20 year life and, beginning August 1, 2018, begins to make regular principal and interest payments from operating cash flows subject to compliance with certain financial covenants.

Three Rivers Senior Housing LLLP – Three Rivers Senior Housing LLLP ("Three Rivers Village") is a Washington limited liability limited partnership developed to provide housing for low income elderly in the Richland, Washington area. In conjunction with its July 2013 syndication, Three Rivers Village secured tax credit financing to allow for a significant refurbishment of the campus, which commenced in July 2013. CSH is the sole member of the General Partner, Three Rivers GP LLC, and as such, Three Rivers Villages financial statements are required to be consolidated into CSH.

ABHOW and CSH, as co-guarantors issued an unconditional guaranty related to the completion of the project and compliance with certain on-going aspects of the Limited Partnership Agreement (see Note 14).

Judson Terrace Lodge, Inc. – Judson Terrace Lodge, Inc. ("Judson Terrace Lodge") is a California nonprofit public benefit tax-exempt corporation incorporated in November 2000 to develop a low-income senior housing complex in San Luis Obispo, California. Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

Note 1 – Business and Organization (continued)

San Leandro Senior Housing, Inc. – San Leandro Senior Housing, Inc. ("Broadmoor Plaza") is a California nonprofit public benefit tax-exempt corporation established in May 2001, to develop a senior housing complex in San Leandro, California (d.b.a. Broadmoor Plaza). Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

Hillcrest Senior Housing, Inc. – Hillcrest Senior Housing, Inc. ("Hillcrest Gardens") is a California nonprofit public benefit tax-exempt corporation established in 2005, to develop a senior housing complex in Daly City, California. Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development as well as other local government grants.

Good Shepherd Senior Housing – Good Shepherd Senior Housing ("Shepherd's Garden") is a Washington state nonprofit tax-exempt corporation established in 2008 to develop low-income elderly housing in the Lynwood area. The 40 apartment community opened its doors on March 1, 2010. Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

Salishan Senior Housing, Inc. – Salishan Senior Housing, Inc. ("Salishan Gardens") is a Washington state nonprofit tax-exempt corporation established in 2009 to develop low-income elderly housing in the Tacoma, Washington area. Pre-development of the 54 apartment community began in 2009 and the project commenced occupancy on May 10, 2011. Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

Seniority, Inc. – Seniority, Inc. ("Seniority") is a California for-profit corporation and is wholly owned by the Corporation. Seniority commenced operations in October 1997 and provides sales and operational management and consulting services to ABHOW and unrelated third parties.

Managed Rental Homes and CCRCs – At September 30, 2013, the Corporation managed eighteen affordable housing rental communities and three continuing care retirement communities, while Seniority managed seven market rate rental communities under management agreements. At September 30, 2012, the Corporation managed seventeen affordable housing rental communities and three continuing care retirement communities, while Seniority managed five market rate rental communities under management agreements (see Note 12).

Note 2 – Accounting Policies

Basis of Consolidation – The accompanying financial statements consolidate the accounts of ABHOW, the Foundation, Judson Park, American Baptist Properties, BSAM, Casa de la Vista, Fern Lodge, Harbor View Manor, Oak Knolls Haven, Tahoe Senior Plaza, Carmel Senior Housing, Kelly Ridge, Valley Vista, Pacific Meadows, Harborview Manor LLLP, Bay Vista Partners LLLP, Three Rivers Senior Housing LLLP, Judson Terrace Lodge, Broadmoor Plaza, Hillcrest Gardens, Shepherd's Garden, Three Rivers Village, Salishan Gardens, and Seniority. The financial statements of ABHOW and affiliates are presented on a consolidated basis due to the sole corporate membership and controlling financial interests of these organizations. All significant intercompany balances and transactions have been eliminated.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenue and expenses during the reported period. Significant items subject to such estimates and assumptions include the fair values of interest rate swap and cap assets and liabilities; allowances for contractual and uncollectible accounts receivable; fair values of notes receivable; fair values of investments; future service benefit obligations; rebatable entrance fees due; liabilities for self-insured workers' compensation; liabilities for pension and retirement plans; and valuation of split-interest agreements. Actual results could differ from those estimates.

New Accounting Pronouncements – In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, *Fair Value Measurement* (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"), which amended Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement* ("ASC 820") to change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The Corporation implemented this guidance in 2013. The adoption did not have a material impact on the consolidated financial statements.

Note 2 – Accounting Policies (continued)

In October 2012, the FASB issued ASU No. 2012-05, *Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* ("ASU 2012-05") to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit. The Corporation implemented this guidance in 2013. The adoption did not have a material impact on the consolidated financial statements.

In April 2013, the FASB issued ASU No. 2013-06, *Services Received from Personnel of an Affiliate* ("ASU 2013-06") to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The adoption of ASU 2013-06 is effective for the Corporation beginning October 1, 2014. The adoption of ASU 2013-06 is not expected to have a material impact on the consolidated financial statements.

Effective October 1, 2012, the Corporation early-adopted ASU No. 2012-01, *Health Care Entities (Topic 954): Continuing Care Retirement Communities – Refundable Advance Fees* ("ASU 2012-01") which has resulted in the establishment of a liability for advance fees for amounts which were previously presented as deferred revenue and amortized into revenue over the life of the facility. In accordance with FASB Accounting Standards Codification ("ASC") Topic 250, *Accounting Changes and Error Corrections*, these financial statement present the adoption of ASU 2012-01 as a change in accounting principle, and accordingly, the 2012 financial statements presented herein have been adjusted to apply the new accounting method retrospectively as follows:

Note 2 – Accounting Policies (continued)

	September 30, 2012		
	As previously reported	Adjustment	As Adjusted
Total net assets, beginning of year	$ 21,063	$ (906)	$ 20,157
Total net assets, end of year	$ 52,446	$ (1,185)	$ 51,261
Entrance fees subject to refund	$ 51,743	$ (18,132)	$ 33,611
Rebatable entrance fees due	$ -	$ 18,132	$ 18,132
Entrance fees non-refundable	$ 75,003	$ 1,185	$ 76,188
Total operating revenue	$ 145,946	$ (279)	$ 145,667
Change in net assets	$ 31,383	$ (279)	$ 31,104

Cash and Cash Equivalents – Cash and cash equivalents are defined as cash on hand, demand deposits with financial institutions, and overnight investments considered to be cash equivalents. Accounts at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC"). The Corporation has cash balances in financial institutions that are in excess of FDIC limits. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant credit risk exists at this time.

Restricted Cash – Restricted cash is defined as cash which is restricted in its use by regulatory or other agreements. These accounts are primarily escrowed first generation entry fee deposits, replacement reserves at the affordable housing communities and unexpended equity contributions for tax credit affordable housing communities.

Investments – Investments include certain cash equivalents held by investment managers, certificates of deposits, commercial paper, mutual funds, equity securities, corporate debt, U.S. government securities and certain cash equivalents and securities held by trustees for capital project expenditures and debt service, and are stated at fair value. Certain investments are restricted as assets held in trust. These include assets held by trustees in accordance with the indentures relating to debt agreements and assets set aside in accordance with various trust agreements with third parties, including donors. Assets held in trust as well as assets managed for certain ABHOW affiliates are classified as restricted investments. Also included in restricted investments is $4,980,000 and $7,712,000 as of September 30, 2013 and 2012, respectively, designated by the board for future capital projects at several communities.

Note 2 – Accounting Policies (continued)

Investment income (including realized gains and losses on investments, interest, and dividends) is included in the consolidated statements of operations and changes in net assets according to donor restrictions. Realized gains and losses for mutual funds are computed using the average cost method. Historical cost, on the specific identification method, is utilized to compute the realized gains and losses for all other securities. Upon determination that the cost of securities is other-than-temporarily impaired, adjustments are made to revalue the securities to current value. Any adjustments required by this policy for unrestricted assets are charged to investment loss and restricted assets are charged to the appropriate net assets category. Unrealized gains and losses are recorded in other changes in net assets (see Note 4).

Investments in Las Ventanas Bonds – Investments include holdings in three tranches of the Las Ventanas Series 2012 bonds (see Note 1). These investments are recorded at fair value as of September 30, 2013 and 2012, in the accompanying consolidated balance sheets. Changes in fair market value are included in unrealized loss on investment in Las Ventanas bonds in the consolidated statements of operations and changes in net assets (see Note 3). Investment income is included in the consolidated statements of operations and changes in net assets.

Resident Accounts Receivable – The Corporation provides services to residents even though they may lack adequate funds or may participate in programs that do not pay full charges. The Corporation receives payment for health services from residents, insurance companies, Medicare, Medi-Cal, Medicaid, HMOs, and other third-party payors. As a result, the Corporation is exposed to certain credit risks. The Corporation manages its risk by regularly reviewing its accounts, by providing appropriate allowances for uncollectible accounts, and by having secured the accounts through the Care and Residence Agreements with the residents of continuing care retirement communities.

Resident accounts receivable are stated at the amount management expects to collect. If necessary, management provides for probable uncollectible amounts through a charge to earnings and a credit to valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to resident accounts receivable.

Subordinated Notes Receivable – Includes both a fixed rate subordinated note and a variable rate subordinated note from TSJG. Interest income is included as a reduction to interest expense in the consolidated statements of operations and changes in net assets, due to the notes being structured as a mechanism to reimburse ABHOW for prior borrowings that were partially utilized to specifically fund capital expenditures at TSJG (see Note 16). During the year ended September 30, 2013, $1,151,000 of interest income was accrued by ABHOW.

Note 2 – Accounting Policies (continued)

Land, Building, and Equipment – Land, building, and equipment are recorded at cost, or fair value when received, if donated. The cost basis includes any interest, finance charges, and other related costs capitalized during construction. Real estate predevelopment costs, such as architectural and entitlement costs, costs of model units, furnishings, etc., are capitalized as part of the building cost and depreciated over the useful life of the related building. Maintenance and repair costs are charged to operations when incurred.

Depreciation of buildings and equipment is computed on the straight-line method using estimated useful lives of 3 to 40 years. When assets are retired or otherwise disposed of, the cost of the asset and its related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period.

Asset Impairment – ABHOW periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment was recorded in the years ended September 30, 2013 and 2012.

Fair Value of Financial Instruments – Unless otherwise indicated, the fair value of all reported assets and liabilities that represent financial instruments approximate their carrying values. The Corporation's policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. Revocable trusts and obligations under annuity agreements are classified as Level 2 in the fair value hierarchy. Investments in Las Ventanas bonds is classified as Level 3 in the fair value hierarchy. See Note 3 for fair value hierarchy disclosures.

Deferred Debt Issuance Costs – Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the interest method. Unamortized deferred debt issuance cost amounted to $6,138,000 and $5,161,000 at September 30, 2013 and 2012, respectively, and is included in other assets in the accompanying consolidated balance sheets. Accumulated amortization of deferred debt issuance cost was $1,017,000 and $1,021,000 at September 30, 2013 and 2012, respectively.

Deferred Marketing Costs – Expenses incurred in connection with marketing of newly constructed apartments are deferred and amortized over the estimated average life of the first generation of residents. Unamortized deferred marketing cost amounted to $4,128,000 and $3,286,000 at September 30, 2013 and 2012, respectively, and is included in other assets in the accompanying consolidated balance sheets. Accumulated amortization of deferred marketing cost was $819,000 and $644,000 at September 30, 2013 and 2012, respectively.

Note 2 – Accounting Policies (continued)

Deferred Revenue from Investment Contract – The Corporation entered into an investment program in 1997 with respect to its bond reserve funds. Under the program, the Corporation received approximately $6,400,000 in cash proceeds representing the discounted cash value of the investment earnings on these funds over the 30-year life of the reserve funds. In exchange for these proceeds, the counterparty to the arrangements has the ability to invest certain of the Corporation's bond reserve funds over the terms of the arrangements. The funds received were recorded as deferred revenue and recognized as revenue over the life of the agreements. Revenue recognized was $213,000 for the years ended September 30, 2013 and 2012. On October 4, 2013, ABHOW paid a settlement amount to terminate the program (see Note 18).

Donor-Related Obligations – The Corporation has recorded certain obligations related to donations received as follows:

Revocable Trusts – Revocable trusts are trust agreements that are revocable by trustors at any time, with specific terms for each agreement. Consequently, a liability is reflected in other liabilities in the accompanying consolidated balance sheets equal to those related trust assets in restricted investments in the accompanying consolidated balance sheets.

Obligations Under Annuity Agreements – In conjunction with certain giving arrangements, the Foundation is required to pay a certain sum of money to the donor or a designated beneficiary and consequently a liability is reflected in obligations under annuity agreements in the accompanying consolidated balance sheets. These types of arrangements are summarized as follows:

Gift Annuities Fund – As consideration for certain gifts made to the Foundation, the Foundation enters into agreements to pay fixed annual payments to the donors or their beneficiaries for life. In accordance with Section 11521 of the California Insurance Code, a liability has been established for the future payments under the outstanding annuity contracts. The annual computation of the temporarily restricted amount of the gift is based upon the 2000 Group Annuity Mortality Table, with an interest assumption at 5% per annum. Assets in excess of liabilities, if any, related to these annuities are available for the use of the Foundation with the approval of the California Department of Insurance.

Annuity Trusts – Annuity trusts are trust agreements that provide for a fixed annual payment of not less than 6% of the initial value of trust assets to one or more income beneficiaries, with an irrevocable remainder interest contributed to charity. The annual payment never varies, regardless of trust income or the appreciation or depreciation in the value of trust assets.

Note 2 – Accounting Policies (continued)

Unitrusts – Unitrusts are trust agreements that are similar to annuity trusts, except that the annual payout generally is a fixed percentage, of not less than 6%, of the value of the trust assets valued annually. In general, the unitrust beneficiary payment amounts rise and fall in proportion to the value of trust assets. In certain cases, the payout from unitrusts may be tied to trust income.

Obligation to Provide Future Services – If the present value of future outflows to provide future services, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. An evaluation of the future service obligation for residents indicated a liability was not considered to be necessary at September 30, 2013 and 2012.

Types of Entrance Fees – The Care and Residence Agreements between the Corporation and the residents provide for the payment of an entrance fee. Entrance fees received by the Corporation are categorized into two types: initial entrance fees and entrance fees from reoccupancy, and are recorded as either rebatable entrance fees, entrance fees subject to refund, or entrance fees non-refundable. Initial entrance fees, which are the initial fees on new or expanded facilities, are used to provide funds for acquisition and construction of physical facilities, debt retirement, and to defray anticipated deficits in the operations of new homes for a period of time. Entrance fees from reoccupancy in existing homes are used for general purposes, including capital expenditures, support of operations (including benevolence), new development, and funding of reserves.

Refund Policy on Entrance Fees – The Care and Residence Agreement provides the resident with the right to a refund of the entrance fee, less 1.5% for 67 months or 2% for each month of residency for 44 months after an initial reduction of 12% of the original fee, under certain circumstances. For a majority of contracts, upon the move out of a resident, the unamortized balance of the entrance fee becomes the property of the Corporation and is included in income. For contracts established in fiscal year 2006 or later, the resident is entitled to a partial refund if move out occurs in the first 44 months of the contract. Amounts amortized to income relating to these types of contracts were $17,473,000 and $17,817,000 for the years ended September 30, 2013 and 2012, respectively.

At September 30, 2013 and 2012, the Corporation had non-refundable entrance fees of $77,219,000 and $76,188,000, respectively, related to entrance fees received that will be recognized as revenue in future years. Additionally, at September 30, 2013 and 2012, the Corporation had entrance fees subject to refund of $35,459,000 and $33,611,000, respectively, which will be recognized as revenue in future years unless refunded. Actual refunds of entrance fees from this type of contract were $3,853,000 and $4,116,000 for the years ended September 30, 2013 and 2012, respectively. Based on historical experience, management expects to pay refunds in future years of approximately $4,000,000 per year.

Note 2 – Accounting Policies (continued)

In certain prior years, the Corporation offered a contract option at one community whereby 50% or 80% of the entrance fee is refundable at death or termination of the contract. Beginning in October 2003, the Corporation began offering contract rebate options ranging from 50% to 100% at most of its communities, whereby the entrance fee is rebated to the resident or their estate upon reoccupancy of the apartment. At September 30, 2013 and 2012, $17,552,000 and $18,132,000, respectively, of the entrance fees related to these types of contracts are contractually rebatable, and are included in entrance fees subject to refund in the accompanying consolidated balance sheets.

Interest Rate Swaps and Caps – ABHOW uses interest rate swaps and caps as part of its overall debt management policy. ABHOW accounts for interest rate swaps and caps in accordance with FASB ASC Topic 815, *Derivatives and Hedging*. The topic requires that all derivatives be carried at fair value on the consolidated balance sheets (see Note 8).

Revenue Recognition – Non-refundable entrance fees are initially recorded as entrance fees non-refundable and are amortized to income using the straight-line method over the remaining life expectancy of the resident. The life expectancy of each resident is updated annually based upon the 2000 Group Annuity Mortality Table.

Monthly service fees, ancillary and other service fees are reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Accounts receivable over 150 days past their contractual due date are fully reserved.

The Corporation provides health care services primarily to residents of its communities. Revenues from the Medicare, Medi-Cal, and Medicaid programs accounted for approximately 22% and 21% of the Corporation's total operating revenues less amortization of entrance fees for the years ended September 30, 2013 and 2012, respectively. Laws and regulations governing the Medicare, Medi-Cal and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations. Certain reimbursements from Medicare have been subjected to regulatory audit resulting in questioned costs. The Corporation is appealing the findings and has established loss reserves of 3 pending appeals. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare, Medi-Cal, and Medicaid programs.

Note 2 – Accounting Policies (continued)

Net Assets – The Corporation reports three classifications of net assets. A description of each classification of net assets is as follows:

Unrestricted Net Assets – Unrestricted net assets include unrestricted contributions and income earned on unrestricted funds, and amounts for which restrictions have expired.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent resources restricted by donors for specific expenditures and are comprised of trusts as well as donations for special projects. The related investment income on temporarily restricted net assets is transferred to unrestricted net assets, except for investment income earned on temporarily restricted funds held in trust which is restricted for payment of distributions to trust beneficiaries under the trust agreements. Investment income earned on restricted net assets is recorded in temporarily restricted or unrestricted net assets as designated by the donor.

Also included in temporarily restricted net assets are assets held in trust under life annuity gifts. The assets are valued at fair value in accordance with the requirements of the specific trust agreements. The Foundation is required to pay a certain portion of the annual income from these assets to the donor or a designated beneficiary for the life of the donor or the beneficiary. Such amounts have been estimated and reflected as obligations under annuity agreements in the accompanying consolidated balance sheets. The remaining assets will revert to the Foundation at the donor's or beneficiary's death. The portion of assets received in excess of that required to meet the annuity's obligations has been recognized as a contribution at the time received.

Assets received from external trusts that are controlled by third-party trustees are recognized at the present value of the estimated future distributions to be received by the Corporation over the term of the agreement.

Permanently Restricted Net Assets – Permanently restricted net assets represent cash and investments that are subject to gift instrument restrictions that require the principal to be invested in perpetuity. The related investment income is transferred to unrestricted net assets or temporarily restricted net assets and primarily used to fund resident programs and activities and operating costs as designated by donors.

Note 2 – Accounting Policies (continued)

FASB issued ASC Topic 958-810, *Consolidation of Not-for-Profit Entities*, which requires that a recognized non-controlling interest in another entity, whether a business or a not-for-profit entity, be measured at its fair value at the acquisition date. In addition, this statement also provides guidance on the presentation of non-controlling interest in a not-for-profit entity's financial statements. Non-controlling interest in net assets of consolidated subsidiaries are reported as a separate component of the appropriate class of net assets in the consolidated balance sheets. Included below is a table to reconcile the beginning and the end of period carrying amounts of the Corporation's interest and non-controlling interest for its unrestricted net assets:

	Controlling interest	Non-controlling	Total
Balance, September 30, 2011	$ 5,226	$ 5,736	$ 10,962
Income (loss) from operations	5,151	(3,628)	1,523
Other increase in unrestricted net assets	15,130	15,797	30,927
Balance, September 30, 2012	25,507	17,905	43,412
Income (loss) from operations	1,187	(2,474)	(1,287)
Other increase in unrestricted net assets	5,312	22,205	27,517
Balance, September 30, 2013	$ 32,006	$ 37,636	$ 69,642

Benevolence – The Corporation provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporation is entitled from public assistance programs on behalf of residents that meet the Corporation's benevolence criteria are reported as revenues. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue for the years ended September 30, 2013 and 2012 (in thousands):

	2013	2012
Benevolence, at cost	$ 946	$ 726

Contractual Allowances – A portion of the Corporation's revenues is subject to discounts under contracts with third-party payors. These discounts are reported as contractual allowances for the years ended September 30, 2013 and 2012 (in thousands):

	2013	2012
Contractual allowances	$ 8,755	$ 10,134

Note 2 – Accounting Policies (continued)

Performance Indicator – "Income (loss) from operations" as reflected in the accompanying consolidated statements of operations and changes in net assets is a performance indicator. Income (loss) from operations includes all changes in unrestricted net assets other than primarily noncash changes in unrealized gains and losses on other than trading investments, certain pension provisions, losses for early retirement of debt, losses on transfer of ownership in related entities, syndication gains and losses, gain on forgiveness of funds due to TSJG, and contributions in aid of construction.

Workers' Compensation Plan – The Corporation is partially self-insured for workers' compensation claims up to $200,000 per year under an occurrence form insurance policy for 2013 and 2012. Claims are accrued under the plan as the incidents that give rise to them occur. The estimate of incurred but not reported claims is based on actuarial projections of the ultimate cost of settlement, including claim settlement expenses, using the Corporation's historical claim payment experience. The estimated liability is continually monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate payments of self-insured workers' compensation claims are dependent upon future developments, management is of the opinion that the recorded reserve is adequate (see Note 10). Any related insurance recovery receivables are recorded under resident accounts and other receivables in the accompanying consolidated balance sheets.

Professional Liability Insurance – The Corporation has secured claims-made policies for malpractice and general liability insurance with self-insured retentions of $150,000 for each claim for the years ended September 30, 2013 and 2012. The Corporation has accrued a liability of $364,000 and $395,000 as its best estimate of the cost of known claims incurred prior to September 30, 2013 and 2012, respectively, that are within the retention amount. In addition the Corporation has accrued a liability of $891,000 and $879,000 at September 30, 2013 and 2012, respectively, as its best estimate of the cost of claims incurred but not yet reported. These liabilities are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. Any related insurance recovery receivables are recorded under resident accounts and other receivables in the accompanying consolidated balance sheets.

Note 2 – Accounting Policies (continued)

Tax-Exempt Status – The Corporation is a California nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

The Corporation assesses uncertain tax positions in accordance with the provisions of the FASB ASC Topic 740-10, *Income Taxes*. 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.

Reclassifications – Certain reclassifications were made to the 2012 amounts to conform to the 2013 presentation.

Note 3 – Fair Value

FASB 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. FASB 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. The standard 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 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 investments 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.

Note 3 – Fair Value (continued)

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Investments – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents held for investment, commercial paper, mutual funds, equity securities, corporate debt securities, and U.S. government securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics, discounted cash flows, or net asset value as described below. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The fair value of alternative investments is recorded at the investment managers' Net Asset Values ("NAV"), as the managers have the greatest insight into the investments of their fund and the related industry and have the appropriate expertise to determine the NAV. The Corporation assesses the NAV and takes into consideration events such as suspended redemptions, restructuring, secondary sales, and investor defaults to determine if an adjustment is necessary. Additionally, asset holdings are reviewed within investment manager's audited financial statements, as are interim financial statements and fund manager communications, for purposes of assessing valuation.

Investments in Las Ventanas Bonds – The fair value is estimated by a third party using a small sample of sales comparables of other non-related CCRC fixed rate bonds. Due to a lack of available Level 1 and Level 2 inputs, the investments have been classified within Level 3 of the hierarchy.

Interest Rate Swap and Cap Agreements – The fair value is estimated by a third party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Note 3 – Fair Value (continued)

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at September 30, 2013 and 2012 (in thousands):

	Level 1	Level 2	Level 3	Fair value at September 30, 2013
Investments				
Cash and cash equivalents	$ 49,161	$ -	$ -	$ 49,161
Mutual funds	15,947	-	-	15,947
Domestic equities	35,843	-	-	35,843
Foreign equities	15,555	-	-	15,555
Domestic corporate debt	72,320	-	-	72,320
Foreign corporate debt	6,209	-	-	6,209
U.S. government securities	22,058	-	-	22,058
Alternative investments	-	864	-	864
Investments in Las Ventanas bonds	-	-	8,250	8,250
Interest rate swaps and caps	-	(2,050)	-	(2,050)
Total	$ 217,093	$ (1,186)	$ 8,250	$ 224,157

	Level 1	Level 2	Level 3	Fair value at September 30, 2012
Investments				
Cash and cash equivalents	$ 35,747	$ -	$ -	$ 35,747
Mutual funds	15,675	-	-	15,675
Domestic equities	32,166	-	-	32,166
Foreign equities	11,988	-	-	11,988
Domestic corporate debt	32,383	-	-	32,383
Foreign corporate debt	1,117	-	-	1,117
U.S. government securities	21,312	-	-	21,312
Alternative investments	-	1,296	-	1,296
Investments in Las Ventanas bonds	-	-	8,250	8,250
Interest rate swaps and caps	-	(3,419)	-	(3,419)
Total	$ 150,388	$ (2,123)	$ 8,250	$ 156,515

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:

	2013	2012
Balance, October 1,	$ 8,250	$ -
Purchases, issuances and settlements	-	13,884
Transfers out of level 3	-	-
Total unrealized loss on investments in Las Ventanas bonds	-	(5,634)
Balance, September 30,	$ 8,250	$ 8,250

Note 3 – Fair Value (continued)

As required by FASB ASC Topic 820, the investments are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which the Corporation's investments have been classified, the Corporation has assessed factors including, but not limited to the ability to redeem at NAV at the measurement date and the existence or absence of certain restrictions at the measurement date. In accordance with the guidance, if the Corporation has the ability to redeem from the investment at the measurement date or in the near-term at NAV, the investment would be classified as a Level 2 fair value measurement. Alternatively, if the Corporation will never have the ability to redeem from the investment or is restricted from redeeming for an uncertain or extended period of time from the measurement date, the investment would be classified as a Level 3 fair value measurement.

There were no significant transfers between levels 1, 2, and 3 in the current fiscal year.

The following table provides the fair value and redemption terms and restrictions for the alternative investments as of September 30, 2013 and 2012:

Major Category	2013 Fair value	2012 Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund of funds (a)	$ 864	$ 1,296	-	Quarterly, Semi-annually	75 - 95 days

(a) This category includes investments in hedge fund of funds. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which is calculated monthly.

The following methods were used to estimate the fair value of all other financial instruments.

Cash and Cash Equivalents – The carrying amount approximates fair value.

Notes and Bonds Payable – The fair value of notes and bonds payable is estimated based on discounted cash flow analyses, based on the Corporation's current incremental borrowing rates for similar types of borrowing arrangements.

The following table presents estimated fair values of the Corporation's financial instruments in accordance with FASB ASC Topic 825, *Financial Instruments,* at September 30, 2013 and 2012 (in thousands):

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents - unrestricted	$ 16,856	$ 16,856	$ 16,307	$ 16,307
Cash and cash equivalents - restricted	$ 21,011	$ 21,011	$ 15,313	$ 15,313
Notes and bonds payable	$ 364,173	$ 366,432	$ 282,225	$ 291,902

Note 3 – Fair Value (continued)

Considerable judgment is required to develop estimates of fair value, and the estimates presented are not necessarily indicative of the amounts that the Corporation would realize in a current market exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair values. The estimates presented are based on pertinent information available to management as of September 30, 2013 and 2012. Current estimates of fair value may differ significantly from the amounts presented.

Note 4 – Investments

Investments were held at September 30, 2013 and 2012, for the following purpose (at fair value) (in thousands):

	2013	2012
Investments		
Principal, interest, and other reserves held in trust under bond indenture or mortgage agreements	$ 110,206	$ 50,880
Investments held in trust under revocable trust, gift annuity, annuity trust or unitrust agreements	9,310	9,711
Total restricted investments	119,516	60,591
Investments in Las Ventanas bonds	8,250	8,250
Investments - unrestricted	98,441	91,093
Total investments	$ 226,207	$ 159,934

Investments at September 30, 2013 and 2012, consisted of the following at fair value (in thousands):

	2013	2012
Cash and cash equivalents and commerical paper	$ 49,161	$ 35,747
Mutual funds	15,947	15,675
Domestic equities securities	35,843	32,166
Foreign equities securities	15,555	11,988
Domestic corporate debt securities	72,320	32,383
Foreign corporate debt	6,209	1,117
U.S. government securities	22,058	21,312
Investments in Las Ventanas bonds	8,250	8,250
Alternative investments	864	1,296
Total	$ 226,207	$ 159,934

Note 4 – Investments (continued)

Alternative investments are invested in two hedge fund of funds as of September 30, 2013 and 2012. Cash equivalents include $37,454,000 and $26,244,000 at September 30, 2013 and 2012, respectively, invested in accordance with bond indentures and additional amounts to comply with bank collateral requirements. Of these amounts, $21,639,000 at September 30, 2013, and $12,849,000 at September 30, 2012, are held for various redevelopment projects at the California continuing care retirement communities.

