FISCAL YEAR ENDED:
09 / 30 / 15

ANNUAL REPORT CHECKLIST

PROVIDER(S): American Baptist Homes of the West

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

CONTACT PERSON: Andrew McDonald

TELEPHONE NO.: (925) 924-7196 **EMAIL:** AMcDonald@abhow.com

● ●

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

- ☐ Annual Report Checklist.
- ☐ Annual Provider Fee in the amount of: $93,753
  - ☐ 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.

RECEIVED
FEB 02 2016
CONTINUING CARE CONTRACTS BRANCH

ABHOW

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

January 31, 2016 Ref: CEO Certification.doc

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

RE: Annual Audit and Reports – September 30, 2015
Financial Statements – September 30, 2015

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

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

Sincerely,

David B. Ferguson
President and CEO

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	73
[2]	Number at end of fiscal year	79
[3]	Total Lines 1 and 2	152
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	76
	All Residents	
[6]	Number at beginning of fiscal year	81
[7]	Number at end of fiscal year	96
[8]	Total Lines 6 and 7	177
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	88.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.86

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$3,928,000
[a]	Depreciation	$520,000	
[b]	Debt Service (Interest Only)	$122,000	
[2]	Subtotal (add Line 1a and 1b)		$642,000
[3]	Subtract Line 2 from Line 1 and enter result.		$3,286,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		86%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$2,821,876
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$2,822

PROVIDER American Baptist Homes of West
COMMUNIT Grand Lake Gardens

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	
[2]	Number at end of fiscal year	
[3]	Total Lines 1 and 2	0
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	0
	All Residents	
[6]	Number at beginning of fiscal year	
[7]	Number at end of fiscal year	
[8]	Total Lines 6 and 7	0
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	0
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	#DIV/0!

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		
[a]	Depreciation		
[b]	Debt Service (Interest Only)		
[2]	Subtotal (add Line 1a and 1b)		$0
[3]	Subtract Line 2 from Line 1 and enter result.		$0
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		#DIV/0!
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		#DIV/0!
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		#DIV/0!

PROVIDER: American Baptist Homes of West
COMMUNIT DO NOT USE

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	250
[2]	Number at end of fiscal year	252
[3]	Total Lines 1 and 2	502
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	251
	All Residents	
[6]	Number at beginning of fiscal year	338
[7]	Number at end of fiscal year	347
[8]	Total Lines 6 and 7	685
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	342.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.73

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$24,474,000
[a]	Depreciation	$2,447,000	
[b]	Debt Service (Interest Only)	$413,000	
[2]	Subtotal (add Line 1a and 1b)		$2,860,000
[3]	Subtract Line 2 from Line 1 and enter result.		$21,614,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		73%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$15,839,749
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$15,840

PROVIDER: American Baptist Homes of West
COMMUNITY Piedmont Gardens

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	264
[2]	Number at end of fiscal year	255
[3]	Total Lines 1 and 2	519
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	259.5
	All Residents	
[6]	Number at beginning of fiscal year	289
[7]	Number at end of fiscal year	270
[8]	Total Lines 6 and 7	559
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	279.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.93

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$15,474,000
[a]	Depreciation	$2,503,000	
[b]	Debt Service (Interest Only)	$358,000	
[2]	Subtotal (add Line 1a and 1b)		$2,861,000
[3]	Subtract Line 2 from Line 1 and enter result.		$12,613,000
[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)		$11,710,460
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$11,710

PROVIDER American Baptist Homes of West
COMMUNIT Plymouth Village

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	264
[2]	Number at end of fiscal year	255
[3]	Total Lines 1 and 2	519
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	259.5
	All Residents	
[6]	Number at beginning of fiscal year	289
[7]	Number at end of fiscal year	270
[8]	Total Lines 6 and 7	559
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	279.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.93

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$15,474,000
[a]	Depreciation	$2,503,000	
[b]	Debt Service (Interest Only)	$358,000	
[2]	Subtotal (add Line 1a and 1b)		$2,861,000
[3]	Subtract Line 2 from Line 1 and enter result.		$12,613,000
[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)		$11,710,460
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$11,710

PROVIDER American Baptist Homes of West
COMMUNIT Plymouth Village

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	98
[2]	Number at end of fiscal year	101
[3]	Total Lines 1 and 2	199
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	99.5
	All Residents	
[6]	Number at beginning of fiscal year	237
[7]	Number at end of fiscal year	243
[8]	Total Lines 6 and 7	480
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	240
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.41

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$17,628,000
[a]	Depreciation	$1,256,000	
[b]	Debt Service (Interest Only)	$454,000	
[2]	Subtotal (add Line 1a and 1b)		$1,710,000
[3]	Subtract Line 2 from Line 1 and enter result.		$15,918,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		41%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$6,599,338
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$6,599

PROVIDEF American Baptist Homes of West
COMMUNI Rosewood

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	284
[2]	Number at end of fiscal year	294
[3]	Total Lines 1 and 2	578
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	289
	All Residents	
[6]	Number at beginning of fiscal year	328
[7]	Number at end of fiscal year	335
[8]	Total Lines 6 and 7	663
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	331.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.87

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$22,994,000
[a]	Depreciation	$2,878,000	
[b]	Debt Service (Interest Only)	$2,174,000	
[2]	Subtotal (add Line 1a and 1b)		$5,052,000
[3]	Subtract Line 2 from Line 1 and enter result.		$17,942,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		87%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$15,641,744
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$15,642

PROVIDER American Baptist Homes of West
COMMUNIT Terraces of Los Gatos

FORM 1-1

RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	67
[2]	Number at end of fiscal year	64
[3]	Total Lines 1 and 2	131
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	65.5
	All Residents	
[6]	Number at beginning of fiscal year	91
[7]	Number at end of fiscal year	100
[8]	Total Lines 6 and 7	191
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	95.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.69

FORM 1-2

ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$12,572,000
[a]	Depreciation	$1,441,000	
[b]	Debt Service (Interest Only)	$856,000	
[2]	Subtotal (add Line 1a and 1b)		$2,297,000
[3]	Subtract Line 2 from Line 1 and enter result.		$10,275,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		69%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$7,047,251
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$7,047

PROVIDER: American Baptist Homes of West

COMMUNIT Terraces at Los Altos

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	367
[2]	Number at end of fiscal year	364
[3]	Total Lines 1 and 2	731
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	365.5
	All Residents	
[6]	Number at beginning of fiscal year	415
[7]	Number at end of fiscal year	419
[8]	Total Lines 6 and 7	834
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	417
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.88

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$26,395,000
[a]	Depreciation	$4,321,000	
[b]	Debt Service (Interest Only)	$1,250,000	
[2]	Subtotal (add Line 1a and 1b)		$5,571,000
[3]	Subtract Line 2 from Line 1 and enter result.		$20,824,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		88%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$18,252,211
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$18,252

PROVIDER American Baptist Homes of West
COMMUNI1 Valle Verde

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	98
[2]	Number at end of fiscal year	101
[3]	Total Lines 1 and 2	199
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	99.5
	All Residents	
[6]	Number at beginning of fiscal year	237
[7]	Number at end of fiscal year	243
[8]	Total Lines 6 and 7	480
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	240
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.41

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$17,628,000
[a]	Depreciation	$1,256,000	
[b]	Debt Service (Interest Only)	$454,000	
[2]	Subtotal (add Line 1a and 1b)		$1,710,000
[3]	Subtract Line 2 from Line 1 and enter result.		$15,918,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		41%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$6,599,338
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$6,599

PROVIDEF American Baptist Homes of West
COMMUNI Rosewood

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

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

As of and for the Years Ended
September 30, 2015 and 2014

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

CONTENTS

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Baptist Homes of the West ("ABHOW") and Affiliates, (a member of Cornerstone Affiliates) (collectively referred to as the "Corporation"), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Beacon Communities and Affiliates ("Beacon") which statements reflect total assets constituting approximately 29 percent and 26 percent, respectively, of consolidated total assets at September 30, 2015 and 2014, and total revenues constituting approximately 9 percent and 7 percent, respectively of consolidated total revenues for the years then ended. These statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Beacon, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Baptist Homes of the West and Affiliates as of September 30, 2015 and 2014, and the results of their operations, change in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
December 18, 2015

CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2015 and 2014
(In Thousands)

	2015	2014
ASSETS		
CASH AND CASH EQUIVALENTS	$ 28,407	$ 23,696
RESTRICTED CASH	28,362	21,373
INVESTMENTS	95,243	99,161
INVESTMENTS IN LAS VENTANAS BONDS	4,689	6,959
RESTRICTED INVESTMENTS	92,513	100,710
RESIDENT ACCOUNTS RECEIVABLE LESS ALLOWANCES FOR DOUBTFUL ACCOUNTS OF $1,553 AND $1,920, RESPECTIVELY	6,575	7,146
SUBORDINATED NOTES RECEIVABLE - Net	37,089	37,089
OTHER RECEIVABLES	4,698	4,015
DUE FROM AFFILIATES	17,106	15,632
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	1,565	2,181
OTHER ASSETS	18,208	11,644
LAND, BUILDING, AND EQUIPMENT - Net	365,586	304,748
TOTAL	$ 700,041	$ 634,354
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 28,257	$ 19,813
DEPOSITS	8,988	8,345
ACCRUED INTEREST	11,913	9,977
REBATABLE ENTRANCE FEES DUE	19,753	19,717
ENTRANCE FEES SUBJECT TO REFUND	40,390	43,541
ENTRANCE FEES NON-REFUNDABLE	80,306	74,752
REVOCABLE TRUSTS	410	552
OBLIGATIONS UNDER ANNUITY AGREEMENTS	1,966	2,216
NOTES AND BONDS PAYABLE	397,048	344,747
RETIREMENT LIABILITIES	6,846	3,658
WORKERS' COMPENSATION LIABILITY	6,414	4,292
OTHER LIABILITIES	8,264	9,134
Total liabilities	610,555	540,744
COMMITMENTS AND CONTINGENCIES (SEE NOTE 14)		
NET ASSETS		
Unrestricted - Controlling	48,872	54,218
Unrestricted - Non-controlling	31,912	29,892
Temporarily restricted	8,245	9,058
Permanently restricted	457	442
Total net assets	89,486	93,610
TOTAL	$ 700,041	$ 634,354

See accompanying notes.

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014
(In Thousands)

	2015	2014
UNRESTRICTED NET ASSETS		
OPERATING REVENUES		
Residential living	$ 41,262	$ 38,442
Assisted living	12,317	10,926
Health center	47,867	43,709
Memory support	7,158	5,631
Other residential services	1,010	1,138
Amortization of entrance fees	17,192	16,215
Other operating revenue	6,360	5,687
Affordable housing fees and rents	13,491	9,563
Net assets released from restrictions	244	64
Bequests and charitable giving	1,323	572
Total operating revenues	148,224	131,947
OPERATING EXPENSES		
Salaries and wages	59,704	55,157
Employee benefits	17,381	14,686
Supplies	9,184	8,876
Chargeable ancillary services	6,988	6,678
Marketing and advertising	4,262	4,478
Repairs and maintenance	2,161	1,457
Purchased services	7,187	6,005
Leases and rents	1,598	1,356
Utilities	6,331	6,277
Travel and related	1,457	1,491
Other operating expenses	3,134	3,165
Insurance	1,643	1,559
Total operating expenses	121,030	111,185
INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)	27,194	20,762
OTHER OPERATING INCOME (EXPENSE)		
Increase in unrealized losses on interest rate swaps and caps	(386)	(197)
Realized gains on investments - net	5,441	5,591
Investment income - net	2,499	2,397
Mortgage interest	(8,743)	(6,616)
Depreciation and amortization	(21,597)	(18,871)
INCOME FROM OPERATIONS	$ 4,408	$ 3,066

See accompanying notes.

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (continued)
(In Thousands)

	2015	2014
UNRESTRICTED NET ASSETS		
Income from operations	$ 4,408	$ 3,066
Unrealized losses on investments - net	(9,257)	(911)
Unrealized losses on investment in Las Ventanas bonds	(2,270)	(1,291)
Contributions in aid of construction	9,090	4,129
Loss from change in unrecognized pension obligation	(3,045)	(1,165)
Loss on extinguishment of debt	(1,052)	-
Loss on multi-employer pension plan withdrawal	(1,200)	-
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(3,326)	3,828
TEMPORARILY RESTRICTED NET ASSETS		
Dividend and interest income	248	214
Unrealized (losses) gains on restricted investments - net	(492)	406
Contributions	1,301	1,994
Net assets released from restrictions	(244)	(64)
Contractual payments to beneficiaries	(394)	(648)
Realized gains on investments - net	201	159
Contractual liability adjustments	398	112
Special project fund distribution	(1,831)	(1,045)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(813)	1,128
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	15	15
CHANGE IN NET ASSETS	(4,124)	4,971
NET ASSETS - Beginning of year	93,610	88,639
NET ASSETS - End of year	$ 89,486	$ 93,610

See accompanying notes.

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014
(In Thousands)

	2015	2014
OPERATING ACTIVITIES		
Cash received for resident services	$ 109,788	$ 104,933
Cash received for entrance fees from reoccupancy	20,117	20,926
Cash received from other operating activities	18,124	14,107
Cash received from bequests and trust maturities	1,566	636
Cash earnings realized from investments	7,927	5,002
Cash paid for employee salaries	(55,190)	(49,186)
Cash paid for employee benefits	(15,887)	(14,730)
Cash paid for temporary labor	(3,623)	(4,061)
Cash paid to vendors	(46,877)	(49,158)
Cash paid for interest, net of amounts capitalized	(8,347)	(6,485)
Net cash provided by operating activities	27,598	21,984
INVESTING ACTIVITIES		
Acquisition of land, buildings, and equipment - Continuing Care Retirement Communities ("CCRCs")	(29,257)	(35,586)
Acquisition of land, buildings, and equipment - Affordable Housing	(42,525)	(17,402)
Increase in restricted cash	(8,948)	(363)
Purchase of unrestricted investments	(51,524)	(48,759)
Proceeds from sale of unrestricted investments	47,151	44,219
Purchase of restricted investments	(156,664)	(112,843)
Proceeds from sale of restricted investments	165,658	131,411
Net cash used in investing activities	(76,109)	(39,323)
FINANCING ACTIVITIES		
Cash received from initial entrance fees and deposits	3,298	24,344
Refunds of deposits and refundable fees	(3,278)	(2,611)
Net proceeds from issuance of notes and bonds payable - CCRCs	55,846	-
Cash paid for deferred debt issuance costs - CCRCs	(1,068)	-
Principal payments on notes and bonds payable - CCRCs	(43,817)	(3,527)
Proceeds from issuance of notes and bonds payable - Affordable Housing	40,478	7,993
Cash paid for deferred debt issuance costs - Affordable Housing	(346)	-
Principal payments on notes and bonds payable - Affordable Housing	(240)	(76)
Cash received from contributions in aid of construction	3,014	4,129
Cash received from restricted gifts and donations	1,329	2,073
Cash paid from other trust activity - net	(1,994)	(1,479)
Net cash provided by financing activities	53,222	30,846
INCREASE IN CASH AND CASH EQUIVALENTS	4,711	13,507
CASH AND CASH EQUIVALENTS - Beginning of year	23,696	10,189
CASH AND CASH EQUIVALENTS - End of year	$ 28,407	$ 23,696

See accompanying notes.

