

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED:  
12 / 31 / 2013  
2013

PROVIDER(S): Southern California Presbyterian Homes, DBA be.group

RECEIVED  
MAY 05 2014  
CONTINUING CARE  
CONTRACTS BRANCH

CCRC(S): Royal Oaks Manor, White Sands of La Jolla, Windsor Manor, Regents Point  
Redwood Terrace, Westminster Gardens

CONTACT PERSON: David Pierce, VF of Finance and CFO

TELEPHONE NO.: ( 818 ) 247-0420 ext 708 EMAIL: Dave.Pierce@thebegroup.org

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

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 54,823.00
  - 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.
- 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.

be.group

516 BURCHETT ST.  
GLENDALE, CA 91203  
818 247 0420 F 818 247 3871  
THEBEGROUP.ORG

RECEIVED  
MAY 05  
CONTINUING CARE  
CONTRACTS BRANCH

April 30, 2014

Ms. Allison Nakatomi  
Continuing Care Contract Branch  
California Department of Social Services  
744 P Street, M.S. 8-3-90  
Sacramento, CA 95814

Dear Allison:

Enclosed please find the requested items on the Annual Report checklist.

If you have any further questions, or need additional information, please do not hesitate to contact me at (818) 844-2708.

Sincerely,



David L. Pierce  
VP of Finance & CFO

be.group

516 BURCHETT ST.  
GLENDALE, CA 91203  
818 247 0420 F 818 247 3871  
THEBEGROUP.ORG

RECEIVED  
MAY 05 2014

CONTINUING CARE  
CONTRACTS BRANCH

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

To the best of my knowledge and belief, I certify that the information included in the Annual Report to the Department of Social Services, included as supplemental schedules to the audited financial statements of Southern California Presbyterian Homes (SCPH), DBA be.group as of April 2014, for the year ended 2013, is correct.

Each continuing Care Contract form in use for new residents of be.group communities has been approved by the Department of Social Services.

I further certify that reserves for Prepaid Continuing Care Contracts and Refund Reserves are not applicable to be.group, and that based on our computations, we are within that statutory reserve requirement. The provider is maintaining the required liquid reserve and refund reserve.

  
\_\_\_\_\_  
John H. Cochrane, III  
President & Chief Executive Officer  
be.group

4.29.14  
Dated

**FORM 1-1**  
**RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	296
[2]	Number at end of fiscal year	290
[3]	Total Lines 1 and 2	586
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	293
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	335
[7]	Number at end of fiscal year	322
[8]	Total Lines 6 and 7	657
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	328.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.89

**FORM 1-2**  
**ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$20,312,000
[a] Depreciation	\$2,153,000
[b] Debt Service (Interest Only)	\$1,207,000
[2] Subtotal (add Line 1a and 1b)	\$3,360,000
[3] Subtract Line 2 from Line 1 and enter result.	\$16,952,000
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	89%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$15,120,049
[6] <b>Total Amount Due</b> (multiply Line 5 by .001)	x .001 \$15,120

**PROVIDER: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
**COMMUNIT REGENTS POINT**

**FORM 1-1**  
**RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	163
[2]	Number at end of fiscal year	177
[3]	Total Lines 1 and 2	340
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	170
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	174
[7]	Number at end of fiscal year	192
[8]	Total Lines 6 and 7	366
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	183
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.93

**FORM 1-2**  
**ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$13,729,000
[a] Depreciation	\$1,072,000
[b] Debt Service (Interest Only)	\$517,000
[2] Subtotal (add Line 1a and 1b)	\$1,589,000
[3] Subtract Line 2 from Line 1 and enter result.	\$12,140,000
[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)	\$11,277,596
[6] <b>Total Amount Due</b> (multiply Line 5 by .001)	x .001 \$11,278

**PROVIDER SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
**COMMUNITY REDWOOD TERRACE**

**FORM 1-1  
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	<u>139</u>
[2]	Number at end of fiscal year	<u>114</u>
[3]	Total Lines 1 and 2	<u>253</u>
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	<u>126.5</u>
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	<u>200</u>
[7]	Number at end of fiscal year	<u>170</u>
[8]	Total Lines 6 and 7	<u>370</u>
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	<u>185</u>
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	<u>0.68</u>

**FORM 1-2  
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	<u>\$5,897,000</u>
[a]	Depreciation	<u>\$898,000</u>
[b]	Debt Service (Interest Only)	<u>\$385,000</u>
[2]	Subtotal (add Line 1a and 1b)	<u>\$1,283,000</u>
[3]	Subtract Line 2 from Line 1 and enter result.	<u>\$4,614,000</u>
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	<u>68%</u>
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	<u>\$3,154,978</u>
[6]	Total Amount Due (multiply Line 5 by .001)	<u>\$3,155</u>

**PROVIDER SOUTHERN CALIFORNIA PRESBYTERIAN HOMES  
COMMUNITY WESTMINSTER GARDENS**



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
12/28/2012

**PRODUCER**  
Caring Communities Shared Services LTD  
1850 W. Winchester Road  
Suite 109  
Libertyville IL 60048

THIS CERTIFICATION IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

**INSURERS AFFORDING COVERAGE** CONTINUING CARE NAIC #  
CONTRACT'S BRANCH 73

**INSURED** Southern California Presbyterian Homes  
Southern California Presbyterian Homes Foundation  
516 Burchett Street  
Glendale CA 91203

INSURER A: Caring Communities, A Reciprocal  
INSURER B:  
INSURER C:  
INSURER D:  
INSURER E:

## COVERAGES

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

INSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS	
A		<b>GENERAL LIABILITY</b> <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> Professional Liability <input checked="" type="checkbox"/> Retro Date 01/01/2002 GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	CCRRRG-0019-13	01/01/2013	01/01/2014	EACH OCCURRENCE	\$ 1,000,000.00
						DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 300,000.00
						MED EXP (Any one person)	\$ -
						PERSONAL & ADV INJURY	\$ 1,000,000.00
						GENERAL AGGREGATE	\$ 3,000,000.00
						PRODUCTS - COMP/OP AGG	\$ incl
						SIR Per Claim	\$ 50,000.00
		<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Ea accident)	\$
						BODILY INJURY (Per person)	\$
						BODILY INJURY (Per accident)	\$
						PROPERTY DAMAGE (Per accident)	\$
		<b>GARAGE LIABILITY</b> <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT	\$
						OTHER THAN EA ACC AUTO ONLY: AGG	\$
A		<b>EXCESS / UMBRELLA LIABILITY</b> <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> CLAIMS MADE  <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION \$	CCRRRG-0019-13 *Sublimits apply	01/01/2013	01/01/2014	EACH OCCURRENCE	\$ 10,000,000.00
						AGGREGATE	\$ 10,000,000.00
						*AUTO	\$ 6,000,000.00
						*EMP BEN	\$ 5,000,000.00
							\$
							\$
		<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y/N (Mandatory In NH) If yes, describe under SPECIAL PROVISIONS below				WC STATU-TORY LIMITS	OTH-ER
						E.L. EACH ACCIDENT	\$
						E.L. DISEASE - EA EMPLOYEE	\$
						E.L. DISEASE - POLICY LIMIT	\$
A		<b>OTHER EXCESS PROFESSIONAL LIABILITY FL, LA, AR SUBLIMIT</b>	CCRRRG-0019-13	01/01/2013	01/01/2014	\$2,000,000 EACH OCCURRENCE \$2,000,000 AGGREGATE (INCLUDED IN EXCESS LMTS ABOVE)	

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS  
12/28/2012 17:42:06

## CERTIFICATE HOLDER

Southern California Presbyterian Homes Foundation  
516 Burchett Street  
Glendale CA 91203

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

## **IMPORTANT**

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

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

## **DISCLAIMER**

This Certificate of Insurance does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.

**R E C E I V E D**  
MAY 05 2014

CONTINUING CARE  
CONTRACTS BRANCH

# Southern California Presbyterian Homes and Affiliates

(dba be.group)

Combined Financial Statements as of and  
for the Years Ended December 31, 2013 and 2012,  
Supplemental Combining Schedules as of and  
for the Year Ended December 31, 2013, and  
Independent Auditors' Report

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
**(dba be.group)**

**TABLE OF CONTENTS**

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1-2
COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012:	
Balance Sheets	3-4
Statements of Operations	5
Statements of Changes in Net Assets	6
Statements of Cash Flows	7-8
Notes to Combined Financial Statements	9-35
SUPPLEMENTAL COMBINING SCHEDULES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013:	36
Balance Sheets (by Location) for Additional Information	37-38
Statements of Operations (by Location) for Additional Information	39
Statements of Changes in Net Assets (by Location) for Additional Information	40
Statements of Cash Flows (by Location) for Additional Information	41-42
Notes to Supplemental Combining Schedules	42



Deloitte & Touche LLP  
Suite 200  
250 South Grand Avenue  
Los Angeles, CA 90071-3462  
CONTRACTS BRANCH  
USA  
Tel: +1 213 688 0800  
Fax: +1 213 688 0100  
www.deloitte.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Southern California Presbyterian Homes (dba be.group):

We have audited the accompanying combined financial statements of Southern California Presbyterian Homes and Affiliates (dba be.group) ("be.group"), all of which are under common ownership and common management, which comprise the combined balance sheets as of December 31, 2013 and 2012, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

### Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. 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 audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to be.group's preparation and fair presentation of the combined 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 be.group'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of be.group as of December 31, 2013 and 2012, and the results of its operations, its changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplemental Combining Schedules

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental combining schedules as of and for the year ended December 31, 2013, on pages 37-42 are presented for the purpose of additional analysis of the combined financial statements rather than to present the financial position, results of operations, changes in net assets, and cash flows of the individual locations, and are not a required part of the combined financial statements. These supplemental combining schedules are the responsibility of be.group's management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements as of and for the year ended December 31, 2013. Such supplemental combining schedules have been subjected to the auditing procedures applied in our audit of the combined 2013 financial statements and certain additional procedures, including comparing and reconciling such supplemental combining schedules directly to the underlying accounting and other records used to prepare the combined 2013 financial statements or to the combined 2013 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such supplemental combining schedules are fairly stated in all material respects in relation to the combined 2013 financial statements as a whole.

Deloitte & Touche LLP

April 30, 2014

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
**(dba be.group)**

**COMBINED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2013 AND 2012**  
**(In thousands)**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 4,085	\$ 3,387
INVESTMENTS (Notes 5 and 10)	76,660	56,470
INVESTMENTS DESIGNATED FOR THE HOMESHIP FUND (Notes 5 and 10)	1,507	1,278
ACCOUNTS RECEIVABLE — Net of estimated allowances for doubtful accounts of \$188 and \$273 as of December 31, 2013 and 2012, respectively (Notes 11 and 12)	4,823	6,786
PREPAID EXPENSES	1,961	1,477
ASSETS WHOSE USE IS LIMITED (Notes 5, 6, and 10)	18,584	18,664
INVESTMENTS HELD FOR RESTRICTED PURPOSES (Notes 5 and 10)	14,670	13,311
FACILITIES — Net (Note 7)	177,449	167,852
ASSETS HELD FOR SALE (Note 3)		904
ADVANCES TO AFFORDABLE HOUSING PROJECTS (Note 12)	1,580	1,856
PREPAID BOND INSURANCE AND ISSUANCE COSTS (Note 8)	2,666	3,183
OTHER ASSETS (Note 15)	<u>2,884</u>	<u>1,528</u>
<b>TOTAL</b>	<b><u>\$ 306,869</u></b>	<b><u>\$ 276,696</u></b>

(Continued)

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
**(dba be.group)**

**COMBINED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2013 AND 2012**  
**(In thousands)**

	2013	2012
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 4,192	\$ 3,410
Accrued expenses	6,777	7,128
Deposits from applicants for residency	824	891
Accrued liabilities (Note 11)	6,173	6,815
Accrued pension liabilities (Note 9)	5,780	14,741
Deferred revenue from entrance fees subject to refund (Note 3)	59,363	46,245
Deferred revenue from entrance fees (Note 3)	46,392	46,804
Long-term debt (Notes 8 and 10)	144,955	131,755
Long-term debt related to discontinued operations (Notes 3, 8 and 10)	1,990	6,859
Life income obligations to beneficiaries under charitable trust agreements	<u>1,083</u>	<u>1,415</u>
<b>Total liabilities</b>	<u><b>277,529</b></u>	<u><b>266,063</b></u>
<b>COMMITMENTS AND CONTINGENCIES (Note 11)</b>		
<b>NET ASSETS (DEFICIT) (Note 4):</b>		
Unrestricted	11,806	(3,299)
Unrestricted — noncontrolling interest (Note 2)	2,079	
Temporarily restricted	10,761	9,172
Permanently restricted	<u>4,694</u>	<u>4,760</u>
<b>Total net assets</b>	<u><b>29,340</b></u>	<u><b>10,633</b></u>
<b>TOTAL</b>	<u><b>\$ 306,869</b></u>	<u><b>\$ 276,696</b></u>

See notes to combined financial statements.

(Concluded)

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
**(dba be.group)**

**COMBINED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**  
**(In thousands)**

	<b>2013</b>	<b>2012</b>
REVENUES AND OTHER SUPPORT:		
Resident services fees	\$ 73,389	\$ 71,382
Amortization of entrance fees (Note 3)	13,917	14,452
Management fees (Note 12)	1,543	1,629
Net assets released from restrictions	<u>1,004</u>	<u>1,003</u>
Total revenues and other support	<u>89,853</u>	<u>88,466</u>
EXPENSES (Note 14):		
Medical services	21,534	21,428
Dietary	13,323	13,624
Plant	9,202	9,023
Housekeeping	3,879	3,917
Resident activities	3,695	3,869
Marketing	5,247	5,209
General and administrative	15,145	15,432
Depreciation and amortization	10,999	10,220
Leases and rentals	341	329
Interest — operations (Note 8)	8,178	8,353
Insurance	<u>1,249</u>	<u>991</u>
Total expenses	<u>92,792</u>	<u>92,395</u>
LOSS FROM OPERATIONS	<u>(2,939)</u>	<u>(3,929)</u>
OTHER GAINS:		
Unrestricted contributions	60	16
Investment income (Note 5)	3,308	1,306
Change in unrealized gain on trading securities — net	2,527	1,725
Other income	<u>462</u>	<u>635</u>
Total other gains — net	<u>6,357</u>	<u>3,682</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SUPPORT OVER EXPENSES, AND OTHER GAINS	<u>3,418</u>	<u>(247)</u>
DISCONTINUED OPERATIONS (Note 3):		
Loss from discontinued operations	(866)	(1,067)
Gain from sale of discontinued facility	<u>1,061</u>	<u>8,269</u>
Total gain from discontinued operations — net	<u>195</u>	<u>7,202</u>
EXCESS OF REVENUES AND OTHER SUPPORT OVER EXPENSES, OTHER GAINS, AND DISCONTINUED OPERATIONS	<u>\$ 3,613</u>	<u>\$ 6,955</u>

See notes to combined financial statements.

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
**(dba be.group)**

**COMBINED STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**(In thousands)**

	<b>2013</b>	<b>2012</b>
<b>UNRESTRICTED NET ASSETS:</b>		
Excess of revenues and other support over expenses, other gains, and discontinued operations	\$ 3,613	\$ 6,955
Net assets released from restrictions — acquisition of facilities	191	189
Pension related changes other than net periodic pension cost (Note 9)	9,547	107
Transfer to temporarily restricted net assets		(135)
Deficiency of revenues and other support over expenses, other gains, and discontinued operations attributable to noncontrolling interest	672	
Effect of combination with Casa de la Paloma (Note 13)	<u>1,082</u>	
Increase in unrestricted net assets	<u>15,105</u>	<u>7,116</u>
<b>UNRESTRICTED NET ASSETS — NONCONTROLLING INTEREST:</b>		
Deficiency of revenues and other support over expenses, other gains, and discontinued operations attributable to noncontrolling interest	(672)	
Equity contribution (Note 13)	<u>2,751</u>	
Increase in unrestricted net assets — noncontrolling interest	<u>2,079</u>	<u>-</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Gifts and bequests	1,012	1,635
Investment income (Note 5)	1,138	440
Unrealized gain — marketable securities — net	543	238
Change in value of split-interest agreements	313	194
Net assets distributed to donors under trust agreements	(102)	(103)
Net assets distributed to affordable housing projects		(33)
Net assets distributed to other foundations	(77)	
Net assets released for acquisition of facilities	(191)	(189)
Net assets released for other specific purposes	(854)	(846)
Net assets released for benevolence	(193)	(187)
Transfer from unrestricted net assets		<u>135</u>
Increase in temporarily restricted net assets	<u>1,589</u>	<u>1,284</u>
<b>PERMANENTLY RESTRICTED NET ASSETS:</b>		
Gifts and bequests		12
Other	<u>(66)</u>	
(Decrease) increase in permanently restricted net assets	<u>(66)</u>	<u>12</u>
<b>INCREASE IN NET ASSETS</b>	<u>18,707</u>	<u>8,412</u>
<b>NET ASSETS — Beginning of year</b>	10,633	614
Correction of error — entrance fee amortization (Note 3)		<u>1,607</u>
<b>NET ASSETS — Beginning of year — as corrected</b>	<u>10,633</u>	<u>2,221</u>
<b>NET ASSETS — End of year</b>	<u>\$ 29,340</u>	<u>\$ 10,633</u>

See notes to combined financial statements.

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
**(dba be.group)**

**COMBINED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**  
**(In thousands)**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from residents and third-party payors	\$ 77,156	\$ 77,211
Proceeds from entrance fees	30,958	19,399
Other receipts from operations	2,076	2,291
Unrestricted contributions	60	16
Investment income	3,308	1,309
Proceeds from temporarily restricted contributions:		
Investment income	1,138	440
Gifts and bequests	1,325	1,829
Cash paid to employees and suppliers	(78,410)	(78,259)
Interest paid — net of bond amortization	<u>(8,117)</u>	<u>(8,672)</u>
Net cash provided by operating activities	<u>29,494</u>	<u>15,564</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of facilities	(15,369)	(7,289)
Proceeds from sale of property		1,339
Proceeds from sale of discontinued facility	3,500	13,005
Purchase of assets whose use is limited	(5,804)	(5,184)
Sale of assets whose use is limited	6,119	
Purchase of investments	(116,122)	(26,695)
Sale of investments	97,414	14,619
Cash received in combination with Casa de la Paloma	6,607	
Advances to Affordable Housing projects	<u>276</u>	<u>121</u>
Net cash used in investing activities	<u>(23,379)</u>	<u>(10,084)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash refunds of entrance fees and deposits	(3,931)	(3,506)
Contributions restricted for long-term investment	(66)	12
Proceeds from issuance of long-term debt	9,049	47
Payments of long-term debt	(12,681)	(1,889)
Cash paid under charitable remainder trust agreements	(102)	(103)
Payment of deferred loan costs	(437)	
Equity contribution	<u>2,751</u>	
Net cash used in financing activities	<u>(5,417)</u>	<u>(5,439)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	698	41
CASH AND CASH EQUIVALENTS — Beginning of year	<u>3,387</u>	<u>3,346</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 4,085</u>	<u>\$ 3,387</u>

(Continued)

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
**(dba be.group)**

**COMBINED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**  
**(In thousands)**

	2013	2012
<b>RECONCILIATION OF INCREASE IN NET ASSETS</b>		
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 18,707	\$ 8,412
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Proceeds from entrance fees	30,958	19,399
Amortization of entrance fees	(13,917)	(14,452)
Contributions restricted for long-term investment	66	(12)
Amounts distributed to donors under trust agreements	102	103
Change in value of split-interest agreements	313	194
Change in value of obligation to beneficiaries	(332)	226
Unrealized gain on investments	(3,070)	(1,962)
Depreciation and amortization	11,148	10,746
Gain on sale of discontinued operations	(1,061)	(8,269)
Pension related changes other than net periodic pension cost	(9,547)	(107)
Equity contribution	(2,751)	
Effect of combination with Casa de la Paloma	(1,082)	
Change in:		
Accounts receivable	1,559	(2,493)
Prepaid expenses and other assets	(756)	52
Accounts payable	(293)	792
Accrued expenses	(550)	2,935
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 29,494</u></b>	<b><u>\$ 15,564</u></b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	<u>\$ 8,184</u>	<u>\$ 8,672</u>
Facilities acquisitions in accounts payable	<u>\$ 1,389</u>	<u>\$ 392</u>
Effect of combination	<u>\$ 1,082</u>	<u>\$ -</u>
Transfer of assets held for sale to other assets	<u>\$ 904</u>	<u>\$ -</u>

See notes to combined financial statements.

(Concluded)

# **SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES** **(dba be.group)**

## **NOTES TO COMBINED FINANCIAL STATEMENTS** **AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

---

### **1. MISSION STATEMENT**

Southern California Presbyterian Homes and Affiliates (dba be.group) (“be.group”) is dedicated to providing quality housing, health, and support services to its residents, primarily older adults of all faiths, that enrich the physical, social, and spiritual dimensions of their lives. be.group is also committed to acting as a resource for the communities in which it operates.

A part of be.group’s mission is to provide resources to the broader community. This mission is fulfilled by providing information and referral services for elder care, family support groups, training and mentoring of college interns, community education seminars, meeting space and refreshments for community organizations, financial and staff support in community fairs, and polling sites in facilities for elections. In addition to other activities for the greater community benefit, be.group’s staff members donate their time and services to several community organizations that promote be.group’s mission.