The following table shows the gross unrealized losses and fair value of investments and assets limited as to use with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2013 and 2012 (in thousands):

	Less than 12 Months		12 Months or Greater		Total	
September 30, 2013	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds	$ 14,286	$ 692	$ 2,162	$ 191	$ 16,448	$ 883
Equity	2,175	202	4,858	915	7,033	1,117
Total temporarily impaired investments	$ 16,461	$ 894	$ 7,020	$ 1,106	$ 23,481	$ 2,000

	Less than 12 Months		12 Months or Greater		Total	
September 30, 2012	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds	$ 10,566	$ 224	$ 811	$ 352	$ 11,376	$ 576
Equity	9,609	1,170	1,950	568	11,559	1,738
Total temporarily impaired investments	$ 20,175	$ 1,394	$ 2,761	$ 920	$ 22,935	$ 2,314

The fair value of these investments has declined due to a number of reasons, including changes in interest rates, changes in economic conditions, and changes in market outlook for various industries, among others. The securities disclosed above have not met the criteria for recognition of an other-than-temporary impairment under management's policy described below. ABHOW follows a policy of evaluating securities for impairment which considers available evidence in evaluating potential impairment of its investments. This review considers the severity and duration of the decline in market value, the volatility of the security's market price, third-party analyst reports, credit rating changes, and regulatory or legal action changes, among other factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to investment income (loss) and a new cost basis in the investment is established.

Note 4 – Investments (continued)

The unrealized losses on these investments represent approximately 1.0% and 1.5% of ABHOW's portfolio as of September 30, 2013 and 2012, respectively. Gross unrealized gains on investments as of September 30, 2013 and 2012, were approximately $10,496,000 and $10,929,000, respectively.

Investment income primarily on unrestricted net assets for the years ended September 30, 2013 and 2012, is as follows (in thousands):

	2013	2012
Dividend, interest, and other investment income	$ 2,733	$ 2,813
Net realized gain on investments	1,685	2,540
Total investment income - net	$ 4,418	$ 5,353
Unrealized gains on investments - unrestricted	$ 3,335	$ 6,989
Unrealized losses on investments in Las Ventanas bonds	$ -	$ (5,634)
Unrealized gains on investments - temporarily restricted	$ 364	$ 1,114

Investment income is net of investment expenses of $526,000 and $493,000 for the years ended September 30, 2013 and 2012, respectively.

Note 5 – Land, Buildings, and Equipment

Land, buildings, and equipment at cost as of September 30, 2013 and 2012, consisted of the following (in thousands):

	2013	2012
Land and improvements	$ 38,916	$ 38,464
Buildings and improvements	390,022	367,986
Furnishings and equipment	56,824	55,297
Automotive equipment	1,068	843
Total	486,830	462,590
Accumulated depreciation	(245,551)	(225,769)
Total	241,279	236,821
Construction in progress	69,311	33,957
Total	$ 310,590	$ 270,778

Note 6 – Notes and Bonds Payable

A summary of the Corporation's notes and bonds payable at September 30, 2013 and 2012, is as follows (in thousands):

	2013	2012
Secured		
Bonds used to refinance existing debt and renovate existing retirement communities in California, all secured under a master trust indenture on ABHOW obligated group assets, gross revenue pledged, and Foundation guaranty:		
Series 2010 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated February 16, 2010), Serial certificates, annual principal payable commencing on October 1, 2011, in varying amounts ranging from $690 to $1,045 through 2020, amounts ranging from $1,100 to $6,105 through 2030, and amounts ranging from $6,490 to $10,560 through 2039; interest at fixed rates ranging from 4.25% to 6.25%, payable semiannually on April 1 and October 1.	$ 105,170	$ 105,890
Series 2006, tax-exempt Variable Rate Demand Revenue Bonds pursuant to a Bond Trust Indenture dated September 1, 2006, to finance the acquisition, construction, and equipping of CCRC's of ABHOW. Annual principal payable in varying amounts ranging from $1,095 to $2,365 through 2018, and amounts ranging from $2,485 to $3,850 through 2028. Interest at variable rates determined daily by a remarketing agent, payable monthly. Rates before line of credit (LOC) fees at September 30, 2013 and 2012, were 0.08% and 0.19%, respectively.	43,850	45,615
Series 2012 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority and subsequently sold and delivered to PNC Bank. The loan matures on October 1, 2036 and accrues interest at tax-exempt LIBOR plus 1.19%, with the undrawn portion incurring an availability fee of 0.15%. Rates at September 30, 2013 and 2012, were 1.32% and 1.36%, respectively.	20,000	3,000
Series 2013 Revenue Bonds issued by the California Statewide Communities Development Authority (dated February 1, 2013) to finance or reimburse ABHOW for the costs of acquiring, constructing, expanding, remodeling, renovating, furnishing, and equipping Terraces at Los Altos. Annual principal payable in varying amounts ranging from $0 to $30,000 through 2018, and amounts ranging from $420 to $1,350 through 2043.	71,250	-
Terraces of Los Altos Equipment Loan issued in February 2013 and maturing in February 2020. Monthly principal and interest payments in the amount of $38 began March 2013, with an interest rate of 2.07%.	2,766	-

Note 6 – Notes and Bonds Payable (continued)

	2013	2012
Other secured obligations		
Series 2012 tax-exempt Refunding Revenue Bonds issued by the Washington State Housing Finance Commission and subsequently sold and delivered to Washington Federal Bank. The bonds are secured by deed of trust on Judson Park due February 1, 2037, subject to optional redemption, interest at tax-exempt LIBOR plus 2.20%, resetting monthly. Rates at September 30, 2013 and 2012, were 2.32% and 2.35%, respectively.	20,415	21,214
Land acquisition loan payable to Sovereign Bank and secured by Boise, Idaho land. The loan bore interest at LIBOR plus 2.50% and matured May 14, 2013. Rate at September 30, 2012, was 2.74%.	-	3,030
Land acquisition loan payable to Front Porch Communities and Services and secured by Boise, Idaho land. The loan bore interest at 3.0%, maturing November 10, 2013. The interest rate escalates at 1.0% per month beginning November 11, 2013 for every month the loan remains outstanding after the initial maturity date (see Note 14).	3,030	-
Capital advance payable to Department of Housing and Urban Development by Carmel Senior Housing Inc., secured by Valley Vista's real estate. The non-recourse capital advance bears no interest and matures on March 1, 2067.	12,282	12,282
4.75% mortgage note to the Department of Housing and Urban Development. Payable in monthly installments (including interest) of $19 until April 1, 2045. The loan is secured by a deed of trust on Casa de la Vista's property and security interest in all rents, profits and income from the property.	3,738	3,788
Series A promissory note payable to US Bank, secured by Harbor View Manor real estate and due on January 1, 2029. The loan bore interest at one-month LIBOR plus 3.0% until June 1, 2013, when the rate converted to 6.85%. Rates at September 30, 2013 and 2012, were 6.85% and 3.25%, respectively.	2,070	2,082
Series B promissory construction note payable to US Bank, secured by Harbor View Manor real estate and due on March 31, 2014. The loan bore interest at one-month LIBOR plus 3.32% and was retired with tax credit equity. The rate at September 30, 2012, was 3.57%.	-	7,053
5.70% first mortgage payable to Evanston Financial in monthly installments (including interest) of $10 until December 1, 2042. The loan is secured by a deed of trust on Oak Knoll real estate and a security interest in all rents, profits and income from Oak Knoll.	1,749	1,772
Capital advances payable to the Department of Housing and Urban Development, secured by Fern Lodge real estate, 5.75% interest payable monthly if not maintained as affordable housing, principal due 2039, unless forgiven.	4,890	4,890
Capital advances payable to the Department of Housing and Urban Development, secured by Tahoe Senior Plaza real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing, principal due 2039, unless forgiven.	4,603	4,603

Note 6 – Notes and Bonds Payable (continued)

	2013	2012
Capital advances payable to Department of Housing and Urban Development, secured by Broadmoor Plaza real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, various principal due dates from 2044 to 2064, unless forgiven.	5,648	5,648
Promissory notes payable to the City of San Leandro and County of Alameda, secured by Broadmoor Plaza real estate. The notes bear 3.0% simple interest and have due dates of 2061, 2062 and 2064.	2,429	2,429
Capital advance payable to Department of Housing and Urban Development, secured by Judson Terrace Lodge real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years.	2,593	2,593
Promissory notes payable to the City and County of San Luis Obispo, secured by Judson Terrace Lodge real estate. The notes bear interest at a variable rate and 3.0% simple interest, respectively, with principal and interest due in 2033 and 2034, respectively. All principal and interest will be forgiven at maturity if certain provisions are met.	1,318	1,318
Capital advances payable to Department of Housing and Urban Development, secured by Hillcrest real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years.	5,620	5,620
Promissory notes payable to the City of Daly City and County of San Mateo, secured by Hillcrest real estate. The notes bear interest at rates ranging from 0% to 3.0% simple interest, with 55 year terms. All but one note requires payments from residual receipts and two notes will be forgiven at maturity if certain provisions are met.	4,383	4,383
Land acquisition loans payable to the San Ramon Redevelopment Agency Contra Costa, secured by Valley Vista real estate. The land acquisition advances bear interest at 3.0% for the first 30 years from the dates of disbursement and no interest thereafter and are due 55 years after project completion.	7,992	7,992
Promissory note payable to Bank of the West, secured by Valley Vista real estate and due in 2065. The loan bears no interest and is non-amortizing.	945	945
Promissory note payable to the California Tax Credit Allocation Committee, secured by Valley Vista real estate and due in 2065. The loan bears no interest and is non-amortizing.	725	725
Construction loans payable to the City of South Lake Tahoe, secured by Kelly Ridge real estate and due in 2064. The loans bear interest at a fixed rate of 3.0%, with principal and accrued interest only payable to the extent that certain operating cash flow targets are achieved by the community.	4,307	4,307
Loan payable to Bank of the West, as the party advancing funds received from the Federal Home Loan Bank of San Francisco's Affordable Housing Program, secured by a subordinated interest in Kelly Ridge real estate. The loan is non-interest bearing, non-amortizing and is not repayable unless certain conditions are met over the 15-year retention period.	172	172

Note 6 – Notes and Bonds Payable (continued)

	2013	2012
Promissory note payable to the Washington State Housing Finance Committee, secured by Three Rivers Village real estate and due in 2018. The loan bore interest at 1%, compounded quarterly and was retired in July 2013.	-	850
Mortgage note payable to the Washington Community Reinvestment Association in monthly installments of $6, including interest of 6.25%, until July 1, 2018. In September 2013, Three Rivers Senior Housing LLLP assumed the loan from Richland Senior Housing LLC and immediately paid the balance down to $300. The mortgage note is secured by the Three Rivers Village property.	296	950
Housing Trust Fund loan from the Washington Department of Commerce, secured by Three Rivers Village real estate, maturing on February 28, 2054. Interest begins to accrue on March 1, 2014 at 1.0%, compounding quarterly. Quarterly principal and interest payments in the amount of $11 begin May 31, 2021.	1,100	-
Housing Trust Fund loans from the Washington Department of Commerce, secured by Three Rivers Village real estate, maturing on Feburary 28, 2054. Interest begins to accrue on March 1, 2014, at 1.0%, compounding annually. A payment of $1,191 is due at maturity to pay both principal and accrued interest.	800	-
Capital advances payable to Snohomish County in the state of Washington, secured by Shepherd's Garden real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2050, unless forgiven.	462	462
Promissory note payable to the State of Washington, secured by Shepherd's Garden real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2050, unless forgiven.	2,000	2,000
Capital advances payable to the Department of Housing and Urban Development, secured by Shepherd's Garden real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2050, unless forgiven.	5,078	5,078
Capital advances payable to Pierce County in the State of Washington, secured by Salishan real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2040, unless forgiven.	200	200

Note 6 – Notes and Bonds Payable (continued)

	2013	2012
Promissory note payable to the State of Washington, secured by Salishan real estate. The capital advances bear no interest and principal is required to be repaid annually in the amount of 50% of residual cash flow, with the remaining principal due in 2051, upon maturity.	2,250	2,250
Capital advances payable to Tacoma Community Redevelopment Authority, secured by Salishan real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due between 2049 - 2051, unless forgiven.	1,200	1,200
Capital advances payable to the Department of Housing and Urban Development, secured by Salishan real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2051, unless forgiven.	7,647	7,647
Series 2010A Variable Rate Demand Multifamily Housing Revenue Bond secured by Pacific Meadows real estate and backed by a letter of credit through Chase which expired in December 2012. The loan bears interest at a variable rate, payable monthly, and matures in 2042. Bonds partially repaid in October 2012 using tax credit equity and the letter of credit with Chase was replaced with a credit enhancement agreement with Freddie Mac.	6,603	9,153
Promissory note payable to the California Housing and Community Development Department, secured by Pacific Meadows real estate and due in 2047. The loan bears interest at 3.0%. Once operational, interest is payable annually from residual cash flows and both principal and all unpaid interest are due in full upon loan maturity.	3,100	3,100
Promissory note payable to the County of Monterey in the state of California, secured by Pacific Meadows real estate. The loan bears interest at 3%. Once operational, interest is payable annually from residual cash flows and both principal and all unpaid interest are due in full upon loan maturity in 2065.	625	625
Capital advance payable to Department of Housing and Urban Development by Bay Vista GP LLC, secured by Bay Vista Senior Housing real estate. The non-recourse capital advance has a total capacity of $9,769, bears no interest and matures on October 1, 2069. Loan funding was conditional on Bay Vista GP LLC loaning the proceeds of the advance to Bay Vista Partners LLLP.	1,850	-
Total secured notes and bonds payable	365,156	284,866
Unsecured		
Note to individual bearing interest at 10.0%	44	44
Total unsecured notes payable	44	44
Less: Bond discount, net	(1,027)	(2,685)
Total notes and bonds payable	$ 364,173	$ 282,225

Note 6 – Notes and Bonds Payable (continued)

In 2008, American Baptist Properties obtained a revolving line of credit in the amount of $15,000,000, subsequently reduced to $10,925,000. In June 2009, $4,250,000 was drawn upon the line to fund half of the purchase price of the Las Ventanas land and related ground lease and then was subsequently retired in September 2012 in conjunction with the Las Ventanas restructuring. At September 30, 2013, the remaining facility was terminated along with the related guaranty to Santander Bank. In May 2013, ABP's Boise land acquisition loan for $3,030,000 matured and was replaced with a short-term loan from another senior housing provider. The replacement loan is backed by a guaranty from ABHOW (see Note 14).

Pursuant to a guaranty agreement, the Foundation has guaranteed the performance of the Corporation on its bond obligations secured by the seven California continuing care retirement communities. The Foundation's obligations under the guaranty agreement are limited to the Foundation's income earned on its unrestricted net assets. The Corporation and the Foundation are required to maintain compliance with certain financial reporting, administrative, and financial covenants on a consolidated reporting basis (see Note 7).

On May 31, 2012, a seven year direct placement financing with Washington Federal Bank for $21,500,000 closed, with proceeds used to retire prior outstanding Variable Rate Demand Nonprofit Revenue and Refunding Revenue Bonds Series 2007, and with ABHOW providing unfunded liquidity support (see Note 14). See Note 7 for the Corporation's compliance with financial covenants.

During 2006, the Corporation issued $50 million of additional tax-exempt bonds. The 2006 bonds are backed by irrevocable letters of credit issued by a bank for $44,331,000. The original letters of credit expired on September 26, 2011, and were subsequently replaced by letters of credit expiring on September 26, 2016, which are subject to certain administrative and financial covenants. See Note 7 for the Corporation's compliance with financial covenants.

On October 1, 2012, Pacific Meadows finalized a permanent conversion financing whereby a portion of its Variable Rate Demand Multifamily Housing Revenue Bonds Series 2010A were retired with partner equity contributions. As a part of this financing, the start date of its forward starting swap was extended to coincide with the permanent conversion. Concurrent with this funding, the remaining $5,000,000 guaranty was released (see Note 14).

Capitalized interest expense for the year ended September 30, 2013, was $2,773,000, comprised of $3,334,000 of interest expense net of $561,000 of interest income. Capitalized interest expense for the year ended September 30, 2012, was $1,896,000 comprised of $2,014,000 of interest expense net of $118,000 of interest income.

Note 6 – Notes and Bonds Payable (continued)

Scheduled maturities of notes and bonds payable are as follows (in thousands):

Year Ending September 30,		
2014	$	7,595
2015		4,731
2016		4,907
2017		5,082
2018		5,285
Thereafter		337,600
	$	365,200

The Corporation maintains a standby letter of credit with a bank for workers' compensation as discussed in Note 10.

Note 7 – Compliance with Financial Covenants

ABHOW Debt – ABHOW is subject to financial covenants on its obligated group debt which include a debt service coverage ratio and minimum days of cash-on-hand requirement. Management believes that ABHOW was in compliance with both of these debt covenants as of and for the year ended September 30, 2013.

Judson Park Debt – American Baptist Homes of Washington, d.b.a. Judson Park is subject to financial covenants on debt which include a debt service coverage ratio and minimum days cash on hand requirement. Management believes that Judson Park was in compliance with each of these debt covenants as of and for the year ended September 30, 2013.

ABP Debt – ABHOW has provided a debt service guaranty on obligations of ABP. ABP financial covenants required that ABHOW support debt service payments of ABP if ABP's liquidity falls below $875,000. With the retirement of the Las Ventanas land acquisition loan and the Boise land acquisition loan, these liquidity and support covenants were extinguished. In their place, with the issuance of the $3,030,000 short-term loan from another senior housing provider, ABHOW has made an unconditional guaranty of the payment and performance by ABP of all obligations under the loan agreement.

Note 8 – Interest Rate Swaps and Caps

On April 2, 2007, Judson Park entered into an interest rate swap agreement with a counterparty to manage interest rate risk on half of the permanent debt portion of its Series 2007 variable rate bonds. On June 1, 2012, in conjunction with the retirement of the Series 2007 bonds with a seven year direct placement financing, a swap novation occurred, wherein the existing swap was replaced by a swap with a $10,753,000 notional amount expiring June 1, 2019.

On April 12, 2010, as part of the resyndication of Pacific Meadows (see Note 1), Pacific Meadows entered into a forward starting interest rate swap agreement converting variable interest expense to a fixed rate of 4.36% beginning in April 2012 and maturing in April 2030. The start date was subsequently amended to October 1, 2012.

The net effect of the various interest rate swaps was an increase in interest expense of approximately $632,000 and $370,000 for the years ended September 30, 2013 and 2012, respectively.

Effective December 1, 2010, ABHOW entered into an interest rate cap agreement with a counterparty to manage interest rate risk on $23,650,000 of its Series 2006 tax-exempt variable rate demand revenue bonds. The agreement establishes that when the SIFMA Municipal Swap Index rate exceeds 2.88%, ABHOW is reimbursed for the excess by the counterparty to the transaction. The agreement expires on December 1, 2015.

Effective March 3, 2011, ABHOW entered into an interest rate cap agreement with a counterparty to manage interest rate risk on the remaining $23,650,000 of its Series 2006 tax-exempt variable rate demand revenue bonds. The agreement establishes that when 70% of the one month LIBOR rate exceeds 2.62%, ABHOW is reimbursed for the excess by the counterparty to the transaction. The agreement expires on December 1, 2015.

On June 20, 2012, ABHOW entered into a forward starting interest rate cap agreement with a counterparty to extend the management of interest rate risk on $19 million of its Series 2006 tax-exempt variable rate demand revenue bonds from December 1, 2015 to December 1, 2018. The agreement establishes that when 70% of the one-month LIBOR rate exceeds 2.50%, ABHOW is reimbursed for the excess by the counterparty to the transaction.

For the year ended September 30, 2013 and 2012, the aforementioned floating interest rates for both of the cap agreements failed to exceed the respective cap strike rates, and thus neither cap agreement had an impact on interest expense.

Note 8 – Interest Rate Swaps and Caps (continued)

A summary of the components of the various interest rate swaps and caps as of September 30, 2013 and 2012, is as follows (in thousands):

	2013	2012
Swaps and caps not qualifying for hedge accounting included in other liabilities:		
Fair value of swap and caps - beginning of year	$ (3,419)	$ (2,683)
Purchase of interest rate caps, net of amortization	(158)	25
Decrease (increase) in unrealized loss from fair value adjustment	1,527	(761)
Fair value of swaps and caps - end of year	$ (2,050)	$ (3,419)
Impact on consolidated statements of operations and changes in net assets -		
Net decrease (increase) in unrealized loss from mark-to-market of floating to fixed rate swaps and interest rate caps	$ 1,527	$ (761)

Note 9 – Employee Benefit Plans

Defined Benefit Pension Plan – The Corporation's employees with service prior to December 31, 2002, for nonunion, and up to September 30, 2003, for union, were eligible to participate in a defined benefit retirement plan which covers certain employees who are at least 21 years of age and have completed one year of service. Benefits are based on years of service and a percentage of the employee's compensation. Employees vest after completion of five years of service. The Corporation's funding policy is to contribute annually the amount required under the minimum funding standards of the Employee Retirement Income Security Act ("ERISA"). The Board of Directors approved the freezing of the plan for all nonunion employees effective December 31, 2002, and for union employees effective September 30, 2003. Contributions are intended to provide for benefits attributed to service to the date of freezing.

Note 9 – Employee Benefit Plans (continued)

A recognition of the Plan's benefit obligations, fair value of assets, funded status, and amounts recognized in the Corporation's accompanying consolidated balance sheets is as follows as of September 30, 2013 and 2012 (in thousands):

	2013	2012
Change in benefit obligation		
Benefit obligation at beginning of year	$ 35,723	$ 32,684
Service cost	-	-
Interest cost	1,302	1,428
Actuarial loss (gain)	(3,903)	3,223
Benefits paid	(1,563)	(1,612)
Benefit obligation at measurement date	$ 31,559	$ 35,723
Change in plan assets		
Fair value of plan assets at beginning of year	$ 32,540	$ 29,361
Actual return on plan assets	855	3,791
Employer contribution	1,000	1,000
Benefits paid	(1,563)	(1,612)
Fair value of plan assets at measurement date	$ 32,832	$ 32,540
Funded status at measurement date	$ 1,273	$ (3,183)
Unrecognized net actuarial loss	8,645	12,931
Unrecognized prior service cost	30	43
Prepaid benefit	9,948	9,791
Accumulated other comprehensive income for unrecognized net actuarial losses	(8,675)	(12,974)
Net asset (liability) recognized	$ 1,273	$ (3,183)

Note 9 – Employee Benefit Plans (continued)

The components of net periodic benefit cost included as part of employee costs in the Corporation's accompanying consolidated statement of operations and changes in net assets is as follows for the years ended September 30, 2013 and 2012 (in thousands):

	2013	2012
Interest cost	$ 1,302	$ 1,428
Expected return on plan assets	(1,923)	(1,874)
Amortization of prior service cost	13	13
Recognized net actuarial loss	1,451	1,492
Net periodic benefit cost	$ 843	$ 1,059

The following assumptions were used for the September 30, 2013 and 2012, measurement dates:

	2013	2012
Actuarial present value of the benefit obligation		
Weighted-average discount rate	4.75%	3.75%
Rate of increase in future compensation levels*	n/a	n/a
Long-term rate of return on plan assets	6.00%	6.50%
Net periodic benefit cost		
Weighted-average discount rate	3.75%	4.50%
Rate of increase in future compensation levels*	n/a	n/a
Long-term rate of return on plan assets	6.00%	6.50%

* As the Plan was frozen for all employees as of September 30, 2003, the rate of increase in future compensation levels are not considered to be applicable.

Pension plan assets are as follows:

	2013	2012
Equity securities	30%	27%
Debt securities	65%	68%
Guaranteed insurance contract	5%	5%
Total	100%	100%

Note 9 – Employee Benefit Plans (continued)

The expected rate of return on plan assets for computing pension expense was 6.0% and 6.5% for the years ended September 30, 2013 and 2012, respectively. This rate was based primarily on investment portfolios of 20% equities and 80% fixed income in fiscal year 2013 and fiscal year 2012. Real rates of return (before inflation) for these categories are assumed to be 6.9% and 2.7%, respectively, with a long-term inflation rate of 3%.

FASB ASC Topic 820 defines fair value and expands disclosures about fair value measurements. See Note 3 for a detailed discussion of the FASB ASC Topic 820 valuation hierarchy.

Plan assets are summarized according to the FASB ASC Topic 820 Valuation hierarchy as follows (in thousands):

	Level 1	Level 2	Level 3	Fair value at September 30, 2013
Investments				
Cash and cash equivalents	$ 45	$ -	$ -	$ 45
Mutual funds	828	-	-	828
Equity securities - Domestic	-	7,430	-	7,430
Equity securities - Foreign	-	1,679	-	1,679
U.S. government securities	-	8,001	-	8,001
Corporate debt securities - Domestic	-	9,270	-	9,270
Corporate debt securities - Foreign	-	142	-	142
Asset-backed securities	-	3,920	-	3,920
Investment contract with insurance company	-	-	1,517	1,517
Total	$ 873	$ 30,442	$ 1,517	$ 32,832

	Level 1	Level 2	Level 3	Fair value at September 30, 2012
Investments				
Cash and cash equivalents	$ 136	$ -	$ -	$ 136
Mutual funds	1,764	-	-	1,764
Equity securities - Domestic	-	5,978	-	5,978
Equity securities - Foreign	-	922	-	922
U.S. government securities	-	6,218	-	6,218
Corporate debt securities - Domestic	-	9,964	-	9,964
Corporate debt securities - Foreign	-	329	-	329
Asset-backed securities	-	5,637	-	5,637
Investment contract with insurance company	-	-	1,592	1,592
Total	$ 1,900	$ 29,048	$ 1,592	$ 32,540

Note 9 – Employee Benefit Plans (continued)

The following table reconciles the beginning and ending balances of recurring fair value measurements recognized in the pension plan assets using significant unobservable inputs (in thousands):

	Investment contract with insurance company 2013	Investment contract with insurance company 2012
Balance, October 1	$ 1,592	$ 1,676
Actual return on plan assets:		
Relating to assets still held at the reporting date	91	96
Sales	(166)	(180)
Balance, September 30	$ 1,517	$ 1,592

Investment contract with insurance company: The unallocated IPG insurance contract is valued at fair value as estimated by the trustees.

There were no significant transfers between Levels 1, 2, and 3 during the years ended September 30, 2013 and 2012. ABHOW is not aware of any unfunded commitments related to plan assets or of any restrictions upon the redemption of plan assets.

Please see Note 3 for information about the valuation techniques and inputs used to measure the fair value of plan assets.

The Corporation expects to contribute $1,000,000 to its defined benefit retirement plan for the year ending September 30, 2014.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

Year Ending September 30,	
2014	$ 1,870
2015	1,880
2016	1,890
2017	1,920
2018	1,940
Thereafter	10,060
	$ 19,560

Note 9 – Employee Benefit Plans (continued)

Supplemental Retirement Income Plan Agreements – Certain management employees or retirees of the Corporation participate in supplemental retirement income plans, and have individually entered into agreements with the Corporation whereby the employees will be provided specific amounts of annual retirement income for the balance of their lifetime following retirement. During the year ended September 30, 2005, accrued benefits for active participants in the supplemental retirement income plan were transferred into a new non-qualified plan under IRC 457(f) that distributes a lump-sum payment at retirement. The Corporation is accruing the present value of such retirement benefits, assuming a discount rate of 6.0% at September 30, 2013 and 2012, from the date of eligibility to the normal retirement date at age 65 for active participants and for the present value of future benefit payments for retirees. The benefits under the IRC 457(f) plan are discretionary and do not vest until the participant reaches age 65, dies, becomes disabled or is involuntarily terminated without cause. No benefits are due to participants who terminate their employment prior to age 65. The present value of the future lump sum payments to active participants was $6.7 million and $7.8 million at September 30, 2013 and 2012, respectively.

Assets available for benefits for the pool of participants in the IRC 457(f) plan are subject to the claims of the Corporation's creditors. The assets are included in unrestricted investments and amounted to $5,523,000 and $6,074,000 at September 30, 2013 and 2012, respectively. Normal funding for the pool of active participants is approximately $420,000 per year.

The Corporation annually assesses the estimated liability related to the supplemental retirement income plan agreements. At September 30, 2013 and 2012, ABHOW recognized a liability of $4,722,000 and $5,585,000, respectively, which is included in retirement liabilities in the accompanying consolidated balance sheets. Actual payments made to retirees under the agreements and plan were $1,712,000 and $894,000 for the years ended September 30, 2013 and 2012, respectively.

Defined Contribution Plan – Effective January 1, 1999, the Corporation also participates in a defined contribution retirement plan covering all eligible employees. The Corporation's contribution was a match of employee contributions up to 4% of eligible earnings in calendar years 2013 and 2012. Annual expenses incurred under the plan for the years ended September 30, 2013 and 2012, were $1,200,000 and $1,106,000, respectively.

Note 9 – Employee Benefit Plans (continued)

Multiemployer Pension Plan – Two of ABHOW's CCRC communities have employees under collective bargaining agreements that participate in a multiemployer pension plan managed by Service Employees International Union ("SEIU"). At September 30, 2013 and 2012, there were 159 and 129 employees, respectively, for which ABHOW made contributions to the plan. Plan provisions include pension but exclude post-retirement benefits. All contributions made to the plan were made in cash and amounted to $158,000 and $152,000 for the years ended September 30, 2013 and 2012, respectively. During fiscal year 2013 and 2012, ABHOW was notified that the SEIU plan was significantly underfunded and $46,000 and $31,000 of the fiscal year 2013 and 2012 contributions, respectively, were related to additional assessments required to partially offset poor plan performance. Pension benefits are one of the aspects of the collective bargaining agreement that is still under negotiation as the most recent contract with SEIU expired in April 2010.