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014 (continued)
(In Thousands)

	2015	2014
OPERATING ACTIVITIES		
Change in net assets	$ (4,124)	$ 4,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of entrance fees	(17,192)	(16,215)
Entrance fees from reoccupancy	20,117	20,926
Depreciation and amortization	21,597	18,871
Unrealized losses on investments - net	9,257	911
Unrealized losses (gains) on restricted investments - net	492	(406)
Unrealized loss on investments in Las Ventanas bonds	2,270	1,291
Loss on extinguishment of debt	1,052	-
Loss on multi-employer pension plan withdrawal	1,200	-
Change in net unrecognized pension obligation	3,045	1,165
Increase in unrealized loss on interest rate swaps and caps	386	197
Contributions in aid of construction	(9,090)	(4,129)
Change in accounts receivable from residents and others	571	(816)
Change in prepaid expenses, deposits and other assets	616	(45)
Other changes in operating assets and liabilities - net	(2,599)	(4,737)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 27,598	$ 21,984
NONCASH DISCLOSURES		
Acquisition of buildings and equipment financed through accounts payable and accrued expenses	$ 4,395	$ 2,392
Purchase and sale of affordable housing fixed assets with debt	$ 2,920	$ -
Sale of Boise land through debt retirement	$ -	$ 3,000
Sale of Boise land through issuance of note receivable	$ -	$ 2,000

 See accompanying notes.

Note 1 – Business and Organization

Parent Organization – Cornerstone Affiliates ("Parent Organization" or "Cornerstone") is a California nonprofit public benefit corporation. Cornerstone is the sole member of American Baptist Estates, Inc. ("ABE" or d.b.a. Terraces of Phoenix), Las Ventanas Retirement Community ("Las Ventanas"), Boise Retirement Community ("Boise" or d.b.a. the Terraces of Boise), Terraces at San Joaquin Gardens ("TSJG"), American Baptist Homes of Washington (dba "Judson Park"), Cornerstone Affiliates International, Inc. ("CAI"), and Seniority, Inc.; and elects the majority of the directors of American Baptist Homes of the West ("ABHOW"). ABHOW and the Affiliates are collectively referred to as the "Corporation."

Cornerstone Related Enterprises

American Baptist Estates, Inc. – American Baptist Estates, Inc. is a California nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for the elderly in Phoenix through its continuing care retirement community, Terraces of Phoenix. Prior to September 29, 2003, ABE was a controlled affiliate of ABHOW. The funds previously advanced by ABHOW to support ABE's operating and capital needs were retained in the form of a note receivable from ABE. Based on Terraces of Phoenix's projected cash flows, payments on the note receivable are not anticipated by ABHOW until 2030. The note has been recorded as part of subordinated notes receivable in the accompanying consolidated balance sheets at the estimated net realizable value of $4,315,000 at September 30, 2015 and 2014.

ABHOW manages Terraces of Phoenix under a multiyear management agreement. In November 2013, Terraces of Phoenix refunded its Series 2003 and 2007 debt with the existing lender after ABHOW committed to a credit support package. Terraces of Phoenix and the holders of the Terraces of Phoenix's debt had a maximum recourse of $5,700,000 to ABHOW in the event of default (see Note 14). At September 30, 2015, ABHOW had self-restricted $10,000,000 of cash to lend to Terraces of Phoenix on a subordinated basis at 4% fixed interest in conjunction with Terraces of Phoenix's fiscal year 2016 refinancing (see Note 17).

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

Boise Retirement Community – Boise Retirement Community ("Boise") is a California nonprofit public benefit tax-exempt corporation which leased, and subsequently purchased, from ABP a site in Boise, Idaho upon which the Terraces of Boise is currently under construction, with planned completion in calendar year 2015. The obligations of Boise are non-recourse to ABHOW.

Note 1 – Business and Organization (continued)

To support the Boise financing, in 2014 ABHOW and ABP provided $3,000,000 in equity at financing along with $1,000,000 of funded liquidity support and an additional $1,250,000 of unfunded liquidity support. At the same time, Boise purchased the parcel of land upon which the Terraces of Boise is built from ABP for $5,000,000. This purchase price consisted of $3,000,000 in cash, which was used to retire ABP's Boise land acquisition loan, and a $2,000,000 interest-bearing subordinated note receivable. The subordinated note receivable was subsequently assigned to ABHOW (see ABP section of Note 1). The land sale resulted in a deferred gain on sale of $533,000 in 2014 as part of other liabilities in the accompanying consolidated balance sheets.

On October 24, 2013, Boise's Sales and Marketing Oversight Services Agreement with Seniority, Inc. ("Seniority"), a related entity, was amended and restated. Under the terms of the amendment, Seniority is entitled to a Marketing Administrative Fee equal to $8,000 per month beginning in the month in which first occupancy of a residential living apartment occurs and continuing until achievement of 90% occupancy of the residential living apartments. In addition, Seniority is entitled to an Incentive Fee equal to $80,000 as follows: (i) $5,000 upon completion of the marketing collateral and first ad series, (ii) $30,000 upon achievement of the priority member goal, (iii) $35,000 upon achievement of the minimum number of reservation deposits necessary to secure financing and (iv) $10,000 upon obtaining an initial certificate of occupancy for resident occupancy. Additionally, under Boise's Development Administration Services Agreement, ABHOW is entitled to a development administrative support services fee equal to $17,000 per month for each month that Greystone Development Corporation ("GDC") is entitled to a management fee during the term.

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

Prior to September 26, 2012, TSJG was one of the eight continuing care retirement communities constituting ABHOW's California Obligated Group. Effective September 26, 2012, by vote of the ABHOW Board of Directors, and consistent with the rights and abilities granted in ABHOW's Master Trust Indenture, sole corporate membership and control of TSJG was transferred from ABHOW to Cornerstone. Additionally, at this time, ABHOW entered into a 10-year management agreement at a base fee of 8.5% of total budgeted cash revenues, with half of this fee subject to subordination. During fiscal year 2015 and 2014, the recognition of $828,000 and $737,000, respectively, of TSJG management fee revenue was deferred by ABHOW, and an additional $1,333,000 and $1,384,000, respectively of interest income related to the TSJG Subordinated Notes A and B, payable to ABHOW, was accrued, with collection pending achievement of certain TSJG operating performance criteria. In September 2014, $1,151,000 of interest income earned in 2013 was collected by ABHOW.

American Baptist Homes of Washington – American Baptist Homes of Washington ("Judson Park") is a Washington nonprofit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Washington through its continuing care retirement community, Judson Park. On May 30, 2012, ABHOW entered into a 10-year management agreement at a base fee of 8.5% of total budgeted cash revenues, with the payment of such fees subject to subordination if Judson Park fails to achieve certain operating performance criteria. On September 22, 2015, the Cornerstone Board of Directors voted to accept receipt of the sole membership of Judson Park from ABHOW, causing a transfer of the ownership of Judson Park from ABHOW to Cornerstone (see Note 16).

Note 1 – Business and Organization (continued)

Seniority, Inc. – Seniority, Inc. is a California for-profit corporation which was wholly owned by the Corporation from inception in October 1997 through September 2015. Seniority provides sales and operational management and consulting services to Cornerstone's CCRCs (excluding Las Ventanas) and unrelated third parties. Seniority currently pays ABHOW a $194,000 annual corporate cost allocation fee. On September 22, 2015, the Cornerstone Board of Directors voted to accept receipt of the stock of Seniority from ABHOW causing a transfer of the ownership of Seniority from ABHOW to Cornerstone (see Note 16). During fiscal year 2015, Cornerstone transferred to Seniority the voting stock of Seniority Properties (see below).

Seniority Properties – Seniority Properties is a California for-profit corporation which was wholly owned by Cornerstone through September 22, 2015, at which time the Cornerstone Board of Directors voted to transfer its stock ownership of Seniority Properties to Seniority, Inc. Seniority Properties was formed in February 2014 for the purpose of holding equity interests in developed and acquired free-standing assisted living and memory support communities and other similar investments.

During the year ended September 30, 2015, ABHOW contributed $3,000,000 to Seniority Properties in support of its purpose of investing in senior housing communities, and to that end, Seniority Properties, through a subsidiary LLC, purchased a parcel of land for $1,000,000 upon which a free-standing memory support and assisted living community will be constructed. Additionally, on September 1, 2015, Seniority Properties, through a subsidiary LLC, purchased a 49% equity interest (as well as an option to purchase an additional 1% interest) in the limited liability company ("LLC") which owns an existing memory support senior housing community currently managed by Seniority, Inc.

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

American Baptist Homes of the West – American Baptist Homes of the West is a California nonprofit public benefit tax-exempt corporation which owns, operates, and manages both continuing care retirement communities and rental housing communities in which housing, health care, and supportive services are provided for the elderly. Cornerstone is the sole member of ABHOW and elects eight of ABHOW's fifteen directors. The executive officers of Cornerstone also serve as executive officers of ABHOW. As of September 30, 2014, the following CCRCs were owned and operated by ABHOW:

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

Note 1 – Business and Organization (continued)

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

American Baptist Properties, Inc. – American Baptist Properties, Inc. ("ABP") is a California nonprofit public benefit corporation established in 1997 to serve as a real property holding company for the Corporation. In May 2008, ABP completed the purchase of a parcel of land in Boise, Idaho, for the purpose of developing a continuing care retirement community. The land was purchased for $4,075,000 using a combination of cash and $3,075,000 of debt and subsequently sold to the Terraces of Boise at financing of the community.

In June 2009, ABP completed the $8,500,000 purchase of the land underlying Las Ventanas, the corresponding ground lease and the rights to a $5,000,000 contingent deferred payment. On December 16, 2011, ABP purchased at a substantial discount, the Santander $5,600,000 Las Ventanas secured construction loan. On June 22, 2012, Las Ventanas, its bondholders, ABHOW, and ABP executed a letter of agreement for the restructuring of Las Ventanas' debt and lease obligations. On September 12, 2012, the restructuring was finalized, which involved the exchanging of existing bonded indebtedness for three new series of tax-exempt bonds.

ABP contributed $2,500,000 and released its interests in the ground lease and construction loan in exchange for interests in the newly issued Las Ventanas Series A-2, Series B-2, Series B-3, and Series C-2 bonds. Additionally, ABP, with liquidity support from ABHOW, provided an unfunded $2,000,000 debt service support agreement for the Las Ventanas Series A-1 bonds, with any resulting funded amounts triggering the issuance to ABP of an equal amount of Las Ventanas Series B-4 bonds, comparable in structure to the Las Ventanas Series B-3 bonds.

As a result of the aforementioned restructuring, ABP received $16,414,000 (par value) of LVRC bonds, which were revalued to $8,250,000 in the year of receipt, and classified as Investments in Las Ventanas bonds in the accompanying consolidated balance sheets. Subsequent revaluations of the investments as of September 30, 2015 and 2014 have resulted in additional increases in the unrealized mark-to-market loss of $2,270,000 and $1,291,000, respectively, and an aggregate unrealized loss on investments in Las Ventanas bonds of $11,725,000, in the accompanying consolidated statements of operations and changes in net assets (see Note 3).

On September 22, 2015, the ABHOW board of directors voted to accept receipt of the net assets of ABP in full satisfaction of intercompany liabilities from ABP to ABHOW. As such, assets, including ABP's ownership of Las Ventanas Series A, B and C bonds, in the amount of $7,041,000 and ABP's $533,000 deferred gain on the sale of the Boise land were transferred to ABHOW and $17,115,000 in interaffiliate obligations were satisfied. As a result of this transaction ABHOW recorded a reduction in net assets of $7,574,000 and ABP recorded an equally offsetting increase in net assets.

Note 1 – Business and Organization (continued)

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

Prior to January 1, 2015, Carmel Senior Housing served primarily as the legal entity holding ABHOW's general partner interest in the following tax credit communities: Tahoe Senior Housing II, L.P. (d.b.a. Kelly Ridge), Pacific Meadows Senior Housing L.P. (d.b.a. Pacific Meadows), Valley Vista Senior Housing (d.b.a. Valley Vista), Harborview Manor LLLP (d.b.a. Harbor View Manor), Bay Vista Partners LLLP (d.b.a. The Pearl on Oyster Bay), Three Rivers Senior Housing LLLP (d.b.a. Three Rivers Village), and Tower Park LP (d.b.a. Tower Park). On January 21, 2015, CSH became the general partner of Rotary Plaza LP (d.b.a. Rotary Plaza).

On January 1, 2015, ABHOW purchased for $350,000 in cash and a $2,000,000 note (see Note 6) all of the outstanding membership interests in the Beacon Development Group and assigned its rights to Carmel Senior Housing, Inc. ABHOW then entered into a $2,350,000 interaffiliate note with Beacon Development Group to assign the cost of purchase to the acquired entity.

In conjunction with this January 1, 2015 purchase, Carmel Senior Housing, Inc. was renamed Beacon Communities, Inc. ("Beacon") and ABHOW affordable housing employees became employees of Beacon. All operational activities, assets and liabilities associated with ABHOW's affordable housing line of business were also transferred to Beacon. In late fiscal year 2015, following United States Department of Housing and Urban Development approval, ABHOW transferred its sole memberships in all of ABHOW's owned affordable housing communities as well as the management agreements for all of its owned and managed communities to Beacon.

In exchange for the transfer of affordable housing related assets and liabilities, Beacon entered into a non-interest bearing interaffiliate note with ABHOW for $2,226,000 as well as a non-interest bearing contingent note with ABHOW for $1,364,000, which is payable upon Beacon's ability to achieve certain levels of cash flow and operating margin. These notes are included in notes and bonds payable and other receivables on the balance sheets of Beacon and ABHOW, respectively, and eliminate upon consolidation. The remaining $1,542,000 of assets transferred were recorded as a capital contribution from ABHOW to Beacon. Additionally, as part of the transfer agreement, it was agreed that Beacon would reimburse ABHOW for its portion of corporate office rent and, on a contingent basis, would reimburse the corporate office for certain costs incurred in support of Beacon's operations dependent upon Beacon's ability to achieve certain levels of cash flow and operating margin.

In June 2015, Beacon determined that there was economic value in certain of its intercompany assets with its tax credit affordable housing communities in excess of the carrying value of those assets. Given the strategic importance of those assets upon expiration of the tax credits, a change in accounting estimate related to the net realizable value of the assets was made which resulted in a reversal of reserves on intercompany notes receivable and associated interest income, on general partner equity investments, and on developer fees receivable. The net result of this change in estimate was an increase in Beacon net assets of $5,700,000.