### **2. OPERATIONS**

Southern California Presbyterian Homes, a California nonprofit public-benefit corporation, including four continuing care retirement communities of Royal Oaks Manor, White Sands, Windsor Manor, and Regents Point (collectively, “Southern California Presbyterian Homes”), together with its controlled affiliates, Redwood Senior Homes and Services (RSHS), Kirkwood Assisted Living Residence at Orange (“Kirkwood Orange”), Kirkwood Assisted Living Residence at Glendale (“Kirkwood Glendale”), Redding Assisted Living Corporation (“Kirkwood Redding”), Presbyterian Homes and Services of the West (PHW), Community Care for Adults (CCA), Twelve Oaks Lodge, Westminster Gardens, and Palmer House LP (“Palmer House”), owns and operates retirement communities, freestanding assisted living communities, and adult day centers, primarily in Southern California. Residents of the retirement communities receive residence, service, and care in exchange for an entrance fee and a monthly fee, which is redetermined annually. In addition, residents of the skilled nursing facilities are charged for the costs of medical services provided. The communities include approximately 859 residential units, 268 personal care beds, and 232 skilled nursing beds. be.group also provides a range of long-term care services that are affordable to low- and moderate-income seniors. These services include adult day social care, adult day health care, and on-site outpatient therapy.

Effective December 28, 2012, be.group signed an agreement to sell its Redwood Town Court facility, which was a part of RSHS, to an unrelated party (see Note 3).

Effective December 18, 2013, be.group signed an agreement to sell its Kirkwood Redding community to an unrelated party (see Note 3).

Effective November 1, 2013, be.group closed its Twelve Oaks Lodge community (see Note 3).

Southern California Presbyterian Homes Foundation (the "Foundation") is a not-for-profit organization that is committed to building financial support from gifts for be.group. The resources received and managed by the Foundation are directed to be.group to provide housing and support service that will enhance the physical, social, and spiritual well-being of the residents who reside within the communities.

be.group has a home care service ("Home Care") that offers assistance with shopping, transportation, and various other customer needs. Home Care customers are charged an hourly rate. be.group provides management services to 1,652 units of subsidized housing under Housing and Urban Development (HUD) agreements. These facilities are not included in these combined financial statements (see Note 12).

In 2013, Southern California Presbyterian Homes has entered into various agreements with established partners to acquire, develop, construct, and maintain low-income housing tax credit projects. As a result, Casa de la Paloma, consisting of Casa de la Paloma, L.P., Casa de la Paloma, Inc., and Casa de la Paloma, L.L.C., and Andres Duarte Terrace II, consisting of Andres Duarte Terrace II, L.P., and Andres Duarte Terrace II, L.L.C., are included in be.group's combined financial statements (see Notes 8 and 13).

Southern California Presbyterian Homes, the Foundation, RSHS, Kirkwood Orange, Kirkwood Glendale, Kirkwood Redding, PHW, CCA, Twelve Oaks Lodge, Westminster Gardens, and Casa de la Paloma, Inc., are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes pursuant to Section 501(a) of the IRC. All members of Palmer House, Casa de la Paloma, L.L.C., and Andres Duarte Terrace, L.L.C. are not-for-profit corporations as described in Section 501(c)(3) of the IRC and are exempt from federal income taxes pursuant to Section 501(a) of the IRC. Accordingly, no provision for federal income tax has been recorded in the accompanying combined financial statements. All entities have received favorable determination letters from the Internal Revenue Service indicating that they qualify for tax-exempt status. They are also exempt from California franchise taxes and real and personal property taxes, exclusive of special assessments and voter-approved assessments.

Casa de la Paloma, L.P., and Andres Duarte Terrace II, L.P., have elected to be treated as a pass-through entities for income tax purposes and, as such, are not subject to income taxes. Accordingly, these financial statements do not reflect a provision for income taxes.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** — The combined financial statements include the accounts of Southern California Presbyterian Homes and its controlled affiliates, the Foundation, RSHS, Kirkwood Orange, Kirkwood Glendale, Kirkwood Redding, PHW, CCA, Twelve Oaks Lodge, Westminster Gardens, Palmer House, Casa de la Paloma, Inc., Casa de la Paloma, L.L.C., and Andres Duarte Terrace II, L.L.C. All significant intercompany balances and transactions have been eliminated in combination.

**Correction** — An error was identified in 2013 related to the amortization of entrance fees, which impacts the 2012 reported deferred revenues from entrance fees subject to refund and deferred revenues from entrance fees. The error relates to the deferral of amortization of entrance fees during the first 90 days of occupancy ("refund period"). In 2012 and prior years, management elected to defer amortization during the refund period. Management reevaluated the selected accounting policy considering current operations and guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 605-20-05, *Arrangements with Refundable Up-Front Fees*. Management has changed the policy in 2013 to amortize entrance fees received over the complete period

of service and have evaluated the need for a reserve for potential refunds based on historical experience. As a result, balances reported as of December 31, 2012, in the combined financial statements issued on April 29, 2013, have been corrected in the accompanying combined financial statements to reflect the change in policy. The correction includes an increase in deferred revenues from entrance fees subject to refund of \$72,000, a decrease in deferred revenues from entrance fees of \$1,679,000, and a corresponding increase in unrestricted net assets of \$1,607,000 as of December 31, 2012, in the accompanying combined financial statements. Amounts disclosed in the notes to combined financial statements were updated to reflect this change.

An error was identified in 2013 related to the 2012 fair value investment disclosures, which impacts the leveling and classification of certain securities in Notes 5 and 10 in the accompanying notes to the combined financial statements. U.S. Treasury securities as of December 31, 2012, in the amount of \$4,320,000 were transferred from Level 1 to Level 2 based on the determination that quoted prices were not available in active markets for identical investments. U.S. Treasury securities as of December 31, 2013, have been classified as Level 2. Additional errors were identified related to the classification of certain certificates of deposit, federal government agency bonds, U.S. corporate bonds, and non-U.S. corporate bonds as of December 31, 2012. Securities initially classified as U.S. corporate bonds in the amount of \$15,710,000 were reclassified as \$12,523,000 in certificates of deposit; \$470,000 in federal government agency bonds; and \$2,717,000 in non-U.S. corporate bonds. Reclassification of these securities did not result in a transfer between levels or changes to the investment balances on the combined balance sheets. 2012 amounts disclosed within Notes 5 and 10 in the accompanying notes to the combined financial statements were updated to reflect these changes.

**Discontinued Operations** — Effective December 18, 2013, be.group sold its Kirkwood Redding community, with a net book value of \$2,398,000, to an unrelated party with no significant continuing involvement, for \$3,500,000, exclusive of selling costs, for a gain of \$1,061,000. In January 2014, be.group made a final principal payment of \$1,990,000 on the long-term debt associated with the Kirkwood Redding 2001 serial bonds. Funds were held in assets whose use is limited in the combined balance sheet as of December 31, 2013.

In 2013, be.group made the decision to close its Twelve Oaks Lodge community and effective November 1, 2013, operations were terminated.

Effective December 28, 2012, be.group sold its Redwood Town Court community, with a net book value of \$4,500,000, to an unrelated party with no significant continuing involvement, for \$13,685,000, exclusive of selling costs, for a gain of \$8,269,000.

In accordance with FASB ASC 205-20, *Presentation of Financial Statements — Discontinued Operations*, current and prior period results of operations for Kirkwood Redding, Twelve Oaks Lodge, and Redwood Town Court are reported separately in discontinued operations in the combined statements of operations. Current and prior period long-term debt related to Kirkwood Redding has been reclassified and reported separately as long-term debt related to discontinued operations in the combined balance sheets. Additionally, long-term debt related to Redwood Town Court for 2012 has been restated to correctly report it as long-term debt related to discontinued operations in the combined balance sheets. Unless otherwise indicated, all disclosures and amounts in the combined financial statements and notes to the combined financial statements relate to be.group's continuing operations, with the exception of the statements of changes in net assets and statements of cash flows.

Summary balance sheet and statement of operations information for Kirkwood Redding, Twelve Oaks Lodge, and Redwood Town Court as of and for the years ended December 31, 2013 and 2012, is included in the following table (in thousands):

	Kirkwood Redding		Twelve Oaks		Redwood Town Court	
	2013	2012	2013	2012	2013	2012
<b>Balance sheets:</b>						
<b>Total assets:</b>						
Assets whose use is limited	\$ 2,196	\$ 185	\$ -	\$ -	\$ -	\$ 4,840
Other miscellaneous assets	24	2,956	1,002	1,022		(22)
Intercompany	(1,815)	(2,981)	(1,485)	(978)	8,018	8,312
<b>Total assets</b>	<b>\$ 405</b>	<b>\$ 160</b>	<b>\$ (483)</b>	<b>\$ 44</b>	<b>\$8,018</b>	<b>\$13,130</b>
<b>Total liabilities and unrestricted net assets:</b>						
Long-term debt related to discontinued operations	\$ 1,990	\$ 2,019	\$ -	\$ -	\$ -	\$ 4,840
Other miscellaneous liabilities	(173)	191	160	232	199	490
Unrestricted net assets	(1,412)	(2,050)	(643)	(188)	7,819	7,800
<b>Total liabilities and unrestricted net assets</b>	<b>\$ 405</b>	<b>\$ 160</b>	<b>\$ (483)</b>	<b>\$ 44</b>	<b>\$8,018</b>	<b>\$13,130</b>
<b>Statements of operations:</b>						
Total revenues and other support	\$ 1,700	\$ 1,858	\$ 1,307	\$ 1,749	\$ 20	\$ 4,274
Total expenses	2,123	1,923	1,792	1,909	48	5,152
Total other gains — net		9	30	20	47	7
<b>Deficiency of revenues and other support over expenses and other gains</b>	<b>\$ (423)</b>	<b>\$ (56)</b>	<b>\$ (455)</b>	<b>\$ (140)</b>	<b>\$ 19</b>	<b>\$ (871)</b>

**Use of Estimates** — The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Performance Indicator** — be.group considers the excess (deficiency) of revenues and other support over expenses, and other gains to be its performance indicator. Excess (deficiency) of revenues and other support over expenses, and other gains includes all changes in unrestricted net assets, except for results of discontinued operations, net assets released from restrictions for acquisition of facilities, pension related changes other than net periodic pension cost, transfers to temporarily restricted net assets, effect of combination with Casa de la Paloma, and equity contribution.

**Cash and Cash Equivalents** — be.group considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash and cash equivalents.

**Investments** — Investments consist principally of investments purchased by be.group, various donated investments, and charitable remainder trusts for which be.group has been designated as trustee. Investments are carried at fair value, which approximates current trading value, in the combined balance sheets. The cost of securities sold is based on the specific identification method. Investment income (including realized gains and losses on investments, interest, and dividends) and unrealized gains and losses on investments are included in nonoperating income, unless restricted by donor or law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably

possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts in the accompanying combined financial statements.

**Split-Interest Agreements** — The following instruments are recorded as income or net assets at the present value of be.group's beneficiary interest:

*Charitable Remainder Trusts* — be.group has been designated as trustee for several charitable remainder trusts. The Foundation administers these trusts. The trust agreements generally require be.group to make payments to beneficiaries based on stipulated interest rates, which ranged from 6.5% to 9% in both 2013 and 2012, applied to the fair market value of the trust assets determined annually or at inception of the trust. Assets are invested in government securities, certificates of deposit, mutual funds, stocks, and bonds. Upon the death of the beneficiaries, or other termination of the trusts as defined in the trust agreement, the remaining trust assets become contributions to be.group, as stipulated in the trust agreements. All charitable remainder trust assets are included at fair value in the accompanying combined balance sheets under investments held for restricted purposes and are considered to be temporarily restricted. The assets are recorded at their fair value when received and a liability is recorded for the present value of the estimated future payments. The difference between the fair value of the assets and the present value of the estimated future payments is recorded as temporarily restricted contributions at the date of the agreement. Subsequent changes to the fair value of the trust assets and the liability for the present value of the estimated future payments are reported in the combined statements of changes in net assets.

*Charitable Gift Annuities* — Donors have contributed assets to be.group in exchange for a promise by be.group to pay a fixed amount for a specified period of time to the donor or to individuals or organizations designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by, and the annual liability is an obligation of, be.group. Discount rates ranged from 1.0% to 2.4% and 1.0% to 1.6% in 2013 and 2012, respectively, and the liability is based upon the 2013 and 2012 Internal Revenue Service group annuity tables.

**Trusts Held by a Third Party** — be.group is named as beneficiary of and, in certain instances, receives income from trusts administered by organizations other than be.group. Under the terms of the trust agreements, be.group has the irrevocable right to receive all or a portion of the income earned on the trust assets, either in perpetuity or for the life of the trust. be.group does not control the assets held by an outside trust. be.group recognizes its interest in the trusts at fair value as either a temporarily or permanently restricted long-term receivable and a contribution. Subsequent changes in the fair value of be.group's beneficial interests in the trusts are reported in the combined statements of changes in net assets.

**Assets Whose Use is Limited** — Assets are segregated and limited as to use by outside third parties, other than a donor or a grantor. These assets primarily represent debt reserve funds of the various bond issues.

These assets also include \$2,283,175 in deposit account funds and \$1,537,871 in other reserves related to Casa de la Paloma, L.P. Funds may be withdrawn and applied to payment of principal and interest on the first mortgage from time to time or on the conversion date (see Note 8).

Assets primarily consist of cash deposits and investments in mutual funds and corporate and U.S. government debt obligations with maturities of generally less than five years and are reported at fair value.

**Facilities** — Facilities are stated at cost, net of accumulated depreciation. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. Depreciation is computed using a straight-line method based on the following estimated useful lives:

Land improvements	10–15 years
Buildings and improvements	7–40 years
Vehicles, furniture, and equipment	5–20 years

**Assets Held for Sale** — In 2012, the group's Board of Directors (the "Board") approved a resolution to sell an operating community to unrelated parties. Management evaluated the accounting treatment of the land and building based on FASB ASC 360, *Property, Plant, and Equipment*, and classified the land and buildings as held for sale effective December 31, 2012. The carrying amount of the asset classified as held for sale included in the combined balance sheets and accounted for at the lower of cost or fair value is \$904,000 as of December 31, 2012. In 2013, due to a change in circumstances, the asset was no longer held for sale. As such, the asset was moved from assets held for sale to other assets in the combined balance sheet as it is a non-operating property as of December 31, 2013.

**Long-Lived Assets** — In accordance with FASB ASC 360, long-lived assets are evaluated for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The evaluation includes comparing the estimated future net cash flows associated with the assets to the assets' carrying amount to determine whether impairment has occurred. If such assets are deemed impaired, an impairment loss equal to the amount by which the carrying amount exceeds the estimated fair value of the assets is recognized. If quoted market prices for the assets are not available, the fair value is calculated using the present value of estimated expected future net cash flows. The cash flow calculations are based on management's best estimates, using appropriate assumptions and projections at the date of the combined financial statements. No impairment losses were recorded for the years ended December 31, 2013 and 2012.

**Prepaid Bond Insurance and Issuance Costs** — Costs incurred upon the funding of the various bond issues are being amortized over the terms of the bonds using the effective interest method.

**Entrance Fees** — Entrance fees are paid by a resident upon entering into a continuing care retirement community contract. Entrance fees, net of entrance fees subject to refund, are recorded as deferred revenue from entrance fees and are amortized to income using a straight-line method over the estimated remaining life expectancy of the resident.

Under the resident contracts, a portion of the entrance fee is refundable for up to five years. The aggregate amount of entrance fees subject to refund as of December 31, 2013 and 2012, is approximately \$59,363,000 and \$46,245,000, respectively.

Entrance fees subject to refund and actual refunds disbursed as of December 31, 2013, are as follows (in thousands):

Years Ended December 31	Entrance Fees Subject to Refund as of December 31	Actual Refunds Disbursed for Years Ended December 31
2013	\$59,363	\$3,932
2012	46,245	3,506
2011	45,447	2,104
2010	47,150	2,703
2009	47,329	4,034

The change in entrance fees for the years ended December 31, 2013 and 2012, is as follows (in thousands):

	2013	2012
Entrance fees — January 1:		
Refundable fees	\$ 46,245	\$ 45,447
Deferred revenue	<u>46,804</u>	<u>47,407</u>
Subtotal	93,049	92,854
Add — new entrance fees	30,555	19,760
Less:		
Amortization	(10,713)	(10,212)
Termination	(3,204)	(4,240)
Refunds	(3,932)	(3,506)
Correction of error — entrance fee amortization	<u>                    </u>	<u>(1,607)</u>
Total	<u>\$ 105,755</u>	<u>\$ 93,049</u>
Entrance fees — December 31:		
Refundable fees	\$ 59,363	\$ 46,245
Deferred revenue	<u>46,392</u>	<u>46,804</u>
Total	<u>\$ 105,755</u>	<u>\$ 93,049</u>

**Resident Service Fees** — Resident service fees are recorded net of the provision for contractual allowances. The contractual allowance represents the difference between established rates and per diem reimbursement. On a basis of historical experience, a significant portion of uninsured residents are able to pay for the services rendered. Thus, a significant provision for bad debts related to uninsured residents in the period the services are provided is not recorded. Management, on a quarterly basis, reviews related accounts aged over 30 days to determine if accounts are collectable or should be further evaluated.

**Obligation to Provide Future Services** — be.group calculates the present value of the net cost of future services and use of facilities to be provided to current residents (the “estimated obligation”) and compares that amount with the balance of deferred revenue from entrance fees. If the estimated obligation exceeds the deferred revenue from entrance fees, a liability is recorded with the corresponding charge to income. As of December 31, 2013 and 2012, the estimated obligation was less than the balance of deferred revenue from entrance fees and, therefore, no obligation to provide future services was recorded. The obligation was calculated assuming 4% inflation rate and a discount rate of 6% at December 31, 2013 and 2012.

**Donor-Restricted Contributions** — Unconditional promises to give cash and other assets to be.group are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the conditions have been met. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined

statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying combined financial statements. Temporarily restricted net assets are composed of be.group's interest in various charitable remainder trusts and unexpended restricted contributions. All such assets are included in the combined balance sheets under investments or other assets.

**Recent Accounting Pronouncements** — In July 2012, the FASB issued ASU No. 2012-01, *Health Care Entities (Topic 954): Continuing Care Retirement Communities — Refundable Advance Fees*. The objective of this update is to clarify the reporting for refundable advance fees received by continuing care retirement communities. The update clarifies that an entity should classify an advance fee as deferred revenue when a continuing care retirement community has a resident contract that provides for payment of the refundable advance fee upon reoccupancy by a subsequent resident, which is limited to the proceeds of reoccupancy. Refundable advance fees that are contingent upon reoccupancy by a subsequent resident, but are not limited to the proceeds of reoccupancy, should be accounted for and reported as a liability. The provisions of FASB ASU 2012-01 are applicable for be.group effective January 1, 2014, and are not expected to have a material impact on be.group's combined financial statements.

In October 2012, the FASB issued ASU No. 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows — a consensus of the FASB Emerging Issues Task Force*. ASU No. 2012-05 addresses how cash receipts arising from the sale of certain donated financial assets should be classified in the statement of cash flows of not-for-profit entities. Cash receipts from the sale of donated financial assets should be classified consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that were nearly immediately converted into cash. ASU No. 2012-05 is effective prospectively for the be.group beginning January 1, 2014. The adoption of ASU 2012-05 is not expected to have a material impact on be.group's combined financial statements.

#### 4. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2013 and 2012, are available for the following purposes (in thousands):

	2013	2012
Donor restrictions (primarily restricted for capital improvements and specific operational activities)	\$ 7,204	\$ 5,994
Resident care — restricted for benevolence activities	2,006	1,838
Charitable remainder trusts	<u>1,551</u>	<u>1,340</u>
Total temporarily restricted net assets	<u>\$ 10,761</u>	<u>\$ 9,172</u>

**Benevolence Activities** — Under the terms of a majority of the residents' agreements, be.group is not required to maintain those residents who are unable to pay their entire monthly resident service fees; however, such residents have generally remained in the facilities. Funds to support these residents are derived from benevolence contributions, public aid, and monies designated by the Board. When residents are in need of financial assistance, such funds are provided first through contributions restricted for benevolence and then through the Board-designated benevolence reserve, if available.

Fees paid from donor contributions restricted for benevolence are recorded as a release of temporarily restricted net assets and transferred to unrestricted revenue in the combined statements of operations as they are used. When a community depletes its funds restricted for benevolence, be.group generally provides additional benevolence.