Note 10 – Self-Insured Workers' Compensation Plan

The Corporation has a partially self-funded workers' compensation program, covering all employees, which includes a reinsurance policy covering individual claims in excess of $200,000 per occurrence at September 30, 2013 and 2012. In addition, for the 2013 and 2012 policy years, the Corporation is subject to a $300,000 insurance corridor that is eroded by claims payments for the 2012 year that have exceeded $200,000. No 2013 nor 2012 claims have exceeded $200,000 in payments that would result in payments under the corridor arrangement. The Corporation has recorded a total liability for claims payable of $3,586,000 and $4,308,000, respectively, including an estimate of incurred but not reported claims assuming a discount rate of 5.25% at September 30, 2013 and 2012. The estimated insurance recovery receivable of $1,050,000 and $1,800,000 are recorded under resident accounts and other receivables in the accompanying consolidated balance sheets, at September 30, 2013 and 2012, respectively. As required by the insurer, the Corporation obtained letters of credit for $3,678,000 in connection with this program, expiring September 30, 2014.

Note 11 – Functional Expenses

Management of the Corporation presents operating expenses in its accompanying consolidated statements of operations and changes in net assets by natural class categories. Operating expenses classified by functional categories for the years ended September 30, 2013 and 2012, were as follows (in thousands):

	2013	2012
Direct resident care	$ 41,998	$ 41,819
Dietary services	17,904	17,225
Housekeeping and laundry services	5,353	5,055
Property	18,092	16,916
Resident services and activities	5,401	5,065
Marketing	8,317	7,266
Administrative and general	27,975	26,631
Total expense	$ 125,040	$ 119,977

Note 12 – Relationship and Transactions with Managed Rental Homes and CCRCs

The Corporation and its affiliates manage rental housing communities, continuing care retirement communities and assisted living communities (see Note 1) under management agreements whereby the Corporation or its affiliates provide administrative and management services to all communities and sales management services to the continuing care retirement communities.

Note 12 – Relationship and Transactions with Managed Rental Homes and CCRCs (continued)

Management fees for providing these services for the years ended September 30, 2013 and 2012, are included in other operating revenue earned by Seniority and ABHOW, and for affordable housing are included in affordable housing fees and rents in the accompanying consolidated statements of operations and changes in net assets and are as follows (in thousands):

	2013	2012
Seniority - Assisted Living and Memory Support		
Anthem Chico	$ 107	$ 70
Cottonwood Court	236	230
Courtside Cottages	170	167
Cypress Springs - Tulsa	-	89
Cypress Springs - Oklahoma City	-	174
Cypress Springs - Wichita	-	84
Nikkei Gardens	180	58
Paintbrush	36	36
Pioneer House	-	10
Carland Group	117	-
Miracle at Beverly Vista	24	-
Total Seniority	870	918
ABHOW - Continuing Care Retirement Communities		
Terraces of Phoenix	1,001	1,580
Terraces at San Joaquin Gardens [1]	754	-
Las Ventanas [2]	-	-
Total ABHOW	1,755	1,580
Affordable Housing		
Allen Temple Arms I	72	65
Allen Temple Arms II	49	46
Allen Temple Arms III	46	46
Allen Temple Arms IV	32	32
Arbor Vista	59	44
Bellflower Friendship Manor	158	145
Bellflower Oak Street Manor	18	18
E.E. Cleveland Manor	52	51
Interfaith Housing	40	30
Judson Terrace	72	71
Lomita Manor	53	53
Manila Terrace	20	20
Mount Rubidoux Manor	187	185
Parnow Friendship House	60	45
Pleasanton Gardens	24	12
Rotary Plaza	146	-
San Rafael Rotary Manor	64	64
Vineyard Village	55	42
Total Affordable Housing	1,207	969
Total management fees	$ 3,832	$ 3,467

[1] Excludes $754,000 of deferred management fees in fiscal year 2013
[2] Excludes $482,000 of deferred management fees in fiscal year 2013

Note 12 – Relationship and Transactions with Managed Rental Homes and CCRCs (continued)

Amounts receivable from these managed rental homes and CCRC's for management fees and cost recoveries for other services such as dining, purchase cards, payroll, and insurance at September 30, 2013 and 2012, are included in resident accounts and other receivables in the accompanying consolidated balance sheets, and are as follows (in thousands):

	2013	2012
Seniority		
Boise Retirement Community	$ -	$ 174
Cypress Springs - Tulsa	-	27
Cypress Springs - Oklahoma City	-	13
Cypress Springs - Wichita	-	7
Nikkei Gardens	-	40
Sun Grove	-	12
Anthem Chico	9	-
Carland Group	29	-
Miracle at Beverly Vista	26	-
Total Seniority	64	273
ABHOW - Continuing Care Retirement Communities		
Boise Retirement Community	197	-
Las Ventanas	493	36
Terraces of Phoenix	953	1,036
Terraces of San Joaquin Gardens	896	-
Total ABHOW	2,539	1,072
Affordable Housing		
Allen Temple Arms I	1	-
Allen Temple Arms II	8	31
Allen Temple Arms III	-	18
Allen Temple Arms IV	50	66
Arbor Vista	-	4
Bellflower Friendship Manor	116	55
Bellflower Oak Street Manor	-	3
E.E. Cleveland Manor	2	2
Interfaith Housing	2	2
Judson Terrace	(9)	6
Lomita Manor	33	12
Manila Terrace	-	2
Mount Rubidoux Manor	(2)	5
Pleasanton Gardens	(2)	2
Parnow Friendship House	5	2
Rotary Plaza	4	-
San Rafael Rotary Manor	3	4
Vineyard Village	3	-
Total Affordable Housing	214	214
Total receivable	$ 2,817	$ 1,559

Note 12 – Relationship and Transactions with Managed Rental Homes and CCRCs (continued)

Terraces of Phoenix receivable represents a portion of the management fee that is not payable until certain financial ratios are achieved. Repayment of this commenced in 2012 with payments totaling $600,000, with no further payments made in 2013.

Note 13 – Leases

ABHOW has entered into operating leases for premises and equipment. Rent expense was approximately $1,309,000 and $1,433,000 for the years ended September 30, 2013 and 2012, respectively.

Future minimum annual lease payments under noncancelable operating leases are as follows (in thousands):

Year Ending September 30,	
2014	$ 1,173
2015	1,039
2016	938
2017	751
2018	691
Therafter	824
Total	$ 5,416

Note 14 – Commitments and Contingencies

The Corporation is party to various claims and legal actions in the normal course of business. In the opinion of management, based upon current facts and circumstances the resolution of these matters is not expected to have a material adverse effect on the financial position of the Corporation.

ABHOW is aware of the existence of asbestos in certain of its buildings. ABHOW has not recorded a liability for any asbestos abatement costs because the cost cannot be reasonably estimated at this time. At such time in the future that plans are made to make changes to structures with asbestos and the related asbestos removal cost estimates are completed, ABHOW will record an estimate of the costs of the required asbestos abatement.

ABHOW had provided a debt service guaranty for the obligations of ABP in the event ABP liquidity fell below $875,000. This debt service guaranty was extinguished in 2013 (see Note 6 and Note 7). ABP liquidity at September 30, 2012, totaled $2,170,000.

Note 14 – Commitments and Contingencies (continued)

During fiscal year 2009, authorization was given for ABHOW to guaranty a $20,000,000 construction loan to the Valley Vista affordable housing community and to guaranty $5,000,000 of debt related to the resyndication and refurbishment of Pacific Meadows. The $20,000,000 was released in February 2012. The remaining $5,000,000 guaranty was released in October 2012 (see Note 18).

During fiscal year 2012, as part of the Harbor View Manor syndication discussed in Note 1, ABHOW and CSH, as co-guarantors issued an unconditional guaranty related to the completion of the project and compliance with certain on-going aspects of the Limited Partnership Agreement and CSH also issued a loan guaranty. In March 2013, the refurbishment of the community was completed and Harbor View Manor received its Certificate of Occupancy. In conjunction with the completion of the project, ABHOW was released from its co-guarantor status on the unconditional guaranty. On September 26, 2013, the US Bank Series B loan was retired using Limited Partner capital contribution, at which time CSH was released from the loan guaranty.

On May 31, 2012, ABHW entered into a seven year direct placement financing with Washington Federal for $21,500,000. In connection with this financing, ABHOW provided a liquidity support agreement in the form of a $2,100,000 unfunded debt service reserve fund that would only be drawn upon in the event ABHW fails its liquidity covenant.

During fiscal year 2010, ABHOW's most recent union labor contract with two of its CCRC communities expired, and as of December 20, 2013, a new agreement has not been reached. The union filed a number of charges with the National Labor Relations Board ("NLRB") regarding labor practices and certain union employees went on strike. In August 2011, ABHOW received a ruling that the strike was considered an economic strike and ABHOW was entitled to replace workers. ABHOW continues to recall replaced workers in accordance with labor laws, and as of December 20, 2013, 26 of the 38 workers have returned to work. Management, based on the opinion of outside legal counsel, believes actions taken in labor negotiations have been in compliance with labor laws and should not result in any material liability to the Corporation.

On September 12, 2012, Las Ventanas closed on the restructuring of its indebtedness. As discussed in Note 1, ABP, with liquidity support from ABHOW, provided an unfunded $2,000,000 debt service support agreement for the Las Ventanas Series A-1 bonds, with any resulting funded amounts triggering the issuance to ABP of an equal amount of Las Ventanas Series B-4 bonds.

On May 10, 2013, as part of the refinancing of ABP's Boise land loan of $3,030,000, ABHOW issued a guaranty for the repayment of all debt service and principal payments associated with the loan. The loan is expected to be retired in 2014.

Note 14 – Commitments and Contingencies (continued)

On July 31, 2013, as part of the Three Rivers Village syndication discussed in Note 1, ABHOW and CSH, as co-guarantors issued an unconditional guaranty related to the completion of the project and compliance with certain on-going aspects of the Limited Parternship Agreement.

In conjunction with the July 19, 2013, closing date, as part of the Bay Vista Senior Housing syndication discussed in Note 1, ABHOW and CSH, as co-guarantors issued an unconditional guaranty related to the completion of the project and compliance with certain on-going aspects of the Limited Partnership Agreement.

Note 15 – Summary of HUD Audited Financial Statements (in thousands):

	2013		2012	
	Total Assets	Total Revenues	Total Assets	Total Revenues
Broadmoor Plaza	$ 7,212	$ 411	$ 7,426	$ 420
Casa De La Vista	1,251	846	1,506	870
Fern Lodge	4,131	425	4,352	375
Hillcrest Gardens	8,711	282	9,023	292
Judson Terrace Lodge	3,448	234	3,527	225
Oak Knolls Haven	1,184	434	1,284	416
Salishan Gardens	11,153	336	11,445	336
Shepherd's Garden	8,954	219	9,269	218
Tahoe Senior Plaza	3,316	323	3,418	318
Three Rivers Village*	1,837	286	1,782	346
	$ 51,197	$ 3,796	$ 53,032	$ 3,816

*Other auditors audited operating results through July 30, 2013. As of July 30, 2013, total assets were $1,759, and total revenues for the period ended July 30, 2013, were $290.

Note 16 – Change in Reporting Entity

Prior to September 26, 2012, Terraces at San Joaquin Gardens ("TSJG") was one of the eight continuing care retirement communities constituting ABHOW's California Obligated Group. Effective September 26, 2012, by vote of the ABHOW Board of Directors, and consistent with the rights and abilities granted in ABHOW's Master Trust Indenture, sole corporate membership and control of TSJG was transferred from ABHOW to Cornerstone. ABHOW determined that this change represents a change in the reporting entity as described in FASB ASC Topic 250, *Accounting Changes and Error Corrections*. Accordingly, this change was retrospectively applied to the consolidated financial statements of all prior periods presented. The effect of this retrospective application was to present consolidated financial position and related consolidated results of operations and changes in net assets and consolidated cash flows, as if TSJG had not been consolidated for all periods presented and to present TSJG as an unconsolidated entity, now part of Cornerstone.

The following table presents certain appropriate consolidated financial statement captions as previously reported consolidating TSJG with the Corporation, and compares them to the current presentation which does not consolidate TSJG as of and for the year ended September 30, 2012:

	Consolidated with TSJG	As Currently Reported, TSJG Not Consolidated	Change
Income before other operating income	$ 27,625	$ 25,703	$ 1,922
Income from operations	$ 191	$ 1,523	$ (1,332)
Changes in unrestricted net assets	$ 18,011	$ 32,450	$ (14,439)
Changes in net assets	$ 16,665	$ 31,104	$ (14,439)

The impact of the transaction has been reflected as a change in unrestricted net assets for the year ended September 30, 2012, as follows (in thousands):

Other changes in unrestricted net assets:	
Forgiveness of funds due to TSJG from ABHOW	$ 13,243

Note 16 – Change in Reporting Entity (continued)

Summary balance sheets and statements of operations and changes in net assets for TSJG as of and for the year ended September 30, 2012, that is now a sister corporation to ABHOW under Cornerstone and therefore excluded from these consolidated financial statements for all periods presented, follows (in thousands):

Cash and cash equivalents	$	3,612
Restricted cash		2,115
Restricted investments		61,044
Other assets		8,031
Land, building, and equipment - net		54,068
Total assets	$	128,870
Current liabilities	$	2,880
Rebatable entrance fees due		15,277
Entrance fees subject to refund		1,491
Entrance fees non-refundable		7,649
Notes and bonds payable		101,376
Other liabilities		58
Total liabilities		128,731
Net assets		139
Total liabilities and net assets	$	128,870
Operating revenues	$	18,277
Operating expenses		16,355
Income before other operating expenses		1,922
Other operating expense		(3,254)
Loss from operations		(1,332)
Change in unrealized gains and losses on investments		71
Loss on transfer of Terraces at San Joaquin Gardens		(13,178)
Decrease in unrestricted net assets		(14,439)
Net assets - beginning of year		14,578
Net assets - end of year	$	139

NOTE 17 – Health and Safety Code Section 1790(a)(3) Disclosure

The following disclosure is made pursuant to section 1790(a)(3) of the California Health & Safety Code. The Corporation has identified certain corporate initiatives and contingencies listed below to which unrestricted assets may be exposed; and, therefore, have designated reserves as a safeguard against such contingencies. Although not restricted in accordance with ASC Topic 958, Not-for-Profit Entities, the designations are as follows:

	2013	2012
Designated for Endowment	$ 36,134	$ 32,237
Designated for 457(f) Plan	5,523	6,074
Designated for Claims	1,255	1,274
Designated for Corporate Reserves	12,923	12,285
Designated for Affordable Housing Guarantees	6,000	6,000
Designated for Commitments and Contingencies	10,000	-
Designated for Campus Redevelopment	10,000	20,000
Total Designations	$ 81,835	$ 77,870

Note 18 – Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before consolidated financial statements are issued. ABHOW 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. ABHOW'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.

On October 4, 2013, ABHOW paid a $2,205,000 settlement amount to terminate its investment program with respect to its bond reserve funds (see Note 2). In exchange for this settlement payment, ABHOW regained the rights to the income earned on the debt service reserve funds related to its Series 2010 bonds, including control over the determination of how these reserve funds are invested. As a result of this agreement, a gain on purchase of approximately $780,000 was recognized in October 2013.

On October 25, 2013, as part of the planned financing of the Boise development with debt, a Preliminary Official Statement for debt offering in the amount of $101,925,000 was distributed to potential investors. To support this proposed financing, ABHOW and ABP will provide $3 million in equity at financing along with $1 million funded liquidity support and an additional $1 million unfunded.

Note 18 – Subsequent Events (continued)

On November 20, 2013, ABE closed on a refunding whereby its Series 2003 and Series 2007 bonds were refunded with a $48,615,000 direct placement financing with Santander Bank that extends through December 1, 2014, with two additional one year extensions, as long as specified potential covenant violations are timely cured by first restricting a portion of ABE cash over 150 days and, if insufficient for cure, ABHOW credit support. As a condition of the refunding, ABHOW's board approved a credit support package including unfunded credit support up to a cumulative maximum of $2 million (increasing to $2.5 million in the event of an occupancy covenant violation) to cure potential covenant violations in achieving ABE's minimum liquidity, debt service coverage or minimum occupancy covenants. As of September 30, 2013, ABE cash was sufficient to fund amounts required under the new borrowing arrangement.

As a condition in advance of the third year of the financing, ABE is required to obtain a current appraisal. If the loan to value ratio based on the appraisal exceeds 85%, ABHOW will advance funds equaling the excess into a trusteed account. In March 2015, if required for replacement of Santander on the financing, ABHOW will advance $2.4 million for deposit into ABE's debt service reserve fund. Finally, ABHOW will advance $750,000 in fiscal year 2014 to fund the completion of refurbishments on the Terraces of Phoenix campus and approximately $250,000 to provide for costs of issuance for the new credit facility. In exchange for the credit support package, ABE will benefit from a reduction in interest expense based on current rates of $1.6 million from that incurred in fiscal year 2013 as well as having a relaxation of debt service coverage covenants to 1.1 times and liquidity covenants to 150 days. Based on current management estimates, the total credit support to be advanced from ABHOW to ABE under this new three year financing will not exceed $3.5 million through fiscal year 2016.

ABHOW has evaluated subsequent events through December 20, 2013, which is the date the financial statements are issued.

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

To the Members of the Board of Directors
American Baptist Homes of the West and Affiliates

We have audited the consolidated financial statements of American Baptist Homes of the West, ("ABHOW") and Affiliates (a member of Cornerstone Affiliates) (collectively referred to as the "Corporation"), all of which are under common control and common management, as of and for the years ended September 30, 2013 and 2012, and our report thereon dated December 20, 2013, which contained an unmodified opinion on those consolidated financial statements.

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules listed in the table of contents as of and for the years ended September 30, 2013 and 2012, are presented for the purpose of additional analysis and are not a required part of the basic 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 to 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, which insofar as it relates to Casa de la Vista, Fern Lodge, Oak Knolls Haven, Tahoe Senior Plaza, Judson Terrace Lodge, Broadmoor Plaza, Hillcrest Gardens, Shepherd's Garden, Salishan Gardens, and Three Rivers Village, is based on the reports of other auditors, such information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Moss Adams LLP

San Francisco, California
December 20, 2013

SUPPLEMENTARY INFORMATION

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEETS INFORMATION
AS OF SEPTEMBER 30, 2013
(In Thousands)

	ABHOW Obligated Group	Judson Park	Seniority Inc.	Foundation	American Baptist Properties
ASSETS					
CASH AND CASH EQUIVALENTS	$ 7,358	$ 6,362	$ 311	$ 479	$ 182
RESTRICTED CASH	16,401	-	-	-	-
INVESTMENTS	55,356	2,254	-	36,948	1,962
INVESTMENTS IN LAS VENTANAS BONDS	-	-	-	-	8,250
RESTRICTED INVESTMENTS	110,090	117	-	9,309	-
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	9,300	1,160	(13)	326	64
INTERCOMPANY	29,290	(7,134)	(1,188)	(624)	(17,336)
NOTES RECEIVABLE - Net	4,315	-	-	-	-
SUBORDINATED NOTES RECEIVABLE - Net	29,774	-	-	-	-
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	1,081	53	8	1	-
OTHER ASSETS	13,572	1,387	-	49	13
LAND, BUILDING, AND EQUIPMENT - Net	144,432	32,827	4	-	4,448
TOTAL	$ 420,969	$ 37,026	$ (878)	$ 46,488	$ (2,417)
LIABILITIES AND NET ASSETS (DEFICIT)					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 17,073	$ 784	$ 848	$ 81	$ 8
DEPOSITS	11,313	179	-	-	-
ACCRUED INTEREST	4,303	-	-	-	-
REBATABLE ENTRANCE FEES DUE	7,597	9,955	-	-	-
ENTRANCE FEES SUBJECT TO REFUND	31,775	3,684	-	-	-
ENTRANCE FEES NON-REFUNDABLE	68,505	8,714	-	-	-
DEFERRED REVENUE FROM INVESTMENT CONTRACT	2,987	-	-	-	-
REVOCABLE TRUSTS	-	-	-	685	-
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	-	-	2,290	-
NOTES AND BONDS PAYABLE	242,050	20,415	-	-	3,030
RETIREMENT LIABILITIES	3,761	-	-	-	-
WORKERS' COMPENSATION LIABILITY	3,586	-	-	-	-
OTHER LIABILITIES	4,143	1,120	-	-	-
Total liabilities	397,093	44,851	848	3,056	3,038
COMMITMENTS AND CONTINGENCIES					
NET ASSETS (DEFICIT)					
Unrestricted - Controlling	23,876	(7,825)	(1,726)	36,134	(5,455)
Unrestricted - Non-controlling	-	-	-	-	-
Temporarily restricted	-	-	-	6,871	-
Permanently restricted	-	-	-	427	-
Total net assets (deficit)	23,876	(7,825)	(1,726)	43,432	(5,455)
TOTAL	$ 420,969	$ 37,026	$ (878)	$ 46,488	$ (2,417)

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEETS INFORMATION
AS OF SEPTEMBER 30, 2013 (continued)
(In Thousands)

	Casa de la Vista	Fern Lodge	Oak Knolls Haven	Tahoe Senior Plaza
ASSETS				
CASH AND CASH EQUIVALENTS	$ 11	$ 2	$ -	$ 24
RESTRICTED CASH	208	289	203	107
INVESTMENTS	-	-	-	-
INVESTMENTS IN LAS VENTANAS BONDS	-	-	-	-
RESTRICTED INVESTMENTS	-	-	-	-
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	12	5	-	-
INTERCOMPANY	(7)	(2)	(2)	(3)
NOTES RECEIVABLE - Net	-	-	-	-
SUBORDINATED NOTES RECEIVABLE - Net	-	-	-	-
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	36	20	18	16
OTHER ASSETS	134	-	107	3
LAND, BUILDING, AND EQUIPMENT - Net	857	3,817	858	3,169
TOTAL	$ 1,251	$ 4,131	$ 1,184	$ 3,316
LIABILITIES AND NET ASSETS (DEFICIT)				
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 18	$ 25	$ 11	$ 14
DEPOSITS	-	-	-	-
ACCRUED INTEREST	15	-	8	-
REBATABLE ENTRANCE FEES DUE	-	-	-	-
ENTRANCE FEES SUBJECT TO REFUND	-	-	-	-
ENTRANCE FEES NON-REFUNDABLE	-	-	-	-
DEFERRED REVENUE FROM INVESTMENT CONTRACT	-	-	-	-
REVOCABLE TRUSTS	-	-	-	-
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	-	-	-
NOTES AND BONDS PAYABLE	3,738	4,889	1,749	4,603
RETIREMENT LIABILITIES	-	-	-	-
WORKERS' COMPENSATION LIABILITY	-	-	-	-
OTHER LIABILITIES	34	27	33	24
Total liabilities	3,805	4,941	1,801	4,641
COMMITMENTS AND CONTINGENCIES				
NET ASSETS (DEFICIT)				
Unrestricted - Controlling	(2,554)	(810)	(617)	(1,325)
Unrestricted - Non-controlling	-	-	-	-
Temporarily restricted	-	-	-	-
Permanently restricted	-	-	-	-
Total net assets (deficit)	(2,554)	(810)	(617)	(1,325)
TOTAL	$ 1,251	$ 4,131	$ 1,184	$ 3,316

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEETS INFORMATION
AS OF SEPTEMBER 30, 2013 (continued)
(In Thousands)

	Carmel Senior Housing	Judson Terrace Lodge	Broadmoor Plaza	Hillcrest Gardens	Shepherd's Garden
ASSETS					
CASH AND CASH EQUIVALENTS	$ 2,081	$ 1	$ 1	$ 4	$ 7
RESTRICTED CASH	2,801	109	196	176	129
INVESTMENTS	1,921	-	-	-	-
INVESTMENTS IN LAS VENTANAS BONDS	-	-	-	-	-
RESTRICTED INVESTMENTS	-	-	-	-	-
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	141	2	4	1	-
INTERCOMPANY	(2,975)	(2)	(7)	1	(7)
NOTES RECEIVABLE - Net	-	-	-	-	-
SUBORDINATED NOTES RECEIVABLE - Net	-	-	-	-	-
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	250	12	35	16	11
OTHER ASSETS	19,349	-	-	-	-
LAND, BUILDING, AND EQUIPMENT - Net	82,851	3,326	6,983	8,513	8,814
TOTAL	$ 106,419	$ 3,448	$ 7,212	$ 8,711	$ 8,954
LIABILITIES AND NET ASSETS (DEFICIT)					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 2,233	$ 7	$ 28	$ 12	$ 47
DEPOSITS	217	-	-	-	-
ACCRUED INTEREST	4,418	-	835	239	-
REBATABLE ENTRANCE FEES DUE	-	-	-	-	-
ENTRANCE FEES SUBJECT TO REFUND	-	-	-	-	-
ENTRANCE FEES NON-REFUNDABLE	-	-	-	-	-
DEFERRED REVENUE FROM INVESTMENT CONTRACT	-	-	-	-	-
REVOCABLE TRUSTS	-	-	-	-	-
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	-	-	-	-
NOTES AND BONDS PAYABLE	70,175	3,911	8,077	10,003	7,540
RETIREMENT LIABILITIES	-	-	-	-	-
WORKERS' COMPENSATION LIABILITY	-	-	-	-	-
OTHER LIABILITIES	2,845	22	33	21	15
Total liabilities	79,888	3,940	8,973	10,275	7,602
COMMITMENTS AND CONTINGENCIES					
NET ASSETS (DEFICIT)					
Unrestricted - Controlling	20	(492)	(1,761)	(1,564)	1,352
Unrestricted - Non-controlling	26,511	-	-	-	-
Temporarily restricted	-	-	-	-	-
Permanently restricted	-	-	-	-	-
Total net assets (deficit)	26,531	(492)	(1,761)	(1,564)	1,352
TOTAL	$ 106,419	$ 3,448	$ 7,212	$ 8,711	$ 8,954

(In Thousands)

	Salishan Gardens	Subtotal	Eliminations	Total
ASSETS				
CASH AND CASH EQUIVALENTS	$ 33	$ 16,856	$ -	$ 16,856
RESTRICTED CASH	392	21,011	-	21,011
INVESTMENTS	-	98,441	-	98,441
INVESTMENTS IN LAS VENTANAS BONDS	-	8,250	-	8,250
RESTRICTED INVESTMENTS	-	119,516	-	119,516
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	-	11,002	(143)	10,859
INTERCOMPANY	(4)	-	-	-
NOTES RECEIVABLE - Net	-	4,315	-	4,315
SUBORDINATED NOTES RECEIVABLE - Net	-	29,774	-	29,774
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	1,003	2,560	-	2,560
OTHER ASSETS	38	34,652	(22,450)	12,202
LAND, BUILDING, AND EQUIPMENT - Net	9,691	310,590	-	310,590
TOTAL	$ 11,153	$ 656,967	$ (22,593)	$ 634,374
LIABILITIES AND NET ASSETS (DEFICIT)				
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 20	$ 21,209	$ (1,374)	$ 19,835
DEPOSITS	-	11,709	-	11,709
ACCRUED INTEREST	-	9,818	(1,036)	8,782
REBATABLE ENTRANCE FEES DUE	-	17,552	-	17,552
ENTRANCE FEES SUBJECT TO REFUND	-	35,459	-	35,459
ENTRANCE FEES NON-REFUNDABLE	-	77,219	-	77,219
DEFERRED REVENUE FROM INVESTMENT CONTRACT	-	2,987	-	2,987
REVOCABLE TRUSTS	-	685	-	685
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	2,290	-	2,290
NOTES AND BONDS PAYABLE	11,297	391,477	(27,304)	364,173
RETIREMENT LIABILITIES	-	3,761	-	3,761
WORKERS' COMPENSATION LIABILITY	-	3,586	-	3,586
OTHER LIABILITIES	20	8,337	-	8,337
Total liabilities	11,337	586,089	(29,714)	556,375
COMMITMENTS AND CONTINGENCIES				
NET ASSETS (DEFICIT)				
Unrestricted - Controlling	(184)	37,069	(5,063)	32,006
Unrestricted - Non-controlling	-	26,511	11,125	37,636
Temporarily restricted	-	6,871	1,059	7,930
Permanently restricted	-	427	-	427
Total net assets (deficit)	(184)	70,878	7,121	77,999
TOTAL	$ 11,153	$ 656,967	$ (22,593)	$ 634,374

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEETS INFORMATION
AS OF SEPTEMBER 30, 2012
(In Thousands)