Note 1 – Business and Organization (continued)

Beacon serves as the sole or majority member and controlling organization for the following separately incorporated affordable housing entities:

- Redlands Senior Housing, Inc. (d.b.a. Casa de la Vista)
- Redlands Senior Housing Two (d.b.a. Fern Lodge)
- Oak Knolls Haven, Inc. (d.b.a. Oak Knolls Haven)
- Tahoe Senior Plaza, Inc. (d.b.a. Tahoe Senior Plaza)
- Judson Terrace Lodge, Inc. (d.b.a. Judson Terrace Lodge)
- San Leandro Senior Housing, Inc. (d.b.a. Broadmoor Plaza)
- Hillcrest Senior Housing, Inc. (d.b.a. Hillcrest Gardens)
- Good Shepherd Senior Housing (d.b.a. Shepherd's Garden)
- Salishan Senior Housing, Inc. (d.b.a. Salishan Gardens)

Beacon serves as the majority General Partner and controlling organization for the following separately incorporated affordable housing entities:

- Tahoe Senior Housing II, L.P. (d.b.a. Kelly Ridge)
- Pacific Meadows Senior Housing L.P. (d.b.a. Pacific Meadows)
- Valley Vista Senior Housing (d.b.a. Valley Vista)
- Harborview Manor LLLP (d.b.a. Harbor View Manor)
- Bay Vista Partners LLLP (d.b.a. The Pearl on Oyster Bay)
- Three Rivers Senior Housing LLLP (d.b.a. Three Rivers Village)
- Rotary Plaza, L.P. (d.b.a. Rotary Plaza)

Beacon Communities also serves as the minority General Partner for Tower Park LP (d.b.a. Tower Park), an affordable housing community which is currently under construction.

Managed Rental Homes and CCRCs – At September 30, 2015, Beacon managed sixteen affordable housing rental communities and the Corporation managed three continuing care retirement communities. At September 30, 2014, the Corporation managed eighteen affordable housing rental communities and three continuing care retirement communities (see Note 12).

Note 2 – Accounting Policies

Basis of Consolidation – The accompanying financial statements consolidate the accounts of ABHOW, the Foundation, ABP, Beacon and Affiliates. The financial statements of ABHOW and Affiliates are presented on a consolidated basis due to the sole corporate membership and controlling financial interests of these organizations. All significant intercompany balances and transactions have been eliminated.

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

New Accounting Pronouncements – In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40)*.The amendment in this update provides guidance in generally accepted accounting principles ("GAAP") about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. In connection with preparing financial statements for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). ASU No. 2014-15 is effective for the Corporation in the fiscal year ending September 30, 2016. It is not anticipated that ASU No. 2014-15 will have an impact on the Corporation's financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30)*. The amendment in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. For all nonpublic entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. It is not anticipated that ASU No. 2015-03 will have a material impact on the Corporation's financial statements.

Note 2 – Accounting Policies (continued)

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, a consensus of the Emerging Issue Task Force. Pursuant to ASU No. 2015-07, investments for which fair value is measured at net asset value, or its equivalent, using the practical expedient will no longer be categorized in the fair value hierarchy. Removing such investments from the fair value hierarchy thereby ensures that all investments categorized in the fair value hierarchy are classified using a consistent approach. ASU No. 2015-07 also removes the requirement that make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value practical expedient. Instead, such disclosures are limited to investments for which the entity has elected to estimate the fair value using the practical expedient. ASU No. 2015-07 is effective in the annual periods beginning after December 15, 2016, with earlier adoption permitted. ASU No. 2015-07 should be applied retrospectively to all prior periods presented. The Corporation is currently evaluating the impact of the ASU No. 2015-07 on the Corporation's financial statements.

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

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

Investments – Investments include certain cash equivalents held by investment managers, certificates of deposits, commercial paper, mutual funds, equity securities, corporate debt, U.S. government securities and certain cash equivalents and securities held by trustees for capital project expenditures and debt service, and are stated at fair value.

Certain investments are restricted as assets held in trust. These include assets held by trustees in accordance with the indentures relating to debt agreements and assets set aside in accordance with various trust agreements with third parties, including donors. Assets held in trust as well as assets managed for certain ABHOW affiliates are classified as restricted investments. Also included in restricted investments is $10,455,000 and $6,886,000 as of September 30, 2015 and 2014, respectively, designated by the board for future capital projects at several communities.

Note 2 – Accounting Policies (continued)

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

Investments in Las Ventanas Bonds – Investments include holdings in three tranches of the Las Ventanas Series 2012 bonds (see Note 1). These investments are recorded at fair market value as of September 30, 2015 and 2014, in the accompanying consolidated balance sheets. Changes in fair market value are included in unrealized loss on Investments in Las Ventanas bonds in the consolidated statements of operations and changes in net assets. Investment income is included in the consolidated statements of operations and changes in net assets.

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

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

Subordinated Notes Receivable – Includes both a fixed rate subordinated note and a variable rate subordinated note from TSJG in the amount of $29,774,000 for the years ended September 30, 2015 and 2014. Interest income is included as a reduction to interest expense in the consolidated statements of operations and changes in net assets, due to the notes being structured as a mechanism to reimburse ABHOW for prior borrowings that were partially utilized to specifically fund capital expenditures at TSJG. During the years ended September 30, 2015 and 2014, $1,333,000 and $1,384,000, respectively, of interest income was accrued by ABHOW. Subordinated Notes Receivable as of September 2015 and 2014 also includes a non-interest bearing subordinated note from ABE for $4,315,000, an interest bearing subordinated note from Boise for $2,000,000 and non-interest bearing amounts due under subordinated liquidity support agreement from Boise for $1,000,000 (see Note 1).

Note 2 – Accounting Policies (continued)

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

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

Asset Impairment – The Corporation periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment was recorded during the years ended September 30, 2015 and 2014.

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

Deferred Debt Issuance Costs – Expenses incurred in connection with the issuance of debt are deferred and amortized over the term of the related financing agreements using the effective interest method. Unamortized deferred debt issuance costs amounted to $5,487,000 and $5,161,000 at September 30, 2015 and 2014, respectively, and are included in other assets in the accompanying consolidated balance sheets. Accumulated amortization of deferred debt issuance costs was $908,000 and $997,000 at September 30, 2015 and 2014, respectively.

Deferred Marketing Costs – Expenses incurred in connection with marketing of newly constructed apartments are deferred and amortized over the estimated average life of the first generation of residents. Unamortized deferred marketing costs amounted to $4,346,000 and $3,896,000 at September 30, 2015 and 2014, respectively, and are included in other assets in the accompanying consolidated balance sheets. Accumulated amortization of deferred marketing costs was $75,000 and $0 at September 30, 2015 and 2014, respectively.

Note 2 – Accounting Policies (continued)

Deferred Revenue from Investment Contract – The Corporation entered into an investment program in 1997 with respect to its bond reserve funds. Under the program, the Corporation received approximately $6,400,000 in cash proceeds representing the discounted cash value of the investment earnings on these funds over the 30-year life of the reserve funds. In exchange for these proceeds, the counterparty to the arrangements had the ability to invest certain of the Corporation's bond reserve funds over the terms of the arrangements. The funds received were recorded as deferred revenue and recognized as revenue over the life of the agreements. Revenue recognized was $213,000 for the year ended September 30, 2013. On October 4, 2013, ABHOW paid a $2,205,000 settlement amount to terminate the program. In exchange for this settlement payment, ABHOW regained the rights to the income earned on the debt service reserve funds related to its Series 2010 bonds, including control over the determination of how these reserve funds are invested. As a result of this agreement, a net gain on investment of approximately $772,000 was recognized during the year ended September 30, 2014, included in realized gains on investments, net in the consolidated statement of operations and changes in net assets.

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

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

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

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

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

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

Note 2 – Accounting Policies (continued)

Obligation to Provide Future Services – If the present value of future outflows to provide future services, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. An evaluation of the future service obligation for residents indicated a liability was not considered to be necessary at September 30, 2015 and 2014. The discount rate used to calculate the obligation to provide future service is 5%.

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

Refund Policy on Entrance Fees – The Care and Residence Agreement provides the resident with the right to a refund of the entrance fee, less 2% for each month of residency for 44 months after an initial reduction of 12% of the original fee, under certain circumstances. For a majority of contracts, upon the move out of a resident, the unamortized balance of the entrance fee becomes the property of the Corporation and is included in income. For contracts established in fiscal year 2006 or later, the resident is entitled to a partial refund if move out occurs in the first 44 months of the contract. Amounts amortized to income relating to these types of contracts were $17,192,000 and $16,215,000 for the years ended September 30, 2015 and 2014, respectively.

At September 30, 2015 and 2014, the Corporation had non-refundable entrance fees of $80,306,000 and $74,752,000, respectively, related to entrance fees received that will be recognized as revenue in future years. Additionally, at September 30, 2015 and 2014, the Corporation had entrance fees subject to refund of $40,390,000 and $43,541,000, respectively, which will be recognized as revenue in future years unless refunded.

The Corporation offers contract options whereby 50% to 100% of the entrance fee is rebatable at death of or termination of the contract and subsequent reoccupancy of their apartment. At September 30, 2015 and 2014, $19,753,000 and $19,717,000, respectively, of the entrance fees related to these types of contracts are contractually rebatable, and are included in entrance fees subject to refund in the accompanying consolidated balance sheets.

Actual refunds and rebates of entrance fees were $3,278,000 and $2,611,000 for the years ended September 30, 2015 and 2014, respectively. Based on historical experience, management expects to pay refunds in future years of approximately $4,000,000 per year.

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

Note 2 – Accounting Policies (continued)

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

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

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

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

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

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

Note 2 – Accounting Policies (continued)

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

	Controlling interest	Non-controlling interest	Total
Balance, September 30, 2013	$ 56,070	$ 24,212	$ 80,282
Income (loss) from operations	5,507	(2,441)	3,066
Other (decrease) increase in unrestricted net assets	(7,359)	8,121	762
Balance, September 30, 2014	54,218	29,892	84,110
Income (loss) from operations	9,596	(5,188)	4,408
Other (decrease) increase in unrestricted net assets	(14,942)	7,208	(7,734)
Balance, September 30, 2015	$ 48,872	$ 31,912	$ 80,784

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

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

The Corporation provides health care services primarily to residents of its communities. Revenues from the Medicare, Medi-Cal, and Medicaid programs accounted for approximately 22% of the Corporation's total operating revenues less amortization of entrance fees for each of the years ended September 30, 2015 and 2014. Laws and regulations governing the Medicare, Medi-Cal and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations. Certain reimbursements from Medicare have been subjected to regulatory audit resulting in questioned costs, and subsequent losses of $331,000, of which $20,000 is under appeal at September 30, 2015. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare, Medi-Cal, and Medicaid programs.

Note 2 – Accounting Policies (continued)

Benevolence – The Corporation provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporation is entitled from public assistance programs on behalf of residents that meet the Corporation's benevolence criteria are reported as Health center revenues. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue. Benevolence provided for the years ended September 30, 2015 and 2014, is as follows (in thousands):

	2015	2014
Benevolence, at cost	$ 1,003	$ 967

Contractual Allowances – A portion of the Corporation's revenues is subject to discounts under contracts with third-party payors. These discounts are reported as contractual allowances for the years ended September 30, 2015 and 2014, is as follows (in thousands):

	2015	2014
Contractual allowances	$ 6,879	$ 7,050

Performance Indicator – "Income from operations" as reflected in the accompanying consolidated statements of operations and changes in net assets is a performance indicator. Income from operations includes all changes in unrestricted net assets other than primarily noncash changes in unrealized gains and losses on other than trading investments, certain pension provisions, loss on the extinguishment of debt, loss on multi-employer pension plan termination, and contributions in aid of construction.

Workers' Compensation Plan – The Corporation is partially self-insured for the first $200,000 of each workers' compensation claim under an occurrence form insurance policy for 2015 and 2014. For claims over $200,000 in the 2015 and 2014 policy years, there is an additional layer of partial self-insurance for a total of $300,000. Claims are accrued under the plan as the incidents that give rise to them occur. The estimate of incurred but not reported claims is based on actuarial projections of the ultimate cost of settlement, including claim settlement expenses, using the Corporation's historical claim payment experience. The estimated liability is continually monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate payments of self-insured workers' compensation claims are dependent upon future developments, management is of the opinion that the recorded reserve is adequate (see Note 10). Any related insurance recovery receivables are recorded under other receivables in the accompanying consolidated balance sheets.

Note 2 – Accounting Policies (continued)

Professional Liability Insurance – The Corporation has secured claims-made policies for malpractice and general liability insurance with self-insured retentions of $150,000 for each claim for the years ended September 30, 2015 and 2014. The Corporation has accrued a liability of $1,573,000 and $1,625,000 as its best estimate of the cost of known claims incurred prior to September 30, 2015 and 2014, respectively. In addition the Corporation has accrued a liability of $1,067,000 and $1,072,000 at September 30, 2015 and 2014, respectively, as its best estimate of the cost of claims incurred but not yet reported. These liabilities are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. Related insurance recovery receivables of $1,242,000 and $1,367,000 at September 30, 2015 and 2014, respectively, are recorded under other receivables in the accompanying consolidated balance sheets.

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

The Corporation assesses uncertain tax positions in accordance with the provisions of the FASB ASC Topic 740-10, *Income Taxes*. The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At September 30, 2015 and 2014, there were no such uncertain tax positions.

Reclassifications – Certain reclassifications were made to the 2014 amounts to conform to the 2015 presentation.

Note 3 – Fair Value

FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

Note 3 – Fair Value (continued)

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

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

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

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

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

Note 3 – Fair Value (continued)

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at September 30, 2015 and 2014 (in thousands):

	Level 1	Level 2	Level 3	Fair value at September 30, 2015
Investments				
Cash and cash equivalents	$ 38,431	$ -	$ -	$ 38,431
Mutual funds	17,332	-	-	17,332
Commodities and structure products	-	2,754	-	2,754
Domestic equities	24,536	9,989	-	34,525
Foreign equities	15,275	-	-	15,275
Domestic corporate debt	42,381	-	-	42,381
Foreign corporate debt	7,317	-	-	7,317
U.S. government securities	28,440	-	-	28,440
Alternative investments	-	1,301	-	1,301
Investments in Las Ventanas bonds	-	-	4,689	4,689
Interest rate swaps and caps	-	(1,679)	-	(1,679)
Total	$ 173,712	$ 12,365	$ 4,689	$ 190,766

	Level 1	Level 2	Level 3	Fair value at September 30, 2014
Investments				
Cash and cash equivalents	$ 31,564	$ -	$ -	$ 31,564
Mutual funds	12,418	-	-	12,418
Commodities and structured products	-	2,081	-	2,081
Domestic equities	28,759	-	-	28,759
Foreign equities	20,474	-	-	20,474
Domestic corporate debt	63,262	-	-	63,262
Foreign corporate debt	9,633	-	-	9,633
U.S. government securities	31,274	-	-	31,274
Alternative investments	-	406	-	406
Investments in Las Ventanas bonds	-	-	6,959	6,959
Interest rate swaps and caps	-	(1,293)	-	(1,293)
Total	$ 197,384	$ 1,194	$ 6,959	$ 205,537

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

	2015	2014
Balance, October 1,	$ 6,959	$ 8,250
Increase in unrealized loss on investments in Las Ventanas bonds	(2,270)	(1,291)
Balance, September 30,	$ 4,689	$ 6,959

Note 3 – Fair Value (continued)

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

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

The following table provides the fair value and redemption terms and restrictions for the alternative investments as of September 30, 2015 and 2014:

Major Category	2015 Fair value	2014 Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund of funds (a)	$ 1,301	$ 406	-	Quarterly, Semi-annually	75 - 95 days

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

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

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

Subordinated Notes Receivable – The fair value of subordinated notes receivable is estimated based on discounted cash flow analyses of the affiliates from which the Corporation is owed.