A summary of benevolence activity for the years ended December 31, 2013 and 2012, is as follows (in thousands):

	<b>2013</b>	<b>2012</b>
Beginning balance for funds restricted for resident care	\$ 1,838	\$ 1,632
Benevolence donations	53	249
Interest earned — including unrealized gain or loss	308	144
Funds expended for resident care	<u>(193)</u>	<u>(187)</u>
Ending balance for funds restricted for resident care	<u>\$ 2,006</u>	<u>\$ 1,838</u>

be.group's endowment consists of approximately eight individual funds established for various purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

be.group has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, be.group classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, be.group considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of be.group
- The investment policies of be.group

The changes in donor-restricted endowment net assets for the years ended December 31, 2013 and 2012, are as follows (in thousands):

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets — January 1, 2012	<u>\$ 956</u>	<u>\$ 4,748</u>	<u>\$ 5,704</u>
Investment return:			
Investment income	231		231
Unrealized gain	<u>120</u>		<u>120</u>
Total net investment return	<u>351</u>	<u>-</u>	<u>351</u>
Contributions		<u>12</u>	<u>12</u>
Endowment net assets — December 31, 2012	<u>1,307</u>	<u>4,760</u>	<u>6,067</u>
Investment return:			
Investment income	498		498
Unrealized gain	<u>184</u>		<u>184</u>
Total net investment return	<u>682</u>	<u>-</u>	<u>682</u>
Disbursements	<u>(281)</u>	<u>(66)</u>	<u>(347)</u>
Endowment net assets — December 31, 2013	<u>\$ 1,708</u>	<u>\$ 4,694</u>	<u>\$ 6,402</u>

The description of the amounts classified as permanently restricted net assets as of December 31, 2013 and 2012, are as follows (in thousands):

	<b>2013</b>	<b>2012</b>
Permanently restricted net assets — the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	<u>\$ 4,694</u>	<u>\$ 4,760</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 4,694</u>	<u>\$ 4,760</u>
Temporarily restricted net assets — the portion of perpetual endowment funds subject to a time restriction under SPMIFA — with purpose restrictions	<u>\$ 1,708</u>	<u>\$ 1,307</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 1,708</u>	<u>\$ 1,307</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires be group to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2013 and 2012.

be.group has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. be.group expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, be.group relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). be.group targets a diversified asset allocation that places a greater emphasis on fixed-income-based investments to achieve its long-term return objectives within prudent risk constraints.

Over the long term, be.group expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with be.group's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

## 5. INVESTMENTS

The composition of investments stated at fair market value as of December 31, 2013 and 2012, is as follows (in thousands):

	2013	2012
Investments:		
Cash and cash equivalents	\$ 16,795	\$ 21,156
Mutual funds	17,023	22,405
Certificates of deposit		12,760
Government obligations	28,439	14,909
Corporate bonds	18,490	18,220
Equities	30,521	104
Other	<u>153</u>	<u>169</u>
Total investments	111,421	89,723
Less:		
Investment designated for Homeship Fund	1,507	1,278
Assets whose use is limited	18,584	18,664
Investments held for restricted purposes	<u>14,670</u>	<u>13,311</u>
Total unrestricted and undesignated investments	<u>\$ 76,660</u>	<u>\$ 56,470</u>

The composition of investment income for the years ended December 31, 2013 and 2012, is as follows (in thousands):

	<b>2013</b>	<b>2012</b>
Interest and dividend income	\$ 1,922	\$ 1,812
Net realized gains	2,942	88
Investment expense	<u>(418)</u>	<u>(154)</u>
Investment income	<u>\$ 4,446</u>	<u>\$ 1,746</u>
Unrestricted investment income	\$ 3,308	\$ 1,306
Temporarily restricted investment income	<u>1,138</u>	<u>440</u>
Total investment income	<u>\$ 4,446</u>	<u>\$ 1,746</u>

**6. ASSETS WHOSE USE IS LIMITED**

The composition of assets whose use is limited as of December 31, 2013 and 2012, is as follows (in thousands):

	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 11,613	\$ 9,597
Investments — primarily government agency and corporate bonds	<u>6,971</u>	<u>9,067</u>
Total assets whose use is limited	<u>\$ 18,584</u>	<u>\$ 18,664</u>

The above funds as of December 31, 2013 and 2012, have been restricted by parties other than donors for the following purposes (in thousands):

	<b>2013</b>	<b>2012</b>
Debt reserves	\$ 10,793	\$ 17,067
Principal, sinking fund, interest reserves, and others	3,780	1,597
Other cash reserves — Casa de la Paloma (Note 13)	<u>4,011</u>	<u>          </u>
Total assets whose use is limited	<u>\$ 18,584</u>	<u>\$ 18,664</u>

## 7. FACILITIES

Facilities as of December 31, 2013 and 2012, consist of the following (in thousands):

	2013	2012
Land and improvements	\$ 20,257	\$ 13,873
Buildings and improvements	263,349	257,093
Vehicles, furniture, and equipment	33,971	32,674
Construction in process	<u>7,446</u>	<u>3,143</u>
Total facilities	325,023	306,783
Accumulated depreciation	<u>(147,574)</u>	<u>(138,931)</u>
Total facilities — net	<u>\$ 177,449</u>	<u>\$ 167,852</u>

## 8. LONG-TERM DEBT

Long-term debt, including unamortized premiums and discounts, as of December 31, 2013 and 2012, consists of the following (in thousands):

	2013	2012
Fixed rate revenue bonds:		
Series 1999 (Kirkwood Orange)	\$ 4,485	\$ 4,659
Series 2001 (Kirkwood Redding)	1,990	2,019
Series 2002 (RSHS)	4,795	15,905
Series 2006 (White Sands/Westminster Gardens)	40,916	41,328
Series 2009 (Southern California Presbyterian Homes)	72,746	73,702
Mortgage payable (Casa de la Paloma)	19,209	
Other long-term debt (Andres Duarte Terrace II)	1,803	
Trust deed note payable (City of Glendale) — 0% interest through December 2065	<u>1,001</u>	<u>1,001</u>
Total long-term debt	<u>\$ 146,945</u>	<u>\$ 138,614</u>

**The Fixed Rate Revenue Bonds** — Series 1999 (Kirkwood Orange) consist of \$1,440,000 serial bonds, bearing interest at the rate of 5.40%, payable in 2019, with mandatory sinking fund payments ranging from \$175,000 in 2013 to \$240,000 in 2019. There is also \$3,225,000 of serial bonds, bearing interest at the rate of 5.45%, payable in 2029, with mandatory sinking fund payments ranging from \$250,000 in 2020 to \$405,000 in 2029, net of the unamortized discount of \$5,400 and \$6,000 as of December 31, 2013 and 2012, respectively.

Series 2001 (Kirkwood Redding) consist of \$2,050,000 of serial bonds, bearing interest at the rate of 5.25%, payable in installments ranging from \$60,000 in 2013 to \$320,000 in 2031, net of unamortized discount of \$0 and \$31,000 as of December 31, 2013 and 2012, respectively. In January 2014, be.group made payments on the Series 2001 serial bonds for the remaining balance of \$1,990,000 as a result of the sale of the Kirkwood Redding community. As of December 31, 2013, funds and long-term debt are reported as assets whose use is limited and long-term debt related to discontinued operations in the combined balance sheet, respectively.

Series 2002 (RSHS) consist of \$4,795,000 of serial bonds, bearing interest at the rate of 6%, payable in 2022, with mandatory sinking fund payments from \$420,000 in 2014 to \$630,000 in 2020, net of unamortized discount of \$0 and \$125,000 as of December 31, 2013 and 2012, respectively. In January 2013, be.group made additional payments on the Series 2002 serial bonds in the amount of \$4,840,000 as a result of the sale of the Redwood Town Court community. be.group made additional payments on the Series 2002 serial bonds in the amount of \$6,395,000 during 2013, and paid the remaining balance due of \$4,795,000 in January 2014. As of December 31, 2013, funds paid in January 2014 of \$4,795,000 are held in assets whose use is limited in the combined balance sheets.

Series 2006 (White Sands/Westminster Gardens) consist of \$1,670,000 of serial bonds bearing interest at the rate of 4.50%, payable in 2016, with sinking fund payments ranging from \$395,000 in 2013 to \$440,000 in 2016; \$5,920,000 bearing interest at the rate of 4.75% due in 2026, with sinking fund payments ranging from \$470,000 in 2017 to \$735,000 in 2026; and \$33,430,000 bearing interest at the rate of 4.875%, with sinking fund payments of \$765,000 in 2027 to \$5,620,000 in 2036, plus unamortized premium of \$526,000 and net of unamortized discount of \$235,000 as of December 31, 2013. As of December 31, 2012, the unamortized premium and unamortized discount were \$556,000 and \$248,000, respectively.

In August 2009, be.group issued \$77,805,000 of Fixed Rate Revenue Bonds. The Fixed Rate Revenue Bonds — Series 2009 (Southern California Presbyterian Homes) consist of \$1,085,000 bearing interest of 5.25% payable in 2014, with mandatory sinking fund payments ranging from \$1,025,000 in 2013 to \$1,085,000 in 2014; \$6,455,000 bearing interest at a rate of 6.25% payable in 2019 with mandatory sinking fund payments from \$1,145,000 in 2015 to \$1,445,000 in 2019; \$8,780,000 bearing interest at a rate of 6.625%, payable in 2024 with mandatory sinking fund payments ranging from \$1,545,000 in 2020 to \$1,985,000 in 2024; \$12,145,000 bearing interest at the rate of 7% payable in 2029 with mandatory sinking fund payments ranging from \$2,115,000 in 2025 to \$2,765,000 in 2029; and \$45,610,000 bearing interest at a rate of 7.25% payable in 2041 with mandatory sinking fund payments ranging from \$365,000 in 2030 to \$9,370,000 in 2041, net of amortized discount of \$1,329,000 and \$1,398,000 as of December 31, 2013 and 2012, respectively.

**Mortgage Payable** — Casa de la Paloma, L.P., has a mortgage with Citibank, N.A. in the original amount of \$19,500,000. Prior to the conversion from a construction loan to a permanent loan, the mortgage bears interest at a variable rate of the current index, plus 1.95%. As of December 31, 2013, the rate is 2.0%. At conversion and through the maturity date on November 1, 2044, the mortgage will bear interest at 4.76%. Payments of interest only are due monthly. At conversion in 2014, the permanent loan will be \$8,000,000 with payments of principal and interest based on a 35-year amortization scheduled in the monthly amount of \$39,917 until maturity, at which time all unpaid principal and interest is due. The mortgage was funded on March 1, 2013, with proceeds from the issuance of the California Municipal Finance Authority Multifamily Housing Revenue Note (Casa de la Paloma) 2013 Series A. Proceeds were specifically to pay costs of the acquisition, rehabilitation, and development of the Casa de la Paloma, L.P., construction project. The Note is secured by the Multifamily Deed of Trust, Assignment of Rents, Security Agreement, and Fixture Filing without recourse. As of December 31, 2013, the principal balance is \$19,209,000 (see Note 13).

be.group is required to maintain a ratio of income available for debt service, as defined, of at least 1.15 under the Series 1999 and 2001 bonds, and 1.25 under the Series 2002, 2006, and 2009 bonds. be.group is also required to maintain a cash balance of 60 days of unrestricted cash on hand under the Series 1999 and 2001 bonds, 100 days of unrestricted cash on hand under the Series 2002 and 2006 bonds, and 125 days of unrestricted cash on hand under the Series 2009 bonds.

The aggregate amounts maturing under long-term obligations, including mandatory bond redemptions, at December 31, 2013, are as follows (in thousands):

<b>Years Ending December 31</b>	
2014	\$ 19,674
2015	2,797
2016	2,340
2017	2,450
2018	2,565
Thereafter	<u>118,162</u>
Total principal maturities	147,988
Less net unamortized discount	<u>1,043</u>
Total long-term debt	<u>\$ 146,945</u>

## **9. RETIREMENT PLANS**

be.group has a defined benefit retirement plan (the "Plan") which, prior to the Plan being frozen, provided retirement benefits through a noncontributory defined benefit retirement plan for substantially all full-time employees. On October 22, 2009, the Board of be.group froze the Plan, whereby effective October 31, 2009, further accrual of benefits ceased for participants in the Plan. be.group has no immediate plans to terminate the Plan.

Prior to October 31, 2009, the benefits were based upon years of service and the employee's compensation during the years of employment. be.group's funding policy, at a minimum, was to contribute amounts to the Plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, plus additional amounts deemed to be appropriate.

The Plan assets are invested in U.S. government debt obligations, fixed-income investments, and equity securities whose values are subject to fluctuations of the securities markets. Changes in these values attributable to the differences between actual and assumed returns on Plan assets were deferred as unrecognized gains or losses and were included in the determination of the net pension expense over time.

A summary of the components of net periodic pension cost as of the date of the actuarial valuation for the years ended December 31, 2013 and 2012, is as follows (in thousands):

	<b>2013</b>	<b>2012</b>
<b>Changes in projected benefit obligation:</b>		
Projected benefit obligation — January 1	\$ 45,081	\$ 41,812
Service cost		
Interest cost	1,812	1,868
Effect of settlement	(2,076)	
Benefits paid	(973)	(1,497)
Actuarial (gain) loss	<u>(5,266)</u>	<u>2,898</u>
Projected benefit obligation — December 31	<u>38,578</u>	<u>45,081</u>
<b>Changes in Plan assets:</b>		
Fair value of Plan assets — January 1	30,340	25,937
Actual return on plan assets	3,775	2,917
Employer contributions	1,897	3,131
Expenses	(165)	(148)
Effect of settlement	(2,076)	
Benefits paid	<u>(973)</u>	<u>(1,497)</u>
Fair value of Plan assets — December 31	<u>32,798</u>	<u>30,340</u>
Funded status	<u>(5,780)</u>	<u>(14,741)</u>
Accrued benefit cost	<u>\$ (5,780)</u>	<u>\$ (14,741)</u>
Accumulated benefit obligation	<u>\$ (38,578)</u>	<u>\$ (45,081)</u>
Amounts recognized in the combined statements of financial position — accrued pension liability	<u>\$ 5,780</u>	<u>\$ 14,741</u>
<b>Components of net periodic benefit cost:</b>		
Service cost	\$ -	\$ -
Interest cost	1,812	1,868
Expected return on Plan assets	(2,037)	(1,804)
Net loss amortization	2,085	2,040
Settlement expense	<u>623</u>	<u></u>
Net benefit cost	<u>\$ 2,483</u>	<u>\$ 2,104</u>
Net gain recognized in unrestricted net assets	<u>\$ 9,547</u>	<u>\$ 107</u>
<b>Amounts recognized in accumulated unrestricted net assets:</b>		
Prior service cost	\$ -	\$ -
Net actuarial loss	<u>11,566</u>	<u>21,113</u>
Total accumulated charge to unrestricted net assets	<u>\$ 11,566</u>	<u>\$ 21,113</u>

Weighted-average assumptions used to determine benefit obligations as of December 31, 2013 and 2012, are as follows:

	2013	2012
Discount rate	4.90 %	4.07 %
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost as of December 31, 2013 and 2012, are as follows:

	2013	2012
Discount rate	4.07 %	4.63 %
Expected long-term rate of return on Plan assets	6.75	6.75
Rate of compensation increase	N/A	N/A

be.group determines the estimates of expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset class returns and advice from external actuarial firms, while incorporating specific asset class risk factors. For the years ended December 31, 2013 and 2012, the expected long-term rate of return used in determining net periodic pension cost was 6.75%.

For the year ended December 31, 2013, due to increased lump sum payments, settlement expense of \$623,000 was recorded in general and administrative expenses in the combined statements of operations. Lump sum payments exceeded the sum of the service and interest cost components of net periodic benefit cost and as such settlement accounting was triggered for the year ended December 31, 2013. No settlement expenses was triggered or recorded for the year ended December 31, 2012.

The Plan invests primarily in asset categories to permit conservative investments with minimal risk of loss of principal. The Plan invests in asset categories that provide diversification benefits and are easily measured. Maximum and minimum holding ranges for each of these asset categories are set by the investment committee and defined in an investment policy. The current target allocations for equity and fixed income are between 45% and 55% for the year ended December 31, 2013. Actual asset allocation within these approved ranges is based on a variety of economic and market conditions and consideration of specific asset category risk. To assess the Plan's investment performance, a long-term asset allocation policy benchmark has been established.

be.group estimates it will contribute approximately \$1,151,000 to the Plan during the year ending December 31, 2014. be.group estimates that benefit payments will be paid over the next 10 years as follows (in thousands):

<b>Years Ending December 31</b>	
2014	\$ 1,393
2015	1,552
2016	1,666
2017	1,763
2018	1,862
2019-2023	11,107

Actuarial losses of \$1,028,000 related to the Plan are expected to be recognized as a component of the net periodic pension cost during the year ending December 31, 2014. Management has included the net periodic pension cost in be.group's 2014 operating budget.

Certain former and active key employees are receiving or will receive deferred compensation payments under a salary continuation agreement. Payments begin at age 65 or are made at reduced amounts if the employee leaves early, but after 10 years of service. The present value of the obligation under this agreement is accrued over the expected term of employment. The accrued deferred compensation balance was \$1,007,000 and \$1,192,000 at December 31, 2013 and 2012, respectively, and is included in accrued liabilities in the combined balance sheets.

In addition to the benefit plans above, effective May 16, 2010, be.group maintains a 403(b) plan for the benefit of its employees. Under the 403(b) plan, employees are eligible to defer a percentage of their salaries, up to the maximum amount allowed by the Internal Revenue Service. Additional deferrals are permitted for employees who reach age 50 or will attain age 50 before the end of the calendar year. be.group matches up to 3% of employee contributions for participating employees. be.group suspended the employer matching contribution effective September 1, 2011.

#### 10. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject be.group to concentrations of credit risk consist primarily of accounts receivable and related resident service fee revenues where the services provided are subject to payment from third-party payors. The mix of these receivables and revenues (excluding the impact from discontinued operations) as of December 31, 2013 and 2012, was as follows:

	2013	2012
Accounts receivable:		
Medicare	23 %	18 %
Medi-Cal	18	24
Commercial	9	12
Self-payors	45	45
Other payors	<u>5</u>	<u>1</u>
Total	<u>100 %</u>	<u>100 %</u>
Resident service fees:		
Medicare	22 %	18 %
Medi-Cal	19	21
Commercial	1	1
Self-payors	57	57
Other payors	<u>1</u>	<u>3</u>
Total	<u>100 %</u>	<u>100 %</u>

The estimated fair value of financial instruments has been determined by be.group using available market information and appropriate methodologies; however, considerable judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that be.group could realize in a current market exchange.

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

*Cash and Cash Equivalents* — Cash and cash equivalents consist principally of investments in short-term, interest-bearing instruments, and are carried at cost, plus accrued interest, which approximates fair value.

*Accounts and Notes Receivable* — Accounts and notes receivable consist principally of short-term receivables from third-party payors, net of estimated allowances for uncollectible amounts, which approximate fair value.

*Pledges Receivable* — The fair value of pledges receivable, after allowances for uncollectible pledges, was determined by discounting the expected future cash flows by a risk-free rate of return for similar terms of pledges receivable. Pledges receivable are included in accounts receivable in the combined balance sheets.

*Advances to Affordable Housing Projects* — As advances are specifically negotiated and are not readily marketable, it is not practicable to estimate the fair value of these assets.

*Accounts Payable* — Accounts payable consists principally of short-term payables to third parties, which approximate fair value.

*Trusts Held by a Third Party* — Trusts held by a third party consist of numerous arrangements in which a donor establishes and funds a trust administered by an organization other than be.group. These trusts are recorded at the estimated fair value of be.group's beneficial interest in the net assets contributed to the trust based on the present value of future distributions to be.group.

*Long-Term Debt* — The fair value of be.group's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to be.group for debt of the same remaining maturities. The fair value of be.group's long-term debt as of December 31, 2013 and 2012, is as follows (in thousands):

	<b>Carrying Value</b>	<b>Fair Value</b>
2013	\$ 146,945	\$ 148,111
2012	138,614	150,698

Assets measured and reported at fair value in the combined balance sheets using level inputs, as defined by FASB ASC 820, are classified and disclosed in one of the following categories:

*Level 1* — Quoted prices are available in active markets for identical investments as of the reporting date.

*Level 2* — Pricing inputs are based on significant observable market inputs, such as quoted prices for similar assets in active markets or quoted prices for similar or identical assets in nonactive markets, or other market observable inputs.

*Level 3* — Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The following is a description of valuation inputs and techniques that the group utilizes to fair value each major category of investments in accordance with ASC 820:

*Money Market Funds* — Money market funds are cash equivalents invested in short-term debt securities and are regulated under the Investment Company Act of 1940. Money market funds have observable inputs, but are not actively traded and are classified as Level 2.

*Mutual Funds* — Mutual funds registered with the Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 are valued based on quoted market prices, which represent the net asset value of shares, and are categorized as Level 1.

*Certificates of Deposit* — Certificates of deposit represent time deposits that bear a fixed interest rate. Certificates of deposit do have observable market inputs, but are not actively traded and are classified as Level 2.

*Fixed Income (U.S. Treasury Securities)* — U.S. Treasury securities are valued based on prices provided by third-party vendors that obtain feeds from a number of live data sources, including active market makers and interdealer brokers. To the extent that these inputs are observable and timely, values are categorized as Level 2.

*Fixed Income (Municipal and Federal Government Agency Bonds)* — Municipal and Federal government agency bonds are valued using inputs and techniques which include identification of similar issues and market activity. To the extent that these inputs are observable and timely, values are categorized as Level 2.

*Fixed Income (U.S. and Non-U.S. Corporate Bonds)* — Investment-grade bonds are valued using inputs and techniques which include third-party pricing vendors, dealer quotations, and recently executed transactions in securities of the issuer or comparable issuers. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. Values for high-yield bonds are based primarily on pricing vendors and dealer quotations from relevant market makers. The dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit-quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds, and sector-specific trends. To the extent that these inputs are observable and timely, the values are categorized as Level 2.