	ABHOW Obligated Group	Judson Park	BSAM	Seniority Inc.	Foundation	American Baptist Properties
ASSETS						
CASH AND CASH EQUIVALENTS	$ 8,918	$ 6,079	$ -	$ 474	$ 27	$ 266
RESTRICTED CASH	11,667	-	-	-	-	-
INVESTMENTS	52,518	2,286	-	-	33,522	1,904
INVESTMENTS IN LAS VENTANAS BONDS	-	-	-	-	-	8,250
RESTRICTED INVESTMENTS	50,883	-	-	-	9,708	-
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	7,678	1,120	-	354	79	36
INTERCOMPANY	27,811	(7,166)	-	5	(666)	(17,447)
NOTES RECEIVABLE - Net	4,315	-	-	-	-	-
SUBORDINATED NOTES RECEIVABLE - Net	29,774	-	-	-	-	-
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	608	48	-	3	3	-
OTHER ASSETS	13,074	1,622	-	-	49	106
LAND, BUILDING, AND EQUIPMENT - Net	109,196	34,823	-	7	-	4,447
TOTAL	$ 316,442	$ 38,812	$ -	$ 843	$ 42,722	$ (2,438)
LIABILITIES AND NET ASSETS (DEFICIT)						
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 12,808	$ 681	$ -	$ 1,056	$ 70	$ -
DEPOSITS	8,225	160	-	-	-	-
ACCRUED INTEREST	3,238	25	-	-	-	7
REBATABLE ENTRANCE FEES DUE	7,341	10,791	-	-	-	-
ENTRANCE FEES SUBJECT TO REFUND	30,236	3,375	-	-	-	-
ENTRANCE FEES NON-REFUNDABLE	67,087	9,101	-	-	-	-
DEFERRED REVENUE FROM INVESTMENT CONTRACT	3,201	-	-	-	-	-
REVOCABLE TRUSTS	-	-	-	-	714	-
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	-	-	-	2,409	-
NOTES AND BONDS PAYABLE	151,863	21,215	-	-	-	3,030
RETIREMENT LIABILITIES	9,053	-	-	-	-	-
WORKERS' COMPENSATION LIABILITY	4,308	-	-	-	-	-
OTHER LIABILITIES	3,436	1,575	-	-	2	-
Total liabilities	300,796	46,923	-	1,056	3,195	3,037
COMMITMENTS AND CONTINGENCIES						
NET ASSETS (DEFICIT)						
Unrestricted - Controlling	15,646	(8,111)	-	(213)	32,237	(5,475)
Unrestricted - Non-controlling	-	-	-	-	-	-
Temporarily restricted	-	-	-	-	6,878	-
Permanently restricted	-	-	-	-	412	-
Total net assets (deficit)	15,646	(8,111)	-	(213)	39,527	(5,475)
TOTAL	$ 316,442	$ 38,812	$ -	$ 843	$ 42,722	$ (2,438)

(In Thousands)

	Casa de la Vista	Fern Lodge	Harbor View Manor	Oak Knolls Haven	Tahoe Senior Plaza
ASSETS					
CASH AND CASH EQUIVALENTS	$ -	$ 13	$ 37	$ 28	$ 8
RESTRICTED CASH	285	336	-	224	138
INVESTMENTS	-	-	-	-	-
INVESTMENTS IN LAS VENTANAS BONDS	-	-	-	-	-
RESTRICTED INVESTMENTS	-	-	-	-	-
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	13	-	-	-	-
INTERCOMPANY	-	(4)	-	(4)	(5)
NOTES RECEIVABLE - Net	-	-	-	-	-
SUBORDINATED NOTES RECEIVABLE - Net	-	-	-	-	-
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	35	20	-	17	18
OTHER ASSETS	138	-	239	111	3
LAND, BUILDING, AND EQUIPMENT - Net	1,035	3,987	-	908	3,256
TOTAL	$ 1,506	$ 4,352	$ 276	$ 1,284	$ 3,418
LIABILITIES AND NET ASSETS (DEFICIT)					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 26	$ 38	$ -	$ 27	$ 12
DEPOSITS	-	-	-	-	-
ACCRUED INTEREST	15	-	-	8	-
REBATABLE ENTRANCE FEES DUE	-	-	-	-	-
ENTRANCE FEES SUBJECT TO REFUND	-	-	-	-	-
ENTRANCE FEES NON-REFUNDABLE	-	-	-	-	-
DEFERRED REVENUE FROM INVESTMENT CONTRACT	-	-	-	-	-
REVOCABLE TRUSTS	-	-	-	-	-
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	-	-	-	-
NOTES AND BONDS PAYABLE	3,788	4,890	-	1,773	4,603
RETIREMENT LIABILITIES	-	-	-	-	-
WORKERS' COMPENSATION LIABILITY	-	-	-	-	-
OTHER LIABILITIES	33	26	-	34	27
Total liabilities	3,862	4,954	-	1,842	4,642
COMMITMENTS AND CONTINGENCIES					
NET ASSETS (DEFICIT)					
Unrestricted - Controlling	(2,356)	(602)	276	(558)	(1,224)
Unrestricted - Non-controlling	-	-	-	-	-
Temporarily restricted	-	-	-	-	-
Permanently restricted	-	-	-	-	-
Total net assets (deficit)	(2,356)	(602)	276	(558)	(1,224)
TOTAL	$ 1,506	$ 4,352	$ 276	$ 1,284	$ 3,418

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEETS INFORMATION
AS OF SEPTEMBER 30, 2012 (continued)
(In Thousands)

	Carmel Senior Housing	Judson Terrace Lodge	Broadmoor Plaza	Hillcrest Gardens	Shepherd's Garden
ASSETS					
CASH AND CASH EQUIVALENTS	$ 297	$ 3	$ 16	$ 28	$ 34
RESTRICTED CASH	1,540	107	202	154	139
INVESTMENTS	863	-	-	-	-
INVESTMENTS IN LAS VENTANAS BONDS	-	-	-	-	-
RESTRICTED INVESTMENTS	-	-	-	-	-
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	569	-	6	-	2
INTERCOMPANY	(2,490)	(2)	(3)	(9)	-
NOTES RECEIVABLE - Net	-	-	-	-	-
RECEIVABLE FROM TERRACES AT SAN JOAQUIN GARDENS	-	-	-	-	-
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	232	11	37	16	11
OTHER ASSETS	19,827	-	-	-	-
LAND, BUILDING, AND EQUIPMENT - Net	73,076	3,408	7,168	8,834	9,083
TOTAL	$ 93,914	$ 3,527	$ 7,426	$ 9,023	$ 9,269
LIABILITIES AND NET ASSETS (DEFICIT)					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 398	$ 14	$ 36	$ 22	$ 75
DEPOSITS	220	-	-	-	-
ACCRUED INTEREST	3,697	-	762	198	-
REBATABLE ENTRANCE FEES DUE	-	-	-	-	-
ENTRANCE FEES SUBJECT TO REFUND	-	-	-	-	-
ENTRANCE FEES NON-REFUNDABLE	-	-	-	-	-
DEFERRED REVENUE FROM INVESTMENT CONTRACT	-	-	-	-	-
REVOCABLE TRUSTS	-	-	-	-	-
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	-	-	-	-
NOTES AND BONDS PAYABLE	74,268	3,911	8,077	10,003	7,540
RETIREMENT LIABILITIES	-	-	-	-	-
WORKERS' COMPENSATION LIABILITY	-	-	-	-	-
OTHER LIABILITIES	5,304	21	32	21	16
Total liabilities	83,887	3,946	8,907	10,244	7,631
COMMITMENTS AND CONTINGENCIES					
NET ASSETS (DEFICIT)					
Unrestricted - Controlling	29	(419)	(1,481)	(1,221)	1,638
Unrestricted - Non-controlling	9,998	-	-	-	-
Temporarily restricted	-	-	-	-	-
Permanently restricted	-	-	-	-	-
Total net assets (deficit)	10,027	(419)	(1,481)	(1,221)	1,638
TOTAL	$ 93,914	$ 3,527	$ 7,426	$ 9,023	$ 9,269

(In Thousands)

	Salishan Gardens	Three Rivers Village	Subtotal	Eliminations	Total
ASSETS					
CASH AND CASH EQUIVALENTS	$ 79	$ -	$ 16,307	$ -	$ 16,307
RESTRICTED CASH	348	173	15,313	-	15,313
INVESTMENTS	-	-	91,093	-	91,093
INVESTMENTS IN LAS VENTANAS BONDS	-	-	8,250	-	8,250
RESTRICTED INVESTMENTS	-	-	60,591	-	60,591
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	-	2	9,859	540	10,399
INTERCOMPANY	(4)	(16)	-	-	-
NOTES RECEIVABLE - Net	-	-	4,315	-	4,315
RECEIVABLE FROM TERRACES AT SAN JOAQUIN GARDENS	-	-	29,774	-	29,774
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	1,024	12	2,095	-	2,095
OTHER ASSETS	43	16	35,228	(23,804)	11,424
LAND, BUILDING, AND EQUIPMENT - Net	9,955	1,595	270,778	-	270,778
TOTAL	$ 11,445	$ 1,782	$ 543,603	$ (23,264)	$ 520,339
LIABILITIES AND NET ASSETS (DEFICIT)					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 48	$ 93	$ 15,404	$ (109)	$ 15,295
DEPOSITS	-	-	8,605	-	8,605
ACCRUED INTEREST	-	19	7,969	(610)	7,359
REBATABLE ENTRANCE FEES DUE	-	-	18,132	-	18,132
ENTRANCE FEES SUBJECT TO REFUND	-	-	33,611	-	33,611
ENTRANCE FEES NON-REFUNDABLE	-	-	76,188	-	76,188
DEFERRED REVENUE FROM INVESTMENT CONTRACT	-	-	3,201	-	3,201
REVOCABLE TRUSTS	-	-	714	-	714
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	-	2,409	-	2,409
NOTES AND BONDS PAYABLE	11,297	1,799	308,057	(25,832)	282,225
RETIREMENT LIABILITIES	-	-	9,053	-	9,053
WORKERS' COMPENSATION LIABILITY	-	-	4,308	-	4,308
OTHER LIABILITIES	21	17	10,565	(2,587)	7,978
Total liabilities	11,366	1,928	498,216	(29,138)	469,078
COMMITMENTS AND CONTINGENCIES					
NET ASSETS (DEFICIT)					
Unrestricted - Controlling	79	(146)	28,099	(2,592)	25,507
Unrestricted - Non-controlling	-	-	9,998	7,907	17,905
Temporarily restricted	-	-	6,878	559	7,437
Permanently restricted	-	-	412	-	412
Total net assets (deficit)	79	(146)	45,387	5,874	51,261
TOTAL	$ 11,445	$ 1,782	$ 543,603	$ (23,264)	$ 520,339

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)

UNRESTRICTED NET ASSETS	ABHOW Obligated Group	Judson Park	Seniority Inc.	Foundation	American Baptist Properties
OPERATING REVENUES					
Residential living	$ 36,874	$ 5,834	$ -	$ -	$ -
Assisted living	9,438	1,674	-	-	-
Health center	42,256	8,112	-	-	-
Memory support	4,138	1,091	-	-	-
Other residential services	900	88	-	-	-
Amortization of entrance fees	15,053	2,420	-	-	-
Affordable housing fees and rents	1,920	-	-	-	-
Other operating revenue	6,013	240	7,315	-	-
Foundation community benefit	871	52	-	-	-
Bequests and charitable giving	8	3	-	671	-
Net assets released from restrictions	-	-	-	918	-
Total operating revenues	117,471	19,514	7,315	1,589	-
OPERATING EXPENSES					
Employee costs	63,539	9,649	4,730	480	-
Supplies	7,959	1,345	70	2	-
Chargeable ancillary services	6,208	919	-	-	-
Other purchased services	6,601	619	99	138	11
Marketing and advertising	3,858	614	3,001	-	-
Utilities	4,637	712	24	4	-
Insurance	1,341	290	22	29	-
Travel and related	1,019	24	396	123	-
Leases and rents	1,182	114	9	4	-
Corporate allocations	-	1,513	194	-	-
Foundation community distribution	-	-	-	1,100	-
Other operating expenses	3,658	303	280	(227)	1
Total operating expenses	100,002	16,102	8,825	1,653	12
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	17,469	3,412	(1,510)	(64)	(12)
OTHER OPERATING INCOME (EXPENSE)					
Investment income - net	1,527	63	-	732	159
Realized gains (losses) on investments - net	516	1	-	874	289
Depreciation and amortization	(12,940)	(2,632)	(3)	-	-
Mortgage interest	(4,822)	(896)	-	-	(154)
Decrease in unrealized loss on interest rate swaps and caps	310	434	-	-	-
INCOME (LOSS) FROM OPERATIONS	2,060	382	(1,513)	1,542	282
Change in unrealized gains and losses on investments	1,371	(96)	-	2,355	(262)
Loss on syndication of Harbor View Manor	-	-	-	-	-
Gain on syndication of Three Rivers Village	-	-	-	-	-
Contribution in aid of construction	500	-	-	-	-
Gain from increase in unrecognized pension obligation	4,299	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	8,230	286	(1,513)	3,897	20
TEMPORARILY RESTRICTED NET ASSETS					
Contributions	-	-	-	1,300	-
Dividend and interest income	-	-	-	210	-
Realized gains on investments - net	-	-	-	18	-
Contractual liability adjustments	-	-	-	354	-
Contractual payments to beneficiaries	-	-	-	(494)	-
Special project fund distribution	-	-	-	(841)	-
Change in unrealized gains	-	-	-	364	-
Net assets released from restrictions	-	-	-	(918)	-
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-	(7)	-
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	15	-
INCREASE (DECREASE) IN NET ASSETS	8,230	286	(1,513)	3,905	20
NET ASSETS (DEFICIT) - Beginning of year, as adjusted	15,646	(8,111)	(213)	39,527	(5,475)
NET ASSETS (DEFICIT) - End of year	$ 23,876	$ (7,825)	$ (1,726)	$ 43,432	$ (5,455)

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
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SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013 (continued)
(In Thousands)

UNRESTRICTED NET ASSETS	Casa de la Vista	Fern Lodge	Harbor View Manor	Oak Knolls Haven	Tahoe Senior Plaza
OPERATING REVENUES					
Residential living	$ -	$ -	$ -	$ -	$ -
Assisted living	-	-	-	-	-
Health center	-	-	-	-	-
Memory support	-	-	-	-	-
Other residential services	-	-	-	-	-
Amortization of entrance fees	-	-	-	-	-
Affordable housing fees and rents	846	425	-	434	323
Other operating revenue	-	-	-	-	-
Foundation community benefit	-	-	-	-	-
Bequests and charitable giving	-	-	-	-	-
Net assets released from restrictions	-	-	-	-	-
Total operating revenues	846	425	-	434	323
OPERATING EXPENSES					
Employee costs	265	196	-	115	128
Supplies	78	35	-	31	26
Chargeable ancillary services	-	-	-	-	-
Other purchased services	88	72	-	69	49
Marketing and advertising	-	-	-	-	-
Utilities	68	61	-	58	53
Insurance	38	14	-	17	10
Travel and related	-	-	-	-	-
Leases and rents	6	2	-	3	1
Corporate allocations	-	-	-	-	-
Foundation community distribution	-	-	-	-	-
Other operating expenses	32	27	239	20	27
Total operating expenses	575	407	239	313	294
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	271	18	(239)	121	29
OTHER OPERATING INCOME (EXPENSE)					
Investment income - net	-	-	-	-	-
Realized gains (losses) on investments - net	-	-	-	-	-
Depreciation and amortization	(286)	(226)	-	(76)	(130)
Mortgage interest	(183)	-	-	(104)	-
Decrease in unrealized loss on interest rate swaps and caps	-	-	-	-	-
INCOME (LOSS) FROM OPERATIONS	(198)	(208)	(239)	(59)	(101)
Change in unrealized gains and losses on investments	-	-	-	-	-
Loss on syndication of Harbor View Manor	-	-	(37)	-	-
Gain on syndication of Three Rivers Village	-	-	-	-	-
Contribution in aid of construction	-	-	-	-	-
Gain from increase in unrecognized pension obligation	-	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(198)	(208)	(276)	(59)	(101)
TEMPORARILY RESTRICTED NET ASSETS					
Contributions	-	-	-	-	-
Dividend and interest income	-	-	-	-	-
Realized gains on investments - net	-	-	-	-	-
Contractual liability adjustments	-	-	-	-	-
Contractual payments to beneficiaries	-	-	-	-	-
Special project fund distribution	-	-	-	-	-
Change in unrealized gains	-	-	-	-	-
Net assets released from restrictions	-	-	-	-	-
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-	-	-
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	(198)	(208)	(276)	(59)	(101)
NET ASSETS (DEFICIT) - Beginning of year, as adjusted	(2,356)	(602)	276	(558)	(1,224)
NET ASSETS (DEFICIT) - End of year	$ (2,554)	$ (810)	$ -	$ (617)	$ (1,325)

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
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FOR THE YEAR ENDED SEPTEMBER 30, 2013 (continued)
(In Thousands)

UNRESTRICTED NET ASSETS	Carmel Senior Housing	Judson Terrace Lodge	Broadmoor Plaza	Hillcrest Gardens	Shepherd's Garden
OPERATING REVENUES					
Residential living	$ -	$ -	$ -	$ -	$ -
Assisted living	-	-	-	-	-
Health center	-	-	-	-	-
Memory support	-	-	-	-	-
Other residential services	-	-	-	-	-
Amortization of entrance fees	-	-	-	-	-
Affordable housing fees and rents	4,096	234	411	282	219
Other operating revenue	51	-	-	-	-
Foundation community benefit	-	-	-	-	-
Bequests and charitable giving	280	-	-	-	-
Net assets released from restrictions	-	-	-	-	-
Total operating revenues	4,427	234	411	282	219
OPERATING EXPENSES					
Employee costs	1,170	58	183	112	105
Supplies	177	10	20	11	6
Chargeable ancillary services	-	-	-	-	-
Other purchased services	703	55	77	48	39
Marketing and advertising	-	-	1	-	-
Utilities	779	49	62	58	57
Insurance	155	6	16	7	10
Travel and related	32	-	-	-	-
Leases and rents	1	-	4	3	5
Corporate allocations	-	-	-	-	-
Foundation community distribution	-	-	-	-	-
Other operating expenses	264	16	47	24	13
Total operating expenses	3,281	194	410	263	235
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	1,146	40	1	19	(16)
OTHER OPERATING INCOME (EXPENSE)					
Investment income - net	41	-	-	-	-
Realized gains (losses) on investments - net	(13)	-	-	-	-
Depreciation and amortization	(2,728)	(113)	(208)	(321)	(270)
Mortgage interest	(1,712)	-	(73)	(41)	-
Decrease in unrealized loss on interest rate swaps and caps	783	-	-	-	-
INCOME (LOSS) FROM OPERATIONS	(2,483)	(73)	(280)	(343)	(286)
Change in unrealized gains and losses on investments	(33)	-	-	-	-
Loss on syndication of Harbor View Manor	-	-	-	-	-
Gain on syndication of Three Rivers Village	-	-	-	-	-
Contribution in aid of construction	19,020	-	-	-	-
Gain from increase in unrecognized pension obligation	-	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	16,504	(73)	(280)	(343)	(286)
TEMPORARILY RESTRICTED NET ASSETS					
Contributions	-	-	-	-	-
Dividend and interest income	-	-	-	-	-
Realized gains on investments - net	-	-	-	-	-
Contractual liability adjustments	-	-	-	-	-
Contractual payments to beneficiaries	-	-	-	-	-
Special project fund distribution	-	-	-	-	-
Change in unrealized gains	-	-	-	-	-
Net assets released from restrictions	-	-	-	-	-
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-	-	-
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	16,504	(73)	(280)	(343)	(286)
NET ASSETS (DEFICIT) - Beginning of year, as adjusted	10,027	(419)	(1,481)	(1,221)	1,638
NET ASSETS (DEFICIT) - End of year	$ 26,531	$ (492)	$ (1,761)	$ (1,564)	$ 1,352

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FOR THE YEAR ENDED SEPTEMBER 30, 2013 (continued)
(In Thousands)

UNRESTRICTED NET ASSETS	Salishan Gardens	Three Rivers Village	Subtotal	Eliminations	Total
OPERATING REVENUES					
Residential living	$ -	$ -	$ 42,708	$ -	$ 42,708
Assisted living	-	-	11,112	-	11,112
Health center	-	-	50,368	-	50,368
Memory support	-	-	5,229	-	5,229
Other residential services	-	-	988	-	988
Amortization of entrance fees	-	-	17,473	-	17,473
Affordable housing fees and rents	336	286	9,812	(712)	9,100
Other operating revenue	-	-	13,619	(6,267)	7,352
Foundation community benefit	-	-	923	(923)	-
Bequests and charitable giving	-	-	962	(267)	695
Net assets released from restrictions	-	-	918	-	918
Total operating revenues	336	286	154,112	(8,169)	145,943
OPERATING EXPENSES					
Employee costs	119	76	80,925	-	80,925
Supplies	15	11	9,796	(64)	9,732
Chargeable ancillary services	-	-	7,127	-	7,127
Other purchased services	47	33	8,748	(956)	7,792
Marketing and advertising	-	1	7,475	(4,212)	3,263
Utilities	60	26	6,708	-	6,708
Insurance	13	8	1,976	-	1,976
Travel and related	-	-	1,594	-	1,594
Leases and rents	7	-	1,341	-	1,341
Corporate allocations	-	-	1,707	(1,707)	-
Foundation community distribution	-	-	1,100	(923)	177
Other operating expenses	62	29	4,815	(410)	4,405
Total operating expenses	323	184	133,312	(8,272)	125,040
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	13	102	20,800	103	20,903
OTHER OPERATING INCOME (EXPENSE)					
Investment income - net	1	-	2,523	-	2,523
Realized gains (losses) on investments - net	-	-	1,667	-	1,667
Depreciation and amortization	(277)	(78)	(20,288)	-	(20,288)
Mortgage interest	-	(59)	(8,044)	425	(7,619)
Decrease in unrealized loss on interest rate swaps and caps	-	-	1,527	-	1,527
INCOME (LOSS) FROM OPERATIONS	(263)	(35)	(1,815)	528	(1,287)
Change in unrealized gains and losses on investments	-	-	3,335	-	3,335
Loss on syndication of Harbor View Manor	-	-	(37)	-	(37)
Gain on syndication of Three Rivers Village	-	181	181	462	643
Contribution in aid of construction	-	-	19,520	(243)	19,277
Gain from increase in unrecognized pension obligation	-	-	4,299	-	4,299
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(263)	146	25,483	747	26,230
TEMPORARILY RESTRICTED NET ASSETS					
Contributions	-	-	1,300	-	1,300
Dividend and interest income	-	-	210	-	210
Realized gains on investments - net	-	-	18	-	18
Contractual liability adjustments	-	-	354	-	354
Contractual payments to beneficiaries	-	-	(494)	-	(494)
Special project fund distribution	-	-	(841)	500	(341)
Change in unrealized gains	-	-	364	-	364
Net assets released from restrictions	-	-	(918)	-	(918)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	-	(7)	500	493
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	-	-	15	-	15
INCREASE (DECREASE) IN NET ASSETS	(263)	146	25,491	1,247	26,738
NET ASSETS (DEFICIT) - Beginning of year, as adjusted	79	(146)	45,387	5,874	51,261
NET ASSETS (DEFICIT) - End of year	$ (184)	$ -	$ 70,878	$ 7,121	$ 77,999

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(In Thousands)

UNRESTRICTED NET ASSETS	ABHOW Obligated Group	Judson Park	BSAM	Seniority Inc.	Foundation	American Baptist Properties
OPERATING REVENUES						
Residential living	$ 34,882	$ 5,408	$ -	$ -	$ -	$ -
Assisted living	9,501	1,560	-	-	-	-
Health center	43,422	8,449	-	-	-	-
Memory support	4,021	884	-	-	-	-
Other residential services	160	161	-	-	-	-
Amortization of entrance fees	16,310	1,507	-	-	-	-
Affordable housing fees and rents	1,685	-	-	-	-	-
Other operating revenue	7,472	246	-	6,615	-	277
Foundation community benefit	843	50	-	-	-	-
Bequests and charitable giving	12	3	-	-	94	-
Net assets released from restrictions	-	-	13	-	558	-
Total operating revenues	118,308	18,268	13	6,615	652	277
OPERATING EXPENSES						
Employee costs	60,312	9,420	-	4,511	581	-
Supplies	7,624	1,371	-	67	6	-
Chargeable ancillary services	6,996	1,067	-	-	-	-
Other purchased services	6,506	565	-	108	125	28
Marketing and advertising	3,670	658	-	1,898	2	-
Utilities	4,514	719	-	27	6	-
Insurance	1,241	285	1	21	28	-
Travel and related	823	22	-	320	90	-
Leases and rents	1,080	119	-	24	25	-
Corporate allocations	(1,526)	1,411	-	194	-	-
Foundation community distribution	-	-	-	-	1,062	-
Other operating expenses	3,291	260	-	263	(225)	1
Total operating expenses	94,531	15,897	1	7,433	1,700	29
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	23,777	2,371	12	(818)	(1,048)	248
OTHER OPERATING INCOME (EXPENSE)						
Investment income - net	1,647	68	-	-	733	59
Realized gains (losses) on investments - net	1,686	19	-	-	690	96
Depreciation and amortization	(13,470)	(2,674)	-	(3)	-	-
Mortgage interest	(5,037)	(989)	-	-	-	(338)
Increase in unrealized loss on interest rate swaps	(36)	(204)	-	-	-	-
INCOME (LOSS) FROM OPERATIONS	8,567	(1,409)	12	(821)	375	65
Change in unrealized gains and losses on investments	3,723	(1)	-	-	3,089	178
Loss from early retirement of debt	-	(651)	-	-	-	-
Unrealized loss on investment in Las Ventanas bonds	-	-	-	-	-	(5,634)
Gain on forgiveness of funds due to TSJG	13,243	-	-	-	-	-
Gain on syndication of Harbor View Manor	-	-	-	-	-	-
Contribution in aid of construction	-	-	-	-	-	-
Gain from increase in unrecognized pension obligation	199	-	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	25,732	(2,061)	12	(821)	3,464	(5,391)
TEMPORARILY RESTRICTED NET ASSETS						
Contributions	-	-	-	-	1,004	-
Dividend and interest income	-	-	31	-	244	-
Realized gains on investments - net	-	-	20	-	34	-
Contractual liability adjustments	-	-	-	-	250	-
Contractual payments to beneficiaries	-	-	(105)	-	(552)	-
Special project fund distribution	-	-	-	-	(385)	-
Loss on disposition of Baptist Senior Adult Ministries	-	-	(2,316)	-	-	-
Change in unrealized gain	-	-	251	-	863	-
Net assets released from restrictions	-	-	(13)	-	(558)	-
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	-	(2,132)	-	900	-
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	-	-	(131)	-	17	-
INCREASE (DECREASE) IN NET ASSETS	25,732	(2,061)	(2,251)	(821)	4,381	(5,391)
NET ASSETS (DEFICIT) - Beginning of year	(10,086)	(6,050)	2,251	608	35,146	(84)
NET ASSETS (DEFICIT) - End of year	$ 15,646	$ (8,111)	$ -	$ (213)	$ 39,527	$ (5,475)

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FOR THE YEAR ENDED SEPTEMBER 30, 2012 (continued)
(In Thousands)

UNRESTRICTED NET ASSETS	Casa de la Vista	Fern Lodge	Harbor View Manor	Oak Knolls Haven	Tahoe Senior Plaza
OPERATING REVENUES					
Residential living	$ -	$ -	$ -	$ -	$ -
Assisted living	-	-	-	-	-
Health center	-	-	-	-	-
Memory support	-	-	-	-	-
Other residential services	-	-	-	-	-
Amortization of entrance fees	-	-	-	-	-
Affordable housing fees and rents	870	371	257	416	315
Other operating revenue	-	-	-	-	-
Foundation community benefit	-	-	-	-	-
Bequests and charitable giving	-	4	-	-	3
Net assets released from restrictions	-	-	-	-	-
Total operating revenues	870	375	257	416	318
OPERATING EXPENSES					
Employee costs	233	173	90	74	110
Supplies	108	27	16	30	21
Chargeable ancillary services	-	-	-	-	-
Other purchased services	88	66	28	73	49
Marketing and advertising	1	-	1	1	-
Utilities	57	52	53	29	53
Insurance	37	13	20	17	10
Travel and related	-	-	2	-	-
Leases and rents	5	-	2	1	-
Corporate allocations	-	-	-	-	-
Foundation community distribution	-	-	-	-	-
Other operating expenses	36	29	11	41	24
Total operating expenses	565	360	223	266	267
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	305	15	34	150	51
OTHER OPERATING INCOME (EXPENSE)					
Investment income - net	-	1	-	-	-
Realized gains (losses) on investments - net	-	-	-	-	-
Depreciation and amortization	(264)	(220)	(44)	(74)	(122)
Mortgage interest	(185)	-	(25)	(106)	(1)
Increase in unrealized loss on interest rate swaps	-	-	-	-	-
INCOME (LOSS) FROM OPERATIONS	(144)	(204)	(35)	(30)	(72)
Change in unrealized gains and losses on investments	-	-	-	-	-
Loss from early retirement of debt	-	-	(173)	-	-
Unrealized loss on investment in Las Ventanas bonds	-	-	-	-	-
Gain on forgiveness of funds due to TSJG	-	-	-	-	-
Gain on syndication of Harbor View Manor	-	-	918	-	-
Contribution in aid of construction	-	-	-	-	-
Gain from increase in unrecognized pension obligation	-	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(144)	(204)	710	(30)	(72)
TEMPORARILY RESTRICTED NET ASSETS					
Contributions	-	-	-	-	-
Dividend and interest income	-	-	-	-	-
Realized gains on investments - net	-	-	-	-	-
Contractual liability adjustments	-	-	-	-	-
Contractual payments to beneficiaries	-	-	-	-	-
Special project fund distribution	-	-	-	-	-
Loss on disposition of Baptist Senior Adult Ministries	-	-	-	-	-
Change in unrealized gain	-	-	-	-	-
Net assets released from restrictions	-	-	-	-	-
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-	-	-
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	(144)	(204)	710	(30)	(72)
NET ASSETS (DEFICIT) - Beginning of year	(2,212)	(398)	(434)	(528)	(1,152)
NET ASSETS (DEFICIT) - End of year	$ (2,356)	$ (602)	$ 276	$ (558)	$ (1,224)