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

The following table presents estimated fair values of the Corporation's financial instruments in accordance with FASB ASC Topic 825, *Financial Instruments,* at September 30, 2015 and 2014 (in thousands):

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents - unrestricted	$ 28,407	$ 28,407	$ 23,696	$ 23,696
Cash and cash equivalents - restricted	$ 28,362	$ 28,362	$ 21,373	$ 21,373
Subordinated notes receivable	$ 37,089	$ 37,089	$ 37,089	$ 37,089
Notes and bonds payable	$ 397,048	$ 414,775	$ 344,747	$ 358,950

Note 3 – Fair Value (continued)

Considerable judgment is required to develop estimates of fair value, and the estimates presented are not necessarily indicative of the amounts that the Corporation would realize in a current market exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair values. The estimates presented are based on pertinent information available to management as of September 30, 2015 and 2014. Current estimates of fair value may differ significantly from the amounts presented.

Note 4 – Investments

Investments were held at September 30, 2015 and 2014, for the following purpose (at fair value) (in thousands):

	2015	2014
Investments		
Principal, interest, and other reserves held in trust under bond indenture or mortgage agreements	$ 82,262	$ 89,491
Investments held in trust under revocable trust, gift annuity, annuity trust or unitrust agreements	10,251	11,219
Total restricted investments	92,513	100,710
Investments in Las Ventanas bonds	4,689	6,959
Investments - unrestricted	95,243	99,161
Total investments	$ 192,445	$ 206,830

Investments at September 30, 2015 and 2014, consisted of the following at fair value (in thousands):

	2015	2014
Cash and cash equivalents	$ 38,431	$ 31,564
Mutual funds	17,332	12,418
Commodities and structure products	2,754	2,081
Domestic equities	34,525	28,759
Foreign equities	15,275	20,474
Domestic corporate debt	42,381	63,262
Foreign corporate debt	7,317	9,633
U.S. government securities	28,440	31,274
Investments in Las Ventanas bonds	4,689	6,959
Alternative investments	1,301	406
Total	$ 192,445	$ 206,830

Note 4 – Investments (continued)

Alternative investments consist of two hedge fund of funds as of September 30, 2015 and 2014. Cash equivalents include $29,616,000 and $24,131,000 at September 30, 2015 and 2014, respectively, invested in accordance with bond indentures and additional amounts to comply with bank collateral requirements. Of these amounts, $21,485,000 at September 30, 2015, and $17,109,000 at September 30, 2014, are held for various redevelopment projects at the California continuing care retirement communities.

The following table shows the gross unrealized losses and fair value of unrestricted investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2015 and 2014 (in thousands):

	Less than 12 Months		12 Months or Greater		Total	
September 30, 2015	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds	$ 5,792	$ 230	$ 3,835	$ 24	$ 9,627	$ 254
Equity	20,303	2,613	12,343	1,713	32,646	4,326
Total temporarily impaired investments	$ 26,095	$ 2,843	$ 16,178	$ 1,737	$ 42,273	$ 4,580

	Less than 12 Months		12 Months or Greater		Total	
September 30, 2014	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds	$ 11,820	$ 51	$ 11,151	$ 298	$ 22,971	$ 349
Equity	9,758	449	5,004	537	14,762	986
Total temporarily impaired investments	$ 21,578	$ 500	$ 16,155	$ 835	$ 37,733	$ 1,335

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

The unrealized losses on these unrestricted investments represent approximately 2% and 1% of the Corporation's portfolio as of September 30, 2015 and 2014, respectively. Gross unrealized gains on unrestricted investments as of September 30, 2015 and 2014, were approximately $6,153,000 and $13,941,000, respectively.

Note 4 – Investments (continued)

Investment income primarily on unrestricted net assets for the years ended September 30, 2015 and 2014, is as follows (in thousands):

	2015	2014
Dividend, interest, and other investment income	$ 2,747	$ 2,611
Net realized gain on investments	5,642	5,750
Total investment income - net	$ 8,389	$ 8,361
Unrealized losses on investments - unrestricted	$ (9,257)	$ (911)
Unrealized losses on Investments in Las Ventanas bonds	$ (2,270)	$ (1,291)
Unrealized (losses) gains on investments - temporarily restricted	$ (492)	$ 406

Investment income is net of investment expenses of $568,000 and $534,000 for the years ended September 30, 2015 and 2014, respectively.

Note 5 – Land, Buildings, and Equipment

Land, buildings, and equipment at cost as of September 30, 2015 and 2014, consisted of the following (in thousands):

	2015	2014
Land and improvements	$ 48,590	$ 35,135
Buildings and improvements	455,364	417,013
Furnishings and equipment	67,884	55,656
Automotive equipment	733	973
Total	572,571	508,777
Accumulated depreciation	(261,765)	(240,307)
Total	310,806	268,470
Construction in progress	54,780	36,278
Total	$ 365,586	$ 304,748

Construction contracts and commitments of approximately $103,000,000 exist with various counterparties for the redevelopment of the Terraces of Los Altos, of which approximately $43,474,000 remains unspent at September 30, 2015. Construction contracts and commitments of approximately $28,000,000 exist with various counterparties for the redevelopment of Rotary Plaza, of which approximately $23,393,000 remain unspent at September 30, 2015. Depreciation expense for the years ended September 30, 2015 and 2014, was $21,459,000 and $18,684,000, respectively.

Note 6 – Notes and Bonds Payable

A summary of the Corporation's notes and bonds payable at September 30, 2015 and 2014, is as follows (in thousands):

	2015	2014
Secured		
Bonds used to refinance existing debt and renovate existing retirement communities in California, all secured under a master trust indenture on ABHOW obligated group assets, gross revenue pledged, and Foundation guaranty:		
Series 2015 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated May 28, 2015). Serial certificate bonds in the aggregate amount of $30,550 maturing annually through 2028 with annual principal payable commencing on October 1, 2016, in varying amounts ranging from $1,885 to $3,080 through 2028; interest at fixed rates ranging from 2.0% to 5.0%, payable semiannually on April 1 and October 1. Term bond in the amount of $21,530 with annual principal payments commencing on October 1, 2037, in varying amounts ranging from $345 to $4,780 through 2045; interest at the fixed rate of 5.0%, payable semiannually on April 1 and October 1.	$ 52,080	$ -
Series 2010 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated February 16, 2010), Serial certificates, annual principal payable commencing on October 1, 2011, in varying amounts ranging from $690 to $1,045 through 2020, amounts ranging from $1,100 to $6,105 through 2030, and amounts ranging from $6,490 to $10,560 through 2039; interest at fixed rates ranging from 4.25% to 6.25%, payable semiannually on April 1 and October 1.	103,635	104,415
Series 2006, tax-exempt Variable Rate Demand Revenue Bonds pursuant to a Bond Trust Indenture dated September 1, 2006, to finance the acquisition, construction, and equipping of CCRC's of ABHOW. Annual principal payable in varying amounts ranging from $1,095 to $2,365 through 2018. Interest at variable rates determined daily by a remarketing agent, payable monthly. Rates before line of credit ("LOC") fees at September 30, 2014 were 0.03%. Bonds were retired in May 2015.	-	41,995
Series 2012 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority and subsequently sold and delivered to PNC Bank. The loan matures on October 1, 2036, and accrues interest at tax-exempt LIBOR plus 1.19%, with the undrawn portion incurring an availability fee of 0.15%. PNC bank has the option to tender the bonds to ABHOW for purchase upon the 5th, 10th, 15th and 20th anniversary of issuance. Rates at September 30, 2015 and 2014, were 1.14% and 1.26%, respectively.	18,950	19,480

Note 6 – Notes and Bonds Payable (continued)

	2015	2014
Series 2013 Revenue Bonds issued by the California Statewide Communities Development Authority (dated February 1, 2013) to finance or reimburse ABHOW for the costs of acquiring, constructing, expanding, remodeling, renovating, furnishing, and equipping Terraces at Los Altos. Annual principal payable in varying amounts ranging from $0 to $30,000 through 2018, and amounts ranging from $420 to $1,350 through 2043; interest at fixed rates ranging from 2.1% to 5.0%.	71,250	71,250
Terraces of Los Altos Equipment Loan issued in February 2013 and maturing in February 2020. Monthly principal and interest payments in the amount of $38 began March 2013, with an interest rate of 2.07%.	1,943	2,393
Other secured obligations		
Capital advance payable to Department of Housing and Urban Development by Carmel Senior Housing Inc., secured by Valley Vista's real estate. The non-recourse capital advance bears no interest and matures on March 1, 2067.	12,282	12,282
4.75% mortgage note to the Department of Housing and Urban Development. Payable in monthly installments (including interest) of $19 until April 1, 2045. The loan is secured by a deed of trust on Casa de la Vista's property and security interest in all rents, profits and income from the property.	3,631	3,685
Series A promissory note payable to US Bank, secured by Harbor View Manor real estate and due on January 1, 2029. The loan bore interest at one-month LIBOR plus 3.0% until June 1, 2013, when the rate converted to 6.85%. Rates at September 30, 2015 and 2014, were 6.85%.	1,983	2,036
5.70% first mortgage payable to Evanston Financial in monthly installments (including interest) of $10 until December 1, 2042. The loan is secured by a deed of trust on Oak Knoll real estate and a security interest in all rents, profits and income from Oak Knoll.	1,700	1,725
Capital advances payable to the Department of Housing and Urban Development, secured by Fern Lodge real estate, 5.75% interest payable monthly if not maintained as affordable housing, principal due 2039, unless forgiven.	4,889	4,890
Capital advances payable to the Department of Housing and Urban Development, secured by Tahoe Senior Plaza real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing, principal due 2039, unless forgiven.	4,603	4,603
Capital advances payable to Department of Housing and Urban Development, secured by Broadmoor Plaza real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, various principal due dates from 2044 to 2064, unless forgiven.	5,648	5,648

Note 6 – Notes and Bonds Payable (continued)

	2015	2014
Promissory notes payable to the City of San Leandro and County of Alameda, secured by Broadmoor Plaza real estate. The notes bear 3.0% simple interest and have due dates of 2061, 2062, and 2064.	2,429	2,429
Capital advance payable to Department of Housing and Urban Development, secured by Judson Terrace Lodge real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years. The HUD capital advance agreement was entered into on January 1, 2003.	2,593	2,593
Promissory notes payable to the City and County of San Luis Obispo, secured by Judson Terrace Lodge real estate. The notes bear interest at a variable rate and 3.0% simple interest, respectively, with principal and interest due in 2033 and 2034, respectively. All principal and interest will be forgiven at maturity if certain provisions are met.	1,318	1,318
Capital advances payable to Department of Housing and Urban Development, secured by Hillcrest real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years. The HUD capital advance agreement was entered into on April 1, 2007.	5,620	5,620
Promissory notes payable to the City of Daly City and County of San Mateo, secured by Hillcrest real estate. The notes bear interest at rates ranging from 0% to 3.0% simple interest, with 55 year terms. Commencement dates of payables range from June 14, 2006 to May 20, 2009. All but one note requires payments from residual receipts and two notes will be forgiven at maturity if certain provisions are met.	4,112	4,112
Loan payable to Bank of the West, secured by a subordinated interest in Hillcrest real estate. The loan is non-interest bearing, non-amortizing and will be forgiven at the end of the fifteen year term, after the May 20, 2009, commencement date of the loan, if the owner has not defaulted under the terms of the note.	271	271
Land acquisition loans payable to the San Ramon Redevelopment Agency Contra Costa, secured by Valley Vista real estate. The land acquisition advances bear interest at 3.0% for the first 30 years from the dates of disbursement and no interest thereafter and are due 55 years after project completion. Loans payable commenced on December 1, 2009.	8,000	8,000
Promissory note payable to Bank of the West, secured by Valley Vista real estate and due in 2065. The loan bears no interest and is non-amortizing.	945	945
Promissory note payable to the California Tax Credit Allocation Committee, secured by Valley Vista real estate and due in 2065. The loan bears no interest and is non-amortizing.	725	725
Construction loans payable to the City of South Lake Tahoe, secured by Kelly Ridge real estate and due in 2064. The loans bear interest at a fixed rate of 3.0%, with principal and accrued interest only payable to the extent that certain operating cash flow targets are achieved by the community.	4,307	4,307

Note 6 – Notes and Bonds Payable (continued)

	2015	2014
Loan payable to Bank of the West, as the party advancing funds received from the Federal Home Loan Bank of San Francisco's Affordable Housing Program, secured by a subordinated interest in Kelly Ridge real estate. The loan is non-interest bearing, non-amortizing and is not repayable unless certain conditions are met over the 15-year retention period. The loan payable commenced on August 1, 2009.	172	172
Mortgage note payable to the Washington Community Reinvestment Association in monthly installments of $6, including interest of 6.25%, until July 1, 2018. In September 2013, Three Rivers Senior Housing LLLP assumed the loan from Richland Senior Housing LLC and immediately paid the balance down to $300. The mortgage note is secured by the Three Rivers Village property.	184	242
Housing Trust Fund loan from the Washington Department of Commerce, secured by Three Rivers Village real estate, maturing on February 28, 2054. Interest begins to accrue on March 1, 2014, at 1.0%, compounding quarterly. Quarterly principal and interest payments in the amount of $11 begin May 31, 2021.	1,100	1,100
Housing Trust Fund loans from the Washington Department of Commerce, secured by Three Rivers Village real estate, maturing on February 28, 2054. Interest begins to accrue on March 1, 2014, at 1.0%, compounding annually. A payment of $1,191 is due at maturity to pay both principal and accrued interest.	800	800
Capital advances payable to Snohomish County in the state of Washington, secured by Shepherd's Garden real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2050, unless forgiven.	462	462
Promissory note payable to the State of Washington, secured by Shepherd's Garden real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2050, unless forgiven.	2,000	2,000
Capital advances payable to the Department of Housing and Urban Development, secured by Shepherd's Garden real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2050, unless forgiven.	5,078	5,078
Capital advances payable to Pierce County in the State of Washington, secured by Salishan real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2040, unless forgiven.	200	200