*Equity (U.S. and Non-U.S. Equity)* — Equity securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange and are categorized as Level 1.

The information about assets and liabilities measured at fair value on a recurring basis and the fair value hierarchy of the valuation techniques utilized by management to determine such fair value as of December 31, 2013 and 2012, is as follows (in thousands):

<b>2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets at fair value:				
Cash equivalents:				
Money market funds	\$ -	\$ 12,580	\$ -	\$ 12,580
Other cash equivalents	4,215			4,215
Mutual funds:				
Equity	6,034			6,034
Fixed income	8,554			8,554
Real estate	2,435			2,435
Fixed income:				
Municipal bonds		670		670
U.S. Treasury securities		11,824		11,824
Federal government agency bonds		15,945		15,945
U.S. corporate bonds		16,364		16,364
Non-U.S. corporate bonds		2,126		2,126
Equity:				
U.S. equity securities	27,347			27,347
Non-U.S. equity securities	3,174			3,174
Other	71		82	153
<b>Total assets at fair value</b>	<b><u>\$ 51,830</u></b>	<b><u>\$ 59,509</u></b>	<b><u>\$ 82</u></b>	<b><u>\$ 111,421</u></b>
<b>2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets at fair value:				
Cash equivalents:				
Money market funds	\$ -	\$ 21,156	\$ -	\$ 21,156
Mutual funds:				
Equity	16,699			16,699
Fixed income	5,706			5,706
Certificates of deposit		12,760		12,760
Fixed income:				
Municipal bonds		3,436		3,436
U.S. Treasury securities		4,320		4,320
Federal government agency bonds		7,153		7,153
U.S. corporate bonds		15,503		15,503
Non-U.S. corporate bonds		2,717		2,717
Equity:				
U.S. equity securities	104			104
Other	87		82	169
<b>Total assets at fair value</b>	<b><u>\$ 22,596</u></b>	<b><u>\$ 67,045</u></b>	<b><u>\$ 82</u></b>	<b><u>\$ 89,723</u></b>

The information about assets of the Plan measured at fair value in accordance with FASB ASC 715, *Compensation — Retirement Benefits*, and the fair value hierarchy of the valuation techniques utilized by management to determine such fair value as of December 31, 2013 and 2012, is as follows (in thousands):

<b>2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Plan assets at fair value:				
Separate investment accounts with underlying mutual fund investments:				
Equity	\$ -	\$ 17,310	\$ -	\$ 17,310
Fixed income		<u>15,488</u>		<u>15,488</u>
Total Plan assets at fair value	<u>\$ -</u>	<u>\$ 32,798</u>	<u>\$ -</u>	<u>\$ 32,798</u>
<b>2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Plan assets at fair value:				
Separate investment accounts with underlying mutual fund investments:				
Equity	\$ -	\$ 13,636	\$ -	\$ 13,636
Fixed income		<u>16,704</u>		<u>16,704</u>
Total Plan assets at fair value	<u>\$ -</u>	<u>\$ 30,340</u>	<u>\$ -</u>	<u>\$ 30,340</u>

be.group had no transfers between levels of assets measured at fair value on a recurring basis in the combined balance sheets during the years ended December 31, 2013 and 2012. In determining when transfers between levels are recognized, be.group's policy is to recognize the transfers based on the actual date of the event or change in circumstances that caused the transfer.

## 11. COMMITMENTS AND CONTINGENCIES

be.group self-insures for workers' compensation up to a maximum of \$850,000 per occurrence. Claims above this amount are insured by a third party up to an additional \$1,000,000. Estimates are made of potential claims and amounts are accrued accordingly. Estimated claims are \$4,424,000 and \$3,903,000 as of December 31, 2013 and 2012, respectively, and are included in accrued liabilities in the accompanying combined balance sheets. be.group also self-insures for automobile physical damage losses and unemployment claims.

Effective January 1, 2012, be.group became self-insured for employee health benefits for eligible full-time active employees up to an annual maximum of \$125,000 for each claimant. Claims above this amount are insured by a third party for an unlimited amount for each claimant. be.group is insured by a third party at a minimum annual aggregate attachment point of \$6,500,000 for 2013 and \$5,700,000 for 2012 for the benefit period, which includes claims incurred from January 1 through December 31, and paid from January 1 through March 31 of the subsequent year. Based on claims incurred through December 31, an estimated liability for claims incurred but not reported of \$728,000 and \$1,602,000 is included in accrued liabilities in the accompanying combined balance sheets as of December 31, 2013 and 2012, respectively, with \$150,000 and \$930,000 in accounts receivable for estimated reinsurance recoverable amounts, respectively. Effective January 1, 2014, be.group is no longer self-insured for employee health benefits.

be.group purchases professional liability insurance under a claims-made-basis policy (see Note 15).

be.group is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on be.group's combined financial statements.

Financial instruments that potentially subject be.group to concentrations of credit consist principally of cash and cash equivalents and receivables. be.group places its cash and cash equivalents into several financial institutions. be.group's customer base consists of a large number of customers. be.group performs credit evaluations, estimates a provision for uncollectible receivables, and writes off uncollectible amounts as they become known.

be.group is committed under noncancelable facility and equipment operating leases with minimum annual payments as of December 31, 2013, as follows (in thousands):

<b>Years Ending December 31</b>	
2014	\$ 160
2015	110
2016	67
2017	11
2018	<u>5</u>
Total	<u>\$ 353</u>

Rental expense was approximately \$351,000 and \$365,000 for the years ended December 31, 2013 and 2012, respectively.

Palmer House and the City of Glendale entered into a ground lease for real property at 549-605 Palmer Avenue, Glendale, California, commencing on December 31, 2007, for a term of 39 years. A net minimum rent payment of \$42,000 is payable to the City of Glendale annually on March 30. On November 15, 2010, Palmer House and the City of Glendale entered into an agreement to modify the ground lease. The annual minimum rent shall be one dollar as long as Palmer House is in full compliance with the ground lease and various covenants.

**Income Taxes** — During the years ended December 31, 2013 and 2012, be.group did not recognize any liability for unrecognized tax contingencies.

## **12. TRANSACTIONS WITH AFFORDABLE HOUSING PROJECTS**

Several California nonprofit public benefit corporations have been formed by be.group to operate housing facilities ("Affordable Housing") managed by be.group and controlled by HUD for low- and moderate-income elderly or disabled persons. The Affordable Housing projects are stand-alone entities and are not included within the combined financial statements of be.group. be.group provides noninterest bearing advances to partially finance the construction of the facilities. be.group had advanced approximately \$873,000 and \$1,419,000 as of December 31, 2013 and 2012, respectively, to projects that are in various stages of construction, which are included in advances to Affordable Housing projects in the accompanying combined balance sheets. It is expected that the advances will be repaid upon the termination of the Housing Assistance Payment Contracts with HUD. Management fees earned from these projects were \$1,310,000 and \$1,384,000 in 2013 and 2012, respectively. As of

December 31, 2013 and 2012, be.group also has current receivables due from the Affordable Housing projects of \$1,274,000 and \$1,005,000, respectively, which are included in accounts receivable in the accompanying combined balance sheets.

The combined unaudited financial information as of and for the years ended September 30, 2013 and 2012, of the Affordable Housing projects is as follows (in thousands):

	<u>Unaudited</u>	
	<u>2013</u>	<u>2012</u>
Assets:		
Cash and receivables — other	\$ 8,528	\$ 10,306
Facilities — net	<u>123,195</u>	<u>129,533</u>
Total assets	<u>\$ 131,723</u>	<u>\$ 139,839</u>
Liabilities and net deficit:		
Liabilities — primarily long-term debt	\$ 148,773	\$ 152,319
Net deficit	<u>(17,050)</u>	<u>(12,480)</u>
Total liabilities and net deficit	<u>\$ 131,723</u>	<u>\$ 139,839</u>
Selected financial data — revenues	<u>\$ 13,727</u>	<u>\$ 15,340</u>
Change in net deficit before depreciation	\$ (455)	\$ 2,260
Depreciation	<u>(4,115)</u>	<u>(4,187)</u>
Total change in net deficit	<u>\$ (4,570)</u>	<u>\$ (1,927)</u>

be.group has management agreements with additional nonprofit entities to manage their low-income, subsidized, and sponsored housing facilities. Management fees earned from these agreements were approximately \$40,000 in each of 2013 and 2012.

### 13. TAX CREDIT PROJECTS

Effective March 27, 2013, Casa de la Paloma, Inc., a HUD community managed by be.group during the year ended December 31, 2012 and prior, sold its property, including land and building, to a newly created limited partnership, Casa de la Paloma, L.P. Casa de la Paloma, L.P., was formed as a limited partnership under the laws of the State of California on July 16, 2012, to develop, construct, own, maintain, and operate an apartment project (“CDLP Project”) consisting of 167 rental units located in Glendale, California. The partners of Casa de la Paloma, L.P., include Casa de la Paloma, L.L.C., as the general partner with 0.01% ownership interest, and an unrelated investor limited partner with 99.99% ownership interest. Casa de la Paloma L.L.C., is 75% owned by Southern California Presbyterian Homes and 25% owned by an unrelated not-for-profit entity. Casa de la Paloma, L.P., is combined into Casa de la Paloma, L.L.C.’s, financial statements and those combined statements are consolidated into be.group’s combined financial statements as of December 31, 2013. Noncontrolling interest is reported in unrestricted net assets as of December 31, 2013, for the 99.99% ownership by the investor limited partner.

Balance sheet summary information at the close of the transaction is included in the following table (in thousands):

Cash	\$ 8,456
Other assets	6,316
Long-term debt	11,736
Other liabilities	105
Total unrestricted net assets	2,931

Other assets consist primarily of capitalized costs of the CDLP Project and total liabilities consist primarily of cash draws on the mortgage payable at the close of the transaction (see Note 8) to fund the project. As of December 31, 2013, construction related to the CDLP Project was substantially complete.

Casa de la Paloma, L.P., entered into a \$2.5 million development agreement with be.group for services performed in connection with the development of the CDLP Project. As of December 31, 2013, development fee of \$1,250,000, due to initial closing on March 27, 2013, and substantial completion of construction, has been recorded in facilities for Casa de la Paloma, L.P., in the accompanying combined financial statements. Casa de la Paloma, L.P., maintains deposit accounts in connection with the rehabilitation of the project and the mortgage payable in the amount of \$4,011,000, which are included in assets whose use is limited in the accompanying combined balance sheets as of December 31, 2013. Capital contributions totaling \$12,168,000 are due from the limited partner of Casa de la Paloma, L.P., when certain milestones are achieved as required by the Partnership Agreement. As of December 31, 2013, the limited partner has funded cumulative capital contributions during 2013 of \$1,849,000, which is included as an equity contribution in the accompanying combined statements of changes in net assets.

Effective December 6, 2013, Andres Duarte Terrace II, L.P., a partnership formed to acquire, develop, construct, own, maintain and operate a 43-unit low income housing tax credit project in Duarte, California, was combined into be.group's financial statements as Andres Duarte Terrace II. The partners of Andres Duarte Terrace II, L.P., include Andres Duarte Terrace II, L.L.C., as the general partner with 0.01% ownership interest and an unrelated investor limited partner with 99.99% ownership interest. Southern California Presbyterian Homes is the sole managing member of Andres Duarte Terrace II, L.L.C. Andres Duarte Terrace II, L.P., is combined into Andres Duarte Terrace II, L.L.C.'s, financial statements and those combined statements are consolidated into be.group's combined financial statements as of December 31, 2013. Noncontrolling interest is reported in unrestricted net assets as of December 31, 2013, for the 99.99% ownership by the investor limited partner. As of December 31, 2013, the partners have funded cumulative capital contributions during 2013 of \$902,000, which is included as an equity contribution in the accompanying combined statements of changes in net assets.

Balance sheet summary information at the close of the transaction is included in the following table (in thousands):

Facilities	\$2,679
Other assets	26
Total liabilities	1,803
Total unrestricted net assets	902

As of December 31, 2013, facilities balance includes land of \$870,000 and construction in progress of \$1,809,000. Construction is expected to reach completion in 2015. Andres Duarte Terrace II, L.P., entered into a \$1.5 million development agreement with be.group for services performed in connection with the development of the Andres Duarte Terrace II, L.P., construction project (ADT II Project). As of December 31, 2013, development fee of \$521,700, due to initial closing on December 6, 2013, has been recorded in facilities for Andres Duarte Terrace II, L.P., in the accompanying combined financial statements.

be.group has established various other entities with similar structures with plans to complete tax credit projects in 2014 and future years.

#### 14. FUNCTIONAL EXPENSES BY PROGRAM

Functional expenses by program for the years ended December 31, 2013 and 2012, are as follows (in thousands):

	2013					
	Residential	Assisted Living	Skilled Nursing	Home Office and Foundation	Home Care Services	Combined Total
Expenses:						
Medical services	\$ 3,268	\$ 4,393	\$ 12,473	\$ -	\$ 1,400	\$ 21,534
Dietary	9,390	2,447	1,482		4	13,323
Plant	7,419	1,009	564	147	63	9,202
Housekeeping	2,293	491	1,095			3,879
Resident activities	2,283	463	675		274	3,695
Marketing	3,944	570	220	511	2	5,247
General and administrative	8,783	1,577	1,288	3,120	377	15,145
Depreciation and amortization	9,174	790	673	315	47	10,999
Leases and rentals	122	17	7	187	8	341
Interest — operations	7,171	557	450			8,178
Insurance	1,017	108	91		33	1,249
Total expenses	<u>\$ 54,864</u>	<u>\$ 12,422</u>	<u>\$ 19,018</u>	<u>\$ 4,280</u>	<u>\$ 2,208</u>	<u>\$ 92,792</u>
	2012					
	Residential	Assisted Living	Skilled Nursing	Home Office and Foundation	Home Care Services	Combined Total
Expenses:						
Medical services	\$ 3,124	\$ 4,278	\$ 12,014	\$ -	\$ 2,012	\$ 21,428
Dietary	9,571	2,495	1,506		52	13,624
Plant	7,188	1,021	573	150	91	9,023
Housekeeping	2,336	486	1,095			3,917
Resident activities	2,294	464	677		434	3,869
Marketing	3,626	481	201	891	10	5,209
General and administrative	7,305	1,427	1,181	4,760	759	15,432
Depreciation and amortization	8,451	782	647	293	47	10,220
Leases and rentals	109	20	5	181	14	329
Interest — operations	7,263	579	470		41	8,353
Insurance	798	87	75		31	991
Total expenses	<u>\$ 52,065</u>	<u>\$ 12,120</u>	<u>\$ 18,444</u>	<u>\$ 6,275</u>	<u>\$ 3,491</u>	<u>\$ 92,395</u>

## 15. OTHER ASSETS

Effective January 1, 2002, be.group entered into a contractual agreement to form Caring Communities Insurance Company (CCIC), a self-insurance administrator, which, through its risk-sharing provisions, provided insurance coverage for professional and comprehensive general liability exposure. CCIC is a multiorganization insurance company for long-term care organizations incorporated under the laws of the Cayman Islands.

CCIC provided claims-made insurance coverage using a combination of self-insured retentions and excess commercial insurance coverage. CCIC engaged the services of a professional actuarial consultant for the determination of premiums to be assessed to participants under the plan of coverage. As a self-insurance administrator, CCIC enabled risk sharing among participating long-term care organizations. The participants are required to pay assessed premiums and are subject to a per-claim self-insured retention.

Effective January 1, 2008, CCIC became a wholly owned subsidiary of Caring Communities, a Reciprocal Risk Retention Group (CCrRRG), and the insurance policies have been solely written by CCrRRG since then. Insurance expense under the CCrRRG programs amounted to \$820,000 and \$817,000 in 2013 and 2012, respectively. be.group's investment in CCrRRG was \$535,000 as of December 31, 2013 and 2012, which is included in other assets in the accompanying combined balance sheets.

Effective January 1, 2008, Caring Communities Shared Services (CCSS) became a wholly owned subsidiary of CCrRRG. Caring Communities Health Insurance Program (CCHIP), a division of CCSS, assisted in the negotiation of contracts related to be.group's self-insured employee health benefits (see Note 11). John Cochrane, President and CEO of be.group, is on the board of directors of both CCrRRG and CCHIP.

## 16. SUBSEQUENT EVENTS

be.group has evaluated subsequent events through April 30, 2014, the date the combined financial statements were available to be issued.

\* \* \* \* \*

**SUPPLEMENTAL COMBINING SCHEDULES**

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
(dba bc-group)

**COMBINING BALANCE SHEETS (BY LOCATION) FOR ADDITIONAL INFORMATION**  
**AS OF DECEMBER 31, 2013**  
(in thousands)

	Royal Oaks Manor	White Sands	Windsor Manor	Regenia Point	Home Care	Home Office	Redwood Terrace	Redwood Town Court	Redwood Elderlink	Westminster Gardens	Kirkwood Orange	Kirkwood Glendale	Kirkwood Reading	CCA	Twelve Oaks Lodge	Palmer House	SCPH Foundation	Casa de la Paloma	Andreas Duarte Terrace II	Eliminations	Combined
<b>ASSETS</b>																					
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244	\$ -	\$ -	\$ -	\$ -	\$ 520	\$ -	\$ -	\$ -	\$ -	\$ 90	\$ -	\$ 3,230	\$ 1	\$ -	\$ 4,085
INVESTMENTS	3,731	7,516	1,602	10,435	43,690	35	799	71	8,781	1,507	63	8,000	14,670	700	2,679	10,481	2,679	2,679	1,507	76,660	
INVESTMENTS DESIGNATED FOR THE HOMESHIP FUND																					
ACCOUNTS RECEIVABLE—Net of estimated uncollectibles	202	243	421	503	137	2,471	537	130	75	8	18	879	15	63	8,000	8,000	8,000	8,000	(879)	4,823	
NOTES RECEIVABLE	242	286	135	301	12	582	200	34	100	33	6	6	12	3	3	3	12	12	3	(8,000)	1,961
PREPAID EXPENSES	1,488	6,089	140	1,367	1,489	1,489	1,489	613	560	201	2,196	2,196	2,196	201	700	14,670	14,670	14,670	(1,250)	177,449	
ASSETS WHOSE USE IS LIMITED																					18,584
INVESTMENTS HELD FOR RESTRICTED PURPOSES	28,376	70,952	4,919	26,605	9	5,414	13,223	899	9,842	4,600	4,600	4,600	4,600	700	14,670	14,670	10,481	2,679	(1,250)	177,449	
FACILITIES — Net						2,274	5												(699)	1,580	
ADVANCES TO AFFORDABLE HOUSING PROJECTS						3,794													25	(2,283)	2,666
PREPAID BOND INSURANCE AND ISSUANCE COSTS	700	1,165	52	507						107	135				904	18	(756)	426	25	(2,283)	2,884
OTHER ASSETS																				879	
INTERCOMPANY	18,537	9,511	2,600	49,088	591	(76,459)	(9,225)	8,018	(2,474)	6,842	(268)	(2,705)	(1,815)	(879)	(1,485)						
TOTAL	\$53,676	\$95,762	\$9,869	\$88,806	\$749	\$17,990	\$ 6,264	\$8,018	\$1,411	\$18,408	\$5,588	\$2,705	\$ 405	\$ -	\$ (483)	\$994	\$24,286	\$26,160	\$2,705	\$12,232	\$306,869

(Continued)

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
(dba bc group)