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012 (continued)
(In Thousands)

UNRESTRICTED NET ASSETS	Carmel Senior Housing	Judson Terrace Lodge	Broadmoor Plaza	Hillcrest Gardens	Shepherd's Garden
OPERATING REVENUES					
Residential living	$ 364	$ -	$ -	$ -	$ -
Assisted living	-	-	-	-	-
Health center	-	-	-	-	-
Memory support	-	-	-	-	-
Other residential services	36	-	-	-	-
Amortization of entrance fees	-	-	-	-	-
Affordable housing fees and rents	3,181	225	420	279	218
Other operating revenue	-	-	-	-	-
Foundation community benefit	-	-	-	13	-
Bequests and charitable giving	17	-	-	-	-
Net assets released from restrictions	-	-	-	-	-
Total operating revenues	3,598	225	420	292	218
OPERATING EXPENSES					
Employee costs	1,053	83	175	96	83
Supplies	113	14	20	14	5
Chargeable ancillary services	-	-	-	-	-
Other purchased services	515	45	71	49	41
Marketing and advertising	132	2	-	-	-
Utilities	461	49	55	54	61
Insurance	122	6	15	7	9
Travel and related	25	-	-	-	-
Leases and rents	1	-	3	4	7
Corporate allocations	-	-	-	-	-
Foundation community distribution	-	-	-	-	-
Other operating expenses	473	15	48	35	16
Total operating expenses	2,895	214	387	259	222
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	703	11	33	33	(4)
OTHER OPERATING INCOME (EXPENSE)					
Investment income - net	30	-	-	-	-
Realized gains (losses) on investments - net	(5)	-	-	-	-
Depreciation and amortization	(2,301)	(112)	(202)	(319)	(270)
Mortgage interest	(1,493)	-	(73)	(41)	-
Increase in unrealized loss on interest rate swaps	(521)	-	-	-	-
INCOME (LOSS) FROM OPERATIONS	(3,587)	(101)	(242)	(327)	(274)
Change in unrealized gains and losses on investments	-	-	-	-	-
Loss from early retirement of debt	-	-	-	-	-
Unrealized loss on investment in Las Ventanas bonds	-	-	-	-	-
Gain on forgiveness of funds due to TSJG	-	-	-	-	-
Gain on syndication of Harbor View Manor	-	-	-	-	-
Contribution in aid of construction	8,069	-	-	-	-
Gain from increase in unrecognized pension obligation	-	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	4,482	(101)	(242)	(327)	(274)
TEMPORARILY RESTRICTED NET ASSETS					
Contributions	-	-	-	-	-
Dividend and interest income	-	-	-	-	-
Realized gains on investments - net	-	-	-	-	-
Contractual liability adjustments	-	-	-	-	-
Contractual payments to beneficiaries	-	-	-	-	-
Special project fund distribution	-	-	-	-	-
Loss on disposition of Baptist Senior Adult Ministries	-	-	-	-	-
Change in unrealized gain	-	-	-	-	-
Net assets released from restrictions	-	-	-	-	-
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-	-	-
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	4,482	(101)	(242)	(327)	(274)
NET ASSETS (DEFICIT) - Beginning of year	5,545	(318)	(1,239)	(894)	1,912
NET ASSETS (DEFICIT) - End of year	$ 10,027	$ (419)	$ (1,481)	$ (1,221)	$ 1,638

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012 (continued)
(In Thousands)

UNRESTRICTED NET ASSETS	Salishan Gardens	Three Rivers Village	Subtotal	Eliminations	Total
OPERATING REVENUES					
Residential living	$ -	$ -	$ 40,654	$ -	$ 40,654
Assisted living	-	-	11,061	-	11,061
Health center	-	-	51,871	-	51,871
Memory support	-	-	4,905	-	4,905
Other residential services	-	-	357	-	357
Amortization of entrance fees	-	-	17,817	-	17,817
Affordable housing fees and rents	336	346	8,919	(716)	8,203
Other operating revenue	-	-	14,610	(4,502)	10,108
Foundation community benefit	-	-	906	(906)	-
Bequests and charitable giving	-	-	133	-	133
Net assets released from restrictions	-	-	571	-	571
Total operating revenues	336	346	151,804	(6,124)	145,680
OPERATING EXPENSES					
Employee costs	99	82	77,175	-	77,175
Supplies	8	12	9,456	(48)	9,408
Chargeable ancillary services	-	-	8,063	-	8,063
Other purchased services	39	37	8,433	(716)	7,717
Marketing and advertising	1	-	6,366	(4,058)	2,308
Utilities	60	32	6,282	-	6,282
Insurance	12	9	1,853	-	1,853
Travel and related	-	-	1,282	-	1,282
Leases and rents	8	-	1,279	-	1,279
Corporate allocations	-	-	79	(79)	-
Foundation community distribution	-	-	1,062	(906)	156
Other operating expenses	93	43	4,454	-	4,454
Total operating expenses	320	215	125,784	(5,807)	119,977
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	16	131	26,020	(317)	25,703
OTHER OPERATING INCOME (EXPENSE)					
Investment income - net	-	-	2,538	-	2,538
Realized gains (losses) on investments - net	-	-	2,486	-	2,486
Depreciation and amortization	(275)	(91)	(20,441)	-	(20,441)
Mortgage interest	-	(71)	(8,359)	357	(8,002)
Increase in unrealized loss on interest rate swaps	-	-	(761)	-	(761)
INCOME (LOSS) FROM OPERATIONS	(259)	(31)	1,483	40	1,523
Change in unrealized gains and losses on investments	-	-	6,989	-	6,989
Loss from early retirement of debt	-	-	(824)	-	(824)
Unrealized loss on investment in Las Ventanas bonds	-	-	(5,634)	-	(5,634)
Gain on forgiveness of funds due to TSJG	-	-	13,243	-	13,243
Gain on syndication of Harbor View Manor	-	-	918	7,967	8,885
Contribution in aid of construction	-	-	8,069	-	8,069
Gain from increase in unrecognized pension obligation	-	-	199	-	199
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(259)	(31)	24,443	8,007	32,450
TEMPORARILY RESTRICTED NET ASSETS					
Contributions	-	-	1,004	-	1,004
Dividend and interest income	-	-	275	-	275
Realized gains on investments - net	-	-	54	-	54
Contractual liability adjustments	-	-	250	-	250
Contractual payments to beneficiaries	-	-	(657)	-	(657)
Special project fund distribution	-	-	(385)	-	(385)
Loss on disposition of Baptist Senior Adult Ministries	-	-	(2,316)	-	(2,316)
Change in unrealized gain	-	-	1,114	-	1,114
Net assets released from restrictions	-	-	(571)	-	(571)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	-	(1,232)	-	(1,232)
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	-	-	(114)	-	(114)
INCREASE (DECREASE) IN NET ASSETS	(259)	(31)	23,097	8,007	31,104
NET ASSETS (DEFICIT) - Beginning of year	338	(115)	22,290	(2,133)	20,157
NET ASSETS (DEFICIT) - End of year	$ 79	$ (146)	$ 45,387	$ 5,874	$ 51,261

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) COMMUNITY INFORMATION (ABHOW OBLIGATED GROUP)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)

	Corporate Office	Grand Lake Gardens	Piedmont Gardens	Terraces at Los Altos	Plymouth Village
OPERATING REVENUES					
Residential living	$ -	$ 2,409	$ 6,365	$ 2,173	$ 5,555
Assisted living	-	-	2,115	1,004	1,449
Health center	-	-	7,707	5,211	4,205
Memory support	-	-	1,170	-	694
Other residential services	-	229	95	10	196
Amortization of entrance fees	-	384	2,614	929	1,869
Affordable housing fees and rents	1,920	-	-	-	-
Other operating revenue	4,202	55	204	88	363
Foundation community benefit	54	23	178	58	149
Bequests and charitable giving	8	-	-	-	-
Total operating revenues	6,184	3,100	20,448	9,473	14,480
OPERATING EXPENSES					
Employee costs	11,362	1,595	10,444	5,958	6,798
Supplies	148	296	1,347	676	1,126
Chargeable ancillary services	-	-	860	509	902
Other purchased services	1,693	200	1,204	439	512
Marketing and advertising	120	468	753	3	690
Utilities	249	286	913	360	543
Insurance	169	45	231	119	181
Travel and related	708	4	81	32	35
Leases and rents	870	6	54	39	59
Corporation allocations	(8,131)	247	1,643	748	1,101
Other operating expenses	1,520	72	354	347	316
Total operating expenses	8,708	3,219	17,884	9,230	12,263
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSE)	(2,524)	(119)	2,564	243	2,217
OTHER OPERATING INCOME (EXPENSE)					
Investment income - net	1,526	-	-	-	-
Realized gains on investments - net	516	-	-	-	-
Depreciation and amortization	(280)	(588)	(2,563)	(514)	(2,392)
Mortgage interest	(434)	(124)	(461)	(95)	(341)
Decrease in unrealized loss on interest rate swaps	310	-	-	-	-
INCOME (LOSS) FROM OPERATIONS	(886)	(831)	(460)	(366)	(516)
Change in unrealized gains and losses on investments	2,211	-	-	(840)	-
Contribution in aid of construction	-	-	-	-	-
Gain from change in unrecognized pension obligation	4,299	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	5,624	(831)	(460)	(1,206)	(516)
NET ASSETS (DEFICIT) - Beginning of year, as adjusted	(58,576)	(4,684)	28,338	17,583	7,006
NET ASSETS (DEFICIT) - End of year	$ (52,952)	$ (5,515)	$ 27,878	$ 16,377	$ 6,490

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) COMMUNITY INFORMATION
(ABHOW OBLIGATED GROUP)
FOR THE YEAR ENDED SEPTEMBER 30, 2013 (continued)
(In Thousands)

	Rosewood	Valle Verde	Terrace of Los Gatos	Total
OPERATING REVENUES				
Residential living	$ 3,336	$ 8,397	$ 8,639	$ 36,874
Assisted living	1,493	1,484	1,893	9,438
Health center	8,684	8,248	8,201	42,256
Memory support	886	1,340	48	4,138
Other residential services	51	303	16	900
Amortization of entrance fees	432	3,942	4,883	15,053
Affordable housing fees and rents	-	-	-	1,920
Other operating revenue	242	603	256	6,013
Foundation community benefit	67	294	48	871
Bequests and charitable giving	-	-	-	8
Total operating revenues	15,191	24,611	23,984	117,471
OPERATING EXPENSES				
Employee costs	7,534	11,183	8,665	63,539
Supplies	1,198	1,824	1,344	7,959
Chargeable ancillary services	1,856	1,146	935	6,208
Other purchased services	726	1,210	617	6,601
Marketing and advertising	677	573	574	3,858
Utilities	597	853	836	4,637
Insurance	172	246	178	1,341
Travel and related	35	73	51	1,019
Leases and rents	31	90	33	1,182
Corporation allocations	1,146	1,796	1,450	-
Other operating expenses	371	347	331	3,658
Total operating expenses	14,343	19,341	15,014	100,002
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSE)	848	5,270	8,970	17,469
OTHER OPERATING INCOME (EXPENSE)				
Investment income - net	-	1	-	1,527
Realized gains on investments - net	-	-	-	516
Depreciation and amortization	(1,322)	(2,691)	(2,590)	(12,940)
Mortgage interest	(445)	(687)	(2,235)	(4,822)
Decrease in unrealized loss on interest rate swaps	-	-	-	310
INCOME (LOSS) FROM OPERATIONS	(919)	1,893	4,145	2,060
Change in unrealized gains and losses on investments	-	-	-	1,371
Contribution in aid of construction	-	-	500	500
Gain from change in unrecognized pension obligation	-	-	-	4,299
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(919)	1,893	4,645	8,230
NET ASSETS (DEFICIT) - Beginning of year, as adjusted	(13,493)	31,041	8,431	15,646
NET ASSETS (DEFICIT) - End of year	$ (14,412)	$ 32,934	$ 13,076	$ 23,876

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTAL SCHEDULES – STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) COMMUNITY INFORMATION
(ABHOW OBLIGATED GROUP)
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(In Thousands)

	Corporate Office	Grand Lake Gardens	Piedmont Gardens	Terraces at Los Altos	Plymouth Village
OPERATING REVENUES					
Residential living	$ -	$ 2,448	$ 5,605	$ 2,527	$ 5,078
Assisted living	-	-	2,112	819	1,466
Health center	-	-	9,192	6,316	3,908
Memory support	-	-	1,208	-	653
Other residential services	-	241	107	102	216
Amortization of entrance fees	-	378	2,475	1,531	2,131
Affordable housing fees and rents	1,685	-	-	-	-
Other operating revenue	5,702	67	236	118	298
Foundation community benefit	54	23	175	58	141
Bequests and charitable giving	10	-	2	-	-
Total operating revenues	7,451	3,157	21,112	11,471	13,891
OPERATING EXPENSES					
Employee costs	10,210	1,515	10,541	6,333	6,299
Supplies	203	288	1,260	723	1,054
Chargeable ancillary services	-	-	1,166	826	1,105
Other purchased services	1,525	215	1,295	515	595
Marketing and advertising	74	525	740	6	568
Utilities	320	292	845	355	456
Insurance	69	43	272	114	174
Travel and related	599	10	42	17	32
Leases and rents	765	19	59	30	36
Corporation allocations	(9,519)	264	1,574	882	1,063
Other operating expenses	1,435	111	418	200	283
Total operating expenses	5,681	3,282	18,212	10,001	11,665
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	1,770	(125)	2,900	1,470	2,226
OTHER OPERATING INCOME (EXPENSE)					
Investment income - net	1,645	-	-	-	-
Realized gains on investments - net	1,686	-	-	-	-
Depreciation and amortization	(327)	(662)	(2,802)	(562)	(2,413)
Mortgage interest	(655)	(117)	(450)	(103)	(341)
Increase in unrealized loss on interest rate swaps	(36)	-	-	-	-
INCOME (LOSS) FROM OPERATIONS	4,083	(904)	(352)	805	(528)
Change in unrealized gains and losses on investments	3,723	-	-	-	-
Gain on transfer of Terraces of San Joaquin Gardens	13,243	-	-	-	-
Loss from change in unrecognized pension obligation	199	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	21,248	(904)	(352)	805	(528)
NET ASSETS (DEFICIT) - Beginning of year	(79,824)	(3,780)	28,690	16,778	7,534
NET ASSETS (DEFICIT) - End of year	$ (58,576)	$ (4,684)	$ 28,338	$ 17,583	$ 7,006

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) COMMUNITY INFORMATION (ABHOW OBLIGATED GROUP)
FOR THE YEAR ENDED SEPTEMBER 30, 2012 (continued)
(In Thousands)

	Rosewood	Valle Verde	Terrace of Los Gatos	Total
OPERATING REVENUES				
Residential living	$ 3,060	$ 8,112	$ 8,052	$ 34,882
Assisted living	1,812	1,349	1,943	9,501
Health center	7,413	8,614	7,979	43,422
Memory support	23	1,379	-	3,263
Other residential services	43	134	75	918
Amortization of entrance fees	475	4,370	4,950	16,310
Affordable housing fees and rents	-	-	-	1,685
Other operating revenue	249	593	209	7,472
Foundation community benefit	60	287	45	843
Bequests and charitable giving	-	-	-	12
Total operating revenues	13,135	24,838	23,253	118,308
OPERATING EXPENSES				
Employee costs	6,763	10,444	8,207	60,312
Supplies	1,078	1,672	1,346	7,624
Chargeable ancillary services	1,594	1,225	1,080	6,996
Other purchased services	765	1,030	566	6,506
Marketing and advertising	646	546	565	3,670
Utilities	563	878	805	4,514
Insurance	165	233	171	1,241
Travel and related	40	34	49	823
Leases and rents	63	94	14	1,080
Corporation allocations	1,095	1,721	1,394	(1,526)
Other operating expenses	139	395	310	3,291
Total operating expenses	12,911	18,272	14,507	94,531
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	224	6,566	8,746	23,777
OTHER OPERATING INCOME (EXPENSE)				
Investment income - net	-	2	-	1,647
Realized gains on investments - net	-	-	-	1,686
Depreciation and amortization	(1,168)	(2,836)	(2,700)	(13,470)
Mortgage interest	(442)	(653)	(2,276)	(5,037)
Increase in unrealized loss on interest rate swaps	-	-	-	(36)
INCOME (LOSS) FROM OPERATIONS	(1,386)	3,079	3,770	8,567
Change in unrealized gains and losses on investments	-	-	-	3,723
Gain on transfer of Terraces of San Joaquin Gardens	-	-	-	13,243
Loss from change in unrecognized pension obligation	-	-	-	199
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(1,386)	3,079	3,770	25,732
NET ASSETS (DEFICIT) - Beginning of year	(12,107)	27,962	4,661	(10,086)
NET ASSETS (DEFICIT) - End of year	$ (13,493)	$ 31,041	$ 8,431	$ 15,646

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF CASH FLOWS
(ABHOW OBLIGATED GROUP)
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012
(In Thousands)

	2013	2012
OPERATING ACTIVITIES		
Cash received for resident services	$ 91,264	$ 91,317
Cash received for entrance fees from reoccupancy	21,161	21,497
Cash received from other operating activities	17,447	11,130
Cash received from bequests and trust maturities	8	-
Cash earnings realized from investments	1,829	3,120
Cash paid for employee salaries	(44,521)	(43,110)
Cash paid for employee benefits	(12,908)	(12,445)
Cash paid for temporary labor and recruitment	(4,111)	(4,698)
Cash paid to vendors	(43,830)	(35,782)
Cash paid for interest, net of amounts capitalized	(5,478)	(4,376)
Net cash provided by operating activities	20,861	26,653
INVESTING ACTIVITIES		
Acquisition of land, buildings, and equipment - CCRCs	(45,048)	(17,148)
Acquisition of land, buildings, and equipment - Affordable Housing	-	(339)
Proceeds from reimbursement of capital expenditures - Affordable Housing	743	-
Purchases of restricted cash	(4,733)	(9,882)
Purchase of unrestricted investments	(16,231)	(15,974)
Proceeds from sale of unrestricted investments	14,580	24,141
Purchase of restricted investments	(144,333)	(23,291)
Cash utilized from restricted investments	85,126	26,540
Net cash used in investing activities	(109,896)	(15,953)
FINANCING ACTIVITIES		
Cash received from initial entrance fees and deposits	2,628	5,236
Refunds of deposits and refundable fees	(2,625)	(3,077)
Net proceeds from issuance of notes and bonds payable - CCRCs	93,032	3,000
Cash paid for deferred debt issuance costs - CCRCs	(1,486)	(495)
Principal payments of notes and bonds payable - CCRCs	(2,718)	(2,910)
Cash received from capital contributions	500	-
Cash paid for intercompany and interaffiliate transactions	(1,856)	(11,554)
Net cash provided by (used in) financing activities	87,475	(9,800)
CHANGE IN CASH AND CASH EQUIVALENTS	(1,560)	900
CASH AND CASH EQUIVALENTS - Beginning of year	8,918	8,018
CASH AND CASH EQUIVALENTS - End of year	$ 7,358	$ 8,918

SUPPLEMENTARY INFORMATION – STATEMENTS OF CASH FLOWS (ABHOW OBLIGATED GROUP)
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (continued)
(In Thousands)

	2013	2012
OPERATING ACTIVITIES		
Increase in net assets	$ 8,230	$ 25,732
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Amortization of entrance fees	(15,053)	(16,310)
Entrance fees from reoccupancy	21,161	21,497
Amortization of deferred revenue from investment contract	(213)	(213)
Depreciation and amortization	12,940	13,470
Change in unrealized gains on investments - net	(1,371)	(3,723)
Gain on forgiveness of funds due to TSJG	-	(13,243)
Change in net unrecognized pension obligation	(4,299)	(199)
Loss from early retirement of debt	-	824
Change in accounts receivable from residents and clients	(2,072)	(2,057)
Change in prepaid expenses and deposits	(473)	269
Other changes in operating assets and liabilities - net	2,011	606
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 20,861	$ 26,653
NONCASH DISCLOSURES		
Acquisition of buildings and equipment financed through accounts payable and accrued expenses	$ 4,292	$ 1,057

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF CASH FLOWS
(JUDSON PARK)
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012
(In Thousands)

	2013	2012
OPERATING ACTIVITIES		
Cash received for resident services	$ 16,580	$ 16,309
Cash received for entrance fees for occupancy	2,752	2,604
Cash received for other operating activities	366	(955)
Cash received from bequests and trust maturities	3	3
Cash earnings realized from investments	64	87
Cash paid for employee salaries	(6,915)	(6,861)
Cash paid for employee benefits	(2,078)	(1,943)
Cash paid for temporary labor and recruitment	(584)	(535)
Cash paid to vendors	(6,342)	(5,129)
Cash paid for interest, net of amounts capitalized	(847)	(946)
Net cash provided by operating activities	2,999	2,634
INVESTING ACTIVITIES		
Acquisition of land, buildings, and equipment - CCRCs	(476)	(797)
Purchase of unrestricted investments	(92)	(86)
Proceeds from sale of unrestricted investments	27	-
Purchase of restricted investments	(118)	-
Proceeds from sale of restricted investments	-	288
Net cash used in investing activities	(659)	(595)
FINANCING ACTIVITIES		
Refunds of deposits and refundable fees	(1,228)	(1,040)
Net proceeds from issuance of notes and bonds payable - CCRCs	-	21,505
Principal payments of notes and bonds payable - CCRCs	(799)	(22,201)
Cash paid for deferred debt issuance costs - CCRCs	-	(522)
Cash (paid) received from intercompany transactions	(30)	2,141
Net cash used in financing activities	(2,057)	(117)
INCREASE IN CASH AND CASH EQUIVALENTS	283	1,922
CASH AND CASH EQUIVALENTS - Beginning of year	6,079	4,157
CASH AND CASH EQUIVALENTS - End of year	$ 6,362	$ 6,079

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF CASH FLOWS
(JUDSON PARK)
FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012 (continued)
(In Thousands)

	2013	2012
OPERATING ACTIVITIES		
Decrease (increase) in net deficit	$ 286	$ (2,061)
Adjustments to reconcile decrease (increase) in net deficit to net cash provided by operating activities		
Amortization of entrance fees	(2,420)	(1,507)
Entrance fees for occupancy	2,752	2,604
Depreciation and amortization	2,632	2,674
Increase in unrealized gains on investments - net	96	1
Loss from early retirement of debt	-	651
Change in unrealized loss on interest rate swaps	(434)	204
Change in accounts receivable from residents and clients	(40)	(60)
Change in prepaid expenses and deposits	(5)	62
Other changes in operating assets and liabilities - net	132	66
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,999	$ 2,634

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CONTRACTS BRANCH

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules with
Supplementary Schedules

American Baptist Homes of the West and Affiliates

As of and for the year ended September 30, 2013

MOSS-ADAMS LLP

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REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Directors
American Baptist Homes of the West and Affiliates

Report on the Financial Statements

We have audited the accompanying financial statements of American Baptist Homes of the West and Affiliates, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended September 30, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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.

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 continuing care reserve of American Baptist Homes of the West and Affiliates as of and for the year ended September 30, 2013, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by American Baptist Homes of the West and Affiliates on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying supplementary schedules of Attachment I to Form 5-4: Deductions From Operating Expenses, Description of Reserves Under SB 1212, and Per Capita Cost of Operations, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic 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. The information has been subjected to the auditing procedures applied in the audit of financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the 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 financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of American Baptist Homes of the West and Affiliates and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

San Francisco, California
January 28, 2014

CONTINUING CARE LIQUID RESERVE SCHEDULES

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	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	09/01/06	$1,765,000	$14,700	$675,000	$2,454,700
2	10/01/10	$720,000	$6,056,027	$162,028	$6,938,055
3	01/05/12		$160,661		$160,661
4	Certs. Of Part		$4,350		$4,350
5					$0
6					$0
7					$0
8					$0
		TOTAL:	$6,235,738	$837,028	$9,557,766

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

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

FORM 5-2
LONG-TERM DEBT INCURRED DURING FISCAL YEAR
(Including Balloon Debt)

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	02/01/13	$1,407,937	$181,031	12	$2,172,372
2	02/01/13	$35,130	$38,395	12	$460,740
3					$0
4					$0
5					$0
6					$0
	TOTAL:	$1,443,067	$219,426	24	$2,633,112

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

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

Note 1: Debt incurred for the year refers to the Series 2013 Revenue Bonds issued by the California Statewide Communities Development Authority dated February 1, 2013 to finance or reimburse ABHOW for the costs of acquiring, constructing, expanding, remodeling, renovating, furnishing, and equipping Terraces at Los Altos, in the amount of $71,250,000. Debt incurred for the year also refers to the Terraces of Los Altos Equipment Loan issued in February 2013.

FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$9,557,766
2	Total from Form 5-2 bottom of Column (e)	$2,633,112
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$1,182,000
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$13,372,878

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES (TERRACES AT LOS ALTOS)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

1		Total operating expenses from financial statements		$9,839,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$92,962	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$2,038	
	c.	Depreciation	$514,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$1,417,332	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$2,026,332
4		Net Operating Expenses		$7,812,668
5		Divide Line 4 by 365 and enter the result.		$21,405
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$1,605,375

PROVIDER: American Baptist Homes of the West and Affiliates
COMMUNITY: Terraces at Los Altos

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$3,931,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$123,436	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$564	
	c.	Depreciation	$588,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$670,806	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$1,382,806
4		Net Operating Expenses		$2,548,194
5		Divide Line 4 by 365 and enter the result.		$6,981
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$523,575

PROVIDER: American Baptist Homes of the West and Affiliates
COMMUNITY: Grand Lake Gardens

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$20,908,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$458,895	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$2,105	
	c.	Depreciation	$2,563,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$2,568,028	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$5,592,028
4		Net Operating Expenses		$15,315,972
5		Divide Line 4 by 365 and enter the result.		$41,962
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$3,147,150

PROVIDER: American Baptist Homes of the West and Affiliates
COMMUNITY: Piedmont Gardens

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES (PLYMOUTH VILLAGE)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$14,996,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$339,443	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$1,557	
	c.	Depreciation	$2,392,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$596,573	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$3,329,573
4		Net Operating Expenses		$11,666,427
5		Divide Line 4 by 365 and enter the result.		$31,963
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,397,225

PROVIDER: American Baptist Homes of the West and Affiliates
COMMUNITY: Plymouth Village

FOR THE YEAR ENDED SEPTEMBER 30, 2013

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$22,719,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$679,938	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$7,062	
	c.	Depreciation	$2,691,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$1,456,514	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$4,834,514
4		Net Operating Expenses		$17,884,486
5		Divide Line 4 by 365 and enter the result.		$48,999
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$3,674,925

PROVIDER: American Baptist Homes of the West and Affiliates
COMMUNITY: Valle Verde

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$16,110,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$442,969	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$2,031	
	c.	Depreciation	$1,322,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$3,721,624	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$5,488,624
4		Net Operating Expenses		$10,621,376
5		Divide Line 4 by 365 and enter the result.		$29,100
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,182,500

PROVIDER: American Baptist Homes of the West and Affiliates
COMMUNITY: Rosewood

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES (TERRACES OF LOS GATOS)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$19,839,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$2,224,796	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$10,204	
	c.	Depreciation	$2,590,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$1,355,351	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$6,180,351
4		Net Operating Expenses		$13,658,649
5		Divide Line 4 by 365 and enter the result.		$37,421
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,806,575

PROVIDER: American Baptist Homes of the West and Affiliates
COMMUNITY: Terraces of Los Gatos

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-5
ANNUAL RESERVE CERTIFICATION

SEPTEMBER 30, 2013

FORM 5-5

Provider Name: American Baptist Homes of the West and Affiliates
Fiscal Year Ended: 2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 9/30/2013 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	$13,372,878
[2]	Operating Expense Reserve Amount	$16,337,325
[3]	**Total Liquid Reserve Amount:**	$29,710,203

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		$7,837,328
[5]	Investment Securities	$95,966,914		$23,489,137
[6]	Equity Securities	$0		$64,672,600
[7]	Unused/Available Lines of Credit	$0		$0
[8]	Unused/Available Letters of Credit	$0		$0
[9]	Debt Service Reserve	$14,123,171		(not applicable)
[10]	Other: (describe qualifying asset)			
	Listed for Reserve Obligation: [11]	$110,090,085	[12]	$95,999,065
	Reserve Obligation Amount: [13]	$13,372,878	[14]	$16,337,325
	Surplus/(Deficiency): [15]	$96,717,207	[16]	$79,661,740

Signature:

Paul S. Clausen

(Authorized Representative)

Date: January 31, 2014

SVP Finance/Chief Financial Officer
(Title)

SUPPLEMENTARY SCHEDULES

American Baptist Homes of the West
OPERATING EXPENSES
ATTACHMENT II TO FORM 5-4
STATE OF CALIFORNIA - DEPARTMENT OF SOCIAL SERVICES
September 30, 2013

Line	Description	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos
1	Total operating expenses from financial statements							
	Total operating expenses from financial statements as reported	$ 9,230,000	$ 3,219,000	$ 17,884,000	$ 12,263,000	$ 19,341,000	$ 14,343,000	$ 15,014,000
	Add:							
	Depreciation and amortization	514,000	588,000	2,563,000	2,392,000	2,691,000	1,322,000	2,590,000
	Mortgage interest	95,000	124,000	461,000	341,000	687,000	445,000	2,235,000
	Less:							
	Investment income - net	-	-	-	-	(1)	-	-
	Total for Line 1	$ 9,839,000	$ 3,931,000	$ 20,908,000	$ 14,996,000	$ 22,719,000	$ 16,110,000	$ 19,839,000