Note 6 – Notes and Bonds Payable (continued)

	2015	2014
Promissory note payable to the State of Washington, secured by Salishan real estate. The capital advances bear no interest and principal is required to be repaid annually in the amount of 50% of residual cash flow, with the remaining principal due in 2051, upon maturity.	2,250	2,250
Capital advances payable to Tacoma Community Redevelopment Authority, secured by Salishan real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due between 2049 - 2051, unless forgiven.	1,200	1,200
Capital advances payable to the Department of Housing and Urban Development, secured by Salishan real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2051, unless forgiven.	7,647	7,647
Series 2010A Variable Rate Demand Multifamily Housing Revenue Bond secured by Pacific Meadows real estate and backed by a letter of credit through Chase which expired in December 2012. The loan bears interest at a variable rate, payable monthly, and matures in 2042. At September 30, 2015 and 2014, interest rate was 7.37%. Bonds partially repaid in October 2012 using tax credit equity and the letter of credit with Chase was replaced with a credit enhancement agreement with Freddie Mac.	6,509	6,558
Promissory note payable to the California Housing and Community Development Department, secured by Pacific Meadows real estate and due in 2047. The loan bears interest at 3.0%. Once operational, interest is payable annually from residual cash flows and both principal and all unpaid interest are due in full upon loan maturity.	3,100	3,100
Promissory note payable to the County of Monterey in the state of California, secured by Pacific Meadows real estate. The loan bears interest at 3%. Once operational, interest is payable annually from residual cash flows and both principal and all unpaid interest are due in full upon loan maturity in 2065.	625	625
Series 2015A Variable Rate Demand Multifamily Housing Revenue bond in a maximum amount of $32,000,000, secured by Rotary Plaza real estate. The loan bears interest at 4.36% per annum and required interest only payments until permanent conversion which is estimated to occur in 2016. Monthly principal and interest payments are required after permanent conversion.	14,662	-

Note 6 – Notes and Bonds Payable (continued)

	2015	2014
Promissory note payable to the seller, Rotary Plaza, Inc., the minority general partner in Rotary Plaza, LP, secured by Rotary Plaza real estate. The promissory note bears interest at 2.67% per annum and requires payments from surplus cash as defined in the agreement with principal and interest due at maturity in 2072.	23,466	-
Capital advance payable to Department of Housing and Urban Development by Bay Vista GP LLC, secured by Bay Vista Senior Housing real estate. The non-recourse capital advance has a total capacity of $9,769, bears no interest and matures on October 1, 2069. Loan funding was conditional on Bay Vista GP LLC loaning the proceeds of the advance to Bay Vista Partners LLLP.	9,709	9,709
Promissory note payable to the County of Monterey in the state of California, secured by Pacific Meadows real estate. The loan bears interest at 3%. Once operational, interest is payable annually from residual cash flows, and both principal and all unpaid interest due in full upon loan maturity in 2065.	522	-
Total secured notes and bonds payable	392,600	345,865
Unsecured		
Note to individual bearing interest at 4.5%	2,000	-
Note to individual bearing interest at 10.0%	44	44
Total unsecured notes payable	2,044	44
Less: Unamortized bond premium (discount), net	2,404	(1,162)
Total notes and bonds payable	$ 397,048	$ 344,747

In May 2013, ABP's Boise land acquisition loan for $3,030,000 matured and was replaced with a short-term loan from another senior housing provider. The replacement loan, which was backed by a guaranty from ABHOW, was retired in conjunction with the purchase of the underlying land by Boise at the time of its Series 2014 financing (see Notes 1 and 14).

During 2006, the Corporation issued $50,000,000 of additional tax-exempt bonds. The 2006 bonds were backed by irrevocable letters of credit issued by a bank for $42,455,000. The original letters of credit expired on September 26, 2011, and were subsequently replaced by letters of credit expiring on September 26, 2016, which were subject to certain administrative and financial covenants. In May 2015, these bonds were replaced with fixed-rate tax-exempt bonds issued at a premium. The net impact of this financing was to allow ABHOW to replace the Series 2006 bonds while also securing an additional $20,000,000 in proceeds. Of these proceeds, $9,000,000 is held in a project fund with the trustee to be utilized on various capital projects in the obligated group with the remaining $10,000,000 reimbursing prior capital expenditures. The Corporation and the Foundation are required to maintain compliance with certain financial reporting, administrative, and financial covenants on a consolidated reporting basis (see Note 7).

Capitalized interest expense for the year ended September 30, 2015, was $1,869,000, comprised of $2,558,000 of interest expense net of $689,000 of interest income. Capitalized interest expense for the year ended September 30, 2014, was $2,429,000, comprised of $3,774,000 of interest expense net of $1,345,000 of interest income.

Note 6 – Notes and Bonds Payable (continued)

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

Year Ending September 30,	
2016	$ 2,253
2017	22,038
2018	3,709
2019	3,808
2020	33,687
Thereafter	331,553
	$ 397,048

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

Note 7 – Compliance with Financial Covenants

ABHOW Debt – ABHOW is subject to financial covenants on its obligated group debt which include a debt service coverage ratio and minimum days of cash-on-hand requirement. Management believes that ABHOW was in compliance with both of these debt covenants as of and for the year ended September 30, 2015.

ABP Debt – ABHOW has provided a debt service guaranty on obligations of ABP. ABP financial covenants required that ABHOW support debt service payments of ABP if ABP's liquidity falls below $875,000. With the retirement of the Las Ventanas land acquisition loan and the Boise land acquisition loan in 2014, these liquidity and support covenants were extinguished. In their place, with the issuance of the $3,030,000 short-term loan from another senior housing provider, ABHOW made an unconditional guaranty of the payment and performance by ABP of all obligations under the loan agreement. The short-term loan was retired in conjunction with the Boise Series 2014 financing (see Note 1).

Note 8 – Interest Rate Swaps and Caps

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

The net effect of the interest rate swaps was an increase in interest expense of approximately $299,000 and $286,000 for the years ended September 30, 2015 and 2014, respectively.

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

Note 8 – Interest Rate Swaps and Caps (continued)

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

On June 20, 2012, ABHOW entered into a forward starting interest rate cap agreement with a counterparty to extend the management of interest rate risk on $19,000,000 of its Series 2006 tax-exempt variable rate demand revenue bonds from December 1, 2015 to December 1, 2018. The agreement establishes that when 70% of the one-month LIBOR rate exceeds 2.50%, ABHOW is reimbursed for the excess by the counterparty to the transaction. With the refunding of the Series 2006 bonds with fixed rate obligations, the interest rate cap agreement is now being utilized to manage interest rate risk on the Series 2012 Revenue Bonds with PNC bank.

For the years ended September 30, 2015 and 2014, the aforementioned floating interest rates for both of the cap agreements failed to exceed the respective cap strike rates, and thus none of the cap agreements had an impact on interest expense.

A summary of the components of the various interest rate swaps and caps as of September 30, 2015 and 2014, is as follows (in thousands):

	2015	2014
Swaps and caps not qualifying for hedge accounting included in other liabilities:		
Fair value of swap and caps - beginning of year	$ (1,293)	$ (937)
Purchase of interest rate caps, net of amortization	-	(159)
Decrease in unrealized loss from fair value adjustment	(386)	(197)
Fair value of swaps and caps - end of year	$ (1,679)	$ (1,293)
Impact on consolidated statements of operations and changes in net assets -		
Net decrease in unrealized loss from mark-to-market of floating to fixed rate swaps and interest rate caps	$ (386)	$ (197)

Note 9 – Employee Benefit Plans

Defined Benefit Pension Plan – The Corporation's employees with service prior to December 31, 2002, for nonunion, and up to September 30, 2003, for union, were eligible to participate in a defined benefit retirement plan which covers certain employees who are at least 21 years of age and have completed one year of service. Benefits are based on years of service and a percentage of the employee's compensation. Employees vest after completion of five years of service. The Corporation's funding policy is to contribute annually the amount required under the minimum funding standards of the Employee Retirement Income Security Act ("ERISA"). The Board of Directors approved the freezing of the plan for all nonunion employees effective December 31, 2002, and for union employees effective September 30, 2003. Contributions are intended to provide for benefits attributed to service to the date of freezing. In March 2015, ABHOW provided terminated vested plan participants with a time limited option to terminate their participation in the plan in exchange for a lump sum payout. This resulted in a pay out to vested terminated employees of over 5% of the plan liability and as such constituted a partial pension settlement under IRS Revenue Ruling 2007-43. This partial plan settlement resulted in the recognition of a portion of previously unrecognized net actuarial losses and increased pension expense by $831,000 in fiscal year 2015. This additional non-cash expense is included as part of employee benefits in the Corporation's accompanying consolidated statement of operations and changes in net assets.

Note 9 – Employee Benefit Plans (continued)

A recognition of the Plan's benefit obligations, fair value of assets, funded status, and amounts recognized in the Corporation's accompanying consolidated balance sheets is as follows as of September 30, 2015 and 2014 (in thousands):

	2015	2014
Change in benefit obligation		
Benefit obligation at beginning of year	$ 34,561	$ 31,559
Interest cost	1,344	1,455
Actuarial gain	3,921	3,204
Benefits paid	(1,712)	(1,657)
Settlement payments and related gains	(2,460)	-
Benefit obligation at measurement date	$ 35,654	$ 34,561
Change in plan assets		
Fair value of plan assets at beginning of year	$ 35,299	$ 32,832
Actual return on plan assets	435	3,124
Employer contribution	1,000	1,000
Benefits paid	(1,712)	(1,657)
Settlement payment	(2,301)	-
Fair value of plan assets at measurement date	$ 32,721	$ 35,299
Funded status at measurement date	$ (2,933)	$ 738
Unrecognized net actuarial loss	12,882	9,823
Unrecognized prior service cost	4	17
Prepaid benefit	9,953	10,578
Accumulated other comprehensive income for unrecognized net actuarial losses	(12,886)	(9,840)
Net (liability) asset recognized	$ (2,933)	$ 738

Note 9 – Employee Benefit Plans (continued)

The components of net periodic benefit cost included as part of employee costs in the Corporation's accompanying consolidated statement of operations and changes in net assets is as follows for the years ended September 30, 2015 and 2014 (in thousands):

	2015	2014
Interest cost	$ 1,344	$ 1,455
Expected return on plan assets	(1,568)	(1,944)
Amortization of prior service cost	13	13
Recognized net actuarial loss	1,005	846
Settlement loss	831	-
Net periodic benefit cost	$ 1,625	$ 370

The following assumptions were used for the September 30, 2015 and 2014, measurement dates:

	2015	2014
Actuarial present value of the benefit obligation		
Weighted-average discount rate	4.00%	4.00%
Rate of increase in future compensation levels*	n/a	n/a
Long-term rate of return on plan assets	4.50%	6.00%
Net periodic benefit cost		
Weighted-average discount rate	4.00%	4.75%
Rate of increase in future compensation levels*	n/a	n/a
Long-term rate of return on plan assets	4.50%	6.00%

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

Pension plan assets are as follows:

	2015	2014
Equity securities	7%	14%
Debt securities	89%	82%
Guaranteed insurance contract	4%	4%
Total	100%	100%

The expected rate of return on plan assets for computing pension expense was 4.5% for the years ended September 30, 2015 and 2014. This rate was based primarily on investment portfolios of 7% and 14% equities and 93% and 86% fixed income in fiscal year 2015 and 2014, respectively. Real rates of return (before inflation) for these categories are assumed to be 7.25% and 4.25%, respectively, with a long-term inflation rate of 3%. On October 7, 2015, all equity securities within the investment portfolio were liquidated (see Note 17).

Note 9 – Employee Benefit Plans (continued)

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

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

	Level 1	Level 2	Level 3	Fair value at September 30, 2015
Investments				
Mutual funds	$ 80	$ -	$ -	$ 80
Equity securities - Domestic	-	3,948	-	3,948
Equity securities - Foreign	-	-	-	-
U.S. government securities	-	11,512	-	11,512
Corporate debt securities - Domestic	-	14,368	-	14,368
Corporate debt securities - Foreign	-	422	-	422
Asset-backed securities	-	4,253	-	4,253
Investment contract with insurance company	-	-	1,384	1,384
Other liabilities	-	(3,246)	-	(3,246)
Total	$ 80	$ 31,257	$ 1,384	$ 32,721

	Level 1	Level 2	Level 3	Fair value at September 30, 2014
Investments				
Mutual funds	$ 79	$ -	$ -	$ 79
Equity securities - Domestic	-	6,850	-	6,850
Equity securities - Foreign	-	-	-	-
U.S. government securities	-	11,279	-	11,279
Corporate debt securities - Domestic	-	14,102	-	14,102
Corporate debt securities - Foreign	-	413	-	413
Asset-backed securities	-	4,292	-	4,292
Investment contract with insurance company	-	-	1,448	1,448
Other liabilities	-	(3,164)	-	(3,164)
Total	$ 79	$ 33,772	$ 1,448	$ 35,299

Note 9 – Employee Benefit Plans (continued)

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

	Investment contract with insurance company 2015	Investment contract with insurance company 2014
Balance, October 1	$ 1,448	$ 1,517
Actual return on plan assets:		
Relating to assets still held at the reporting date	79	83
Sales	(143)	(152)
Balance, September 30	$ 1,384	$ 1,448

Investment contract with insurance company: The unallocated Immediate Participation Guarantee ("IPG") insurance contract is valued at fair value as estimated by the trustees.

There were no significant transfers between Levels 1, 2, and 3 during the years ended September 30, 2015 and 2014. ABHOW is not aware of any unfunded commitments related to plan assets or of any restrictions upon the redemption of plan assets.

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

The Corporation expects to contribute $1,000,000 to its defined benefit retirement plan for the year ending September 30, 2016.

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

Year Ending September 30,	
2016	$ 2,100
2017	2,110
2018	2,120
2019	2,130
2020	2,130
Thereafter	10,660
	$ 21,250

Note 9 – Employee Benefit Plans (continued)

Supplemental Retirement Income Plan Agreements – Certain management employees or retirees of the Corporation participate in supplemental retirement income plans, and have individually entered into agreements with the Corporation whereby the employees will be provided specific amounts of annual retirement income for the balance of their lifetime following retirement. During the year ended September 30, 2005, accrued benefits for active participants in the supplemental retirement income plan were transferred into a new non-qualified plan under IRC 457(f) that distributes a lump-sum payment at retirement. The Corporation is accruing the present value of such retirement benefits, assuming a discount rate of 6.0% at September 30, 2015 and 2014, from the date of eligibility to the normal retirement date at age 65 for active participants and for the present value of future benefit payments for retirees. The benefits under the IRC 457(f) plan are discretionary and do not vest until the participant reaches age 65, dies, becomes disabled or is involuntarily terminated without cause. No benefits are due to participants who terminate their employment prior to age 65. The present value of the future lump sum payments to active participants was $4,400,000 and $5,900,000 at September 30, 2015 and 2014, respectively. On October 2, 2015 the plan was temporarily frozen to new entrants (see Note 17).