**COMBINING BALANCE SHEETS (BY LOCATION) FOR ADDITIONAL INFORMATION**  
**AS OF DECEMBER 31, 2013**  
(in thousands)

	Royal Oaks Minor	White Sands	Windsor Minor	Regents Point	Home Care	Home Office	Redwood Terrace	Redwood Court	Redwood Eldertink	Westminster Gardens	Kirkwood Orange	Kirkwood Glendale	Kirkwood Redding	CCA	Twelve Oaks Lodge	Palmer House	SCPH Foundation	Casa de la Paloma	Andrea Duarte Terrace II	Eliminations	Combined	
<b>LIABILITIES AND NET ASSETS</b>																						
<b>LIABILITIES:</b>																						
Accounts payable	\$ 323	\$ 448	\$ 161	\$ 464	\$ 10	\$ 1,496	\$ 305	\$ -	\$ 27	\$ 127	\$ 65	\$ -	\$ 9	\$ -	\$ 17	\$ 22	\$ 12	\$ 706	\$ -	\$ -	\$ 4,192	
Accrued expenses	240	308	166	356	13	5,118	378	-	7	134	58	-	7	-	(24)	14	-	1,266	-	(1,230)	6,777	
Deposits from applicants for residency	109	316	2	314	18	-	18	-	-	2	1	-	-	-	-	-	-	48	-	-	824	
Accrued liabilities	1,422	1,480	717	2,034	89	8,092	347	(161)	(143)	388	74	2	(354)	45	150	141	-	-	-	(8,130)	6,173	
Accrued pension liabilities	6,505	5,696	3,488	8,566	232	(21,348)	1,034	360	159	597	272	165	-	122	-	112	-	-	-	-	5,780	
Deferred revenue from entrance fees										3,775											59,363	
subject to refund	13,310	16,350	1,452	20,249			4,198			3,677											46,392	
Deferred revenue from entrance fees	8,706	16,090	1,044	13,171		3,050	3,704			6,680	4,485		1,990				21,492	1,803	(2,283)		144,955	
Long-term debt related to discontinued operations	22,114	64,171	1,639	16,009			4,795														1,990	
Life insurance obligations to beneficiaries																						
Under obtainable trust agreements																						
<b>Total liabilities</b>	<u>\$27,559</u>	<u>104,859</u>	<u>8,669</u>	<u>60,963</u>	<u>364</u>	<u>(3,592)</u>	<u>14,719</u>	<u>199</u>	<u>49</u>	<u>15,380</u>	<u>(4,955)</u>	<u>2</u>	<u>1,817</u>	<u>-</u>	<u>160</u>	<u>1,186</u>	<u>1,348</u>	<u>23,517</u>	<u>1,803</u>	<u>(11,683)</u>	<u>277,559</u>	
<b>COMMITMENTS AND CONTINGENCIES</b>																						
<b>NET ASSETS (DEFICIT):</b>																						
Unrestricted	917	(9,097)	1,200	27,843	385	(14,398)	(8,515)	7,819	(1,460)	3,028	633	(2,707)	(1,412)		(643)	(192)	7,225	1,471	902	(291)	11,806	
Restricted assets — noncontrolling interest																		1,177			(258)	2,079
Temporarily restricted																						10,761
Permanently restricted																						4,694
<b>Total net assets (deficit)</b>	<u>917</u>	<u>(9,097)</u>	<u>1,200</u>	<u>27,843</u>	<u>385</u>	<u>(14,398)</u>	<u>(8,515)</u>	<u>7,819</u>	<u>(1,460)</u>	<u>3,028</u>	<u>633</u>	<u>(2,707)</u>	<u>(1,412)</u>	<u>-</u>	<u>(643)</u>	<u>(192)</u>	<u>22,938</u>	<u>2,648</u>	<u>902</u>	<u>(549)</u>	<u>29,340</u>	
<b>TOTAL</b>	<u>\$53,676</u>	<u>\$ 95,762</u>	<u>\$9,869</u>	<u>\$88,806</u>	<u>\$749</u>	<u>\$17,990</u>	<u>\$ 6,264</u>	<u>\$8,018</u>	<u>\$11,411</u>	<u>\$18,408</u>	<u>\$5,588</u>	<u>\$(2,705)</u>	<u>\$ 405</u>	<u>\$ -</u>	<u>\$(483)</u>	<u>\$ 994</u>	<u>\$24,286</u>	<u>\$26,160</u>	<u>\$2,705</u>	<u>\$(12,232)</u>	<u>\$306,869</u>	

See notes to supplemental combining schedules and accompanying independent auditors' report. (Continued)

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
(dba bc.group)

**COMBINING STATEMENTS OF OPERATIONS (BY LOCATION) FOR ADDITIONAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
(In thousands)

	Royal Oaks Manor	White Sands Manor	Windward Manor	Regents Point	Home Care	Home Office	Redwood Terrace	Redwood Town Court	Redwood Elderlink	Westminster Gardens	Kirkwood Orange	Kirkwood Glendale	Kirkwood Redding	CCA	Twinhe Oaks Lodge	Palmer House	BCPH Foundation	Casa de la Paloma	Andreas Duarte Terrace II	Eliminations	Combined
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>																					
Resident services fees	\$12,085	\$12,688	\$7,272	\$17,440	\$1,195	\$ 691	\$10,816	\$ -	\$ 900	\$5,375	\$3,210	\$ -	\$ -	\$ -	\$ -	\$181	\$ -	\$1,536	\$ -	\$ -	\$73,389
Amortization of entrance fees	2,575	4,159	428	4,249		7,118	1,642			864										(5,575)	13,917
Management fees					2	1	127		191	47	12						8				
Net assets released from restrictions	214	189	50	163																	1,004
<b>Total revenues, gains, and other support</b>	<b>14,874</b>	<b>17,036</b>	<b>7,750</b>	<b>21,852</b>	<b>1,197</b>	<b>7,810</b>	<b>12,585</b>	<b>-</b>	<b>1,091</b>	<b>6,286</b>	<b>3,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>8</b>	<b>1,536</b>	<b>-</b>	<b>(5,575)</b>	<b>89,853</b>
<b>EXPENSES:</b>																					
Medical services	2,615	3,008	2,042	5,966	836		4,464		564	1,049	990										21,534
Dietary	2,995	2,995	1,430	3,411			1,748		4	962	521										13,323
Plant	1,666	1,769	853	1,978		147	1,172		63	945	264					57		350			9,202
Housekeeping	598	819	367	1,127			701		274	139	108										3,879
Resident activities	599	837	368	772			536		111	139	111										3,695
Marketing	715	891	599	865			804		140	528	301										5,247
General and administrative	2,170	2,442	1,258	2,479	297		2,462		140	534	464						540	757		(7,347)	15,145
Depreciation and amortization	1,735	3,278	302	2,179			1,317		47	902	157					63		506			10,999
Leases and rentals	1,627	3,857	123	1,207			517		8	385	249							173			341
Interest — operations	225	257	105	279	4		171		29	107	32							33			8,175
Insurance																					1,249
<b>Total expenses</b>	<b>14,550</b>	<b>20,192</b>	<b>7,642</b>	<b>20,312</b>	<b>1,137</b>	<b>9,857</b>	<b>13,729</b>	<b>-</b>	<b>1,131</b>	<b>5,897</b>	<b>3,154</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179</b>	<b>540</b>	<b>1,819</b>	<b>-</b>	<b>(7,347)</b>	<b>92,792</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>324</b>	<b>(3,156)</b>	<b>108</b>	<b>1,540</b>	<b>60</b>	<b>(2,047)</b>	<b>(1,144)</b>	<b>-</b>	<b>(40)</b>	<b>389</b>	<b>68</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>(332)</b>	<b>(283)</b>	<b>-</b>	<b>1,772</b>	<b>(2,939)</b>
<b>OTHER GAINS:</b>																					
Unrestricted contributions	110	252	57	363			16		28	29	(1)										60
Investment income										26	2										3,308
Change in unrealized gains (losses) on trading securities — net	124	148	53	346			(72)		59	2	14										2,527
Other income	8	16		1,651			4		1	2						2					462
<b>Total other gains — net</b>	<b>242</b>	<b>416</b>	<b>110</b>	<b>710</b>	<b>-</b>	<b>4,685</b>	<b>(52)</b>	<b>-</b>	<b>88</b>	<b>57</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>1,856</b>	<b>-</b>	<b>-</b>	<b>(1,772)</b>	<b>6,357</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SUPPORT OVER EXPENSES, AND OTHER GAINS</b>	<b>566</b>	<b>(2,740)</b>	<b>218</b>	<b>2,250</b>	<b>60</b>	<b>2,638</b>	<b>(1,196)</b>	<b>-</b>	<b>48</b>	<b>446</b>	<b>83</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>1,324</b>	<b>(283)</b>	<b>-</b>	<b>-</b>	<b>3,418</b>
<b>DISCONTINUED OPERATIONS (Note 3):</b>																					
Gain (loss) on discontinued operations							19						(433)								(866)
Gain on sale of discontinued operations													1,061								1,061
<b>Total gain from discontinued operations — net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>638</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SUPPORT OVER EXPENSES, OTHER GAINS (LOSSES), AND DISCONTINUED OPERATIONS</b>	<b>\$ 566</b>	<b>\$(2,740)</b>	<b>\$ 218</b>	<b>\$ 2,250</b>	<b>\$ 60</b>	<b>\$ 2,638</b>	<b>\$(1,196)</b>	<b>\$ 19</b>	<b>\$ 48</b>	<b>\$ 446</b>	<b>\$ 83</b>	<b>\$ -</b>	<b>\$ 638</b>	<b>\$ -</b>	<b>\$ (462)</b>	<b>\$ 4</b>	<b>\$ 1,324</b>	<b>\$(283)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,613</b>

See notes to supplemental combining schedules and accompanying independent auditors' report.

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
(dba bc.group)

**COMBINING STATEMENTS OF CHANGES IN NET ASSETS (BY LOCATION) FOR ADDITIONAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013**  
(In thousands)

	Royal Oaks Manor	White Sands	Windsor Manor	Regents Point	Home Care	Homes Office	Reewood Terrace	Reewood Court	Reewood Elderlink	Westminster Gardens	Kirkwood Orange	Kirkwood Glendale	Kirkwood Redding	GCA	Twelve Oaks Lodge	Palmer House	SCP Foundation	Casa de la Paloma	Casa de la Andra Terrace II	Eliminations	Combined	
UNRESTRICTED NET ASSETS:																						
Excess (deficiency) of revenues and other support over expenses, other gains (losses), and discontinued operations	\$566	\$(2,740)	\$ 218	\$ 2,230	\$ 60	\$ 2,638	\$(1,196)	\$ 19	\$ 48	\$ 446	\$ 83	\$ -	\$ 638	\$ -	\$(462)	\$ 4	\$ 1,324	\$(283)	\$ -	\$ -	\$ 3,613	
Net assets released from restrictions — acquisition of facilities		95	12	8			13			56					7						191	
Pension related changes other than net periodic pension cost						9,547															9,547	
Excess of revenues and other support over expenses, other gains (losses), and discontinued operations attributable to continuing interest																						
Effect of combination																						
Increase (decrease) in unrestricted net assets	566	(2,645)	230	2,238	60	12,185	(1,183)	19	48	502	83	-	638	-	(455)	4	1,324	1,471	-	-	15,105	
UNRESTRICTED NET ASSETS — Noncontrolling interest:																						
Deficiency of revenues and other support over expenses, other gains, and discontinued operations																						
Equity contribution																						
Increase in unrestricted net assets — noncontrolling interest																						
TEMPORARILY RESTRICTED NET ASSETS:																						
Gifts and bequests																						
Investment income																						
Unrealized gains — marketable securities — net																						
Change in value of split-interest agreements																						
Net assets distributed to other Fundations																						
Net assets released for acquisition of facilities																						
Net assets released for other specific purposes																						
Net assets released for benevolence																						
Increase in temporarily restricted net assets																						
PERMANENTLY RESTRICTED NET ASSETS — Other																						
INCREASE (DECREASE) IN NET ASSETS	566	(2,645)	230	2,238	60	12,185	(1,183)	19	48	502	83	-	638	-	(455)	4	2,847	2,648	902	-	18,707	
NET ASSETS (DEFICIT) — Beginning of year	351	(6,452)	970	25,585	325	(26,583)	(7,332)	7,800	(1,508)	2,526	550	(2,707)	(2,050)	-	(188)	(196)	20,091	-	-	(549)	10,633	
NET ASSETS (DEFICIT) — End of year	\$917	\$(9,097)	\$1,200	\$27,843	\$385	\$(14,398)	\$(6,515)	\$7,819	\$(1,460)	\$3,028	\$633	\$(2,707)	\$(1,412)	\$-	\$(643)	\$(192)	\$22,938	\$2,648	\$902	\$(549)	\$29,340	

See notes to supplemental combining schedules and accompanying independent auditors' report.

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
(dba be, group)

**COMBINING STATEMENTS OF CASH FLOWS (BY LOCATION) FOR ADDITIONAL INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
(In thousands)

	Royal Oaks Manor	White Sands	Windstar Manor	Regents Point	Home Care	Home Office	Redwood Terrace	Redwood Court	Redwood Eldertank	Westminster Gardens	Kirkwood Orange	Kirkwood Glendale	Kirkwood Redding	CCA	Twelve Oaks Lodge	Palmer House	BSPH Foundation	Casa de la Paloma	Andrea Duarte Torrance II	Eliminations	Combined
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>																					
Cash received from residents and third-party payors	\$ 11,200	\$ 11,686	\$ 7,257	\$ 16,933	\$ 1,179	\$ 2,490	\$ 10,841	\$ 27	\$ 1,089	\$ 5,172	\$ 3,230	\$ -	\$ 1,754	\$ -	\$ 1,313	\$ 180	\$ (258)	\$ (6,477)	\$ (25)	\$ 9,565	\$ 77,156
Proceeds from entrance fees	5,243	9,182	705	10,208	-	8,769	2,698	47	1	2,332	14	-	-	-	24	2	535	-	-	(7,347)	30,598
Other receipts (distributions) from operations	8	16	-	1	-	-	4	-	-	2	-	-	-	-	-	-	60	-	-	-	2,076
Unrestricted contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	919	-	-	-	3,308
Investment income	110	252	57	363	1,535	-	16	-	28	29	(1)	-	-	-	-	-	-	-	-	-	-
Proceeds from temporarily restricted contributions:																					
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gifts and bequests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash paid to employees and suppliers	(10,558)	(13,350)	(6,691)	(16,133)	(1,054)	(3,380)	(12,191)	(281)	(1,124)	(4,422)	(2,688)	(2,230)	(2,230)	-	(1,864)	(132)	(1,423)	-	-	(479)	1,138
Interest paid on debt	(1,867)	(3,857)	(123)	(1,207)	-	-	(507)	(17)	(4)	(385)	(249)	(101)	(101)	-	-	-	-	-	-	-	1,325
Net foundation transfers	214	189	50	163	2	1	127	20	191	47	12	9	9	-	14	-	(1,039)	-	-	-	(78,410)
Net cash provided by (used in) operating activities	4,550	4,718	1,255	10,328	127	9,415	988	(204)	181	2,765	318	-	(568)	-	(513)	50	2,024	(7,654)	(25)	1,739	29,494
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>																					
Acquisition of facilities	(1,244)	(2,792)	(374)	(2,004)	(6)	(973)	(1,234)	(41)	2	(960)	(116)	-	(48)	-	-	(12)	-	(2,888)	(2,679)	-	(15,369)
Proceeds from sale of discontinued facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,500
Proceeds from sale of assets whose use is limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,804)
Purchase of assets whose use is limited	-	-	-	-	-	1,130	4,903	-	-	-	(6)	-	-	-	-	(11)	-	(3,776)	-	-	6,119
Purchase of investments	(5,996)	(12,640)	(2,579)	(16,776)	-	(62,638)	(471)	-	386	(1,198)	13	-	(14,230)	-	7	-	-	-	-	-	(16,122)
Sale of investments	5,080	10,709	2,185	14,213	-	52,101	399	-	(327)	1,015	(11)	-	12,056	-	(6)	-	-	-	-	-	97,814
Intercompany	(1,119)	1,955	(452)	(3,837)	(121)	(2,013)	2,875	3,494	451	(1,425)	22	-	(622)	-	454	-	6,607	-	-	-	6,607
Cash received in combination of Casa de la Paloma	-	-	-	-	-	276	-	-	-	-	-	-	-	-	-	-	-	6,607	-	-	276
Advances to Affordable Housing projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash (used in) provided by investing activities	(3,279)	(2,682)	(1,220)	(8,404)	(127)	(12,117)	6,472	3,453	512	(2,568)	(98)	-	819	-	455	(23)	(1,836)	(57)	(2,679)	-	(23,379)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>																					
Cash refunds of entrance fees and deposits	(925)	(1,187)	1	(1,593)	-	-	(113)	-	-	(114)	-	-	(48)	-	-	-	(66)	-	1,803	(2,283)	(3,931)
Contributions restricted for long-term treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	544	(66)
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,049
Payments of long-term debt	(307)	(750)	(23)	(221)	9	9	(7,249)	(3,200)	(661)	(76)	(174)	(573)	(573)	-	(2)	-	(102)	-	-	-	(1,681)
Cash paid to restricted remainder trust agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	902	-	(437)
Proceeds from restricted remainder trust agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(437)
Equity contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,751
Net cash (used in) provided by financing activities	(1,232)	(1,937)	(22)	(1,814)	-	9	(7,362)	(3,200)	(661)	(190)	(174)	-	(573)	-	-	-	(168)	10,941	2,705	(1,739)	(5,417)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	39	99	13	110	-	(2,693)	98	49	32	7	46	-	(322)	-	(58)	27	20	3,230	1	-	698
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	(39)	(99)	(13)	(110)	-	2,997	(98)	(49)	(32)	(7)	(474)	-	322	-	(2)	63	(20)	-	-	-	3,387
<b>CASH AND CASH EQUIVALENTS—End of year</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 304	\$ -	\$ -	\$ -	\$ -	\$ 520	\$ -	\$ -	\$ -	\$ (60)	\$ 90	\$ -	\$ 3,230	\$ 1	\$ -	\$ 4,085

(Continued)

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
(dba bc-group)

**COMBINING STATEMENTS OF CASH FLOWS (BY LOCATION) FOR ADDITIONAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013**  
(in thousands)

	Royal Oaks Manor	White Sands	Windward Manor	Regents Point	Home Care	Home Office	Redwood Terrace	Redwood Court	Redwood Elderitrit	Westminster Gardens	Woodward Orange	Woodward Glendale	Woodward Redding	CCA	Twin Oaks Lodge	Palmar House	SCPH Foundation	Casa de la Palma	Andrus Terrace II	Eliminations	Combined
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	\$ 566	\$(2,645)	\$ 230	\$ 2,238	\$ 60	\$12,185	\$(1,183)	\$ 19	\$ 48	\$ 502	\$ 83	\$ -	\$ 638	\$ -	\$(455)	\$ 4	\$2,847	\$ 2,648	\$ 902	\$ -	\$ 18,707
Increase (decrease) in net assets	5,243	9,782	705	10,208		2,698			2,322								66				30,958
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:	(2,575)	(4,159)	(428)	(4,249)		(1,642)			(864)								102				(13,917)
Amortization of entrance fees																	313				66
Contributions restricted for long-term investment																	(332)				102
Amounts distributed under trust agreements																	(885)				313
Change in value of obligation to beneficiaries																	(191)				(332)
Change in value of obligation to beneficiaries	(124)	(148)	(53)	(346)		(1,499)	72	(59)	(26)	(2)					(7)	63	506				(3,076)
Unrealized (gains) losses on investments	(95)	(12)	(8)	(8)					(56)												11,148
Donation transfers																					(1,491)
Depreciation of depreciable assets	1,733	3,278	502	2,179		1,317	1,49	47	902	157											(1,491)
Gain on sale of discontinued operations																					(1,491)
Minor pension liability						(9,547)															(1,491)
Equity contribution																					(1,491)
Effect of combination with Casa de la Palma																					(1,491)
Change in:																					(1,491)
Accounts receivable	(76)	(36)	69	132	(14)	1,353	89	(19)	188	(50)	28	(15)			11	(1)	73	(8,000)			1,559
Prepaid expenses and other assets	(809)	(966)	(84)	(639)	(2)	446	(64)	46	1	(153)	(8)	78			10	(1)	(312)	(13)			1,739
Intercompany	(13)	(693)	(38)	(176)	(28)	919	(142)	(91)	(4)	(14)	(19)	(3)			(49)	(16)	(74)	148			(293)
Accounts payable	605	400	364	969	111	5,243	(144)	(159)	(40)	202	79	(354)			(23)		35	(12)			(590)
Accrued expenses																					(590)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 4,550	\$ 4,718	\$1,255	\$10,228	\$127	\$ 9,415	\$ 988	\$204	\$181	\$2,765	\$318	\$ -	\$ (568)	\$ -	\$(213)	\$ 50	\$2,024	\$(7,654)	\$( 25)	\$ 1,739	\$ 29,694
SUPPLEMENTAL CASH FLOW INFORMATION:																					
Cash paid during the year for interest	\$ 1,667	\$ 3,857	\$ 123	\$ 1,207	\$ -	\$ -	\$ 574	\$ 17	\$ 4	\$ 385	\$ 249	\$ -	\$ 101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,184
Facilities acquisitions in accounts payable	\$ 55	\$ 390	\$ 12	\$ 247	\$ 1	\$ 4	\$ 178	\$ -	\$ -	\$ 11	\$ 11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 480	\$ -	\$ -	\$ 1,389
Effect of combination	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,082	\$ -	\$ -	\$ 1,082
Developer fee payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer of assets held for sale to other assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,250	\$ -	\$ -	\$ 1,250
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 904

(Continued)

See notes to supplemental combining schedules and accompanying independent auditors' report.

**NOTES TO SUPPLEMENTAL COMBINING SCHEDULES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

- 1. BASIS OF PRESENTATION**  
The accompanying combining balance sheets, statements of operations, statements of cash flows (collectively the "supplemental combining schedules") are prepared on the accrual basis of accounting. The preparation of the supplemental combining schedules in conformity with GAAP 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 combining schedules, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.  
bc group eliminates intercompany transactions, such as management fees and payables or receivables between combined entities. Intercompany, which is included in the combining balances sheets, consists of net payables and net receivables between combined entities. Net assets released from restrictions are transferred immediately to recipient affiliates.
- 2. ALLOCATIONS**  
All other assets, liabilities, expenses, and revenue have been allocated to the affiliates based on the number of employees or other relevant benchmarks except as outlined below:  
*Home maintenance at Home Office* — Pension related changes other than net periodic pension cost and pension contributions are maintained at Home Office regardless of the operations of the affiliates. Periodic pension costs are allocated to the respective affiliates.  
Self-insured health claims expenses are allocated to the respective affiliates throughout the year based on budgeted labor. All claims are paid out of Home Office. Estimates for liabilities incurred but not reported are maintained at Home Office.