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
ATTACHMENT II TO FORM 5-4: DEDUCTIONS FROM OPERATING EXPENSE
OPERATING EXPENSES FROM FINANCIAL STATEMENTS
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Line	Description	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos	ABHOW Obligated Group
2e	Total Revenues received during the fiscal year for services to resident who did not have a continuing care contract								
40201	Monthly Fees – Private (Non-Contract)	$ 1,344,863	$ 660,430	$ 2,545,918	$ 580,737	$ 1,427,875	$ 3,651,316	$ 1,325,865	$ 11,537,003
40221	Second Person Fee - PP	-	10,326	-	600	-	28,424	-	39,350
41001	Monthly Fees - Wellness - Private (Non-Contract)	-	50	-	-	-	27,255	-	27,305
43101	Laboratory – Private (Non-Contract)	-	-	-	-	-	53	-	53
43201	Physical Therapy – Private (Non-Contract)	3,715	-	960	(292)	-	(836)	9,043	12,590
43211	Occupational Therapy – Private (Non-Contract)	4,615	-	-	44	8,069	182	-	12,910
43221	Speech Therapy – Private (Non-Contract)	-	-	-	150	920	-	600	1,670
43301	Chargeable Supplies – Private (Non-Contract)	52,994	-	17,401	14,508	15,995	15,038	18,613	134,549
43321	Drugs – Private (Non-Contract)	11,145	-	3,661	43		192	657	15,697
43331	Oxygen – Private (Non-Contract)	-	-	88	783	3,655	-	573	5,099
	Total for Line 2e	$ 1,417,332	$ 670,806	$ 2,568,028	$ 596,573	$ 1,456,514	$ 3,721,624	$ 1,355,351	$ 11,786,228
	Residential Living Fees Reconciliations								
40201	Monthly Fees – Private (Non-Contract)	$ -	$ 660,430	$ -	$ 7,461	$ -	$ 1,485,914	$ -	$ 2,153,805
40221	Second Person Fee - PP	-	10,326	-	600	-	24,070	-	34,996
	Total (Non-Contract)	-	670,756	-	8,061	-	1,509,984	-	2,188,801
	Contract	2,172,704	1,738,178	6,364,730	5,547,130	8,397,111	1,826,259	8,639,781	34,685,893
	Total Resident Fees	$ 2,172,704	$ 2,408,934	$ 6,364,730	$ 5,555,191	$ 8,397,111	$ 3,336,243	$ 8,639,781	$ 36,874,694
	Assisted Living Fees Reconciliation								
40201	Monthly Fees – Private (Non-Contract)	$ -	$ -	$ 524,745	$ 9,379	$ -	$ 1,060,193	$ 75,445	$ 1,669,762
40221	Second Person Fee - PP	-	-	-	-	-	4,364	-	4,364
41001	Monthly Fees - Wellness - Private (Non-Contract)	-	-	-	-	-	25,325	-	25,325
43301	Chargeable Supplies - Private (Non-Contract)	-	-	-	-	-	50	-	50
44321	Drugs - Private (Non-Contract)	-	-	-	-	-	-	(35)	(35)
	Total (Non-Contract)	-	-	524,745	9,379	-	1,089,932	75,410	1,699,466
	Contract	1,004,164	-	1,589,844	1,439,461	1,483,670	402,996	1,817,514	7,737,649
	Total Assisted Living Fees	$ 1,004,164	$ -	$ 2,114,589	$ 1,448,840	$ 1,483,670	$ 1,492,928	$ 1,892,924	$ 9,437,115
	Health Center Fees Reconciliation								
40201	Monthly Fees – Private (Non-Contract)	$ 1,344,863	$ -	$ 1,726,838	$ 563,897	$ 1,338,670	$ 607,666	$ 1,223,008	$ 6,804,942
43101	Laboratory – Private (Non-Contract)	-	-	-	-	-	53	-	53
43201	Physical Therapy – Private (Non-Contract)	3,715	-	960	(292)	-	(836)	9,043	12,590
43211	Occupational Therapy – Private (Non-Contract)	4,615	-	-	44	8,069	182	-	12,910
43221	Speech Therapy – Private (Non-Contract)	-	-	-	150	920	-	600	1,670
43301	Chargeable Supplies – Private (Non-Contract)	52,994	-	17,401	14,508	15,995	14,938	18,613	134,499
43321	Drugs – Private (Non-Contract)	11,145	-	3,661	43	-	132	693	15,724
43331	Oxygen – Private (Non-Contract)	-	-	88	783	3,654	-	573	5,098
	Total (Non-Contract)	1,417,332	-	1,748,948	579,133	1,367,308	622,235	1,252,530	6,987,486
	Contract	3,793,822	-	7,685,353	3,626,203	6,880,860	8,061,452	6,948,652	36,996,342
	Total Health Center Fees Reconciliation	$ 5,211,154	$ -	$ 9,434,301	$ 4,205,336	$ 8,248,168	$ 8,683,687	$ 8,201,182	$ 43,983,828
	Other Resident Svc. Reconciliation								
40201	Monthly Fees – Private (Non-Contract)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
40221	Second Person Fee - PP	-	-	-	-	-	-	-	-
41001	Monthly Fees - Wellness - Private (Non-Contract)	-	50	-	-	-	1,930	-	1,980
43301	Chargeable Supplies – Private (Non-Contract)	-	-	-	-	-	-	-	-
	Total (Non-Contract)	-	50	-	-	-	1,930	-	1,980
	Contract	10,332	228,995	1,265,048	889,882	1,642,768	935,113	62,854	5,034,992
	Total Other Revenue	$ 10,332	$ 229,045	$ 1,265,048	$ 889,882	$ 1,642,768	$ 937,043	$ 62,854	$ 5,036,972

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-5
SUPPLEMENTARY SCHEDULE – DESCRIPTION OF RESERVES UNDER SB 1212

Description of Reserves under SB 1212		Comments in Consistency with Tax Exempt Status Under AB 1169
Total Qualifying Assets as Filed:		
Cash and Cash Equivalents	$ 7,837,328	
Unrestricted Investment Securities	92,303,720	
Subtotal Cash and Unrestricted Investment Securities	100,141,048	
Reserved for Workers Compensation	(4,163,801)	Securities collateral required to back letters of credit supporting partially self-insured workers compensation program as described in Note 10 to the audited financial statements.
Total Qualifying Assets as Filed:	95,977,247	
Reservations and Designations:		
Reserved for Refundable Entrance Fees - Terraces of Los Gatos	292,477	Refundable entrance fees received during 1990's on this campus and subject to refund provisions under Section 1792.6 of CC Statutes.
Designated for Endowment	36,134,000	Foundation unrestricted endowment funds that qualify for liquid reserves but are not available for operations. The Foundation does provide a guarantee for debt service as described in Note 7 to the audited financial statements. Earnings from the endowment funds are distributed to the communities for assistance with benevolence needs of residents.
Designated for 457(f)	5,523,000	Assets included in non-qualified retirement plan that is subject to the claims of creditors as discussed in Note 9 to
Designated for Claims	1,255,000	Claims and legal actions in the ordinary course of business as described in Note 14 to the audited financial statements.
Designated for Corporate Reserves	12,923,370	Per Executive Limitation #5 of the Board, a minimum of 45 days cash on hand must be maintained for working capital.
Designated for Guarantees	6,000,000	As discussed in Note 14 to the audited financial statements, ABHOW has provided temporary guarantees for a number of affordable housing communities as provided for in its master trust indenture. While ABHOW does not anticipate having to fund the guarantees, a designation of 20% of the maximum $30,000,000 is reflected as an estimate. Expanding affordable housing is consistent with ABHOW's mission statement and the Board's strategic objectives.
Designated for Commitments and Contingencies	10,000,000	
Designated for Campus Redevelopment	10,000,000	Two of ABHOW's campuses (Terraces at Los Altos and Valle Verde) are close to embarking on major redevelopment for the benefit of current and future residents. While certain borrowings have been restricted for this purpose, it is anticipated that unrestricted cash will likely have to be utilized for a portion of the developments to help manage the aggregate financing costs.
Total Reservations and Designations	82,127,847	
Remaining Liquid Reserves	$ 13,849,400	Reserves needed for general liquidity consistent with maintaining a credit rating of BBB with a positive effect on aggregate capital costs.

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-5
SUPPLEMENTARY SCHEDULE – PER CAPITA COST OF OPERATIONS

Per Capita Cost of Operations		
Operating Expenses (Form 5-4 line 1)	$	108,342,000
Mean Number of CCRC Residents (Form 1-1 line 10)		1,633
Per Capita Cost of Operations	$	66,345

NOTE 1 – BASIS OF ACCOUNTING

The accompanying reserve reports have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of American Baptist Homes of the West and Affiliates' assets, liabilities, revenues, and expenses.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	**$ 1,890 – 3,484**	**NA**	**NA**
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**4.00%**		

☐ Check here if monthly service fees at this community were <u>not</u> 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: November 01, 2012
(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.

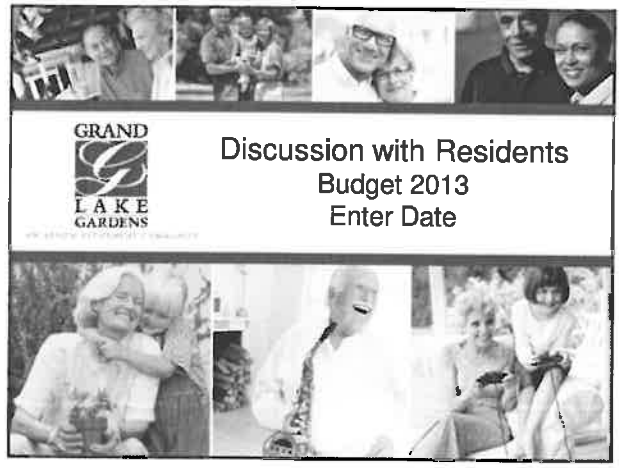
☑ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

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

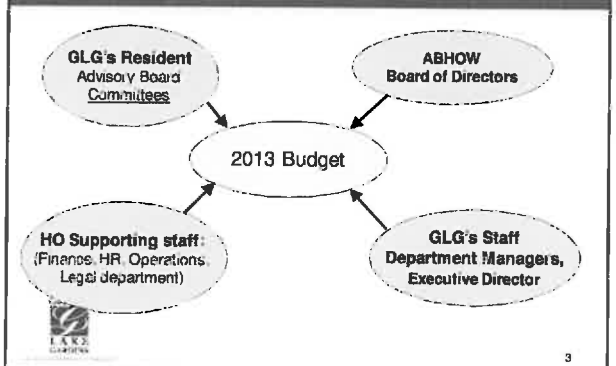
☑ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

PROVIDER: American Baptist Homes of the West
COMMUNITY: Grand Lake Gardens



Budget Team



Rate Increase

Effective December 1, 2012

- The Residences: 4.00 %

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Assumptions

Budgeted Occupancy Assumptions

The Residences = 86.0 %

Recent Fee Increase History (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Residences	4.50	4.90	5.00	3.95	3.50	4.75	2.90	4.50	4.90	4.00

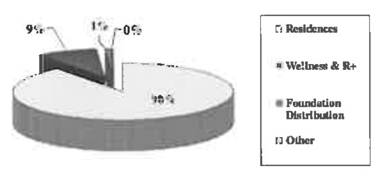
10 Year Average Rate Increase The Residences	5 Year Average Rate Increase The Residences
4.29%	4.21%

ABHOW Rate Increase History

		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Lake Gardens	The Residences	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	The Residences	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Lodge	[illegible]	4.10%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Villages	[illegible]	[illegible]	4.20%	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	The Residences	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Lodge	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Villages	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	The Residences	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Lodge	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Villages	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rosewood	The Residences	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Lodge	3.00%	[illegible]	[illegible]	[illegible]	3.00%	[illegible]	[illegible]
	The Villages	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.00%	[illegible]
Terraces at Los Altos	The Residences	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Lodge	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Villages	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.00%	[illegible]
Terraces of Los Gatos	The Residences	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Lodge	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Villages	4.96%	[illegible]	[illegible]	[illegible]	4.00%	[illegible]	2.50%
Terraces at San Joaquin Gardens	The Residences	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Lodge	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.90%	[illegible]
	The Villages	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.50%	4.00%
Valle Verde	The Residences	[illegible]	3.50%	3.75%	[illegible]	[illegible]	[illegible]	[illegible]
	The Lodge	[illegible]	[illegible]	[illegible]	[illegible]	3.00%	[illegible]	[illegible]
	The Villages	[illegible]	[illegible]	[illegible]	[illegible]	3.00%	[illegible]	[illegible]
Simple Averages	The Residences	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Lodge	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	The Villages	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

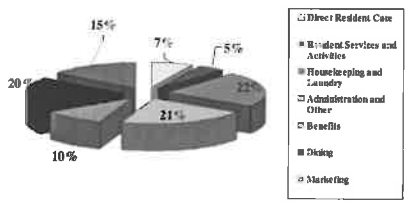
[illegible] in bold face type

Revenue Sources



Budget 2013

Expenses



Budget 2013

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Operating Revenue

(in $000)	2012 Budget	2013 Budget	Change
The Residences	$2,729	$2,586	(143)
Wellness (Res. +)	293	253	(40)
Other Operating Revenue	56	48	(8)
Foundation Distributions	23	23	0
Operating Revenue	**3,101**	**2,910**	**(191)**

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Operating Expenses

(in $000)	2012 Budget	2013 Budget	Change
Direct Resident Care	267	213	(54)
Dining Services	607	627	20
Resident Services & Activities	144	148	4
Housekeeping & Maintenance	712	700	(12)
Sales & Marketing	344	460	116
Administration & Other	657	592	(65)
Property	67	79	12
Employee Benefits	333	325	(8)
Operating Expenses	**3,131**	**3,144**	**13**

Factors Affecting Cost Increases

- Employee Costs
  - Wage increases budgeted at 3.0%
  - Benefit burden expected to be at 31.28%
- Marketing increasing by $117,000

- 1.0% increase in Residences' rates adds $21,000 in operating revenue.

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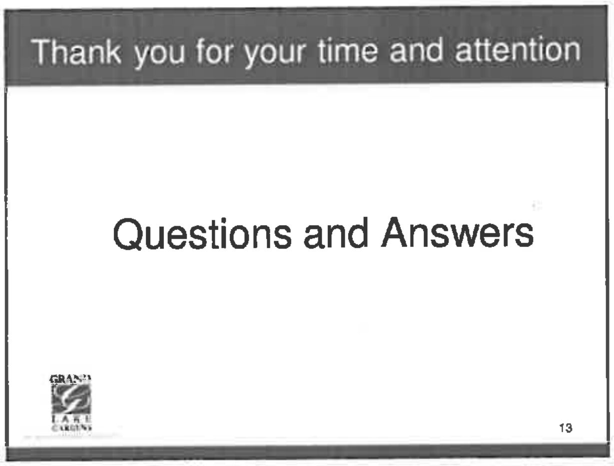
Thank you for your time and attention
Questions and Answers
13

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	**\$ 3,153 – 3,259**	**\$ 4,474–10,845**	**\$ 259 – 404 per day**
	2nd Person Fee	**\$282**		
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**4.00%**	**3.50%**	**3.50 %**

☐ Check here if monthly service fees at this community were <u>not</u> 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: December 1, 2012
(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.

PROVIDER: American Baptist Homes of the West
COMMUNITY: Piedmont Gardens

PIEDMONT GARDENS

Discussion with Residents
Budget FY 2013
[Enter Date]

Budget Team

- PG's Resident Advisory Board Finance Committee → 2013 Budget
- ABHOW Board of Directors → 2013 Budget
- HO Supporting staff: (Finance, HR, Operations) → 2013 Budget
- Executive Director Department Managers → 2013 Budget

PIEDMONT GARDENS 3

Rate Increase

Effective December 1, 2012

- Residential Living: 4.00 %
- Assisted Living: 3.50 %
- Memory Support: 3.50 %
- Garden Terrace: 3.50 %

PIEDMONT GARDENS 4

Assumptions

Residential Living: each 1% increase equal to approximately $49,000 in additional revenue realized
Assisted Living: each 1% increase equal to approximately $16,000 in additional revenue realized
Grove: each 1% increase equal to approximately $10,000 in additional revenue realized
Garden Terrace: each 1% increase equal to approximately $22,000 in additional revenue realized.

Budgeted Occupancy Assumptions
Residential Living = 88.1%
Assisted Living = 58.3%
The Grove = 93.8%
Garden Terrace = 78.4%

PIEDMONT

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Recent Fee Increase History (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Residential Living	4.00	4.90	5.00	4.50	3.85	3.85	2.90	3.00	4.90	**4.00**
Assisted Living	4.00	4.90	5.00	5.00	4.50	3.95	3.50	3.00	4.90	**3.50**
Garden Terrace	4.00	4.90	9.50	5.00	3.75	3.95	3.50	3.00	4.00	**3.50**
Memory Support									4.90	**3.50**

10 Year Average Rate Increase Residential Living	**5 Year Average Rate Increase Residential Living**
4.09%	3.73%

PIEDMONT

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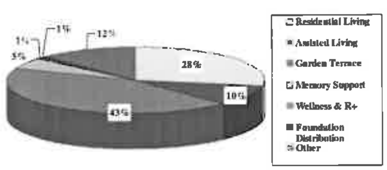
Revenue Sources



Budget 2013

PIEDMONT

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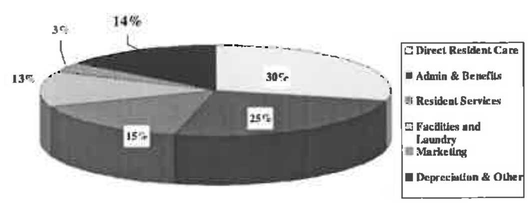
Expenses



Budget 2013

PIEDMONT

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Operating Revenue

(in $000)	2012 Budget	2013 Budget	Change
Residential Living	6,036	6,114	78
Assisted Living	2,165	2,189	24
Garden Terrace	8,684	9,364	680
The Grove	1,196	1,189	-7
Wellness	126	118	-8
Other Operating Revenue	141	176	35
Foundation Distributions	175	178	3
Operating Revenue	**18,523**	**19,328**	**805**

PIEDMONT GARDENS

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Operating Expenses

(in $000)	2012 Budget	2013 Budget	Change
Direct Resident Care	5,863	6,138	275
Resident Services & Activities	3,111	3,275	164
Facilities & Laundry	2,369	2,393	24
Sales & Marketing	631	720	89
Administration, Benefits, HR & IT	4,921	5,370	449
Property	315	332	17
Operating Expenses	**17,210**	**18,228**	**1,018**

PIEDMONT GARDENS

10

Operating Margins

	2012 Budget	2013 Budget	Change
Operating Revenues	$ 18,523	19,328	805
Operating Expenses	$ 17,210	18,228	(1,018)
Operating Margin	**1,313**	**1,100**	**(213)**
Less Interest on debt:			
Interest Expense	453	455	(2)
Cash Operating Margin	**860**	**645**	**(215)**

PIEDMONT GARDENS

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Factors Affecting Cost Increases

- Salaries and Benefits increase by $595,000 (salaries/wages increase by 3.0% and fringe benefits increase by $505,000)
- Supplies increase by $80,000 (dining food supplies increase by $85,000)
- Ancillary Services Expenses (e.g. therapies) increase by $233,000 due to higher MCA & MC census
- Marketing expenses increasing by $89,000
  - To improve occupancy

PIEDMONT GARDENS

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Thank you for your time and attention

Questions and Answers

13

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	**$2,633**	**$4,731 - $6,332**	**$238 - $308 per day**
	2nd person fee	**$1,197**		
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**3.50%**	**2.00%**	**2.00%**

☐ 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: Residential Living on January 1, 2013; all others on October 1, 2012

(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.

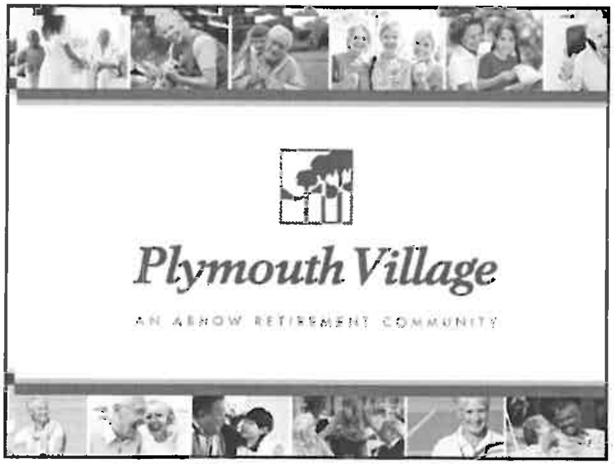
☑ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

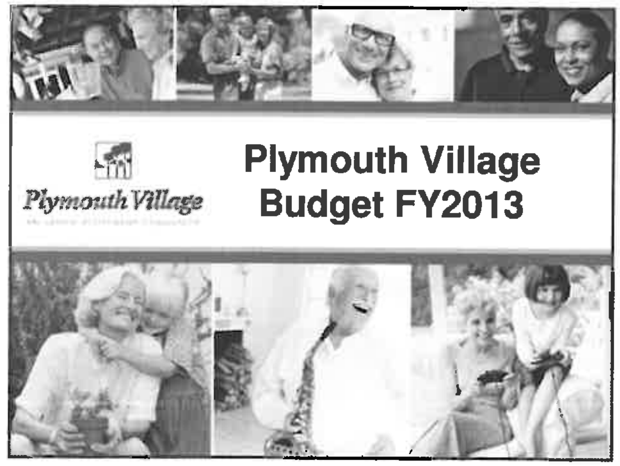
☑ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☑ 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.

PROVIDER: American Baptist Homes of the West
COMMUNITY: Plymouth Village





Assumptions

Budgeted Occupancy Assumptions

The Residences = 88.1%

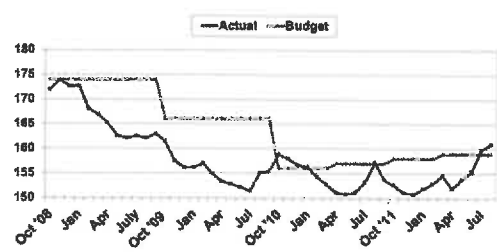
The Lodge = 93.3%

The Village = 83.3%

The Grove = 72.7%

Plymouth Village

Occupancy Trend - The Residences



Plymouth Village

Factors Affecting Operating Margin Loss

- **Revenue**
  - Discounts in all levels of care
  - 5% reduction in Medi-Cal reimbursement
  - 42% reduction in Wellness
- **Expenses**
  - Employee Costs - $276,000 increase
    - No staffing cuts
    - Wage increases budgeted at 3%
    - Benefit burden rate = 32.3% an increase from 30.6%
      - Worker's Compensation ↑0.88%
      - Health Insurance ↑0.97%
      - Retirement ↓0.16%

Plymouth Village

Factors Affecting Operating Margin Loss (cont.)

- **Expenses**
  - Marketing expense – budget has been increased by $118,000 to generate more occupancy.
    - Vacancies at The Residences – 22
    - Vacancies at The Lodge – 5
    - Vacancies at The Village – 14
  - Food costs increasing by 5%. Other supply costs increasing by 3.5%, due in part to higher gas and commodity prices
  - Utilities - $18,000 increase

Plymouth Village

Operating Margins ($000s)

	2013 Budget	2012 Budget	Change
Operating Revenues	$12,947	$12,501	$446
Operating Expenses	12,657	12,090	567
Operating Margin	**290**	**411**	**-121**
Less interest on debt:			
Interest Expense	341	343	-2
Cash Operating Margin	**-51**	**68**	**-119**
Other Cash Needs:			
Debt Principal Allocation (estimate)	62	-27	89
Net Cash Flow from Operations	11	41	-30

Plymouth Village

Operating Revenue ($000s)

	2013 Budget	2012 Budget	Change
The Residences	$5,663	$5,256	$407
Lodge, Grove & Health Center	6,615	6,529	86
Other Revenue	669	716	-47
Operating Revenue	**$12,947**	**$12,501**	**$446**
Operating Expense (excludes S&M)	11,974	11,525	449
Operating Margin (before S&M)	973	976	-3
Sales & Marketing	683	565	118
Operating Margin Total	290	411	-121

Increase investment in S&M did not impact fee increase – operating margin expectations reduced instead

Plymouth Village

PV Operating Expenses ($000s)

	2013 Budget	2012 Budget	Change
Direct Resident Care	$3,802	$3,662	$140
Dining Services	1,863	1,829	34
Resident Services & Activities	577	481	96
Housekeeping & Maintenance	1,945	1,914	31
Administration & Other	1,937	1,857	80
Property	231	232	-1
Employee Benefits	1,619	1,550	69
Subtotal Operating Expenses	11,974	11,525	449
Sales & Marketing	683	565	118
Operating Expenses	$12,657	$12,090	$567

Plymouth Village

3.9% increase in costs before additional investment in Sales & Marketing

Sales & Marketing Budget ($000s)

	2013 Budget	2012 Budget	Change
# of Sales Staff	4	4	0
Salaries and Benefits	$304	$290	$14
Direct Mail	164	85	79
Other Marketing Expenses	31	29	2
Event/PR	96	87	9
Miscellaneous Expenses	31	19	12
Seniority Management Fees	57	55	2
Total	**$683**	**$565**	**$118**

Plymouth Village

Rate Increase

Effective October 1, 2012

- The Lodge: 2.0%
- The Village: 2.0%
- The Grove: 1.5%

Effective January 1, 2013

- The Residences: 3.5%

Plymouth Village

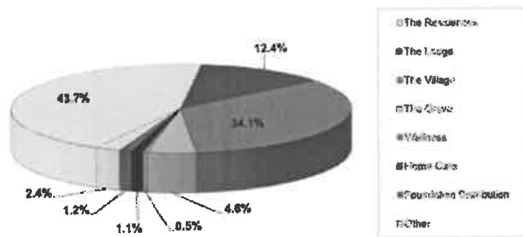
Recent Fee Increase History (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
RL	4.90	3.85	4.85	4.68	4.95	5.10	2.90	3.75	4.90	3.50
AL	4.00	3.85	4.85	4.95	4.95	5.10	3.50	3.60	4.90	2.00
HC	3.00	3.90	4.50	6.00	6.00	6.00	3.50	3.50	4.00	2.00

Ten Year Average Rate Increase The Residences	Five Year Average Rate Increase The Residences
4.34%	4.03%

Plymouth Village

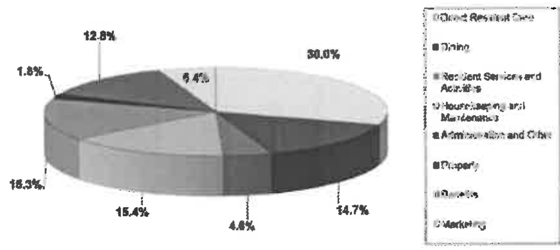
Revenue Resources



Budget 2013

Plymouth Village

Expenses



Budget 2013

Plymouth Village

This budget is achievable and Plymouth Village expects to meet or exceed its budget for 2013. The fee increases for FY 2013 are prudent and congruent with its financial goals.

Plymouth Village

Thank you for your time and attention

Questions and Answers

Plymouth Village

FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	**$1,743 - $2,966**	**$3,427 - $5,746**	**$286 - $290 per day**
	2nd Person Fee	**$488**		
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**4.00%**	**4.00%**	**4.00%**

☐ 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: January 1, 2013
(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.