Assets available for benefits for the pool of participants in the IRC 457(f) plan are subject to the claims of the Corporation's creditors. The assets are included in unrestricted investments and amounted to $5,622,000 and $5,654,000 at September 30, 2015 and 2014, respectively. Normal funding for the pool of active participants is approximately $240,000 per year.

The Corporation annually assesses the estimated liability related to the supplemental retirement income plan agreements. At September 30, 2015 and 2014, ABHOW recognized a liability of $3,563,000 and $4,072,000, respectively, which is included in retirement liabilities in the accompanying consolidated balance sheets. Actual payments made to retirees under the agreements and plan were $487,000 and $901,000 for the years ended September 30, 2015 and 2014, respectively.

Defined Contribution Plan – Effective January 1, 1999, the Corporation also participates in a defined contribution retirement plan covering all eligible employees. The Corporation's contribution was a match of employee contributions up to 4% of eligible earnings in calendar years 2014 and 2013. Annual expenses incurred under the plan for the years ended September 30, 2015 and 2014, were $1,407,000 and $1,274,000, respectively.

Note 9 – Employee Benefit Plans (continued)

Multiemployer Pension Plan – Two of ABHOW's CCRC communities have employees under collective bargaining agreements that participate in a multiemployer pension plan managed by Service Employees International Union ("SEIU"). At September 30, 2015 and 2014, there were 163 and 134 employees, respectively, for which ABHOW made contributions to the plan. Plan provisions include pension but exclude post-retirement benefits. All contributions made to the plan were made in cash and amounted to $228,000 and $208,000 for the years ended September 30, 2015 and 2014, respectively. During the years ended September 30, 2015 and 2014, ABHOW was notified that the SEIU plan was significantly underfunded and $80,000 and $69,000 of the contribution made during the years ended September 30, 2015 and 2014 contributions, respectively, were related to additional assessments required to partially offset poor plan performance. On September 1, 2015, the ABHOW employees who are SEIU members ratified a new union contract which, among other negotiated terms, included an agreement to freeze participation in the SEIU multiemployer pension plan effective December 31, 2015, and instead, beginning January 1, 2016, begin participation in the ABHOW defined contribution retirement plan. Additionally, it was determined by ABHOW management in the year ended September 30, 2015, that ABHOW would terminate its participation in the plan through a one-time lump sum payment which is anticipated to be made in the year ended September 30, 2016, in the amount of $1,200,000. Accordingly, in 2015, ABHOW recorded a $1,200,000 liability, which is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet and a corresponding expense below the performance indicator in the accompanying consolidated statement of operations and changes in net assets (see note 17).

Note 10 – Self-Insured Workers' Compensation Plan

The Corporation has a partially self-funded workers' compensation program, covering all employees, which includes a reinsurance policy covering individual claims in excess of $200,000 per occurrence at September 30, 2015 and 2014. In addition, for the 2015 and 2014 policy years, the Corporation is subject to a $300,000 insurance corridor that is eroded by claims payments for each respective year that have exceeded $200,000. There were no claims that exceeded $200,000 in payments during the years ended September 30, 2015 and 2014, that would result in payments under the corridor arrangements. The Corporation has recorded a total liability for claims payable of $6,414,000 and $4,292,000, respectively, including an estimate of incurred but not reported claims at September 30, 2015 and 2014. The estimated insurance recovery receivable of $2,288,000 and $1,900,000 are recorded under other receivables in the accompanying consolidated balance sheets, at September 30, 2015 and 2014, respectively. As required by the insurer, the Corporation has obtained letters of credit for $4,071,000 in connection with this program, subject to annual renewal, with the next scheduled renewal date on September 30, 2016.

Note 11 – Functional Expenses

Management of the Corporation presents operating expenses in its accompanying consolidated statements of operations and changes in net assets by natural class categories. Operating expenses classified by functional categories for the years ended September 30, 2015 and 2014, were as follows (in thousands):

	2015	2014
Direct resident care	$ 40,817	$ 37,475
Dietary services	17,406	16,281
Housekeeping and laundry services	4,750	4,430
Property	21,327	16,651
Resident services and activities	4,936	4,752
Marketing and advertising	4,193	6,429
Administrative and general	27,601	25,167
Total operating expenses	$ 121,030	$ 111,185

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

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

Management fees for providing these services for the years ended September 30, 2015 and 2014, are included in other operating revenue earned by ABHOW, and for affordable housing are included in affordable housing fees and rents in the accompanying consolidated statements of operations and changes in net assets and are as follows (in thousands):

	2015	2014
ABHOW - Continuing Care Retirement Communities		
Terraces of Phoenix	1,526	977
Terraces at San Joaquin Gardens [1]	829	737
Judson Park	1,524	1,567
Total	3,879	3,281

[1] Excludes $829,000 and $737,000 of deferred management fees during the years ended September 30, 2015 and 2014, respectively.

Management fees provided by Beacon to affordable housing communities for the years ended September 30, 2015 and 2014, were $804,000 and $1,198,000, respectively.

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

Amounts receivable from these managed rental homes and CCRC's for management fees and cost recoveries for other services such as dining, purchase cards, payroll, and insurance at September 30, 2015 and 2014, are included in due from affiliates in the accompanying consolidated balance sheets, and are as follows (in thousands):

	2015	2014
ABHOW - Continuing Care Retirement Communities		
Las Ventanas	1,552	1,027
Terraces of Phoenix	(49)	275
Judson Park	6,434	7,422
Terraces of San Joaquin Gardens	2,385	1,629
Total receivable	10,322	10,353

Amounts receivable due to Beacon for services provided for the years ended September 30, 2015 and 2014, were $637,000 and $674,000, respectively.

Terraces of Phoenix receivable represents a portion of the management fee that was not payable until certain financial ratios were achieved. Repayment of this commenced in 2012 with payments totaling $600,000 and was completed in 2015 with payment of the remaining $536,000.

Note 13 – Leases

ABHOW has entered into operating leases for premises and equipment. Rent expense was approximately $1,598,000 and $1,356,000 for the years ended September 30, 2015 and 2014, respectively.

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

Year Ending September 30,		
2016	$	1,380
2017		1,204
2018		999
2019		817
2020		177
Thereafter		-
Total	$	4,577

Note 14 – Commitments and Contingencies

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

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

ABHOW had provided a debt service guaranty for the obligations of ABP in the event ABP liquidity fell below $875,000. This debt service guaranty was extinguished in 2014 (see Note 6 and Note 7). On May 10, 2013, as part of the refinancing of ABP's Boise land loan of $3,030,000, ABHOW issued a guaranty for the repayment of all debt service and principal payments associated with the loan. The loan was retired in January 2014.

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

On September 12, 2012, Las Ventanas closed on the restructuring of its indebtedness. As discussed in Note 1, ABP, with liquidity support from ABHOW, provided an unfunded $2,000,000 debt service support agreement for the Las Ventanas Series A-1 bonds, with any resulting funded amounts triggering the issuance to ABP of an equal amount of Las Ventanas Series B-4 bonds. In 2015, this contingent liability, along with all of ABP's net assets, was transferred to ABHOW.

For all the tax-credit financed affordable housing communities in which Beacon serves as a General Partner (see Note 1), ABHOW and Beacon, as co-guarantors, have issued on-going guarantees to cover operating deficits and guarantees to ensure compliance with certain on-going aspects of the Limited Partnership Agreement ("LPA"). ABHOW periodically evaluates the potential exposure from these on-going guarantees. ABHOW has not provided support under these guarantees in the past and based on the current evaluation, management believes they cumulatively do not constitute a material future financial risk exposure for the Corporation.

In addition to operating deficit and LPA guarantees, ABHOW and Beacon, as co-guarantors, also issue unconditional project completion guarantees for tax-credit financed affordable housing communities in which Beacon serves as a General Partner (see Note 1). On January 21, 2015 ABHOW and Beacon provided such a co-guaranty for the completion of the redevelopment Rotary Plaza, with the guaranty anticipated to expire in late 2016.

On July 7, 2015, the ABHOW Board of Directors announced plans to affiliate with Southern California Presbyterian Homes (d.b.a. be.group), a Glendale, California-based nonprofit senior living provider. The proposed combined entity will provide continuing care, affordable housing, and assisted living and memory support to more than 10,000 residents in more than 80 communities across California, Arizona, Nevada, Washington, Oklahoma and Idaho. The affiliation must be approved by several state agencies. During this review period, the two companies will conduct due diligence. Upon regulatory approval, the two companies will affiliate, with the process expected to finalize in spring of 2016.

Note 14 – Commitments and Contingencies (continued)

On November 20, 2013, ABE closed on a refunding whereby its Series 2003 and Series 2007 bonds were refunded with a $48,615,000 direct placement financing with Santander Bank that extends through December 1, 2014, with two additional one year extensions, as long as specified potential covenant violations are timely cured by first restricting a portion of ABE cash over 150 days and, if insufficient for cure, ABHOW credit support. As a condition of the refunding, ABHOW's board approved a credit support package including unfunded credit support up to a cumulative maximum of $2,000,000 (increasing to $2,500,000 in the event of an occupancy covenant violation) to cure potential covenant violations in achieving ABE's minimum liquidity, debt service coverage or minimum occupancy covenants. As of September 30, 2015, ABE cash was sufficient to fund amounts required under the new borrowing arrangement.

As a condition in advance of the third year of the financing, ABE is required to obtain a current appraisal. If the loan to value ratio based on the appraisal exceeds 85%, ABHOW will advance funds equaling the excess into a trusteed account. Finally, ABHOW advanced $750,000 during the year ended September 30, 2014 to fund the completion of refurbishments on the Terraces of Phoenix campus and approximately $250,000 to provide for costs of issuance for the new credit facility. In exchange for the credit support package, ABE benefits from a reduction in interest expense based on current rates of $1,600,000 from that incurred during the year ended September 30, 2013 as well as having a relaxation of debt service coverage covenants to 1.1 times and liquidity covenants to 150 days. On November 4, 2015, ABE signed a term sheet with Washington Federal to replace the existing obligation and the new facility was put in place on December 15, 2015 (see Note 17).

Note 15 – Health and Safety Code Section 1790(a)(3) Disclosure

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

	2015	2014
Designated for Endowment	$ 36,659	$ 38,070
Designated for 457(f) Plan	5,622	5,654
Designated for Claims	1,330	1,330
Designated for Corporate Reserves	14,284	13,622
Designated for Affordable Housing Guarantees	2,000	2,000
Designated for Commitments and Contingencies	7,000	10,000
Designated for Campus Redevelopment	10,000	5,000
Total designations	$ 76,895	$ 75,676

Note 16 – Change in Reporting Entities

Seniority, Inc. – The consolidated financial statements of ABHOW for the years ended September 30, 2014 and 2013 included the results of operations of Seniority. On September 22, 2015, the Cornerstone Board of Directors voted to accept receipt of the stock of Seniority from ABHOW causing a transfer of the ownership of Seniority from ABHOW to Cornerstone. ABHOW determined that this change represents a change in the reporting entity as described in FASB ASC Topic 250, *Accounting Changes and Error Corrections*. Accordingly, this change was retrospectively applied to the consolidated financial statements of all prior periods presented. The effect of this retrospective application was to present consolidated financial position and related consolidated results of operations and changes in net assets and consolidated cash flows, as if Seniority had not been consolidated for all periods presented and to present Seniority as an unconsolidated entity as part of Cornerstone.

Summary balance sheets and statements of operations and changes in net deficit for Seniority as of and for the years ended September 30, 2015 and 2014, that is now a sister corporation to ABHOW under Cornerstone and therefore excluded from these consolidated financial statements for all periods presented, follows (in thousands):

	2015	2014
Cash and cash equivalents	$ 304	$ 250
Receivables	229	71
Other assets	16	2
Total assets	$ 549	$ 323
Current liabilities	$ 1,092	$ 959
Payable to affiliates	2,754	1,844
Total liabilities	3,846	2,803
Net deficit	(3,297)	(2,480)
Total liabilities and net deficit	$ 549	$ 323

	2015	2014
Operating revenues	$ 8,581	$ 8,618
Operating expenses	9,398	9,368
Loss before other operating expenses	$ (817)	$ (750)
Other operating expenses	-	(4)
Loss from operations	(817)	(754)
Decrease in unrestricted net assets	(817)	(754)
Net deficit - beginning of year	(2,480)	(1,726)
Net deficit - end of year	$ (3,297)	$ (2,480)

Note 16 – Change in Reporting Entities (continued)

Judson Park – The consolidated financial statements of ABHOW for the years ended September 30, 2014 and 2013, included the results of operations of Judson Park. On September 22, 2015, the Cornerstone Board of Directors voted to accept receipt of the sole membership of Judson Park from ABHOW, causing a transfer of the ownership of Judson Park from ABHOW to Cornerstone. ABHOW determined that this change represents a change in the reporting entity as described in FASB ASC Topic 250, *Accounting Changes and Error Corrections*. Accordingly, this change was retrospectively applied to the consolidated financial statements of all prior periods presented. The effect of this retrospective application was to present consolidated financial position and related consolidated results of operations and changes in net deficit and consolidated cash flows, as if Judson Park had not been consolidated for all periods presented and to present Judson Park as an unconsolidated entity as part of Cornerstone.

Summary balance sheets and statements of operations and changes in net deficit for Judson Park as of and for the years ended September 30, 2015 and 2014, that is now a sister corporation to ABHOW under Cornerstone and therefore excluded from these consolidated financial statements for all periods presented, follows (in thousands):

	2015	2014
Cash and cash equivalents	$ 5,582	$ 7,194
Investments	2,345	2,290
Receivables	1,458	2,467
Other assets	1,069	1,311
Land, buildings, and equipment - net	30,716	31,785
Total assets	$ 41,170	$ 45,047
Current liabilities	$ 1,713	$ 2,435
Payable to affiliates	6,419	7,422
Deferred revenue and deposits from entrance fees	21,913	22,990
Notes and bonds payable	18,599	19,471
Other liabilities	888	967
Total liabilities	49,532	53,285
Net deficit	(8,362)	(8,238)
Total liabilities and net deficit	$ 41,170	$ 45,047

Note 16 – Change in Reporting Entities (continued)

	2015	2014
Operating revenues	$ 21,076	$ 19,435
Operating expenses	17,943	16,625
Income before other operating expenses	$ 3,133	$ 2,810
Other operating expenses	(3,234)	(3,183)
Loss from operations	(101)	(373)
Change in unrealized loss on investments	(23)	(40)
Decrease in unrestricted net assets	(124)	(413)
Net deficit - beginning of year	(8,238)	(7,825)
Net deficit - end of year	$ (8,362)	$ (8,238)

The following table presents certain appropriate consolidated financial statement captions as previously reported consolidating Seniority and Judson Park with the Corporation, and compares them to the current presentation which does not consolidate Seniority and Judson Park as of and for the years ended September 30, 2015 and 2014:

For the year ending September 30, 2015	Consolidated with Judson Park & Seniority	As Currently Reported, Judson Park & Seniority Not Consolidated	Change
Income before other operating income	$ 29,410	$ 27,194	$ 2,216
Income from operations	$ 3,388	$ 4,408	$ (1,020)
Changes in unrestricted net deficit	$ (5,650)	$ (3,326)	$ (2,324)
Changes in net assets	$ (6,448)	$ (4,124)	$ (2,324)

For the year ending September 30, 2014	As Previously Reported, Consolidated with Judson Park & Seniority	As Currently Reported, Judson Park & Seniority Not Consolidated	Change
Income before other operating income	$ 22,630	$ 20,762	$ 1,868
Income from operations	$ 1,747	$ 3,066	$ (1,319)
Changes in unrestricted net assets	$ 2,469	$ 3,828	$ (1,359)
Changes in net assets	$ 3,612	$ 4,971	$ (1,359)

Note 17 – Subsequent Events

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

On October 2, 2015, the ABHOW Board of Directors voted to temporarily freeze the Corporation's 457(f) plan to new entrants pending the successful completion of the planned affiliation with be.group and an overall evaluation of the combined entity's pay and benefits offerings.