**R E C E I V E D**  
MAY 05 2014  
CONTINUING CARE  
CONTRACTS BRANCH

**Southern California  
Presbyterian Homes and  
Affiliates**  
(dba be.group)

Continuing Care Reserve Report Schedules  
for the Year Ended December 31, 2013, and  
Independent Auditors' Report

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES**  
(dba be.group)

**TABLE OF CONTENTS**

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1-2
NOTES TO CONTINUING CARE RESERVE REPORT SCHEDULES FOR THE YEAR ENDED DECEMBER 31, 2013	3-4
CONTINUING CARE RESERVE REPORT SCHEDULES:	
Form 5-1 Long-Term Debt Incurred in a Prior Fiscal Year	5
Form 5-2 Long-Term Debt Incurred During Fiscal Year	6
Form 5-3 Calculation of Long-Term Debt Reserve Amount	7
Form 5-4 Royal Oaks Manor Calculation of Net Operating Expenses	8
Form 5-4 White Sands of La Jolla Calculation of Net Operating Expenses	9
Form 5-4 Windsor Manor Calculation of Net Operating Expenses	10
Form 5-4 Regents Point Calculation of Net Operating Expenses	11
Form 5-4 Redwood Terrace Calculation of Net Operating Expenses	12
Form 5-4 Westminster Gardens Calculation of Net Operating Expenses	13
Form 5-5 Annual Reserve Certification	14



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Southern California Presbyterian Homes (dba be.group):

We have audited the accompanying continuing care reserve report schedules of Southern California Presbyterian Homes and Affiliates (dba be.group) ("be.group"), as listed in the accompanying table of contents (the "Schedules"), as of and for the year ended December 31, 2013, and the related notes to the Schedules.

### Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules in accordance with the financial reporting provisions of the 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 Schedules that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on the Schedules 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 Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to be.group's preparation and fair presentation of the Schedules 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 be.group'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 Schedules.

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 Schedules referred to above present fairly, in all material respects, the continuing care liquid reserve requirements of be.group as of and for the year ended December 31, 2013, in accordance with the financial reporting provisions of California Health and Safety Code 1792, as described in Note 3 to the Schedules.

### **Basis of Accounting**

We draw attention to Note 3 of the Schedules, which describes the basis of accounting. As described in Note 3 to the Schedules, the Schedules are prepared by be.group on the basis of the financial reporting provisions of California Health and Safety Code 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. Our opinion is not modified with respect to this matter.

### **Restriction on Use**

Our report is intended solely for the information and use of the Board of Directors and management of be.group and for filing with the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

April 30, 2014

# **SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES (dba be.group)**

## **NOTES TO CONTINUING CARE RESERVE REPORT SCHEDULES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

---

### **1. MISSION STATEMENT**

Southern California Presbyterian Homes and Affiliates (dba be.group) (“be.group”) is dedicated to providing quality housing, health, and support services to its residents, primarily older adults of all faiths that enrich the physical, social, and spiritual dimensions of their lives. be.group is also committed to acting as a resource for the communities in which it operates.

### **2. OPERATIONS**

Southern California Presbyterian Homes, a California nonprofit public benefit corporation, together with its controlled affiliates, Redwood Senior Homes and Services (RSHS), Kirkwood Assisted Living Residence at Orange, Kirkwood Assisted Living Residence at Glendale, Redding Assisted Living Corporation, Presbyterian Homes of the West, Community Care for Adults, Twelve Oaks Lodge, Westminster Gardens, and Palmer House LP, owns and operates retirement communities, freestanding assisted living communities, and adult day centers, primarily in Southern California. Residents of the retirement communities receive residence, service, and care in exchange for an entrance fee and a monthly fee, which is redetermined annually. In addition, residents of the skilled nursing facilities are charged for the costs of medical services provided. The communities include approximately 859 residential units, 268 personal care beds, and 232 skilled nursing beds. be.group also provides a range of long-term care services that are affordable to low- and moderate-income seniors. These services include adult day social care, adult day health care, and on-site outpatient therapy.

Effective December 28, 2012, be.group signed an agreement to sell its Redwood Town Court facility, which was a part of RSHS, to an unrelated party.

Effective December 18 2013, be.group signed an agreement to sell its Kirkwood Redding community to an unrelated party.

Effective November 1, 2014, be.group closed its Twelve Oaks community.

Southern California Presbyterian Homes Foundation (the “Foundation”) is a not-for-profit organization that is committed to building financial support from gifts for be.group. The resources received and managed by the Foundation are directed to be.group to provide housing and support service that will enhance the physical, social, and spiritual well-being of the residents who reside within the communities.

be.group has a home care service that offers assistance with shopping, transportation, and various other customer needs. Home Care customers are charged an hourly rate. be.group provides management services to 1,652 units of subsidized housing under Housing and Urban Development (HUD) agreements. These facilities are not included in the combined financial statements of be.group.

In 2013, Southern California Presbyterian Homes has entered into various agreements with established partners to acquire, develop, construct, and maintain low-income housing tax credit projects. As a result, Casa de la Paloma, consisting of Casa de la Paloma, L.P., Casa de la Paloma, Inc., and Casa de la Paloma, L.L.C., and Andres Duarte Terrace II, consisting of Andres Duarte Terrace II, L.P. and Andres Duarte II, L.L.C., are included in be.group’s combined financial statements.

### 3. CONTINUING CARE RESERVE REPORT SCHEDULES

The California Health and Safety Code Section 1792 requires continuing care contract providers to establish and maintain statutory and refund reserves to ensure financial resources will be available to fulfill contractual obligations to residents. The continuing care reserve report schedules (the "Schedules"), which calculate liquid reserve requirements, are prepared in accordance with the *Annual Report Instructions* provided by the State of California Department of Social Services. The Schedules are required to be submitted annually to the State of California Department of Social Services within four months of year-end. The facilities that are continuing care contract providers, and thus have schedules included herein, are Royal Oaks Manor, White Sands of La Jolla, Windsor Manor, Regents Point, Redwood Terrace, and Westminster Gardens.

### 4. LONG-TERM DEBT OBLIGATIONS

The following is a schedule of the total combined long-term debt obligations of be.group:

Long-Term Debt Obligation	Date Incurred	Description	Facility	Balance as of December 31, 2013 (thousands)
1	5/1/1999	Fixed Rate Revenue Bonds — Series 1999	Kirkwood Orange	\$ 4,485
2	10/1/2001	Fixed Rate Revenue Bonds — Series 2001	Kirkwood Redding	1,990
3	12/1/2002	Fixed Rate Revenue Bonds — Series 2002	Redwood Senior Homes and Services	4,795
4	12/27/2006	Fixed Rate Revenue Bonds — Series 2006	White Sands and Westminster Gardens	40,916
5	12/31/2007	Trust deed note payable (City of Glendale) — 0% interest through December 2065	Palmer House LP	1,001
6	8/15/2009	Fixed Rate Revenue Bonds — Series 2009	SCPH	72,746
7	Various*	Mortgage and other notes payable related to tax credit projects	Various	21,012

\* Debt is associated with mortgage and other notes payable related to Casa de la Paloma, L.P., and Andres Duarte Terrace, L.P., which effective in 2013, are included in be.group's combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013 and Andres Duarte Terrace, L.P. effective December 6, 2013. Of the \$21,012 of associated long-term debt as of December 31, 2013, \$19,203 relates to Casa de la Paloma, L.P. mortgage payable, of which the maximum liability exposure to Southern California Presbyterian Homes as the guarantor is \$3,900.

\* \* \* \* \*

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
(dba be.group)

**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	05/01/99	\$ 175,000	\$ 248,798	\$ -	\$ 423,798
2	10/01/01	60,000	107,625		167,625
3	12/01/02	395,000 *	583,977		978,977
4	12/27/06	395,000	1,986,063		2,381,063
5	12/31/07				
6	08/15/09	<u>1,025,000</u>	<u>5,252,763</u>		<u>6,277,763</u>
<b>TOTAL</b>		<u>\$2,050,000</u>	<u>\$8,179,226</u>	<u>\$ -</u>	<u>\$10,229,226</u>

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

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

\* Additional voluntary payments of \$10,840,000 were made in 2013 to pay down principal.

See notes to continuing care reserve report schedules.

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
(dba be.group)

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

	(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	3/27/13	\$ -	\$ -	-	\$ -
2	12/6/13				
3					
4					
5					
6					
7					
8					
<b>TOTAL</b>		\$ -	\$ -	-	\$ -

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

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

See notes to continuing care reserve report schedules.

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
(dba be.group)

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

<b>Line</b>		<b>Total</b>
1	Total from Form 5-1 bottom of Column (e)	\$10,229,226
2	Total from Form 5-2 bottom of Column (e)	
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>32,000</u>
4	Total amount required for long-term debt reserve	<u>\$10,261,226</u>

See notes to continuing care reserve report schedules.

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
 (dba be.group)  
**ROYAL OAKS MANOR**

**FORM 5-4**  
**CALCULATION OF NET OPERATING EXPENSES**

Line	Amounts
1	Total operating expenses from financial statements \$ <u>14,550,000</u>
2	Deductions: a. Interest paid on long-term debt (see instructions) 1,667,000 b. Credit enhancement premiums paid for long-term debt (see instructions) 1,697,000 c. Depreciation 36,000 d. Amortization e. Revenues received during the fiscal year for services to persons who did not have continuing care contract 1,580,891 f. Extraordinary expenses approved by the Department
3	Total deductions <u>4,980,891</u>
4	Net operating expenses <u>9,569,109</u>
5	Divide Line 4 by 365 and enter the result. <u>26,217</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount. <u>\$ 1,966,255</u>

See notes to continuing care reserve report schedules.

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
 (dba be.group)  
**WHITE SANDS OF LA JOLLA**

**FORM 5-4**  
**CALCULATION OF NET OPERATING EXPENSES**

Line	Amounts
1	Total operating expenses from financial statements <u>\$ 20,192,000</u>
2	Deductions: a. Interest paid on long-term debt (see instructions) 3,857,000 b. Credit enhancement premiums paid for long-term debt (see instructions) 3,214,000 c. Depreciation 64,000 d. Amortization e. Revenues received during the fiscal year for services to persons who did not have continuing care contract f. Extraordinary expenses approved by the Department <u>2,599,055</u>
3	Total deductions <u>9,734,055</u>
4	Net operating expenses <u>10,457,945</u>
5	Divide Line 4 by 365 and enter the result. <u>28,652</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount. <u>\$ 2,148,893</u>

See notes to continuing care reserve report schedules.

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
 (dba be.group)  
**WINDSOR MANOR**

**FORM 5-4**  
**CALCULATION OF NET OPERATING EXPENSES**

Line	Amounts
1 Total operating expenses from financial statements	<u>\$ 7,642,000</u>
2 Deductions:	
a. Interest paid on long-term debt (see instructions)	123,000
b. Credit enhancement premiums paid for long-term debt (see instructions)	499,000
c. Depreciation	3,000
d. Amortization	
e. Revenues received during the fiscal year for services to persons who did not have continuing care contract	<u>3,764,213</u>
f. Extraordinary expenses approved by the Department	
3 Total deductions	<u>4,389,213</u>
4 Net operating expenses	<u>3,252,787</u>
5 Divide Line 4 by 365 and enter the result.	<u>8,912</u>
6 Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u>\$ 668,381</u>

See notes to continuing care reserve report schedules.

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**

(dba be.group)  
REGENTS POINT

**FORM 5-4  
CALCULATION OF NET OPERATING EXPENSES**

<b>Line</b>		<b>Amounts</b>
1	Total operating expenses from financial statements	<u>\$20,312,000</u>
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	1,207,000
	b. Credit enhancement premiums paid for long-term debt (see instructions)	2,153,000
	c. Depreciation	26,000
	d. Amortization	
	e. Revenues received during the fiscal year for services to persons who did not have continuing care contract	2,829,685
	f. Extraordinary expenses approved by the Department	
3	Total deductions	<u>6,215,685</u>
4	Net operating expenses	<u>14,096,315</u>
5	Divide Line 4 by 365 and enter the result.	<u>38,620</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u>\$ 2,896,503</u>

See notes to continuing care reserve report schedules.

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
 (dba be-group)  
 REDWOOD TERRACE

**FORM 5-4**  
**CALCULATION OF NET OPERATING EXPENSES**

Line	Amounts
1 Total operating expenses from financial statements	<u>\$ 13,729,000</u>
2 Deductions:	
a. Interest paid on long-term debt (see instructions)	517,000
b. Credit enhancement premiums paid for long-term debt (see instructions)	1,072,000
c. Depreciation	<u>245,000</u>
d. Amortization	
e. Revenues received during the fiscal year for services to persons who did not have continuing care contract	7,041,220
f. Extraordinary expenses approved by the Department	
3 Total deductions	<u>8,875,220</u>
4 Net operating expenses	<u>4,853,780</u>
5 Divide Line 4 by 365 and enter the result.	<u>13,298</u>
6 Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u>\$ 997,352</u>

See notes to continuing care reserve report schedules.

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
 (dba be.group)  
**WESTMINSTER GARDENS**

**FORM 5-4**  
**CALCULATION OF NET OPERATING EXPENSES**

Line	Amounts
1	Total operating expenses from financial statements <u>\$ 5,897,000</u>
2	Deductions: a. Interest paid on long-term debt (see instructions) 385,000 b. Credit enhancement premiums paid for long-term debt (see instructions) 898,000 c. Depreciation 4,000 d. Amortization e. Revenues received during the fiscal year for services to persons who did not have continuing care contract 1,235,670 f. Extraordinary expenses approved by the Department
3	Total deductions <u>2,522,670</u>
4	Net operating expenses <u>3,374,330</u>
5	Divide Line 4 by 365 and enter the result. <u>9,245</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount. <u>\$ 693,355</u>

See notes to continuing care reserve report schedules.

**SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
 (dba be.group)

**FORM 5-5**  
**ANNUAL RESERVE CERTIFICATION**

We have reviewed our debt service reserve and operating expense reserve requirements as of and for the period ended December 31, 2013, and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 2013 are as follows:

	<b>Amount</b>
[1] Debt Service Reserve Amount	\$ 10,261,226
[2] Operating Expense Reserve Amount	<u>9,370,739</u>
[3] Total Liquid Reserve amount	<u>\$19,631,965</u>

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

<b>Qualifying Asset Description</b>	<b>Amount</b>	
	<b>(Market Value at End of Quarter)</b>	
	<b>Debt Service Reserve</b>	<b>Operating Reserve</b>
[4] Cash and Cash Equivalent	\$ 2,042,500	\$ 2,042,500
[5] Investment Securities	39,083,500	39,083,500
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve	10,793,000	
[10] Other:	_____	_____
(describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	51,919,000	[12] 41,126,000
Reserve Obligation Amount: [13]	<u>10,261,226</u>	[14] <u>9,370,739</u>
Surplus/(Deficiency): [15]	<u>\$41,657,774</u>	[16] <u>\$31,755,261</u>

Signature:

  
 \_\_\_\_\_  
 (Authorized Representative)

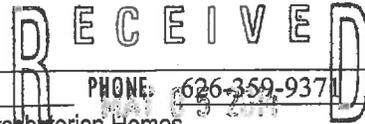
Date: 4/30/14

Vice President of Finance and CFO  
 \_\_\_\_\_  
 (Title)

See notes to continuing care reserve report schedules.

**Continuing Care Retirement Community  
Disclosure Statement  
General Information**

Date Prepared: \_\_\_\_\_



FACILITY NAME: Royal Oaks  
 ADDRESS: 1763 Royal Oaks Dr North, Bradbury ZIP CODE: 91010 PHONE: 626-359-9371  
 PROVIDER NAME: SoCal Presbyterian Homes FACILITY OPERATOR: SoCal Presbyterian Homes  
 RELATED FACILITIES: See Attached RELIGIOUS AFFILIATION: None CONTINUING CARE CONTRACTS BEING OFFERED: 1  
 YEAR OPENED: 1959 # OF ACRES: 18.5  SINGLE STORY  MULTI-STORY  OTHER: Both MILES TO HOSPITAL: 4

NUMBER OF UNITS:	RESIDENTIAL LIVING		HEALTH CARE	
	APARTMENTS — STUDIO:	<u>25</u>	ASSISTED LIVING:	<u>26</u>
APARTMENTS — 1 BDRM:	<u>59</u>	SKILLED NURSING:	<u>48</u>	
APARTMENTS — 2 BDRM:	<u>67</u>	SPECIAL CARE:	<u>0</u>	
COTTAGES/HOUSES:	<u>16</u>	DESCRIBE SPECIAL CARE:	_____	
RLU OCCUPANCY (%) AT YEAR END:	<u>86.00</u>			

TYPE OF OWNERSHIP:  NOT-FOR-PROFIT  FOR-PROFIT ACCREDITED?:  YES  NO BY: \_\_\_\_\_

FORM OF CONTRACT:  CONTINUING CARE  LIFE CARE  ENTRANCE FEE  FEE FOR SERVICE  
 (Check all that apply)  ASSIGNMENT OF ASSETS  EQUITY  MEMBERSHIP  RENTAL

REFUND PROVISIONS: (Check all that apply)  90%  75%  50%  PRORATED TO 0%  OTHER: \_\_\_\_\_

RANGE OF ENTRANCE FEES: \$ 54000 TO \$ 764000 LONG-TERM CARE INSURANCE REQUIRED?  YES  NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: None

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: None OTHER: \_\_\_\_\_

RESIDENT REPRESENTATIVE TO THE BOARD (briefly describe their involvement): Mary Ann Prelock.  
Attends Board meetings and provides resident input on business strategy.

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	FACILITY SERVICES AND AMENITIES	
			SERVICES AVAILABLE	INCLUDED IN FEE FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HOUSEKEEPING ( <u>2</u> TIMES/MONTH)	<input type="checkbox"/> <input checked="" type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS ( <u>1/3</u> /DAY)	<input type="checkbox"/> <input checked="" type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/> <input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/> <input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/> <input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/> <input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/> <input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/> <input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/> <input checked="" type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input type="checkbox"/> <input checked="" type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/> <input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/> <input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/> <input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/> <input type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/> <input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>		

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:** SoCal Presbyterian Homes

<b><u>CCRCs</u></b>	<b><u>LOCATION (City, State)</u></b>	<b><u>PHONE (with area code)</u></b>
Redwood Terrace	Escondido, CA	760-747-4306
Regents Point	Irvine, CA	949-854-9500
White Sands La Jolla	La Jolla, CA	858-454-4201
Windsor	Glendale, CA	818-244-7219
Westminster Gardens	Duarte, CA	626-358-2569
Royal Oaks	Bradbury, CA	626-359-9371

**MULTI-LEVEL RETIREMENT COMMUNITIES**

Kirkwood Orange	Orange, CA	714-282-1409

**FREE-STANDING SKILLED NURSING**


**SUBSIDIZED SENIOR HOUSING**


**NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.**

**PROVIDER NAME:** Southern California Presbyterian Homes dba be,group

	2010	2011	2012	2013
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$78,655	\$80,945	\$75,955	\$79,706
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)	\$75,342	\$79,401	\$73,822	\$73,615
<b>NET INCOME FROM OPERATIONS</b>	\$3,313	\$1,544	\$2,133	\$6,091
<b>LESS INTEREST EXPENSE</b>	-\$8,863	-\$8,759	-\$8,353	-\$8,178
<b>PLUS CONTRIBUTIONS</b>	\$261	\$467	\$16	\$60
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	\$1,036	-\$759	\$1,725	\$2,527
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	-\$4,253	-\$7,507	-\$4,479	\$500
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	\$15,570	\$14,230	\$16,254	\$26,623

**DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)**

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

**FINANCIAL RATIOS**

(see next page for ratio formulas)

**2012 CCAC Medians**  
**50<sup>th</sup> Percentile**  
(optional)

		2011	2012	2013
<b>DEBT TO ASSET RATIO</b>		52.31	47.61	41.47
<b>OPERATING RATIO</b>		108.64	108.17	102.54
<b>DEBT SERVICE COVERAGE RATIO</b>		1.63	1.73	3.17
<b>DAYS CASH-ON-HAND RATIO</b>		198.53	271.55	367.05

**HISTORICAL MONTHLY SERVICE FEES**

(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO	\$1,962	2.9	\$2,019	1.9	\$2,057	4.9	\$2,158
ONE BEDROOM	\$3,053	2.9	\$3,142	1.9	\$3,202	4.9	3,359.0
TWO BEDROOM	\$4,312	2.9	\$4,437	1.9	\$4,521	4.9	\$4,743
COTTAGE/HOUSE	\$4,485	2.9	\$4,615	1.9	\$4,703	4.9	\$4,933
ASSISTED LIVING	\$4,732	2.9	\$4,869	2.9	\$5,010	4.9	\$5,255
SKILLED NURSING	\$6,544	2.9	\$6,738	2.9	\$6,933	4.9	\$7,273
SPECIAL CARE							

**COMMENTS FROM PROVIDER:**

**FINANCIAL RATIO FORMULAS**

**LONG-TERM DEBT TO TOTAL ASSETS RATIO**

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

**OPERATING RATIO**

$$\frac{\begin{aligned} &\text{Total Operating Expenses} \\ &\quad - \text{Depreciation Expense} \\ &\quad - \text{Amortization Expense} \end{aligned}}{\begin{aligned} &\text{Total Operating Revenues} \\ &\quad - \text{Amortization of Deferred Revenue} \end{aligned}}$$

**DEBT SERVICE COVERAGE RATIO**

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

**DAYS CASH ON HAND RATIO**

$$\frac{\begin{aligned} &\text{Unrestricted Current Cash \& Investments} \\ &\quad + \text{Unrestricted Non-Current Cash \& Investments} \end{aligned}}{\begin{aligned} &\text{(Operating Expenses} \\ &\quad - \text{Depreciation} - \text{Amortization)/365} \end{aligned}}$$

**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.

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
Fixed Rate Revenue Bonds — Series 1999	\$ 4,485,000	5.4	5/1/1999	5/1/2029	30
Fixed Rate Revenue Bonds — Series 2001	1,990,000	5.25	10/1/2001	10/1/2031	30
Fixed Rate Revenue Bonds — Series 2002	4,795,000	6.0	12/1/2002	12/1/2029	30
Fixed Rate Revenue Bonds — Series 2006	40,916,000	4.5	12/19/2006	12/16/2036	30
Trust deed note payable (City of Glendale) — 0% interest through December 2065	1,001,000	0	12/31/2007	12/31/2065	30
Fixed Rate Revenue Bonds — Series 2009	72,746,000	5.25	8/15/2009	11/15/2041	30
Mortgage and other notes payable related to tax credit projects	5,703,313	2.0	Various (1)	Various	Various

(1) Debt is associated with mortgage and other notes payable related to Casa de la Paloma, L.P., and Andres Duarte Terrace, L.P., which effective in 2013, are included in the group's combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013 and Andres Duarte Terrace, L.P. effective December 6, 2013.