PROVIDER: American Baptist Homes of the West
COMMUNITY: Rosewood

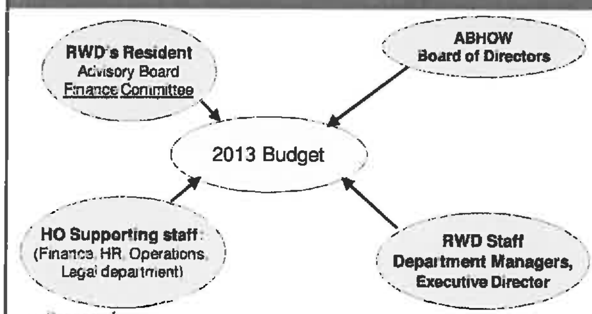
Rosewood

SENIOR LIVING COMMUNITY

AN ABHOW RETIREMENT COMMUNITY

Discussion with Residents Budget FY 2013

Rosewood's Budget Team

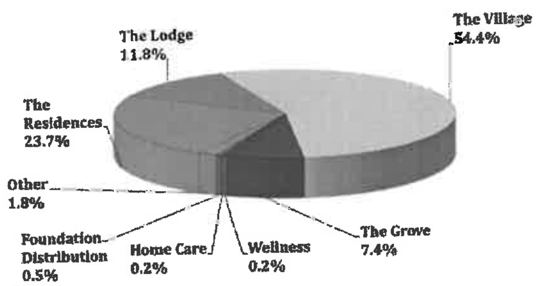


Assumptions

Budgeted Occupancy Assumptions

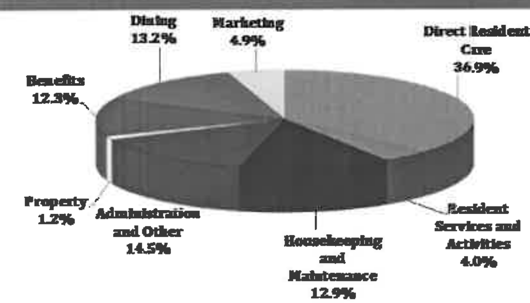
The Residences	92.4 %
The Lodge	90.3 %
The Grove	85.6 %
The Village	86.5 %

Revenue Resources



Budget 2013

Expenses



Budget 2013

Operating Revenue

(in $000)	2013 Budget	2012 Budget	Change
The Residences	$3,196	$ 3,010	186
The Lodge	1,584	1,860	-276
The Villages	7,342	7,655	-313
The Grove	991	0	991
Other Resident Services	53	43	10
Other Operating Revenue	248	250	-2
Foundation Distributions	67	60	7
Operating Revenue	**$13,479**	**$ 12,878**	**$601**

Operating Expenses

(in $000)	2013 Budget	2012 Budget	Change
Direct Resident Care	$4,958	$ 4,512	$446
Dining Services	1,774	1,681	93
Resident Services & Activities	541	618	-77
Housekeeping & Maintenance	1,739	1,704	35
Sales & Marketing	660	530	130
Administration & Other	1,944	1,804	140
Property	166	166	0
Employee Benefits	1,647	1,665	-18
Operating Expenses	**$13,429**	**$12,681**	**$749**

Factors Affecting Cost Increase

- Salaries and Benefits increase by $ 266,000 (Wage increase budgeted at 3%)
- Ancillary Services Expense (ie. therapies) increase by $ 212,000
- Supplies increase by $84,000
- Sales & Marketing expenses increasing by $130,000

Rate Increase

Effective January 1, 2013

- The Residences: 4.0 %
- The Lodge: 4.0 %
- The Grove: 3.0 %
- The Village: 4.0 %

Operating Margins

(in $000)	2013 Budget	2012 Budget	Change
Operating Revenues	$13,479	$ 12,878	$601
Operating Expenses	13,429	12,681	749
Operating Margin	50	198	-148
Less interest on debt:			
Interest Expense	447	445	2
Cash Operating Margin	-397	-248	-149

Rosewood Ten Year Fee Increase History (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Res.	4.40	3.25	3.00	3.90	3.90	4.00	2.90	3.30	4.90	4.00
Lodge	4.50	3.25	3.00	3.90	4.50	4.50	3.50	3.00	4.90	4.00
Village	2.80	3.90	3.90	5.00	5.50	5.00	3.50	3.50	4.90	4.00
Grove	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.00

Ten Year Average Rate Increase The Residences	Five Year Average Rate Increase The Residences
3.76 %	3.82 %

This budget is achievable and Rosewood expects to meet or exceed its budget for 2013. The fee increases for FY 2013 are prudent and congruent with its financial goals.

Thank you for your time and attention

Questions and Answers

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	**$3,131 – 4,969**	**$4,665 - $6,372**	**$ 257 - $378 per day**
	2nd Person Fee	**$273**		
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**4.00%**	**4.00%**	**4.00%**

☐ 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: January 1, 2013
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

PROVIDER: American Baptist Homes of the West
COMMUNITY: Terraces at Los Altos

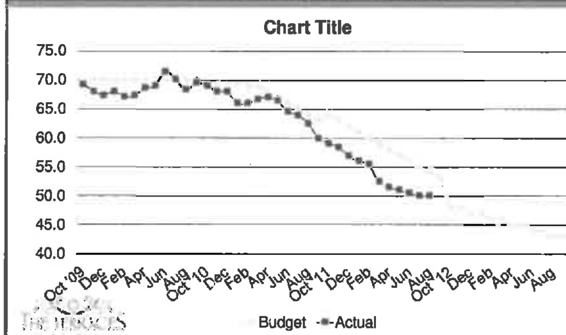
The Terraces at Los Altos
Budget FY2013

Assumptions

Budgeted Occupancy Assumptions

The Residences = 62.3 %
The Lodge = 86.9 %
The Village = 58.6%
Special Care Unit = 67.2%

Occupancy Decline - The Residences



Factors Affecting Operating Margin Loss

- **Revenue**
  - Occupancy drop in The Residences from 58.5 to 45.5
- **Expenses**
  - Fringe Benefits - $50,800 decrease
    - Benefit burden rate = 29.0%
      - Worker's Compensation ↑2.8%
      - Health Insurance ↑4.4%
      - Retirement ↓7.3%

Operating Margins ($000s)

	2013 Budget	2012 Budget	Change
Operating Revenues	$ 8,130	$ 9,493	-$1,363
Operating Expenses	8,630	8,960	-330
Operating Margin	**-500**	**533**	**-1,033**
Less interest on debt:			
Interest Expense	104	103	1
Cash Operating Margin	**-604**	**430**	**-1,034**

THE TERRACES

Operating Revenue ($000s)

	2013 Budget	2012 Budget	Change
The Residences	$ 2,213	$ 2,662	-$449
The Lodge	934	756	178
The Villages (net of ancillary exp.)	4,413	5,757	-1,344
The Grove	309	0	309
Other Resident Services	109	166	-57
Other Operating Revenue	94	94	0
Foundation Distributions	58	58	0
Operating Revenue	**$ 8,130**	**$ 9,493**	**-$1,363**

THE TERRACES

Operating Expenses ($000s)

	2013 Budget	2012 Budget	Change
Direct Resident Care	$ 2,983	$ 2,984	-$1
Dining Services	1,473	1,561	-88
Resident Services & Activities	389	366	23
Housekeeping & Maintenance	980	1,049	-69
Sales & Marketing	0	0	0
Administration & Other	1,292	1,437	-145
Property	163	164	-1
Employee Benefits	1,350	1,399	-49
Operating Expenses	**$ 8,630**	**$ 8,960**	**-$330**

THE TERRACES

Rate Increase

Effective January 1, 2013

- The Residences: 4.0 %
- The Lodge: 4.0 %
- The Village: 4.0 %

THE TERRACES

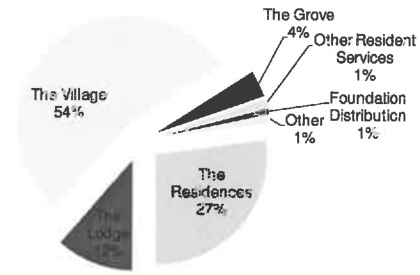
Recent Fee Increase History (%)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Res.	3.00	3.00	5.00	3.50	5.00	2.90	3.00	4.90	4.00
Lodge	3.25	4.00	5.00	4.50	5.00	3.50	3.00	4.90	4.00
Villages	3.25	4.00	6.00	4.50	5.00	3.00	3.00	4.00	4.00

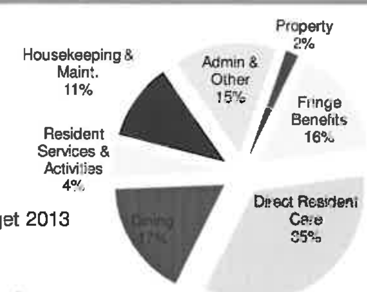
Nine Year Average Rate Increase The Residences	Five Year Average Rate Increase The Residences
3.81%	3.96%

Revenue Sources

Budget 2013



Expenses



Budget 2013

This budget is achievable and The Terraces of Los Altos expects to meet or exceed its budget for 2013. The fee increases for FY 2013 are prudent and congruent with its financial goals.

Thank you for your time and attention

Questions and Answers

FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	**$2,847 – 5,553**	**$4,325-6,010**	**$286 - $388 per day**
	2nd person fee	**$781**		
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**3.00%**	**3.00%**	**2.50%**

☐ 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: Skilled Nursing on October 1, 2012; all others on January 1, 2013
(If more than 1 increase was implemented, indicate the dates for each increase.)

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

PROVIDER: American Baptist Homes of the West
COMMUNITY: Terraces of Los Gatos

THE TERRACES
▪ of Los Gatos ▪
AN ABHOW RETIREMENT COMMUNITY

THE TERRACES
▪ of Los Gatos ▪

Discussion with Residents
Budget FY 2013

Assumptions

Budgeted Occupancy Assumptions

The Residences	= 94.9%
The Lodge	= 96.2%
The Village	= 91.5%

Terraces of Los Gatos Rate Increase

Effective January 1, 2013

- The Residences: 3.0 %
- The Lodge: 3.0 %

Effective October 1, 2012

- The Village: 2.5%

Operating Margins

(in $000)	2013 Budget	2012 Budget	Change
Operating Revenues	$ 17,896	$ 17,324	$ 572
Operating Expenses	$ 14,096	$ 13,687	$ 409
Operating Margin	**3,800**	**3,637**	**163**
Less interest on debt:			
Interest Expense	2,278	2,290	-12
Cash Operating Margin	**1,522**	**1,346**	**175**

Operating Revenue

(in $000)	2013 Budget	2012 Budget	Change
The Residences	$ 8,479	$ 8,109	$ 370
The Lodge	1,947	1,864	83
The Village	7,151	7,031	120
Other Resident Services	67	56	11
Other Operating Revenue	204	219	-15
Foundation Distributions	48	45	3
Operating Revenue	**$ 17,896**	**$ 17,324**	**$ 572**

Operating Expenses

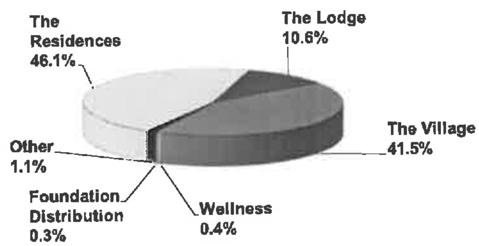
(in $000)	2013 Budget	2012 Budget	Change
Employee Cost	$ 8,622	$ 8,568	$56
Supplies	1,351	1,333	18
Repair & Maintenance	128	128	0
Purchased Services	523	516	7
Sales & Marketing	555	523	32
Rentals & Leases	119	76	43
Utilities	821	699	122
Insurance	180	180	0
Other Operating Expenses	1,797	1,664	133
Operating Expenses	**$ 14,096**	**$ 13,687**	**$ 409**

Terraces of Los Gatos Recent Fee Increase History (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
RL	4.00	3.25	3.00	3.50	3.50	4.25	2.90	2.0	3.5	3.0
AL	4.00	3.25	3.00	4.00	4.00	4.75	3.60	2.5	4.0	3.0
HC	4.00	3.75	3.00	4.95	5.00	4.75	3.60	4.0	2.8	2.5

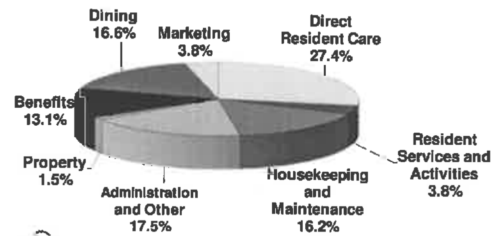
Ten Year Average Rate Increase The Residences	Five Year Average Rate Increase The Residences
3.29%	3.13%

Revenue Resources



Budget 2013

Expenses



Budget 2013

This budget is achievable and Terraces of Los Gatos expects to meet or exceed its budget for 2013. The fee increases for FY 2013 are prudent and congruent with its financial goals.

Thank you for your time and attention

Questions and Answers

FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	$2,320 - $4,556	$4,591- $7,138	$261 - $601 per day
	2nd Person Fee	$861		
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.75%	4.50%	4.50%

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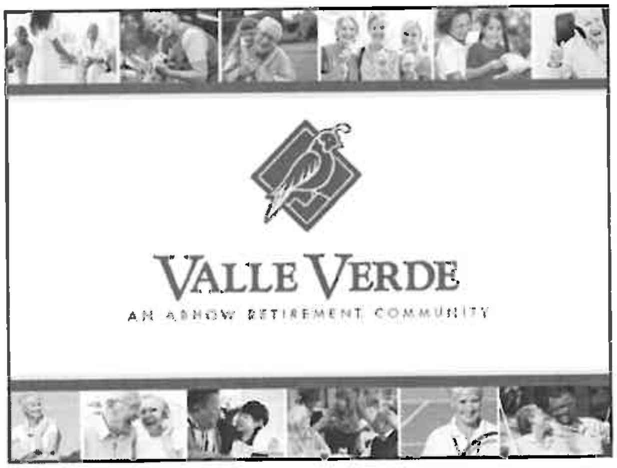
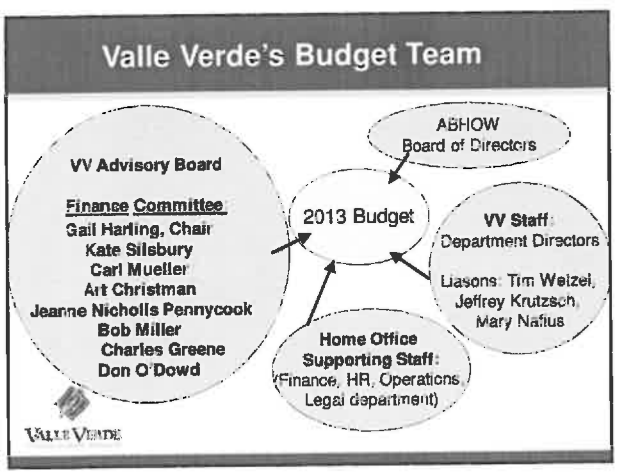
PROVIDER: American Baptist Homes of the West
COMMUNITY: Valle Verde





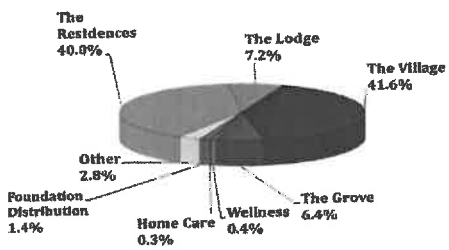
Assumptions

Budgeted Occupancy Assumptions

The Residences	=	93.0%	198/213
The Lodge	=	96.2%	25/26
The Grove	=	94.1%	16/17
The Village	=	89.2%	66/74

VALLE VERDE

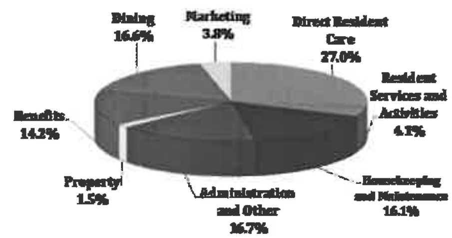
Revenue Resources



Valle Verde

Budget 2013

Expenses



Valle Verde

Budget 2013

Operating Revenue ($000s)

	2013 Budget	2012 Budget	Change
The Residences	$ 8,451	$ 8,116	$335
The Lodge	1,516	1,447	69
The Grove	1,353	1,419	(65)
The Village	8,785	8,891	(107)
Other Resident Services	140	77	63
Other Operating Revenue	588	572	16
Foundation Distributions	294	287	7
Operating Revenue	**$ 21,127**	**$ 20,809**	**$318**

Valle Verde

Operating Expenses

(in $000)	2013 Budget	2012 Budget	Change
Employee Cost	$ 11,204	$ 10,500	$703
Supplies	1,658	1,577	81
Purchased Services	696	609	87
Sales & Marketing	569	508	61
Rentals & Leases	124	102	22
Utilities	883	908	(24)
Insurance	233	233	0
Other Operating Expenses	2,290	2,033	256
Operating Expenses	**$ 19,177**	**$ 18,108**	**$ 1,069**

Valle Verde

Rate Increases

Effective January 1, 2013

- The Residences: 3.75%
- The Lodge: 4.50%
- The Grove: 4.00%

Effective October 1, 2012

- The Village: 4.50%

Valle Verde

Monthly Fee Ranges

	From:	To:
Studio & One-Bedroom		
FY2012	$2,320	$3,823
FY2013	*$2,420*	*$3,966*
Two-Bedroom		
FY2012	$3,852	$4,695
FY2013	*$4,006*	*$4,871*

Valle Verde

Rate Increase Ranges

	From:	To:
Studios and One Bedroom Units	$95	$143
Two Bedroom Units	$149	$176

Valle Verde

Operating Margins

	2013 Budget	2012 Budget	Change
Operating Revenues	$ 21,127	$ 20,809	$318
Operating Expenses	$ 19,177	$ 18,108	$1,069
Operating Margin	1,950	2,701	(751)
Less interest on debt:			
Interest Expense	649	660	(11)
Cash Operating Margin	1,301	2,041	(740)

Valle Verde

Recent Fee Increase History (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Res.	3.75	3.50	3.50	3.50	3.50	3.75	2.00	3.00	4.5	3.75
Lodge	6.00	5.75	5.50	4.50	5.00	5.50	2.00	3.00	5.0	4.5
Grove	6.00	5.75	5.50	4.50	5.00	5.50	2.00	3.00	5.0	4.0
Village	6.00	6.50	5.50	5.50	5.00	5.50	2.00	3.00	5.0	4.5

10 Year Average Rate Increase The Residences	Five Year Average Rate Increase The Residences
3.48%	3.40%

Casa Dorinda
Samarkand
Vista Del Monte

VALLE VERDE

Capital Expense Budget 2013

Building Improvements	$ 8,000
Building Moveable Equipment	35,500
Computer Equipment	11,000
Dining Related	362,700
Furniture Equipment	20,000
Health Center	65,600
Land Improvements	15,200
Total Capital Expense Budget	**$ 518,000**

VALLE VERDE

This budget is achievable and Valle Verde expects to meet or exceed its budget for 2013. The fee increases for FY 2013 are prudent and congruent with its financial goals.

VALLE VERDE

Thank you for your time and attention

Questions and Answers

VALLE VERDE

Statement of Cash Flow
2013 Total

RECEIVED
FEB 03 2014
CONTINUING CARE
CONTRACTS BRANCH

	Home Office	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos	ABHOW California Obligated Group
Cash Flows from Operating Activities									
Cash Received from Non-Contract Resident Services		1,294,302	621,554	2,328,335	548,201	1,326,208	3,399,908	1,211,173	10,729,680
Cash Received from Contract Resident Services	(1,496,185)	7,407,561	1,764,297	15,122,191	11,468,754	18,693,877	10,336,712	17,237,114	80,534,320
Cash Received from Entrance Fees & Deposits	-	(500)	274,719	2,419,965	3,142,489	7,420,758	517,677	7,385,676	21,160,784
Cash Received from Other Operating Income	14,387,231	192,250	333,679	400,678	537,275	973,057	329,843	293,237	17,447,251
Cash Received from Bequests and Trust Maturities	8,000	-	-	375	-	-	-	-	8,375
Cash Received from Investments	1,828,548	-	-	0	-	15	-	-	1,828,563
	-	-	-	-	-	-	-	-	-
Cash Paid to Employees (Salaries & Wages)	(8,451,527)	(4,375,197)	(1,067,994)	(6,521,921)	(4,575,295)	(7,902,319)	(5,488,025)	(6,138,865)	(44,521,144)
Cash Paid for Employee Fringe Benefits	(1,367,785)	(1,285,613)	(331,628)	(2,223,380)	(1,494,215)	(2,637,097)	(1,703,746)	(1,864,535)	(12,908,000)
Cash Paid to Employees (subtotal)	(9,819,312)	(5,660,810)	(1,399,622)	(8,745,301)	(6,069,511)	(10,539,416)	(7,191,771)	(8,003,400)	(57,429,144)
	-	-	-	-	-	-	-	-	-
Cash Paid to Temporary Labor	(86,713)	(263,631)	(182,748)	(1,622,171)	(665,095)	(514,389)	(229,773)	(546,196)	(4,110,716)
	-	-	-	-	-	-	-	-	-
Cash Paid to Vendors	(4,957,328)	(3,049,774)	(1,633,201)	(7,501,179)	(5,485,509)	(8,192,643)	(6,728,225)	(6,281,908)	(43,829,767)
Cash Paid for Interest	(1,330,481)	144,654	(123,512)	(460,980)	(340,958)	(686,957)	(444,794)	(2,234,972)	(5,478,000)
Direct Entries to Equity Accts	-	-	-	-	-	-	-	-	-
Net Cash Provided by Operating Activites	**(1,466,240)**	**64,052**	**(344,834)**	**1,941,914**	**3,135,646**	**8,480,510**	**(10,424)**	**9,060,724**	**20,861,347**
Cash Flows from Investing Activities									
Acquisition of Property & Equipment	204,021	(17,634,625)	(192,407)	(616,931)	(2,176,878)	(18,388,139)	(1,583,413)	(4,659,142)	(45,047,513)
Proceeds from Reimbursement of cap expenditures- AH	742,808	-	-	-	-	-	-	-	742,808
Purchases of restricted cash	-	(3,439,772)	-	-	-	(1,293,462)	-	-	(4,733,234)
	-	-	-	-	-	-	-	-	-
Purchases of unrestricted investments	(15,731,433)	-	-	-	-	-	-	(500,000)	(16,231,433)
Proceeds from sale of unrestricted investments	14,580,328	-	-	-	-	-	-	-	14,580,328
Purchases of restricted investments	(71,301,642)	(73,031,703)	-	-	-	-	-	-	(144,333,345)
Cash utilized from restricted investments	85,125,860	-	-	-	-	-	-	-	85,125,860
Cash Invested in Current Marketable Securities	343,674	(843,674)	-	-	-	-	-	500,000	-
	-	-	-	-	-	-	-	-	-
Cash Invested in Long Term Marketable Securities	2,832,002	2,147,836	-	-	-	(4,562,525)	-	(417,313)	(1)
Net Cash Flows from Investing Activities	**16,795,618**	**(92,801,938)**	**(192,407)**	**(616,931)**	**(2,176,878)**	**(24,244,126)**	**(1,583,413)**	**(5,076,455)**	**(109,896,530)**
Cash Flows from Financing Activities									
Principal Payments of Notes and Bonds Payable	11,365	(440,045)	104,365	119,820	(5,537)	(1,867,376)	33,589	(674,927)	(2,718,746)
Cash Received from Initial Entrance Fees & Deposits	-	1,334,591	-	-	-	1,293,195	-	-	2,627,786
Refunds of deposits and refundable fees	-	(395,058)	-	(366,003)	(228,420)	(1,427,700)	(44,780)	(163,117)	(2,625,078)
net proceeds from issuance of notes and bonds payable- CCRC	-	93,032,496	-	-	-	-	-	-	93,032,496
Cash paid for deferred issuance costs- CCRCO	-	(1,485,929)	-	-	-	-	-	-	(1,485,929)
Cash received from capital contributions	-	-	-	-	-	-	-	500,000	500,000
Cash Received from Inter-Company Transactions	(17,054,669)	691,831	432,875	(1,078,799)	(724,811)	17,920,351	1,604,908	(3,647,731)	(1,856,045)
Cash Received from Restricted Gifts and Donations	-	-	-	-	-	0	-	-	0
Cash Received (paid) from Other Trust Activity - net	-	-	-	-	-	-	-	-	-
Disposition of (Assets)/Liabilities & Cost of Sale	(500)	-	-	-	-	500	-	-	-
Net Cash Flows from Financing Activities	**(17,043,804)**	**92,737,886**	**537,240**	**(1,324,983)**	**(958,768)**	**15,918,971**	**1,593,717**	**(3,985,775)**	**87,474,484**
Increase (decrease) in Cash	**(1,714,426)**	**-**	**(1)**	**(0)**	**(0)**	**155,355**	**(120)**	**(1,507)**	**(1,560,699)**
Cash, Beginning Balance	8,882,887	7,494	-	3,308	4,627	13,525	1,190	5,102	8,918,133
Cash, Ending Balance	7,168,989	7,494	-	3,308	4,627	168,880	1,070	3,596	7,357,964

Continuing Care Retirement Community
Disclosure Statement
General Information

RECEIVED FEB 0 3 2014 CONTINUING CARE CONTRACTS BRANCH

Date Prepared: 1/31/14

FACILITY NAME: Grand Lake Gardens Retirement Community
ADDRESS: 401 Santa Clara Ave.; Oakland, CA ZIP CODE: 94610 PHONE: 510-893-8897
PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW
RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Baptist
YEAR OPENED: 1966 NO. OF ACRES: 1 MULTI-STORY: X SINGLE STORY: ___ BOTH: ___
MILES TO SHOPPING CTR: .5 MILES TO HOSPITAL: 2

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	14	ASSISTED LIVING	NA
APARTMENTS – 1 BDRM	53	SKILLED NURSING	NA
APARTMENTS – 2/3 BDRM	24	SPECIAL CARE	NA
COTTAGES/HOUSES		DESCRIBE SPECIAL CARE:	
% OCCUPANCY AT YEAR END	73.6%		

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

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: 80%

RANGE OF ENTRANCE FEES: $37,000 TO $145,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: ______

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: NA OTHER: ______

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	X	X
BILLIARD ROOM	X	☐
BOWLING GREEN	☐	☐
CARD ROOMS	X	☐
CHAPEL	☐	☐
COFFEE SHOP	☐	☐
CRAFT ROOMS	☐	☐
EXERCISE ROOM	X	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	X	☐
PUTTING GREEN	☐	☐
SHUFFLEBOARD	☐	☐
SPA	☐	☐
SWIMMING POOL-INDOOR	☐	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☐	☐
OTHER Movie Theater	X	☐
OTHER Brain Fitness Center	X	☐

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	2	
NUMBER OF MEALS/DAY	1-2	3
SPECIAL DIETS AVAILABLE	No	
24-HOUR EMERGENCY RESPONSE	X	☐
ACTIVITIES PROGRAM	X	☐
ALL UTILITIES EXCEPT PHONE	X	☐
APARTMENT MAINTENANCE	X	☐
CABLE TV	☐	X
LINENS FURNISHED	☐	☐
LINENS LAUNDERED	☐	X
MEDICATION MANAGEMENT	☐	X
NURSING/WELLNESS CLINIC	X	☐
PERSONAL NURSING/HOME CARE	☐	X
TRANSPORTATION-PERSONAL	X	☐
TRANSPORTATION-PREARRANGED	X	☐
OTHER______	☐	☐
	☐	☐

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.

CCRCs	LOCATION (City, State)	PHONE (with area code)
Terraces at Los Altos	Los Altos, CA	650-948-8291
Grand Lake Gardens	Oakland, CA	510-893-8897
Piedmont Gardens	Oakland, CA	510-654-7172
Plymouth Village	Redlands, CA	909-793-1233
Valle Verde	Santa Barbara, CA	805-687-1571
Rosewood	Bakersfield, CA	661-834-0620
Terraces of Los Gatos	Los Gatos, CA	408-356-1006
MULTI-LEVEL RETIREMENT COMMUNITIES		
FREE-STANDING SKILLED NURSING		
SUBSIDIZED SENIOR HOUSING		
Casa de la Vista	Redlands, CA	909-335-8888
Fern Lodge	Redlands, CA	909-335-3077
Hillcrest Senior Housing	Daly City, CA	650-991-8809
Judson Terrace Lodge	San Luis Obispo, CA	805-541-4567
Oak Knolls Haven	Santa Maria, CA	805-934-2027
Tahoe Senior Plaza	South Lake Tahoe, CA	530-542-7048
San Leandro Senior Housing	San Leandro, CA	510-553-9250

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

PROVIDER NAME: ______

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	110,496,000	116,579,000	118,629,000	102,410,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	102,275,000	108,065,000	110,886,000	100,002,000
NET INCOME FROM OPERATIONS	8,221,000	8,514,000	7,743,000	2,408,000
LESS INTEREST EXPENSE	5,666,000	5,863,000	5,918,000	4,822,000
PLUS CONTRIBUTIONS	1,000	10,000	12,000	8,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,756,000	1,810,000	1,776,000	1,527,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	4,312,000	4,471,000	3,613,000	-879,000
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	19,969,000	17,825,000	19,595,000	18,536,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2006	$43,850,000		09/01/2006	2036	
Series 2010	$105,170,000		10/01/10	2040	
Series 2012	$20,000		01/05/12	2036	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50th Percentile *(optional)*	2011	2012	2013
DEBT TO ASSET RATIO		46.97%	47.99%	57.50%
OPERATING RATIO		96.22%	97.00%	100.85%
DEBT SERVICE COVERAGE RATIO		2.84	3.04	2.58
DAYS CASH-ON-HAND RATIO		303.17	330.29	348.69

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2010		2011		2012		2013
STUDIO	2,002	4.50%	2,052	4.90%	2,100	4.00%	2,130
ONE BEDROOM	2,398	4.50%	2,521	4.90%	2,615	4.00%	2,714
TWO BEDROOM	2,808	4.50%	2,962	4.90%	3,154	4.00%	3,222
THREE BEDROOM	3,178	4.50%	3,321	4.90%	3,484	4.00%	3,623
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER:
The above financial information represents the performance of the ABHOW Obligated Group which consists of 7 California CCRCs and the Home Office. From 2010-2012, the financial information included 8 CCRCs. The financial information is taken from the OFI section of the audited financial statements. The days cash on hand ratio includes cash and investments from American Baptist Foundation of the West.

PROVIDER NAME: ______________________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash} \\ \text{And Investments} \\ \text{+ Unrestricted Non-Current Cash} \\ \text{and Investments}}{\text{(Operating Expenses – Depreciation} \\ \text{- Amortization)/365}}$$

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.