On November 4, 2015, ABE signed a term sheet with Washington Federal to replace Banco Santander. The term sheet for the five-year facility with renewal options was subsequently approved by the ABE Board, the ABHOW Board and Cornerstone. Key provisions of the replacement financing include a $10,000,000 subordinated advance bearing interest at 4% from ABHOW to be used for a $9,000,000 partial paydown of existing primary debt with the remainder being utilized for liquidity and debt issuance costs. Key covenants include a minimum 25% cash to primary debt ratio, debt service coverage of 1.25 times and a debt service guaranty from ABHOW at an initial level of $3,500,000. Opportunities for reductions in the spread over 70% of one-month LIBOR and the guaranty amount are available for increased levels of liquidity. The financing closed on December 15, 2015.

On October 2, 2015, the ABHOW Board voted to terminate ABHOW's previously frozen defined benefit pension plan (see Note 9). Subsequent to this resolution, ABHOW liquidated the remaining equity investments within the pension investment portfolio to reduce volatility risk in advance of anticipated partial settlement of pension liabilities to be made in late 2016. As a result, estimated rates of return for pension investments were reduced in the 2015 valuation with a corresponding increase in pension expense for 2015 and estimates for 2016. Actual cash funding of the plan is anticipated to continue at $1,000,000 per year through final termination and settlement anticipated to occur in 2017.

On December 15, 2015, ABHOW's obligation to provide unfunded liquidity support for Judson Park of $2,100,000 was releases by Washington Federal.

ABHOW has evaluated subsequent events through December 18, 2015, which is the date the financial statements were issued.

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited the consolidated financial statements of American Baptist Homes of the West, ("ABHOW") and Affiliates (a member of Cornerstone Affiliates) (collectively referred to as the "Corporation"), all of which are under common control and common management, as of and for the years ended September 30, 2015 and 2014, and our report thereon dated December 18, 2015, which contained an unmodified opinion on those consolidated financial statements.

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules listed in the table of contents as of and for the year ended September 30, 2015, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements.

The Balance Sheet Information, Statement of Operations and Changes in Net Assets (Deficit) Information, Statement of Operations and Changes in Net Assets (Deficit) Community Information (ABHOW Obligated Group) and Statement of Cash Flows Information (ABHOW Obligated Group) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to Beacon, is based on the reports of other auditors, such information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Moss Adams LLP

San Francisco, California
December 18, 2015

SUPPLEMENTARY INFORMATION

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEET INFORMATION
AS OF SEPTEMBER 30, 2015
(In Thousands)

	ABHOW Obligated Group	Foundation	Beacon	Subtotal	Eliminations	Total
ASSETS						
CASH AND CASH EQUIVALENTS	$ 25,504	$ 219	$ 2,684	$ 28,407	$ -	$ 28,407
RESTRICTED CASH	20,405	-	7,957	28,362	-	28,362
INVESTMENTS	56,935	36,715	1,593	95,243	-	95,243
INVESTMENTS IN LAS VENTANAS BONDS	4,689	-	-	4,689	-	4,689
RESTRICTED INVESTMENTS	82,262	10,251	-	92,513	-	92,513
RESIDENT ACCOUNTS RECEIVABLE - Net	6,510	27	38	6,575	-	6,575
SUBORDINATED NOTES RECEIVABLE - Net	37,089	-	-	37,089	-	37,089
OTHER RECEIVABLES	3,597	-	1,101	4,698	-	4,698
DUE FROM AFFILIATES	23,131	-	-	23,131	(6,025)	17,106
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	1,427	46	92	1,565	-	1,565
OTHER ASSETS	9,963	-	8,245	18,208	-	18,208
LAND, BUILDING, AND EQUIPMENT - Net	183,875	-	181,711	365,586	-	365,586
INTERCOMPANY	1,763	(461)	(1,302)	-	-	-
TOTAL	$ 457,150	$ 46,797	$ 202,119	$ 706,066	$ (6,025)	$ 700,041
LIABILITIES AND NET ASSETS (DEFICIT)						
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 24,308	$ 70	$ 3,879	$ 28,257	$ -	$ 28,257
DEPOSITS	8,524	-	464	8,988	-	8,988
ACCRUED INTEREST	5,195	-	6,786	11,981	(68)	11,913
REBATABLE ENTRANCE FEES DUE	19,753	-	-	19,753	-	19,753
ENTRANCE FEES SUBJECT TO REFUND	40,390	-	-	40,390	-	40,390
ENTRANCE FEES NON-REFUNDABLE	80,306	-	-	80,306	-	80,306
REVOCABLE TRUSTS	-	410	-	410	-	410
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	1,966	-	1,966	-	1,966
NOTES AND BONDS PAYABLE	252,307	-	150,698	403,005	(5,957)	397,048
RETIREMENT LIABILITIES	6,846	-	-	6,846	-	6,846
WORKERS' COMPENSATION LIABILITY	6,414	-	-	6,414	-	6,414
OTHER LIABILITIES	6,285	105	1,874	8,264	-	8,264
Total liabilities	450,328	2,551	163,701	616,580	(6,025)	610,555
COMMITMENTS AND CONTINGENCIES						
NET ASSETS						
Unrestricted - Controlling	6,822	36,603	6,506	49,931	(1,059)	48,872
Unrestricted - Non-controlling	-	-	31,912	31,912	-	31,912
Temporarily restricted	-	7,186	-	7,186	1,059	8,245
Permanently restricted	-	457	-	457	-	457
Total net assets	6,822	44,246	38,418	89,486	-	89,486
TOTAL	$ 457,150	$ 46,797	$ 202,119	$ 706,066	$ (6,025)	$ 700,041

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)

UNRESTRICTED NET ASSETS	ABHOW Obligated Group	Foundation	Beacon	American Baptist Properties	Subtotal	Eliminations	Total
OPERATING REVENUES							
Residential living	$ 41,262	$ -	$ -	$ -	$ 41,262	$ -	$ 41,262
Assisted living	12,317	-	-	-	12,317	-	12,317
Health center	47,867	-	-	-	47,867	-	47,867
Memory support	7,158	-	-	-	7,158	-	7,158
Other residential services	1,010	-	-	-	1,010	-	1,010
Amortization of entrance fees	17,192	-	-	-	17,192	-	17,192
Other operating revenue	6,227	-	304	-	6,531	(171)	6,360
Affordable housing fees and rents	676	-	12,825	-	13,501	(10)	13,491
Net assets released from restrictions	-	244	-	-	244	-	244
Bequests and charitable giving	-	1,292	31	-	1,323	-	1,323
Foundation community benefit	897	-	-	-	897	(897)	-
Total operating revenues	134,606	1,536	13,160	-	149,302	(1,078)	148,224
OPERATING EXPENSES							
Salaries and wages	54,667	419	4,618	-	59,704	-	59,704
Employee benefits	15,986	82	1,313	-	17,381	-	17,381
Supplies	8,814	2	368	-	9,184	-	9,184
Chargeable ancillary services	6,988	-	-	-	6,988	-	6,988
Marketing and advertising	4,027	1	234	-	4,262	-	4,262
Repairs and maintenance	1,414	-	747	-	2,161	-	2,161
Purchased services	5,784	122	1,460	2	7,368	(181)	7,187
Leases and rents	1,267	21	310	-	1,598	-	1,598
Utilities	5,265	3	1,063	-	6,331	-	6,331
Travel and related	1,073	31	353	-	1,457	-	1,457
Other operating expenses	2,615	(123)	642	-	3,134	-	3,134
Foundation community distribution	-	897	-	-	897	(897)	-
Insurance	1,180	33	430	-	1,643	-	1,643
Total operating expenses	109,080	1,488	11,538	2	122,108	(1,078)	121,030
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSE)	25,526	48	1,622	(2)	27,194	-	27,194
OTHER OPERATING INCOME (EXPENSE)							
Unrealized gains (losses) on interest rate swaps and caps	75	-	(461)	-	(386)	-	(386)
Realized gains on investments - net	2,474	2,967	-	-	5,441	-	5,441
Investment income - net	1,422	937	12	128	2,499	-	2,499
Mortgage interest	(6,778)	-	(1,965)	-	(8,743)	-	(8,743)
Depreciation and amortization	(15,615)	-	(5,982)	-	(21,597)	-	(21,597)
INCOME (LOSS) FROM OPERATIONS	7,104	3,952	(6,774)	126	4,408	-	4,408
Unrealized losses on investments	(3,838)	(5,419)	-	-	(9,257)	-	(9,257)
Unrealized losses on Investments in Las Ventanas bonds	(2,270)	-	-	-	(2,270)	-	(2,270)
Contributions in aid of construction	(12,841)	-	14,357	7,574	9,090	-	9,090
Loss from change in unrecognized pension obligation	(3,045)	-	-	-	(3,045)	-	(3,045)
Loss on extinguishment of debt	(1,052)	-	-	-	(1,052)	-	(1,052)
Loss on multi-employer pension plan withdrawal	(1,200)	-	-	-	(1,200)	-	(1,200)
CHANGE IN UNRESTRICTED NET ASSETS	(17,142)	(1,467)	7,583	7,700	(3,326)	-	(3,326)
TEMPORARILY RESTRICTED NET ASSETS							
Dividend and interest income	-	248	-	-	248	-	248
Unrealized losses on restricted investments - net	-	(492)	-	-	(492)	-	(492)
Contributions	-	1,301	-	-	1,301	-	1,301
Net assets released from restrictions	-	(244)	-	-	(244)	-	(244)
Contractual payments to beneficiaries	-	(394)	-	-	(394)	-	(394)
Realized gains on investments - net	-	201	-	-	201	-	201
Contractual liability adjustments	-	398	-	-	398	-	398
Special project fund distribution	-	(1,831)	-	-	(1,831)	-	(1,831)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	(813)	-	-	(813)	-	(813)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	15	-	-	15	-	15
INCREASE (DECREASE) IN NET ASSETS	(17,142)	(2,265)	7,583	7,700	(4,124)	-	(4,124)
NET ASSETS (DEFICIT) - Beginning of year	23,964	46,511	30,835	(7,700)	93,610	-	93,610
NET ASSETS - End of year	$ 6,822	$ 44,246	$ 38,418	$ -	$ 89,486	$ -	$ 89,486

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) COMMUNITY INFORMATION
(ABHOW OBLIGATED GROUP)
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)

	Corporate Office	Grand Lake Gardens	Piedmont Gardens	Terraces at Los Altos	Plymouth Village
OPERATING REVENUES					
Residential living	$ -	$ 2,707	$ 7,134	$ 1,685	$ 5,977
Assisted living	-	-	3,194	1,136	1,677
Health center	-	-	11,847	5,116	4,395
Memory support	-	-	1,171	1,250	533
Other residential services	-	199	132	48	101
Amortization of entrance fees	-	354	1,981	591	2,229
Other operating revenue	4,093	74	277	117	304
Affordable housing fees and rents	676	-	-	-	-
Foundation community benefit	54	22	183	59	156
Total operating revenues	4,823	3,356	25,919	10,002	15,372
OPERATING EXPENSES					
Salaries and wages	8,897	1,235	9,902	5,331	5,421
Employee benefits	2,590	339	2,953	1,409	1,663
Supplies	110	293	1,600	733	1,141
Chargeable ancillary services	-	-	1,700	584	557
Marketing and advertising	10	586	763	4	733
Repairs and maintenance	6	26	355	43	103
Purchased services	1,928	121	793	503	527
Leases and rents	613	15	177	53	87
Utilities	162	278	946	507	659
Travel and related	534	18	44	34	87
Corporate allocations	(9,087)	259	1,968	761	1,099
Other operating expenses	896	75	151	221	354
Insurance	(51)	41	262	92	182
Total operating expenses	6,608	3,286	21,614	10,275	12,613
(LOSS) INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)	(1,785)	70	4,305	(273)	2,759
OTHER OPERATING INCOME (EXPENSE)					
Increase in unrealized loss on interest rate swaps and caps	75	-	-	-	-
Realized gains on investments - net	2,474	-	-	-	-
Investment income - net	1,419	-	-	-	-
Mortgage interest	(1,151)	(122)	(413)	(856)	(358)
Depreciation and amortization	(249)	(520)	(2,447)	(1,441)	(2,503)
INCOME (LOSS) FROM OPERATIONS	783	(572)	1,445	(2,570)	(102)
Change in unrealized gains and losses on investments	(5,118)	-	-	1,280	-
Unrealized loss on investments in Las Ventanas bonds	(2,270)	-	-	-	-
Contribution in aid of construction	(13,023)	-	-	182	-
Extraordinary loss on extinguishment of debt	(1,052)	-	-	-	-
Loss on pension plan termination	-	(120)	(1,080)	-	-
Loss from change in unrecognized pension obligation	(3,045)	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS	(23,725)	(692)	365	(1,108)	(102)
NET (DEFICIT) ASSET - Beginning of year	(56,284)	(6,621)	29,142	13,611	5,899
NET (DEFICIT) ASSET - End of year	$ (80,009)	$ (7,313)	$ 29,507	$ 12,503	$ 5,797

(In Thousands)