**Continuing Care Retirement Community  
Disclosure Statement  
General Information**

Date Prepared: \_\_\_\_\_

**R E C E I V E D**  
MAY 05 2014

FACILITY NAME: White Sands La Jolla  
 ADDRESS: 7450 Olivetas Ave La Jolla ZIP CODE: 92037 PHONE: 858-454-4201  
 PROVIDER NAME: SoCal Presbyterian Homes FACILITY OPERATOR: SoCal Presbyterian Homes  
 RELATED FACILITIES: See Attached RELIGIOUS AFFILIATION: None  
 YEAR OPENED: 1956 # OF ACRES: 8.5  SINGLE STORY  MULTI-STORY  OTHER: \_\_\_\_\_  
 MILES TO SHOPPING CTR: 1  
 MILES TO HOSPITAL: 4

<b>NUMBER OF UNITS:</b>	<b>RESIDENTIAL LIVING</b>	<b>HEALTH CARE</b>
	APARTMENTS — STUDIO: <u>46</u>	ASSISTED LIVING: <u>22</u>
	APARTMENTS — 1 BDRM: <u>66</u>	SKILLED NURSING: <u>38</u>
	APARTMENTS — 2 BDRM: <u>63</u>	SPECIAL CARE: <u>10</u>
	COTTAGES/HOUSES: _____	DESCRIBE SPECIAL CARE: <u>Memory</u>
RLU OCCUPANCY (%) AT YEAR END: <u>87.00</u>		

**TYPE OF OWNERSHIP:**  NOT-FOR-PROFIT  FOR-PROFIT ACCREDITED?:  YES  NO BY: \_\_\_\_\_

**FORM OF CONTRACT:**  CONTINUING CARE  LIFE CARE  ENTRANCE FEE  FEE FOR SERVICE  
 (Check all that apply)  ASSIGNMENT OF ASSETS  EQUITY  MEMBERSHIP  RENTAL

**REFUND PROVISIONS:** (Check all that apply)  90%  75%  50%  PRORATED TO 0%  OTHER: \_\_\_\_\_

**RANGE OF ENTRANCE FEES:** \$ 60,000 TO \$ 900,000 **LONG-TERM CARE INSURANCE REQUIRED?**  YES  NO

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** None

**ENTRY REQUIREMENTS:** MIN. AGE: 62 PRIOR PROFESSION: None OTHER: \_\_\_\_\_

**RESIDENT REPRESENTATIVE TO THE BOARD** (briefly describe their involvement): Marge MccBride  
 The President of the Resident Council at the community and holds a non-voting seat on the be.group Board. Resident Representative represents the

**FACILITY SERVICES AND AMENITIES**

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (2 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (3 /DAY)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Comp Lab. Art Studio</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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:** SoCal Presbyterian Homes

<b>CCRCs</b>	<b>LOCATION (City, State)</b>	<b>PHONE (with area code)</b>
Redwood Terrace	Escondido, CA	760-747-4306
Regents Point	Irvine, CA	949-854-9500
White Sands La Jolla	La Jolla, CA	858-454-4201
Windsor	Glendale, CA	818-244-7219
Westminster Gardens	Duarte, CA	626-358-2569
Royal Oaks	Bradbury, CA	626-359-9371

**MULTI-LEVEL RETIREMENT COMMUNITIES**

Kirkwood Orange	Orange, CA	714-282-1409

**FREE-STANDING SKILLED NURSING**


**SUBSIDIZED SENIOR HOUSING**


**NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.**

PROVIDER NAME: SoCal Presbyterian Homes

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$78,655	\$80,945	\$75,955	\$79,706
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)	\$75,342	\$79,401	\$73,822	\$73,615
<b>NET INCOME FROM OPERATIONS</b>	\$3,313	\$1,544	\$2,133	\$6,091
<b>LESS INTEREST EXPENSE</b>	-\$8,863	-\$8,759	-\$8,353	-\$8,178
<b>PLUS CONTRIBUTIONS</b>	\$261	\$467	\$16	\$60
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	\$1,036	-\$759	\$1,725	\$2,527
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	-\$4,253	-\$7,507	-\$4,479	\$500
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	\$15,570	\$14,230	\$16,254	\$26,623

**DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)**

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

**FINANCIAL RATIOS**

(see next page for ratio formulas)

**2012 CCAC Medians  
50<sup>th</sup> Percentile  
(optional)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>DEBT TO ASSET RATIO</b>	52.31	47.61	41.47
<b>OPERATING RATIO</b>	108.64	108.17	102.54
<b>DEBT SERVICE COVERAGE RATIO</b>	1.63	1.73	3.17
<b>DAYS CASH-ON-HAND RATIO</b>	198.53	271.55	367.05

**HISTORICAL MONTHLY SERVICE FEES**

(AVERAGE FEE AND PERCENT CHANGE)

	<u>2010</u>	<u>%</u>	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>
STUDIO	\$2,123	2.9	\$2,185	1.9	\$2,227	4.9	\$2,336
ONE BEDROOM	\$3,799	2.9	\$3,909	1.9	\$3,983	4.9	4,178.0
TWO BEDROOM	\$4,247	2.9	\$4,370	1.9	\$4,453	4.9	\$4,671
COTTAGE/HOUSE							
ASSISTED LIVING	\$4,646	2.9	\$4,781	2.9	\$4,920	4.9	\$5,161
SKILLED NURSING	\$5,958	2.9	\$6,131	2.9	\$6,309	4.9	\$6,618
SPECIAL CARE	\$5,832	2.9	\$6,001	2.9	\$6,175	4.9	\$6,478

**COMMENTS FROM PROVIDER:**

**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**

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

**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.

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
Fixed Rate Revenue Bonds — Series 1999	\$ 4,485,000	5.4	5/1/1999	5/1/2029	30
Fixed Rate Revenue Bonds — Series 2001	1,990,000	5.25	10/1/2001	10/1/2031	30
Fixed Rate Revenue Bonds — Series 2002	4,795,000	6.0	12/1/2002	12/1/2029	30
Fixed Rate Revenue Bonds — Series 2006	40,916,000	4.5	12/19/2006	12/16/2036	30
Trust deed note payable (City of Glendale) — 0% interest through December 2065	1,001,000	0	12/31/2007	12/31/2065	30
Fixed Rate Revenue Bonds — Series 2009	72,746,000	5.25	8/15/2009	11/15/2041	30
Mortgage and other notes payable related to tax credit projects	5,703,313	2.0	Various (1)	Various	Various

(1) Debt is associated with mortgage and other notes payable related to Casa de la Paloma, L.P., and Andres Duarte Terrace, L.P., which effective in 2013, are included in the group's combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013 and Andres Duarte Terrace, L.P. effective December 6, 2013.

**Continuing Care Retirement Community  
Disclosure Statement  
General Information**

Date Prepared: \_\_\_\_\_  
**RECEIVED**  
MAY 05 2014  
CONTINUING CARE  
CONTRACTS BRANCH

FACILITY NAME: Westminster Gardens  
 ADDRESS: 1420 Santo Domingo Ave. Duarte ZIP CODE: 91010 PHONE: 626-358-2569  
 PROVIDER NAME: SoCal Presbyterian Homes FACILITY OPERATOR: SoCal Presbyterian Homes  
 RELATED FACILITIES: See Attached RELIGIOUS AFFILIATION: None  
 YEAR OPENED: 1950 # OF ACRES: 32  SINGLE STORY  MULTI-STORY  OTHER: \_\_\_\_\_  
 MILES TO SHOPPING CTR: 1  
 MILES TO HOSPITAL: 4

NUMBER OF UNITS:	RESIDENTIAL LIVING		HEALTH CARE	
	APARTMENTS — STUDIO:	<u>0</u>	ASSISTED LIVING:	<u>30</u>
APARTMENTS — 1 BDRM:	<u>20</u>	SKILLED NURSING:	<u>0</u>	
APARTMENTS — 2 BDRM:	<u>50</u>	SPECIAL CARE:	<u>10</u>	
COTTAGES/HOUSES:	<u>37</u>	DESCRIBE SPECIAL CARE:	<u>Memory</u>	
RLU OCCUPANCY (%) AT YEAR END:	<u>89.80</u>			

TYPE OF OWNERSHIP:  NOT-FOR-PROFIT  FOR-PROFIT ACCREDITED?:  YES  NO BY: \_\_\_\_\_

FORM OF CONTRACT:  CONTINUING CARE  LIFE CARE  ENTRANCE FEE  FEE FOR SERVICE  
 (Check all that apply)  ASSIGNMENT OF ASSETS  EQUITY  MEMBERSHIP  RENTAL

REFUND PROVISIONS: (Check all that apply)  90%  75%  50%  PRORATED TO 0%  OTHER: \_\_\_\_\_

RANGE OF ENTRANCE FEES: \$ 65,000 TO \$ 215,000 LONG-TERM CARE INSURANCE REQUIRED?  YES  NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: None

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: None OTHER: \_\_\_\_\_

RESIDENT REPRESENTATIVE TO THE BOARD (briefly describe their involvement): Marilyn Brydolf  
 The President of the Resident Council at the community and holds a non-voting seat on the be.group Board. Resident Representative represents the

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING ( <u>0/4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	MEALS ( <u>.67/</u> DAY)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>			

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:** SoCal Presbyterian Homes

<b><u>CCRCs</u></b>	<b><u>LOCATION (City, State)</u></b>	<b><u>PHONE (with area code)</u></b>
Redwood Terrace	Escondido, CA	760-747-4306
Regents Point	Irvine, CA	949-854-9500
White Sands La Jolla	La Jolla, CA	858-454-4201
Windsor	Glendale, CA	818-244-7219
Westminster Gardens	Duarte, CA	626-358-2569
Royal Oaks	Bradbury, CA	626-359-9371

**MULTI-LEVEL RETIREMENT COMMUNITIES**

Kirkwood Orange	Orange, CA	714-282-1409

**FREE-STANDING SKILLED NURSING**


**SUBSIDIZED SENIOR HOUSING**


**NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.**

PROVIDER NAME: SoCal Presyterian Homes

	2010	2011	2012	2013
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$78,655	\$80,945	\$75,955	\$79,706
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)	\$75,342	\$79,401	\$73,822	\$73,615
<b>NET INCOME FROM OPERATIONS</b>	\$3,313	\$1,544	\$2,133	\$6,091
<b>LESS INTEREST EXPENSE</b>	-\$8,863	-\$8,759	-\$8,353	-\$8,178
<b>PLUS CONTRIBUTIONS</b>	\$261	\$467	\$16	\$60
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	\$1,036	-\$759	\$1,725	\$2,527
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	-\$4,253	-\$7,507	-\$4,479	\$500
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	\$15,570	\$14,230	\$16,254	\$26,623

**DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)**

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

**FINANCIAL RATIOS**

(see next page for ratio formulas)

**2012 CCAC Medians**  
**50<sup>th</sup> Percentile**  
(optional)

	2011	2012	2013
<b>DEBT TO ASSET RATIO</b>	52.31	47.61	41.47
<b>OPERATING RATIO</b>	108.64	108.17	102.54
<b>DEBT SERVICE COVERAGE RATIO</b>	1.63	1.73	3.17
<b>DAYS CASH-ON-HAND RATIO</b>	198.53	271.55	367.05

**HISTORICAL MONTHLY SERVICE FEES**

(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO							
ONE BEDROOM	\$2,041	2.9	\$2,100	1.9	\$2,140	4.9	2,245.0
TWO BEDROOM	\$2,552	2.9	\$2,626	1.9	\$2,676	4.9	\$2,807
COTTAGE/HOUSE	\$3,035	2.9	\$3,123	1.9	\$3,182	4.9	\$3,338
ASSISTED LIVING	\$3,295	2.9	\$3,391	2.9	\$3,489	4.9	\$3,660
SKILLED NURSING							
SPECIAL CARE			\$4,822	2.9	\$4,962	4.9	\$5,205

**COMMENTS FROM PROVIDER:**

**FINANCIAL RATIO FORMULAS**

**LONG-TERM DEBT TO TOTAL ASSETS RATIO**

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

**OPERATING RATIO**

$$\frac{\begin{aligned} &\text{Total Operating Expenses} \\ &\quad - \text{Depreciation Expense} \\ &\quad - \text{Amortization Expense} \end{aligned}}{\begin{aligned} &\text{Total Operating Revenues} \\ &\quad - \text{Amortization of Deferred Revenue} \end{aligned}}$$

**DEBT SERVICE COVERAGE RATIO**

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

**DAYS CASH ON HAND RATIO**

$$\frac{\begin{aligned} &\text{Unrestricted Current Cash \& Investments} \\ &\quad + \text{Unrestricted Non-Current Cash \& Investments} \end{aligned}}{\begin{aligned} &\text{(Operating Expenses} \\ &\quad - \text{Depreciation - Amortization)/365} \end{aligned}}$$

**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.

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
Fixed Rate Revenue Bonds — Series 1999	\$ 4,485,000	5.4	5/1/1999	5/1/2029	30
Fixed Rate Revenue Bonds — Series 2001	1,990,000	5.25	10/1/2001	10/1/2031	30
Fixed Rate Revenue Bonds — Series 2002	4,795,000	6.0	12/1/2002	12/1/2029	30
Fixed Rate Revenue Bonds — Series 2006	40,916,000	4.5	12/19/2006	12/16/2036	30
Trust deed note payable (City of Glendale) — 0% interest through December 2065	1,001,000	0	12/31/2007	12/31/2065	30
Fixed Rate Revenue Bonds — Series 2009	72,746,000	5.25	8/15/2009	11/15/2041	30
Mortgage and other notes payable related to tax credit projects	5,703,313	2.0	Various (1)	Various	Various

(1) Debt is associated with mortgage and other notes payable related to Casa de la Paloma, L.P., and Andres Duarte Terrace, L.P., which effective in 2013, are included in the group's combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013 and Andres Duarte Terrace, L.P. effective December 6, 2013.

**Continuing Care Retirement Community  
Disclosure Statement:  
General Information**

Date Prepared: 4/29/14

**RECEIVED**  
MAY 05 2014

FACILITY NAME: Windsor  
 ADDRESS: 1230 E. Windsor Rd., Glendale ZIP CODE: 91205 PHONE: (818) 244-7219  
 PROVIDER NAME: SoCal Presbyterian Homes FACILITY OPERATOR: SoCal Presbyterian Homes  
 RELATED FACILITIES: See Attached RELIGIOUS AFFILIATION: None  
 YEAR OPENED: 1937 # OF ACRES: 3  SINGLE STORY  MULTI-STORY  OTHER: Both MILES TO SHOPPING CTR: 1.5  
 MILES TO HOSPITAL: 1.5

**NUMBER OF UNITS:**

**RESIDENTIAL LIVING**

**HEALTH CARE**

APARTMENTS — STUDIO:	<u>39</u>	ASSISTED LIVING:	<u>39</u>
APARTMENTS — 1 BDRM:	<u>31</u>	SKILLED NURSING:	<u>28</u>
APARTMENTS — 2 BDRM:	<u>2</u>	SPECIAL CARE:	<u>0</u>
COTTAGES/HOUSES:	<u>2</u>	DESCRIBE SPECIAL CARE:	_____
RLU OCCUPANCY (%) AT YEAR END:	94.00		

**TYPE OF OWNERSHIP:**  NOT-FOR-PROFIT  FOR-PROFIT ACCREDITED?:  YES  NO BY: \_\_\_\_\_

**FORM OF CONTRACT:**  CONTINUING CARE  LIFE CARE  ENTRANCE FEE  FEE FOR SERVICE  
 (Check all that apply)  ASSIGNMENT OF ASSETS  EQUITY  MEMBERSHIP  RENTAL

**REFUND PROVISIONS:** (Check all that apply)  90%  75%  50%  PRORATED TO 0%  OTHER: \_\_\_\_\_

**RANGE OF ENTRANCE FEES:** \$ 45,000 TO \$ 165,000 **LONG-TERM CARE INSURANCE REQUIRED?**  YES  NO

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** \_\_\_\_\_ None

**ENTRY REQUIREMENTS:** MIN. AGE: 62 PRIOR PROFESSION: \_\_\_\_\_ None OTHER: \_\_\_\_\_

**RESIDENT REPRESENTATIVE TO THE BOARD** (briefly describe their involvement): \_\_\_\_\_ Anita Genest

The President of the Resident Council at the community and holds a non-voting seat on the be.group Board. Resident Representative represents

**FACILITY SERVICES AND AMENITIES**

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (4 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (3 /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER <u>Sattelite TV</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Tea Room</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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:** SoCal Presbyterian Homes

<b><u>CCRCs</u></b>	<b><u>LOCATION (City, State)</u></b>	<b><u>PHONE (with area code)</u></b>
Redwood Terrace	Escondido, CA	760-747-4306
Regents Point	Irvine, CA	949-854-9500
White Sands La Jolla	La Jolla, CA	858-454-4201
Windsor	Glendale, CA	818-244-7219
Westminster Gardens	Duarte, CA	626-358-2569
Royal Oaks	Bradbury, CA	626-359-9371

**MULTI-LEVEL RETIREMENT COMMUNITIES**

Kirkwood Orange	Orange, CA	714-282-1409

**FREE-STANDING SKILLED NURSING**


**SUBSIDIZED SENIOR HOUSING**


**NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.**

PROVIDER NAME: Southern California Presbyterian Homes dba be,group

	2010	2011	2012	2013
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$78,655	\$80,945	\$75,955	\$79,706
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)	\$75,342	\$79,401	\$73,822	\$73,615
<b>NET INCOME FROM OPERATIONS</b>	\$3,313	\$1,544	\$2,133	\$6,091
<b>LESS INTEREST EXPENSE</b>	-\$8,863	-\$8,759	-\$8,353	-\$8,178
<b>PLUS CONTRIBUTIONS</b>	\$261	\$467	\$16	\$60
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	\$1,036	-\$759	\$1,725	\$2,527
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	-\$4,253	-\$7,507	-\$4,479	\$500
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	\$15,570	\$14,230	\$16,254	\$26,623

**DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)**

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

**FINANCIAL RATIOS**

(see next page for ratio formulas)

**2012 CCAC Medians**  
**50<sup>th</sup> Percentile**  
*(optional)*

		2011	2012	2013
<b>DEBT TO ASSET RATIO</b>		52.31	47.61	41.47
<b>OPERATING RATIO</b>		108.64	108.17	102.54
<b>DEBT SERVICE COVERAGE RATIO</b>		1.63	1.73	3.17
<b>DAYS CASH-ON-HAND RATIO</b>		198.53	271.55	367.05

**HISTORICAL MONTHLY SERVICE FEES**

(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO	\$1,943	2.9	\$1,999	1.9	\$2,037	4.9	\$2,137
ONE BEDROOM	\$3,384	2.9	\$3,482	1.9	\$3,548	4.9	3,722.0
TWO BEDROOM	\$3,942	2.9	\$4,056	1.9	\$4,133	4.9	\$4,336
COTTAGE/HOUSE							
ASSISTED LIVING	\$4,106	2.9	\$4,225	2.9	\$4,348	4.9	\$4,561
SKILLED NURSING	\$5,925	2.9	\$6,097	2.9	\$6,274	4.9	\$6,581
SPECIAL CARE							

**COMMENTS FROM PROVIDER:**

**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**

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

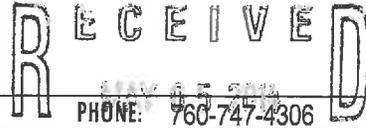
**NOTE:** These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
Fixed Rate Revenue Bonds — Series 1999	\$ 4,485,000	5.4	5/1/1999	5/1/2029	30
Fixed Rate Revenue Bonds — Series 2001	1,990,000	5.25	10/1/2001	10/1/2031	30
Fixed Rate Revenue Bonds — Series 2002	4,795,000	6.0	12/1/2002	12/1/2029	30
Fixed Rate Revenue Bonds — Series 2006	40,916,000	4.5	12/19/2006	12/16/2036	30
Trust deed note payable (City of Glendale) — 0% interest through December 2065	1,001,000	0	12/31/2007	12/31/2065	30
Fixed Rate Revenue Bonds — Series 2009	72,746,000	5.25	8/15/2009	11/15/2041	30
Mortgage and other notes payable related to tax credit projects	5,703,313	2.0	Various (1)	Various	Various

(1) Debt is associated with mortgage and other notes payable related to Casa de la Paloma, L.P., and Andres Duarte Terrace, L.P., which effective in 2013, are included in the group's combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013 and Andres Duarte Terrace, L.P. effective December 6, 2013.