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 01/31/14

FACILITY NAME: Piedmont Gardens Retirement Community

ADDRESS: 110 41st Street; Oakland, CA ZIP CODE: 94611 PHONE: 510-654-7172

PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW

RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Baptist

YEAR OPENED: 1969 NO. OF ACRES: 2.8 MULTI-STORY: X SINGLE STORY: ___ BOTH: ___

MILES TO SHOPPING CTR: .5 MILES TO HOSPITAL: .5

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	18	ASSISTED LIVING	45
APARTMENTS – 1 BDRM	97	SKILLED NURSING	87
APARTMENTS – 2/3 BDRM	59	MEMORY CARE	16
COTTAGES/HOUSES	0	DESCRIBE SPECIAL CARE:	
% OCCUPANCY AT YEAR END	83.4%		

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

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: 80%

RANGE OF ENTRANCE FEES: $ 35,000 TO $300,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: **Dependent on contract signed** (10 free days annually in skilled, permanent transfer credits, medical reimbursement)

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: NA OTHER: ___

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

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

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	2	Unltd
NUMBER OF MEALS/DAY	1	2-3
SPECIAL DIETS AVAILABLE	Yes	
24-HOUR EMERGENCY RESPONSE	X	☐
ACTIVITIES PROGRAM	X	☐
ALL UTILITIES EXCEPT PHONE	X	☐
APARTMENT MAINTENANCE	X	☐
CABLE TV	X	☐
LINENS FURNISHED	☐	☐
LINENS LAUNDERED	☐	X
MEDICATION MANAGEMENT	☐	X
NURSING/WELLNESS CLINIC	X	☐
PERSONAL NURSING/HOME CARE	☐	X
TRANSPORTATION-PERSONAL	☐	☐
TRANSPORTATION-PREARRANGED	X	☐
OTHER Medical	X	☐
	☐	☐

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: American Baptist Homes of the West

CCRCs	LOCATION (City, State)	PHONE (with area code)
Terraces at Los Altos	Los Altos, CA	650-948-8291
Grand Lake Gardens	Oakland, CA	510-893-8897
Piedmont Gardens	Oakland, CA	510-654-7172
Plymouth Village	Redlands, CA	909-793-1233
Valle Verde	Santa Barbara, CA	805-687-1571
Rosewood	Bakersfield, CA	661-834-0620
Terraces of Los Gatos	Los Gatos, CA	408-356-1006

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING		
Casa de la Vista	Redlands, CA	909-335-8888
Fern Lodge	Redlands, CA	909-335-3077
Hillcrest Senior Housing	Daly City, CA	650-991-8809
Judson Terrace Lodge	San Luis Obispo, CA	805-541-4567
Oak Knolls Haven	Santa Maria, CA	805-934-2027
Tahoe Senior Plaza	South Lake Tahoe, CA	530-542-7048
San Leandro Senior Housing	San Leandro, CA	510-553-9250

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

PROVIDER NAME: ______

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	110,496,000	116,579,000	118,629,000	102,410,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	102,275,000	108,065,000	110,886,000	100,002,000
NET INCOME FROM OPERATIONS	8,221,000	8,514,000	7,743,000	2,408,000
LESS INTEREST EXPENSE	5,666,000	5,863,000	5,918,000	4,822,000
PLUS CONTRIBUTIONS	1,000	10,000	12,000	8,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,756,000	1,810,000	1,776,000	1,527,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	4,312,000	4,471,000	3,613,000	-879,000
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	19,969,000	17,825,000	19,595,000	18,536,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2006	$43,850,000		09/01/2006	2036	
Series 2010	$105,170,000		10/01/10	2040	
Series 2012	$20,000		01/05/12	2036	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50th Percentile *(optional)*	2011	2012	2013
DEBT TO ASSET RATIO		46.97%	47.99%	57.50%
OPERATING RATIO		96.22%	97.00%	100.85%
DEBT SERVICE COVERAGE RATIO		2.84	3.04	2.58
DAYS CASH-ON-HAND RATIO		303.17	330.29	348.69

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2010		2011		2012		2013
STUDIO	2,230	3.00%	2,283	4.90%	2,395	4.00%	2,492
ONE BEDROOM	2,469	3.00%	2,544	4.90%	2,669	4.00%	2,776
TWO BEDROOM	3,998	3.00%	4,103	4.90%	4,389	4.00%	4,498
COTTAGE/HOUSE							
ASSISTED LIVING	4,890	3.00%	4,969	4.90%	5,607	3.50%	5,687
SKILLED NURSING	285/day	3.00%	297/day	4.00%	311/day	3.50%	319/day
SPECIAL CARE			6,483	4.90%	6,796	3.50%	7,027

COMMENTS FROM PROVIDER:
The above financial information represents the performance of the ABHOW Obligated Group which consists of 7 California CCRCs and the Home Office. From 2010-2012, the financial information included 8 CCRCs. The financial information is taken from the OFI section of the audited financial statements. The days cash on hand ratio includes cash and investments from American Baptist Foundation of the West.

PROVIDER NAME: ______________________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 01/31/2014

RECEIVED FEB 03 2014 CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: Plymouth Village Retirement Community
ADDRESS: 900 Salem Drive; Redlands, CA ZIP CODE: 92373 PHONE: 909-793-1233
PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW
RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Baptist
YEAR OPENED: 1962 NO. OF ACRES: 37 MULTI-STORY: ___ SINGLE STORY: ___ BOTH: X
MILES TO SHOPPING CTR: 2 MILES TO HOSPITAL: 4

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	0	ASSISTED LIVING	29
APARTMENTS – 1 BDRM	36	SKILLED NURSING	48
APARTMENTS – 2 BDRM	106	SPECIAL CARE	9
COTTAGES/HOUSES	43	DESCRIBE SPECIAL CARE:	Dementia
% OCCUPANCY AT YEAR END	89.7%		

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

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: 80%

RANGE OF ENTRANCE FEES: $30,000 TO $345,565 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Dependent on contract signed (permanent transfer credits, medical reimbursement)

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: NA OTHER: ___

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

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

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	2-4	
NUMBER OF MEALS/DAY	1-3	
SPECIAL DIETS AVAILABLE	Yes	
24-HOUR EMERGENCY RESPONSE	X	☐
ACTIVITIES PROGRAM	X	☐
SOME UTILITIES	X	☐
APARTMENT MAINTENANCE	X	☐
CABLE TV	X	☐
LINENS FURNISHED	☐	☐
LINENS LAUNDERED	X	☐
MEDICATION MANAGEMENT	X	X
NURSING/WELLNESS CLINIC	X	☐
PERSONAL NURSING/HOME CARE	X	X
TRANSPORTATION-PERSONAL	X	☐
TRANSPORTATION-PREARRANGED	☐	X
OTHER Internet	☐	X
OTHER Concierge	X	☐

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: American Baptist Homes of the West

CCRCs	LOCATION (City, State)	PHONE (with area code)
Terraces at Los Altos	Los Altos, CA	650-948-8291
Grand Lake Gardens	Oakland, CA	510-893-8897
Piedmont Gardens	Oakland, CA	510-654-7172
Plymouth Village	Redlands, CA	909-793-1233
Valle Verde	Santa Barbara, CA	805-687-1571
Rosewood	Bakersfield, CA	661-834-0620
Terraces of Los Gatos	Los Gatos, CA	408-356-1006

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING		
Casa de la Vista	Redlands, CA	909-335-8888
Fern Lodge	Redlands, CA	909-335-3077
Hillcrest Senior Housing	Daly City, CA	650-991-8809
Judson Terrace Lodge	San Luis Obispo, CA	805-541-4567
Oak Knolls Haven	Santa Maria, CA	805-934-2027
Tahoe Senior Plaza	South Lake Tahoe, CA	530-542-7048
San Leandro Senior Housing	San Leandro, CA	510-553-9250

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

PROVIDER NAME: ____________________

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	110,496,000	116,579,000	118,629,000	102,410,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	102,275,000	108,065,000	110,886,000	100,002,000
NET INCOME FROM OPERATIONS	8,221,000	8,514,000	7,743,000	2,408,000
LESS INTEREST EXPENSE	5,666,000	5,863,000	5,918,000	4,822,000
PLUS CONTRIBUTIONS	1,000	10,000	12,000	8,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,756,000	1,810,000	1,776,000	1,527,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	4,312,000	4,471,000	3,613,000	-879,000
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	19,969,000	17,825,000	19,595,000	18,536,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2006	$43,850,000		09/01/2006	2036	
Series 2010	$105,170,000		10/01/10	2040	
Series 2012	$20,000		01/05/12	2036	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50th Percentile *(optional)*	2011	2012	2013
DEBT TO ASSET RATIO		46.97%	47.99%	57.50%
OPERATING RATIO		96.22%	97.00%	100.85%
DEBT SERVICE COVERAGE RATIO		2.84	3.04	2.58
DAYS CASH-ON-HAND RATIO		303.17	330.29	348.69

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2010		2011		2012		2013
STUDIO							
ONE BEDROOM	2,122	3.75%	2,202	4.90%	2,310	3.50%	2,391
TWO BEDROOM	2,313	3.75%	2,392	4.90%	2,515	3.50%	2,605
COTTAGE/HOUSE	2,539	3.75%	2,650	4.90%	2,779	3.50%	2,857
ASSISTED LIVING	4,549	3.60%	4,601	4.90%	4,977	2.00%	5,581
SKILLED NURSING	224/day	3.50%	230/day	4.00%	239/day	2.00%	244/day
SPECIAL CARE	5,608	3.50%	5,699	4.90%	5,932	1.50%	5,964

COMMENTS FROM PROVIDER:
The above financial information represents the performance of the ABHOW Obligated Group which consists of 7 California CCRCs and the Home Office. From 2010-2012, the financial information included 8 CCRCs. The financial information is taken from the OFI section of the audited financial statements. The days cash on hand ratio includes cash and investments from American Baptist Foundation of the West.

PROVIDER NAME: ______________________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

Continuing Care Retirement Community Disclosure Statement
General Information

Date Prepared: 01/31/14

RECEIVED FEB 03 2014 CONTRACTS BRANCH

FACILITY NAME: Rosewood Senior Living Community
ADDRESS: 1301 New Stine Road, Bakersfield, CA ZIP CODE: 93309 PHONE: 661-834-0620
PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW
RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Baptist
YEAR OPENED: 1974 NO. OF ACRES: 11 MULTI-STORY: ___ SINGLE STORY: ___ BOTH: X
MILES TO SHOPPING CTR: 1.5 MILES TO HOSPITAL: 4

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	21	ASSISTED LIVING	31
APARTMENTS – 1 BDRM	55	SKILLED NURSING	74
APARTMENTS – 2 BDRM	30	SPECIAL CARE	18
COTTAGES/HOUSES	-	DESCRIBE SPECIAL CARE:	Memory Support
% OCCUPANCY AT YEAR END	91.4%		

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

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: 80%

RANGE OF ENTRANCE FEES: $15,000 TO $105,600 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Dependent on contract signed (10 free days annually in skilled, permanent transfer credits, medical reimbursement)

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: NA OTHER: ______

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

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

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	2-4	Yes
NUMBER OF MEALS/DAY	2	1
SPECIAL DIETS AVAILABLE	Yes	Yes
24-HOUR EMERGENCY RESPONSE	X	☐
ACTIVITIES PROGRAM	X	☐
ALL UTILITIES EXCEPT PHONE	X	☐
APARTMENT MAINTENANCE	X	☐
CABLE TV	X	☐
LINENS FURNISHED	☐	☐
LINENS LAUNDERED	X	☐
MEDICATION MANAGEMENT	☐	X
NURSING/WELLNESS CLINIC	X	☐
PERSONAL NURSING/HOME CARE	☐	X
TRANSPORTATION-PERSONAL	☐	X
TRANSPORTATION-PREARRANGED	X	☐
OTHER: Transportation - medical	X	☐

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PROVIDER NAME: _____**American Baptist Homes of the West**

CCRCs	LOCATION (City, State)	PHONE (with area code)
Terraces at Los Altos	Los Altos, CA	650-948-8291
Grand Lake Gardens	Oakland, CA	510-893-8897
Piedmont Gardens	Oakland, CA	510-654-7172
Plymouth Village	Redlands, CA	909-793-1233
Valle Verde	Santa Barbara, CA	805-687-1571
Rosewood	Bakersfield, CA	661-834-0620
Terraces of Los Gatos	Los Gatos, CA	408-356-1006

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING		
Casa de la Vista	Redlands, CA	909-335-8888
Fern Lodge	Redlands, CA	909-335-3077
Hillcrest Senior Housing	Daly City, CA	650-991-8809
Judson Terrace Lodge	San Luis Obispo, CA	805-541-4567
Oak Knolls Haven	Santa Maria, CA	805-934-2027
Tahoe Senior Plaza	South Lake Tahoe, CA	530-542-7048
San Leandro Senior Housing	San Leandro, CA	510-553-9250

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

PROVIDER NAME: ______________________

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	110,496,000	116,579,000	118,629,000	102,410,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	102,275,000	108,065,000	110,886,000	100,002,000
NET INCOME FROM OPERATIONS	8,221,000	8,514,000	7,743,000	2,408,000
LESS INTEREST EXPENSE	5,666,000	5,863,000	5,918,000	4,822,000
PLUS CONTRIBUTIONS	1,000	10,000	12,000	8,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,756,000	1,810,000	1,776,000	1,527,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	4,312,000	4,471,000	3,613,000	-879,000
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	19,969,000	17,825,000	19,595,000	18,536,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2006	$43,850,000		09/01/2006	2036	
Series 2010	$105,170,000		10/01/10	2040	
Series 2012	$20,000		01/05/12	2036	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50th Percentile *(optional)*	2011	2012	2013
DEBT TO ASSET RATIO		46.97%	47.99%	57.50%
OPERATING RATIO		96.22%	97.00%	100.85%
DEBT SERVICE COVERAGE RATIO		2.84	3.04	2.58
DAYS CASH-ON-HAND RATIO		303.17	330.29	348.69

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE

	2010		2011		2012		2013
STUDIO	1,803	3.30%	1,861	4.90%	1,947	4.00%	2,027
ONE BEDROOM	2,380	3.30%	2,461	4.90%	2,554	4.00%	2,639
TWO BEDROOM	2,805	3.30%	2,873	4.90%	3,053	4.00%	3,159
COTTAGE/HOUSE							
ASSISTED LIVING	4,129	3.00%	4,213	4.90%	4,082	4.00%	4,463
SKILLED NURSING	252/day	3.50%	255/day	4.90%	268/day	4.00%	281/day
SPECIAL CARE					4,727	3.00%	5,364

COMMENTS FROM PROVIDER:

The above financial information represents the performance of the ABHOW Obligated Group which consists of 7 California CCRCs and the Home Office. From 2010-2012, the financial information included 8 CCRCs. The financial information is taken from the OFI section of the audited financial statements. The days cash on hand ratio includes cash and investments from American Baptist Foundation of the West.

PROVIDER NAME: ______________________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

Continuing Care Retirement Community
Disclosure Statement
General Information

RECEIVED FEB 0 3 2014 CONTINUING CARE CONTRACTS BRANCH

Date Prepared: 01/31/14

FACILITY NAME: The Terraces at Los Altos Retirement Community
ADDRESS: 373 Pine Lane; Los Altos, CA ZIP CODE: 94022 PHONE: 650-948-8291
PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW
RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Baptist
YEAR OPENED: 1949 NO. OF ACRES: 6 MULTI-STORY: ___ SINGLE STORY: ___ BOTH: X
MILES TO SHOPPING CTR: 2 MILES TO HOSPITAL: 4

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	21	ASSISTED LIVING	16
APARTMENTS – 1 BDRM	28	SKILLED NURSING	65
APARTMENTS – 2 BDRM	22	SPECIAL CARE	NA
COTTAGES/HOUSES		DESCRIBE SPECIAL CARE:	
% OCCUPANCY AT YEAR END	68.3%		

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

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: 80%

RANGE OF ENTRANCE FEES: $47,500 TO $832,625 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Dependent on contract signed (permanent transfer credits)

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: NA OTHER: ___

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

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

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	2	
NUMBER OF MEALS/DAY	1 to 3	
SPECIAL DIETS AVAILABLE	Yes	
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___	☐	☐
	☐	☐

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: _____**American Baptist Homes of the West**

CCRCs	LOCATION (City, State)	PHONE (with area code)
Terraces at Los Altos	Los Altos, CA	650-948-8291
Grand Lake Gardens	Oakland, CA	510-893-8897
Piedmont Gardens	Oakland, CA	510-654-7172
Plymouth Village	Redlands, CA	909-793-1233
Valle Verde	Santa Barbara, CA	805-687-1571
Rosewood	Bakersfield, CA	661-834-0620
Terraces of Los Gatos	Los Gatos, CA	408-356-1006
MULTI-LEVEL RETIREMENT COMMUNITIES		
FREE-STANDING SKILLED NURSING		
SUBSIDIZED SENIOR HOUSING		
Casa de la Vista	Redlands, CA	909-335-8888
Fern Lodge	Redlands, CA	909-335-3077
Hillcrest Senior Housing	Daly City, CA	650-991-8809
Judson Terrace Lodge	San Luis Obispo, CA	805-541-4567
Oak Knolls Haven	Santa Maria, CA	805-934-2027
Tahoe Senior Plaza	South Lake Tahoe, CA	530-542-7048
San Leandro Senior Housing	San Leandro, CA	510-553-9250

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

PROVIDER NAME: ______

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	110,496,000	116,579,000	118,629,000	102,410,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	102,275,000	108,065,000	110,886,000	100,002,000
NET INCOME FROM OPERATIONS	8,221,000	8,514,000	7,743,000	2,408,000
LESS INTEREST EXPENSE	5,666,000	5,863,000	5,918,000	4,822,000
PLUS CONTRIBUTIONS	1,000	10,000	12,000	8,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,756,000	1,810,000	1,776,000	1,527,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	4,312,000	4,471,000	3,613,000	-879,000
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	19,969,000	17,825,000	19,595,000	18,536,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2006	$43,850,000		09/01/2006	2036	
Series 2010	$105,170,000		10/01/10	2040	
Series 2012	$20,000		01/05/12	2036	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50th Percentile *(optional)*	2011	2012	2013
DEBT TO ASSET RATIO		46.97%	47.99%	57.50%
OPERATING RATIO		96.22%	97.00%	100.85%
DEBT SERVICE COVERAGE RATIO		2.84	3.04	2.58
DAYS CASH-ON-HAND RATIO		303.17	330.29	348.69

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2010		2011		2012		2013
STUDIO	2,671	3.00%	2,745	4.90%	2,880	4.00%	2,996
ONE BEDROOM	3,753	3.00%	3,849	4.90%	4,113	4.00%	4,230
TWO BEDROOM	4,486	3.00%	4,515	4.90%	4,903	4.00%	5,104
COTTAGE/HOUSE							
ASSISTED LIVING	4,477	3.00%	4,558	4.90%	5,781	4.00%	6,182
SKILLED NURSING	276/day	3.00%	282/day	4.00%	305/day	4.00%	312/day
SPECIAL CARE							

COMMENTS FROM PROVIDER:
The above financial information represents the performance of the ABHOW Obligated Group which consists of 7 California CCRCs and the Home Office. From 2010-2012, the financial information included 8 CCRCs. The financial information is taken from the OFI section of the audited financial statements. The days cash on hand ratio includes cash and investments from American Baptist Foundation of the West.

PROVIDER NAME: ______________________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

Continuing Care Retirement Community Disclosure Statement

Date Prepared: 01/31/14

General Information

RECEIVED FEB 03 2014 CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: The Terraces of Los Gatos Retirement Community
ADDRESS: 800 Blossom Hill Rd.; Los Gatos, CA ZIP CODE: 95032 PHONE: 408-356-1006
PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW
RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Baptist
YEAR OPENED: 1992 NO. OF ACRES: 9 MULTI-STORY: ___ SINGLE STORY: ___ BOTH: X
MILES TO SHOPPING CTR: .25 MILES TO HOSPITAL: 2.5

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	10	ASSISTED LIVING	35
APARTMENTS – 1 BDRM	73	SKILLED NURSING	59
APARTMENTS – 2 BDRM	82	SPECIAL CARE	16
COTTAGES/HOUSES	10	DESCRIBE SPECIAL CARE:	PT, OT, ST, aqua therapy
% OCCUPANCY AT YEAR END	89.0%		

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

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: 80%

RANGE OF ENTRANCE FEES: $168,334 to $962,728 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Dependent on when contract signed (10 free days annually in skilled, permanent transfer credits, medical reimbursement)

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: NA OTHER: ___

FACILITY SERVICES AND AMENITIES

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

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	2	
NUMBER OF MEALS/DAY	1 or 2	3
SPECIAL DIETS AVAILABLE	Yes	
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	X
MEDICATION MANAGEMENT	☐	X
NURSING/WELLNESS CLINIC	X	☐
PERSONAL NURSING/HOME CARE	☐	X
TRANSPORTATION-PERSONAL	☐	X
TRANSPORTATION-PREARRANGED	X	☐
OTHER gift shop	☐	X
	☐	☐

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PROVIDER NAME: American Baptist Homes of the West

CCRCs	LOCATION (City, State)	PHONE (with area code)
Terraces at Los Altos	Los Altos, CA	650-948-8291
Grand Lake Gardens	Oakland, CA	510-893-8897
Piedmont Gardens	Oakland, CA	510-654-7172
Plymouth Village	Redlands, CA	909-793-1233
Valle Verde	Santa Barbara, CA	805-687-1571
Rosewood	Bakersfield, CA	661-834-0620
Terraces of Los Gatos	Los Gatos, CA	408-356-1006

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING		
Casa de la Vista	Redlands, CA	909-335-8888
Fern Lodge	Redlands, CA	909-335-3077
Hillcrest Senior Housing	Daly City, CA	650-991-8809
Judson Terrace Lodge	San Luis Obispo, CA	805-541-4567
Oak Knolls Haven	Santa Maria, CA	805-934-2027
Tahoe Senior Plaza	South Lake Tahoe, CA	530-542-7048
San Leandro Senior Housing	San Leandro, CA	510-553-9250

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

PROVIDER NAME: ______

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	110,496,000	116,579,000	118,629,000	102,410,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	102,275,000	108,065,000	110,886,000	100,002,000
NET INCOME FROM OPERATIONS	8,221,000	8,514,000	7,743,000	2,408,000
LESS INTEREST EXPENSE	5,666,000	5,863,000	5,918,000	4,822,000
PLUS CONTRIBUTIONS	1,000	10,000	12,000	8,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,756,000	1,810,000	1,776,000	1,527,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	4,312,000	4,471,000	3,613,000	-879,000
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	19,969,000	17,825,000	19,595,000	18,536,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2006	$ 45,615,000		09/01/2006	2036	
Series 2010	$105,890,000		02/16/2010	2040	
Series 2012	$ 3,000,000		01/02/2012	2036	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50th Percentile *(optional)*	2011	2012	2013
DEBT TO ASSET RATIO		46.97%	47.99%	57.50%
OPERATING RATIO		96.22%	97.00%	100.85%
DEBT SERVICE COVERAGE RATIO		2.84	3.04	2.58
DAYS CASH-ON-HAND RATIO		303.17	330.29	348.69

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2010		2011		2012		2013
STUDIO	2,791	2.00%	2,847	3.50%	2,947	3.00%	3,035
ONE BEDROOM	3,232	2.00%	3,297	3.50%	3,412	3.00%	3,514
TWO BEDROOM	4,281	2.00%	4,362	3.50%	4,514	3.00%	4,650
COTTAGE/HOUSE	5,444	2.00%	5,553	3.50%	5,747	3.00%	5,919
ASSISTED LIVING	4,232	2.50%	4,740	4.00%	4,897	3.00%	5,231
SKILLED NURSING	280/day	4.00%	292/day	3.25%	299/day	2.50%	308/day
SPECIAL CARE							9,165

COMMENTS FROM PROVIDER:
The above financial information represents the performance of the ABHOW Obligated Group which consists of 7 California CCRCs and the Home Office. From 2010-2012, the financial information included 8 CCRCs. The financial information is taken from the OFI section of the audited financial statements. The days cash on hand ratio includes cash and investments from American Baptist Foundation of the West.

PROVIDER NAME: ______________________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

$$\frac{\text{Total Operating Expenses} \;\text{-- Depreciation Expense} \;\text{-- Amortization Expense}}{\text{Total Operating Revenues} \;\text{-- Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash And Investments} + \text{Unrestricted Non-Current Cash and Investments}}{\text{(Operating Expenses – Depreciation - Amortization)/365}}$$

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.

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 1/31/14

RECEIVED FEB 03 2014 CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: Valle Verde Retirement Community
ADDRESS: 900 Calle de los Amigos; Santa Barbara, CA ZIP CODE: 93105 PHONE: 805-867-1571
PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW
RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Baptist
YEAR OPENED: 1966 NO. OF ACRES: 65 MULTI-STORY: ___ SINGLE STORY: X BOTH: __
MILES TO SHOPPING CTR: 2 MILES TO HOSPITAL: 4

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	7	ASSISTED LIVING	26
APARTMENTS – 1 BDRM	101	SKILLED NURSING	76
APARTMENTS – 2 BDRM	87	SPECIAL CARE	17
COTTAGES/HOUSES	18	DESCRIBE SPECIAL CARE:	Dementia
% OCCUPANCY AT YEAR END	91.4%		

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

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: 80%

RANGE OF ENTRANCE FEES: $_50,000 TO $628,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Dependent on contract signed (10 free days annually in skilled, permanent transfer credits, medical reimbursement)

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: NA OTHER: ______

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	X	X
BILLIARD ROOM	☐	☐
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	X	☐
SPA	X	☐
SWIMMING POOL-INDOOR	☐	☐
SWIMMING POOL-OUTDOOR	X	☐
TENNIS COURT	☐	☐
WORKSHOP	X	☐
OTHER______	☐	☐

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	2	
NUMBER OF MEALS/DAY	1	3
SPECIAL DIETS AVAILABLE	Yes	
24-HOUR EMERGENCY RESPONSE	X	☐
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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______	☐	☐
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Series 2010	$105,170,000		10/01/10	2040	
Series 2012	$20,000		01/05/12	2036	

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HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2010		2011		2012		2013
STUDIO	2,142	3.00%	2,215	4.50%	2,320	3.75%	2,420
ONE BEDROOM	2,466	3.00%	2,523	4.50%	2,626	3.75%	2,769
TWO BEDROOM	3,929	3.00%	4,051	4.50%	4,241	3.75%	4,407
COTTAGE/HOUSE	4,143	3.00%	4,259	4.50%	4,430	3.75%	4,623
ASSISTED LIVING	4,653	3.00%	4,733	5.00%	5,238	4.50%	5,619
SKILLED NURSING	284/day	3.00%	292/day	5.00%	303/day	4.50%	309/day
SPECIAL CARE	6,704	3.00%	6,905	5.00%	7,252	4.00%	7,540

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KEY INDICATORS REPORT

American Baptist Homes of the West

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

[signature]
Chief Executive Officer Signature

RECEIVED
FEB 2 6 2014
CONTINUING CARE CONTRACTS BRANCH

	2009	2010	2011	2012	2013	Projected 2014	Forecast 2015	2016	2017	2018	Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	89.52%	90.36%	84.58%	85.67%	86.16%	84.77%	88.78%	86.93%	87.14%	89.81%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	6.74%	6.50%	6.50%	5.77%	1.52%	3.51%	5.10%	6.71%	6.25%	7.59%	↑
3. Net Operating Margin - Adjusted (%)	19.39%	20.51%	18.99%	19.22%	16.72%	31.91%	17.23%	32.12%	35.48%	22.37%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$94,843	$96,324	$94,929	$98,598	$100,141	$128	$130	$150	$153	$163	↑
5. Days Cash on Hand (Unrestricted)	327.27	320.74	295.65	303.73	343.36	417.79	392.10	431.56	428.15	436.62	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	$110,889	$117,950	$123,361	$128,330	$107,877	$140,223	$141,401	$168,807	$202,690	$202,625	N/A
7. Net Annual E/F proceeds ($000)	$20,539	$24,015	$24,542	$22,193	$13,536	$45,807	$17,425	$46,983	$58,724	$26,235	N/A
#7 includes one-time first generation entrance fees associated with redevelopment projects at Terraces at San Joaquin Gardens, 1st generation deposits at Terraces at Los Altos and Valle Verde											
8. Unrestricted Net Assets ($000)	$25,611	$30,195	$37,379	$25,372	$50,216	$52,443	$54,568	$59,166	$66,199	$76,020	N/A
9. Annual Capital Asset Expenditure ($000)	$28,506	$20,298	$16,480	$17,600	$45,934	$50,658	$57,358	$16,119	$13,093	$14,026	N/A
#9 includes one-time capital expenditures for redevelopment of the Terraces at Los Altos campus and for the addition of 40 residential living apartments at Valle Verde											
10. Annual Debt Service Coverage Revenue Basis (x)	1.52	0.91	0.98	0.96	0.45	0.55	0.58	0.72	0.75	0.93	↑
11. Annual Debt Service Coverage (x)	3.94	2.65	2.77	3.00	2.56	3.74	1.79	3.98	5.06	2.87	↑
#11 excludes impact of 1st generation entrance fees and the corresponding paydown of temporary redevelopment debt using 1st generation entry fees. Includes reimbursement by TSJG of a portion of the interest expense and principal payments.											
12. Annual Debt Service/Revenue (%)	5.67%	7.04%	6.65%	6.44%	7.04%	10.22%	10.60%	11.40%	10.45%	9.76%	↓
#12 includes reimbursement by TSJG of a portion of the interest expense and principal payments.											
13. Average Annual Effective Interest Rate (%)	3.24%	5.01%	5.49%	4.76%	2.58%	4.46%	4.52%	4.61%	4.82%	5.30%	↓
#13 includes reimbursement by TSJG of a portion of the interest expense.											
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	70.16%	63.02%	62.54%	64.93%	41.37%	52.82%	54.32%	65.55%	76.69%	92.32%	↑
15. Average Age of Facility (years)	12.64	12.65	12.83	13.40	14.74	14.77	15.01	15.00	14.78	13.25	↓