**Continuing Care Retirement Community  
Disclosure Statement  
General Information**

Date Prepared: \_\_\_\_\_



FACILITY NAME: Redwood Terrace  
 ADDRESS: 710 W. 13th Ave. Escondido ZIP CODE: 92025 PHONE: 760-747-4306  
 PROVIDER NAME: SoCal Presbyterian Homes FACILITY OPERATOR: SoCal Presbyterian Homes  
 RELATED FACILITIES: See Attached RELIGIOUS AFFILIATION: none CONTRACTS BRANCH  
 YEAR OPENED: 1978 # OF ACRES: 6  SINGLE STORY  MULTI-STORY  OTHER: \_\_\_\_\_  
 MILES TO SHOPPING CTR: 1  
 MILES TO HOSPITAL: 2

<b>NUMBER OF UNITS:</b>	<b>RESIDENTIAL LIVING</b>	<b>HEALTH CARE</b>
	APARTMENTS — STUDIO: <u>2</u>	ASSISTED LIVING: <u>19</u>
	APARTMENTS — 1 BDRM: <u>31</u>	SKILLED NURSING: <u>59</u>
	APARTMENTS — 2 BDRM: <u>30</u>	SPECIAL CARE: <u>6</u>
	COTTAGES/HOUSES: <u>43</u>	DESCRIBE SPECIAL CARE: <u>Memory Care</u>
	RLU OCCUPANCY (%) AT YEAR END: <u>93.00</u>	

**TYPE OF OWNERSHIP:**  NOT-FOR-PROFIT  FOR-PROFIT ACCREDITED?:  YES  NO BY: \_\_\_\_\_

**FORM OF CONTRACT:**  CONTINUING CARE  LIFE CARE  ENTRANCE FEE  FEE FOR SERVICE  
 (Check all that apply)  ASSIGNMENT OF ASSETS  EQUITY  MEMBERSHIP  RENTAL

**REFUND PROVISIONS:** (Check all that apply)  90%  75%  50%  PRORATED TO 0%  OTHER: \_\_\_\_\_

**RANGE OF ENTRANCE FEES:** \$ 59,000 TO \$ 235,000 **LONG-TERM CARE INSURANCE REQUIRED?**  YES  NO

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** Limited

**ENTRY REQUIREMENTS:** MIN. AGE: 60 PRIOR PROFESSION: None OTHER: \_\_\_\_\_

**RESIDENT REPRESENTATIVE TO THE BOARD** (briefly describe their involvement): Betty Meredith  
 The President of the Resident Council at the community and holds a non-voting seat on the be.group Board. Resident Representative represents the

**FACILITY SERVICES AND AMENITIES**

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (2 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (3 /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>			

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: SoCal Presbyterian Homes

	2010	2011	2012	2013
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$78,655	\$80,945	\$75,955	\$79,706
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)	\$75,342	\$79,401	\$73,822	\$73,615
<b>NET INCOME FROM OPERATIONS</b>	\$3,313	\$1,544	\$2,133	\$6,091
<b>LESS INTEREST EXPENSE</b>	-\$8,863	-\$8,759	-\$8,353	-\$8,178
<b>PLUS CONTRIBUTIONS</b>	\$261	\$467	\$16	\$60
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	\$1,036	-\$759	\$1,725	\$2,527
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	-\$4,253	-\$7,507	\$4,479	\$500
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	\$15,570	\$14,230	\$16,254	\$26,623

**DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)**

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

**FINANCIAL RATIOS**

(see next page for ratio formulas)

2012 CCAC Medians  
50<sup>th</sup> Percentile  
(optional)

	2010	2012	2013
<b>DEBT TO ASSET RATIO</b>	52.31	47.61	41.47
<b>OPERATING RATIO</b>	108.64	108.17	102.54
<b>DEBT SERVICE COVERAGE RATIO</b>	1.63	1.73	3.17
<b>DAYS CASH-ON-HAND RATIO</b>	198.53	271.55	367.05

**HISTORICAL MONTHLY SERVICE FEES**

(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO	\$2,068	2.9	\$2,128	1.9	\$2,168	4.9	\$2,274
ONE BEDROOM	\$2,206	2.9	\$2,270	1.9	\$2,313	4.9	2,426.0
TWO BEDROOM	\$3,246	2.9	\$3,340	1.9	\$3,403	4.9	\$3,570
COTTAGE/HOUSE	\$3,246	2.9	\$3,340	1.9	\$3,403	4.9	\$3,570
ASSISTED LIVING	\$3,909	2.9	\$4,022	2.9	\$4,139	4.9	\$4,342
SKILLED NURSING	\$9,066	2.9	\$9,329	2.9	\$9,600	4.9	\$10,070
SPECIAL CARE	\$5,135	2.9	\$5,284	2.9	\$5,437	4.9	\$5,703

COMMENTS FROM PROVIDER:

**FINANCIAL RATIO FORMULAS**

**LONG-TERM DEBT TO TOTAL ASSETS RATIO**

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

**OPERATING RATIO**

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

**DEBT SERVICE COVERAGE RATIO**

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

**DAYS CASH ON HAND RATIO**

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

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

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
Fixed Rate Revenue Bonds — Series 1999	\$ 4,485,000	5.4	5/1/1999	5/1/2029	30
Fixed Rate Revenue Bonds — Series 2001	1,990,000	5.25	10/1/2001	10/1/2031	30
Fixed Rate Revenue Bonds — Series 2002	4,795,000	6.0	12/1/2002	12/1/2029	30
Fixed Rate Revenue Bonds — Series 2006	40,916,000	4.5	12/19/2006	12/16/2036	30
Trust deed note payable (City of Glendale) — 0% interest through December 2065	1,001,000	0	12/31/2007	12/31/2065	30
Fixed Rate Revenue Bonds — Series 2009	72,746,000	5.25	8/15/2009	11/15/2041	30
Mortgage and other notes payable related to tax credit projects	5,703,313	2.0	Various (1)	Various	Various

(1) Debt is associated with mortgage and other notes payable related to Casa de la Paloma, L.P., and Andres Duarte Terrace, L.P., which effective in 2013, are included in the group's combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013 and Andres Duarte Terrace, L.P. effective December 6, 2013.

**Continuing Care Retirement Community  
Disclosure Statement  
General Information**

**RECEIVED**  
Date Received:                       
**MAY 05 2014**

FACILITY NAME: Regents Point ZIP CODE: 92612 PHONE: 949-854-9500  
 ADDRESS: 19191 Harvard Ave Irvine FACILITY OPERATOR: SoCal Presbyterian  
 PROVIDER NAME: SoCal Presbyterian Homes RELIGIOUS AFFILIATION: none  
 RELATED FACILITIES: See Attached RELIGIOUS AFFILIATION: none  
 YEAR OPENED: 1982 # OF ACRES: 15  SINGLE STORY  MULTI-STORY  OTHER:                       
 MILES TO SHOPPING CTR: .1  
 MILES TO HOSPITAL: 3

<b>NUMBER OF UNITS:</b>	<b>RESIDENTIAL LIVING</b>	<b>HEALTH CARE</b>
	APARTMENTS — STUDIO: <u>42</u>	ASSISTED LIVING: <u>40</u>
	APARTMENTS — 1 BDRM: <u>79</u>	SKILLED NURSING: <u>59</u>
	APARTMENTS — 2 BDRM: <u>40</u>	SPECIAL CARE: <u>8</u>
	COTTAGES/HOUSES: <u>74</u>	DESCRIBE SPECIAL CARE: <u>Dementia/Memory</u>
	RLU OCCUPANCY (%) AT YEAR END: <u>93.00</u>	

**TYPE OF OWNERSHIP:**  NOT-FOR-PROFIT  FOR-PROFIT ACCREDITED?:  YES  NO BY:                     

**FORM OF CONTRACT:**  CONTINUING CARE  LIFE CARE  ENTRANCE FEE  FEE FOR SERVICE  
 (Check all that apply)  ASSIGNMENT OF ASSETS  EQUITY  MEMBERSHIP  RENTAL

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

**RANGE OF ENTRANCE FEES:** \$ 95,000 TO \$ 550,000 **LONG-TERM CARE INSURANCE REQUIRED?**  YES  NO

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** None

**ENTRY REQUIREMENTS:** MIN. AGE: 62 PRIOR PROFESSION: None OTHER:                     

**RESIDENT REPRESENTATIVE TO THE BOARD** (briefly describe their involvement): Dave Mattheiss  
 The President of the Resident Council at the community and holds a non-voting seat on the be.group Board. Resident Representative represents the

COMMON AREA AMENITIES	FACILITY SERVICES AND AMENITIES			
	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING ( <u>2</u> TIMES/MONTH)	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS ( <u>1/3</u> /DAY)	<input checked="" type="checkbox"/>
BOWLING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER <u>                    </u>	<input type="checkbox"/>
OTHER <u>                    </u>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

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:** SoCal Presbyterian Homes

<b>CCRCs</b>	<b>LOCATION (City, State)</b>	<b>PHONE (with area code)</b>
Redwood Terrace	Escondido, CA	760-747-4306
Regents Point	Irvine, CA	949-854-9500
White Sands La Jolla	La Jolla, CA	858-454-4201
Windsor	Glendale, CA	818-244-7219
Westminster Gardens	Duarte, CA	626-358-2569
Royal Oaks	Bradbury, CA	626-359-9371

**MULTI-LEVEL RETIREMENT COMMUNITIES**

Kirkwood Orange	Orange, CA	714-282-1409

**FREE-STANDING SKILLED NURSING**


**SUBSIDIZED SENIOR HOUSING**


**NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.**  
Page 2 of 4

PROVIDER NAME: SoCal Presbyterian Homes

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$78,655	\$80,945	\$75,955	\$79,706
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)	\$75,342	\$79,401	\$73,822	\$73,615
<b>NET INCOME FROM OPERATIONS</b>	\$3,313	\$1,544	\$2,133	\$6,091
<b>LESS INTEREST EXPENSE</b>	-\$8,863	-\$8,759	-\$8,353	-\$8,178
<b>PLUS CONTRIBUTIONS</b>	\$261	\$467	\$16	\$60
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	\$1,036	-\$759	\$1,725	\$2,527
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	-\$4,253	-\$7,507	-\$4,479	\$500
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	\$15,570	\$14,230	\$16,254	\$26,623

**DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)**

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

**FINANCIAL RATIOS**

(see next page for ratio formulas)

**2012 CCAC Medians  
50<sup>th</sup> Percentile  
(optional)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>DEBT TO ASSET RATIO</b>	52.31	47.61	41.47
<b>OPERATING RATIO</b>	108.64	108.17	102.54
<b>DEBT SERVICE COVERAGE RATIO</b>	1.63	1.73	3.17
<b>DAYS CASH-ON-HAND RATIO</b>	198.53	271.55	367.05

**HISTORICAL MONTHLY SERVICE FEES**

(AVERAGE FEE AND PERCENT CHANGE)

	<u>2010</u>	<u>%</u>	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>
STUDIO	\$1,981	2.9	\$2,038	1.9	\$2,077	4.9	\$2,179
ONE BEDROOM	\$2,228	2.9	\$2,293	1.9	\$2,337	4.9	2,452.0
TWO BEDROOM	\$3,521	2.9	\$3,623	1.9	\$3,692	4.9	\$3,873
COTTAGE/HOUSE	\$3,572	2.9	\$3,676	1.9	\$3,746	4.9	\$3,930
ASSISTED LIVING	\$4,619	2.9	\$4,753	2.9	\$4,891	4.9	\$5,131
SKILLED NURSING	\$6,886	2.9	\$7,086	2.9	\$7,291	4.9	\$7,648
SPECIAL CARE							

**COMMENTS FROM PROVIDER:**

**FINANCIAL RATIO FORMULAS**

**LONG-TERM DEBT TO TOTAL ASSETS RATIO**

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

**OPERATING RATIO**

$$\frac{\begin{aligned} &\text{Total Operating Expenses} \\ &\quad - \text{Depreciation Expense} \\ &\quad - \text{Amortization Expense} \end{aligned}}{\begin{aligned} &\text{Total Operating Revenues} \\ &\quad - \text{Amortization of Deferred Revenue} \end{aligned}}$$

**DEBT SERVICE COVERAGE RATIO**

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

**DAYS CASH ON HAND RATIO**

$$\frac{\begin{aligned} &\text{Unrestricted Current Cash \& Investments} \\ &\quad + \text{Unrestricted Non-Current Cash \& Investments} \end{aligned}}{\begin{aligned} &\text{(Operating Expenses} \\ &\quad - \text{Depreciation - Amortization)/365} \end{aligned}}$$

**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.

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
Fixed Rate Revenue Bonds — Series 1999	\$ 4,485,000	5.4	5/1/1999	5/1/2029	30
Fixed Rate Revenue Bonds — Series 2001	1,990,000	5.25	10/1/2001	10/1/2031	30
Fixed Rate Revenue Bonds — Series 2002	4,795,000	6.0	12/1/2002	12/1/2029	30
Fixed Rate Revenue Bonds — Series 2006	40,916,000	4.5	12/19/2006	12/16/2036	30
Trust deed note payable (City of Glendale) — 0% interest through December 2065	1,001,000	0	12/31/2007	12/31/2065	30
Fixed Rate Revenue Bonds — Series 2009	72,746,000	5.25	8/15/2009	11/15/2041	30
Mortgage and other notes payable related to tax credit projects	5,703,313	2.0	Various <sup>(1)</sup>	Various	Various

(1) Debt is associated with mortgage and other notes payable related to Casa de la Paloma, L.P., and Andres Duarte Terrace, L.P., which effective in 2013, are included in the group's combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013 and Andres Duarte Terrace, L.P. effective December 6, 2013.

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<b>\$2157-\$5889</b>	<b>\$5010 - \$6939</b>	<b>\$5580- \$12120</b>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<b>4.9%</b>	<b>4.9%</b>	<b>4.9%</b>

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: 1/1/13  
(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: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
**COMMUNITY: ROYAL OAKS**

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$2336-\$5699	\$4280-\$11553	\$6630-\$12420
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.9%	4.9%	4.9%

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: 1/1/13  
 (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: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
**COMMUNITY: WHITE SANDS LA JOLLA**

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<b>RESIDENTIAL LIVING</b>	<b>ASSISTED LIVING</b>	<b>SKILLED NURSING</b>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2138-\$6777</u>	<u>\$4561-\$7986</u>	<u>\$6570-\$11100</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.9%</u>	<u>4.9%</u>	<u>4.9%</u>

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: 1/1/13  
 (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: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
**COMMUNITY: WINDSOR**

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2274-\$5345</u>	<u>\$3663-\$6357</u>	<u>\$5340-\$10080</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.9%</u>	<u>4.9%</u>	<u>4.9%</u>

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: 1/1/13  
 (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: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
**COMMUNITY: REDWOOD TERRACE**

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2077-\$5452</u>	<u>\$5131-\$9131</u>	<u>\$7680-\$13380</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.9%</u>	<u>4.9%</u>	<u>4.9%</u>

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: 1/1/13  
(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: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
**COMMUNITY: REGENTS POINT**

**FORM 1-1**  
**RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	227
[2]	Number at end of fiscal year	221
[3]	Total Lines 1 and 2	448
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	224
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	246
[7]	Number at end of fiscal year	239
[8]	Total Lines 6 and 7	485
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	242.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.92

**FORM 1-2**  
**ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only) <u>\$14,550,000</u>
[a]	Depreciation <u>\$1,697,000</u>
[b]	Debt Service (Interest Only) <u>\$1,667,000</u>
[2]	Subtotal (add Line 1a and 1b) <u>\$3,364,000</u>
[3]	Subtract Line 2 from Line 1 and enter result. <u>\$11,186,000</u>
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) <u>92%</u>
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) <u>\$10,332,635</u>
[6]	Total Amount Due (multiply Line 5 by .001) <u>\$10,333</u>

**PROVIDER SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
**COMMUNI ROYAL OAKS MANOR**

**FORM 1-1  
RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	206
[2]	Number at end of fiscal year	219
[3]	Total Lines 1 and 2	425
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	212.5
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	237
[7]	Number at end of fiscal year	245
[8]	Total Lines 6 and 7	482
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	241
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places)..	0.88

**FORM 1-2  
ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only) <u>\$20,192,000</u>
[a]	Depreciation <u>\$3,214,000</u>
[b]	Debt Service (Interest Only) <u>\$3,857,000</u>
[2]	Subtotal (add Line 1a and 1b) <u>\$7,071,000</u>
[3]	Subtract Line 2 from Line 1 and enter result. <u>\$13,121,000</u>
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) <u>88%</u>
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) <u>\$11,569,346</u>
[6]	Total Amount Due (multiply Line 5 by .001) <u>\$11,569</u>

**PROVIDER: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
**COMMUNIT' WHITE SANDS OF LA JOLLA**

**FORM 1-1**  
**RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	64
[2]	Number at end of fiscal year	66
[3]	Total Lines 1 and 2	130
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	65
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	134
[7]	Number at end of fiscal year	137
[8]	Total Lines 6 and 7	271
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	135.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.48

**FORM 1-2**  
**ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only) <u>\$7,642,000</u>
[a]	Depreciation <u>\$499,000</u>
[b]	Debt Service (Interest Only) <u>\$123,000</u>
[2]	Subtotal (add Line 1a and 1b) <u>\$622,000</u>
[3]	Subtract Line 2 from Line 1 and enter result. <u>\$7,020,000</u>
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) <u>48%</u>
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) <u>\$3,367,528</u>
[6]	Total Amount Due (multiply Line 5 by .001) <u>\$3,368</u>

**PROVIDER: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES**  
**COMMUNIT WINDSOR MANOR**

## KEY INDICATORS REPORT

be.group


  
 Vice President, Finance & CFO Signature


  
 JUN 2 2014

	Audited					Projected		Forecast CONTINUING CARE CONTRACTS BRANCH				Preferred Trend Indicator		
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018				
<b>OPERATIONAL STATISTICS</b>														
1. Average Annual Occupancy by Site (%)	88.50%	90.00%	88.40%	89.00%	88.30%	90.70%	91.25%	92.00%	92.50%	93.00%	N/A			
<b>MARGIN (PROFITABILITY) INDICATORS</b>														
2. Net Operating Margin (%)	-1.75%	1.82%	-1.34%	-0.93%	1.76%	2.48%	3.21%	3.92%	4.64%	5.34%	↑			
3. Net Operating Margin - Adjusted (%)	16.52%	19.81%	14.26%	16.41%	27.80%	19.55%	20.07%	20.60%	21.11%	21.63%	↑			
<b>LIQUIDITY INDICATORS</b>														
4. Unrestricted Cash and Investments (\$000)	\$48,556	\$52,904	\$47,952	\$61,135	\$82,252	\$94,307	\$101,113	\$108,188	\$115,473	\$122,916	↑			
5. Days Cash on Hand (Unrestricted)	214.48	229.32	198.53	260.18	367.05	413.90	432.77	452.25	471.43	490.07	↑			
<b>CAPITAL STRUCTURE INDICATORS</b>														
6. Deferred Revenue from Entrance Fees (\$000)	\$91,182	\$92,604	\$92,854	\$93,049	\$105,755	\$109,931	\$114,513	\$119,517	\$124,957	\$130,850	N/A			
7. Net Annual E/F proceeds (\$000)	\$16,039	\$17,217	\$14,258	\$15,893	\$27,027	\$16,451	\$16,945	\$17,453	\$17,977	\$18,516	N/A			
8. Unrestricted Net Assets (\$000)	\$2,625	-\$583	-\$12,022	-\$3,299	\$11,806	\$15,082	\$18,890	\$23,398	\$28,644	\$34,674	N/A			
9. Annual Capital Asset Expenditure (\$000)	\$7,465	\$7,254	\$8,674	\$7,289	\$15,369	\$10,782	\$11,860	\$13,046	\$14,351	\$15,786	N/A			
10. Annual Debt Service Coverage Revenue Basis (x)	0.01	0.43	0.28	0.23	0.30	0.77	0.85	0.95	1.05	1.16	↑			
11. Annual Debt Service Coverage (x)	0.22	2.08	1.63	1.76	1.60	2.53	2.64	2.79	2.95	3.11	↑			
12. Annual Debt Service/Revenue (%)	89.37%	11.08%	10.95%	11.00%	22.22%	9.64%	9.47%	9.19%	8.90%	8.63%	↓			
13. Average Annual Effective Interest Rate (%)	5.84%	6.13%	6.15%	6.16%	6.13%	6.11%	6.21%	6.22%	6.23%	6.24%	↓			
14. Unrestricted Cash & Investments/Long-Term Debt (%)	34.31%	37.72%	34.62%	44.71%	56.63%	65.75%	71.45%	77.57%	84.08%	91.00%	↑			
15. Average Age of Facility (years)	10.46	11.51	12.54	13.36	13.45	13.93	14.40	14.84	15.27	15.68	↓			