	Rosewood	Valle Verde	Terrace of Los Gatos	Total
OPERATING REVENUES				
Residential living	$ 3,504	$ 11,009	$ 9,246	$ 41,262
Assisted living	1,699	1,806	2,805	12,317
Health center	9,520	8,517	8,472	47,867
Memory support	1,148	1,422	1,634	7,158
Other residential services	165	300	65	1,010
Amortization of entrance fees	415	5,623	5,999	17,192
Other operating revenue	244	823	295	6,227
Affordable housing fees and rents	-	-	-	676
Foundation community benefit	70	301	52	897
Total operating revenues	16,765	29,801	28,568	134,606
OPERATING EXPENSES				
Salaries and wages	6,777	9,323	7,781	54,667
Employee benefits	1,983	2,886	2,163	15,986
Supplies	1,295	2,046	1,596	8,814
Chargeable ancillary services	1,901	1,047	1,199	6,988
Marketing and advertising	649	698	584	4,027
Repairs and maintenance	207	323	351	1,414
Purchased services	510	762	640	5,784
Leases and rents	87	147	88	1,267
Utilities	659	1,006	1,048	5,265
Travel and related	76	215	65	1,073
Corporate allocations	1,291	2,017	1,692	-
Other operating expenses	283	104	531	2,615
Insurance	200	250	204	1,180
Total operating expenses	15,918	20,824	17,942	109,080
(LOSS) INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)	847	8,977	10,626	25,526
OTHER OPERATING INCOME (EXPENSE)				
Increase in unrealized loss on interest rate swaps and caps	-	-	-	75
Realized gains on investments - net	-	-	-	2,474
Investment income - net	-	3	-	1,422
Mortgage interest	(454)	(1,250)	(2,174)	(6,778)
Depreciation and amortization	(1,256)	(4,321)	(2,878)	(15,615)
INCOME (LOSS) FROM OPERATIONS	(863)	3,409	5,574	7,104
Change in unrealized gains and losses on investments	-	-	-	(3,838)
Unrealized loss on investments in Las Ventanas bonds	-	-	-	(2,270)
Contribution in aid of construction	-	-	-	(12,841)
Extraordinary loss on extinguishment of debt	-	-	-	(1,052)
Loss on pension plan termination	-	-	-	(1,200)
Loss from change in unrecognized pension obligation	-	-	-	(3,045)
CHANGE IN UNRESTRICTED NET ASSETS	(863)	3,409	5,574	(17,142)
NET (DEFICIT) ASSET - Beginning of year	(15,520)	36,023	17,714	23,964
NET ASSETS (DEFICIT) - End of year	$ (16,383)	$ 39,432	$ 23,288	$ 6,822

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENT OF CASH FLOWS INFORMATION
(ABHOW OBLIGATED GROUP)
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(In Thousands)

OPERATING ACTIVITIES	
Cash received for resident services	$ 109,788
Cash received for entrance fees from reoccupancy	20,117
Cash received from other operating activities	12,664
Cash earnings realized from investments	3,895
Cash paid for employee salaries	(50,641)
Cash paid for employee benefits	(14,492)
Cash paid for temporary labor and recruitment	(3,595)
Cash paid to vendors	(47,439)
Cash paid for interest, net of amounts capitalized	(7,189)
Net cash provided by operating activities	23,108
INVESTING ACTIVITIES	
Acquisition of land, buildings, and equipment - CCRCs	(29,358)
Change in restricted cash	(4,465)
Purchase of unrestricted investments	(25,441)
Proceeds from sale of unrestricted investments	24,121
Purchase of restricted investments	(154,581)
Cash utilized from restricted investments	163,090
Net cash used in investing activities	(26,634)
FINANCING ACTIVITIES	
Cash received from initial entrance fees and deposits	3,298
Refunds of deposits and refundable fees	(3,278)
Net proceeds from issuance of notes and bonds payable - CCRCs	55,846
Cash paid for deferred debt issuance costs - CCRCs	(1,068)
Principal payments of notes and bonds payable - CCRCs	(43,817)
Cash paid for capital contributions	(3,818)
Net cash provided by financing activities	7,163
INCREASE IN CASH AND CASH EQUIVALENTS	3,637
CASH AND CASH EQUIVALENTS - Beginning of year	21,867
CASH AND CASH EQUIVALENTS - End of year	$ 25,504

(In Thousands)

OPERATING ACTIVITIES		
Change in net assets	$	(17,142)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization of entrance fees		(17,192)
Entrance fees from reoccupancy		20,117
Depreciation and amortization		15,615
Change in unrealized gains on investments - net		(75)
Unrealized losses on investments		3,838
Unrealized losses on investments in Las Ventanas bonds		2,270
Change in net unrecognized pension obligation		3,045
Contribution in aid of construction		12,841
Change in accounts receivable from residents and clients		526
Change in prepaid expenses and deposits		(279)
Other changes in operating assets and liabilities - net		(456)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	23,108
NONCASH DISCLOSURES		
Acquisition of buildings and equipment financed through accounts payable and accrued expenses	$	4,395

ABHOW

American Baptist Homes of the West

RECEIVED
FEB 02 2016
CONTINUING CARE
CONTRACTS BRANCH

January 28, 2016

Moss Adams LLP
101 Second Street, Suite 900
San Francisco, CA 94105

We are providing this letter in connection with your audit of the continuing care reserve report schedules – Part 5 (the "Schedules") of American Baptist Homes of the West ("ABHOW") as of and for the year ended September 30, 2015. We confirm that we are responsible for the fair presentation of the Schedules in conformity with the report preparation provisions of California Health and Safety Code Section 1792 (as interpreted by the State of California Department of Social Services Annual Report Instructions).

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The Schedules referred to above are fairly presented in conformity with the report preparation provisions of California Health and Safety Code Section 1792 (as interpreted by the State of California Department of Social Services Annual Report Instructions) and we are in compliance with those provisions.

2. Management has included unrestricted cash and marketable securities of American Baptist Homes Foundation of the West, Inc. as Qualifying Assets for the Operating Reserve calculation on Form 5-5 because these assets are available to meet the operating expenses, if needed, of the communities listed on Forms 5-4.

3. In connection with your audit of the American Baptist Homes of the West and Affiliates annual financial statements for the year ended September 30, 2015, we have provided you a representation dated December 18, 2015. No matters have since come to our attention that would cause us to believe that any of those representations are no longer true. No events have occurred subsequent to the date of the above-described financial statements that would require adjustment to, or disclosure in, the financial statements.

4. Management has appropriately reflected in the supplementary schedule the required disclosures under California Health and Safety Code Section 1790 (a)(3): any amounts accumulated or expended for identified projects or purposes, including, but not limited to, projects designated to meet the needs of the continuing care retirement community as permitted by a provider's nonprofit status under Section 501(c)(3) of the Internal Revenue Code, amounts maintained for contingencies, and how the project or purpose is consistent

with the provider's tax-exempt status.

Sincerely,

David B. Ferguson, President and CEO

Pamela S. Claassen, Senior VP and CFO

Andrew J. McDonald, VP of Finance and Controller

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

American Baptist Homes of the West and Affiliates

As of and for the year ended September 30, 2015

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

CONTENTS

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of American Baptist Homes of the West and Affiliates, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended September 30, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserve of American Baptist Homes of the West and Affiliates as of and for the year ended September 30, 2015, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying supplementary schedules of Attachment I to Form 5-1: Interest Paid During Fiscal Year, Attachment II to Form 5-1: Principal Paid During Fiscal Year, Attachment III to Form 5-4: Operating Expenses From Financial Statements, Attachment IV to Form 5-4: Deductions From Operating Expenses, Attachment V to Form 5-5: Schedule of Qualifying Assets – Investments and Debt Service Reserve, Description of Reserves Under SB 1212, Supplemental Schedule: Reconciliation of Reserves Under SB 1212, and Per Capita Cost of Operations, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

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

Moss Adams LLP

San Francisco, California
January 28, 2016

CONTINUING CARE LIQUID RESERVE SCHEDULES

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	09/01/06	$1,950,000	$605,340	$419,324	$2,974,664
2	10/01/10	$780,000	$5,454,658	$226,491	$6,461,149
3	01/05/12	$530,000	$308,251		$838,251
4	02/01/13	$0	$2,946,223		$2,946,223
5	02/02/13	$450,107	$44,902		$495,009
6	Certs. Of Part		$4,350		$4,350
7	Other		-$11,813		-$11,813
8					
		TOTAL:	$9,351,911	$645,815	$13,707,833

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

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

NOTE: Debt obligations in line 1 were fully paid off during fiscal year 2015 and were replaced with the debt obligations as displayed in Form 5-2. Debt service payments in the schedule above represent actual payments made on the debt obligations prior to refinancing and do not include the full payoff of the obligation, of which the remainder was $40.045M.

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	05/28/15	$729,393	$214,276	12	$2,571,312
2					$0
3					$0
4					$0
5					$0
6					$0
	TOTAL:	$729,393	$214,276	12	$2,571,312

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

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

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$13,707,833
2	Total from Form 5-2 bottom of Column (e)	$2,571,312
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$1,267,000
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$17,546,145

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$12,572,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$854,428	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$1,572	
	c.	Depreciation	$1,441,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$2,013,384	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$4,310,384
4		Net Operating Expenses		$8,261,616
5		Divide Line 4 by 365 and enter the result.		$22,635
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$1,697,625

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

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$3,928,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$120,075	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$1,925	
	c.	Depreciation	$520,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$399,894	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$1,041,894
4		Net Operating Expenses		$2,886,106
5		Divide Line 4 by 365 and enter the result.		$7,907
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$593,025

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

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES (PIEDMONT GARDENS)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$24,474,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$406,468	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$6,532	
	c.	Depreciation	$2,447,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$3,193,385	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$6,053,385
4		Net Operating Expenses		$18,420,615
5		Divide Line 4 by 365 and enter the result.		$50,467
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$3,785,025

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

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$15,474,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$352,334	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$5,666	
	c.	Depreciation	$2,503,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$408,286	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$3,269,286
4		Net Operating Expenses		$12,204,714
5		Divide Line 4 by 365 and enter the result.		$33,438
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,507,850

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

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$26,395,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$1,239,289	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$10,711	
	c.	Depreciation	$4,321,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$2,291,444	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$7,862,444
4		Net Operating Expenses		$18,532,556
5		Divide Line 4 by 365 and enter the result.		$50,774
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$3,808,050

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

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$17,628,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$446,820	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$7,180	
	c.	Depreciation	$1,256,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$3,825,712	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$5,535,712
4		Net Operating Expenses		$12,092,288
5		Divide Line 4 by 365 and enter the result.		$33,130
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,484,750

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

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$22,994,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$2,139,599	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$34,401	
	c.	Depreciation	$2,878,000	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$2,212,999	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$7,264,999
4		Net Operating Expenses		$15,729,001
5		Divide Line 4 by 365 and enter the result.		$43,093
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$3,231,975

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

FORM 5-5

Provider Name: American Baptist Homes of the West and Affiliates
Fiscal Year Ended: 2015

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 9/30/2015 and are in compliance with those requirements.

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

		Amount
[1]	Debt Service Reserve Amount	$17,546,145
[2]	Operating Expense Reserve Amount	$18,108,300
[3]	**Total Liquid Reserve Amount:**	$35,654,445

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

	Qualifying Asset Description	Debt Service Reserve (market value at end of quarter)		Operating Reserve
[4]	Cash and Cash Equivalents	$0		$25,723,000
[5]	Investment Securities	$70,219,512		$27,339,871
[6]	Equity Securities	$0		$61,994,702
[7]	Unused/Available Lines of Credit	$0		$0
[8]	Unused/Available Letters of Credit	$0		$0
[9]	Debt Service Reserve	$12,042,488		(not applicable)
[10]	Other: (describe qualifying asset)			
	Listed for Reserve Obligation: [11]	$82,262,000	[12]	$115,057,573
	Reserve Obligation Amount: [13]	$17,546,145	[14]	$18,108,300
	Surplus/(Deficiency): [15]	$64,715,855	[16]	$96,949,273

Signature:

Paul S. Claassen

(Authorized Representative)

Date: January 28, 2016

SVP Finance/Chief Financial Officer
(Title)

SUPPLEMENTARY SCHEDULES

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
ATTACHMENT I TO FORM 5-1
INTEREST PAID DURING FISCAL YEAR
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Description	ABHOW Obligated Group
Total interest paid, net of amounts capitalized, from financial statements	$ 7,189,060
Subtract:	
Letter of credit fees	79,720
Loan fees	275,231
Add:	
Capitalized interest - Series 2006	58,764
Capitalized interest - Series 2015	61,159
Capitalized interest - Series 2010 TLA Redevelopment	181,049
Capitalized interest - Series 2013	2,946,223
Total interest paid during fiscal year per form 5-1	9,351,911
Total interest paid during fiscal year per form 5-2	729,393
Total interest paid during fiscal year	$ 10,081,304

Description	**ABHOW Obligated Group**
Total principal paid, from financial statements	$ 43,817,000
Total principal paid during fiscal year per Form 5-1	
Long-term debt obligation #1	1,950,000
Long-term debt obligation #2	780,000
Long-term debt obligation #3	530,000
Long-term debt obligation #5	450,107
	3,710,107
Total principal paid during fiscal year per note on Form 5-1	40,045,000
Other principal payments not included on Form 5-1	61,893
Total principal paid during fiscal year	$ 43,817,000

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
ATTACHMENT III TO FORM 5-4
OPERATING EXPENSES FROM FINANCIAL STATEMENTS
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Line Description	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos
1 Total operating expenses from financial statements							
Total operating expenses from financial statements as reported	$ 10,275,000	$ 3,286,000	$ 21,614,000	$ 12,613,000	$ 20,824,000	$ 15,918,000	$ 17,942,000
Add:							
Depreciation and amortization	1,441,000	520,000	2,447,000	2,503,000	4,321,000	1,256,000	2,878,000
Mortgage interest	856,000	122,000	413,000	358,000	1,250,000	454,000	2,174,000
Total for Line 1	$ 12,572,000	$ 3,928,000	$ 24,474,000	$ 15,474,000	$ 26,395,000	$ 17,628,000	$ 22,994,000

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
ATTACHMENT IV TO FORM 5-4: DEDUCTIONS FROM OPERATING EXPENSE
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Line	Description	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos	ABHOW Obligated Group
2e	Total Revenues received during the fiscal year for services to resident who did not have a continuing care contract								
sum of {A}	Monthly Fees – Private (Non-Contract)	$ 1,975,823	$ 382,980	$ 3,178,425	$ 404,222	$ 2,269,607	$ 3,744,977	$ 2,159,312	$ 14,115,346
sum of {B}	Second Person Fee - PP	-	16,914	1,467	-	1,442	32,830	-	52,653
sum of {D}	Monthly Fees - Wellness - Private (Non-Contract)	1,511	-	-	140	-	23,198	3,349	28,198
{I}	Laboratory – Private (Non-Contract)	-	-	-	-	-	124	-	124
{F}	Physical Therapy – Private (Non-Contract)	655	-	(415)	(425)	-	8,754	15,948	24,517
{G}	Occupational Therapy – Private (Non-Contract)	655	-	740	(690)	135	2,512	1,204	4,556
{H}	Speech Therapy – Private (Non-Contract)	-	-	720	-	-	-	1,800	2,520
sum of {E}	Chargeable Supplies – Private (Non-Contract)	31,127	-	9,066	5,034	20,028	12,613	27,718	105,586
sum of {C}	Drugs – Private (Non-Contract)	3,613	-	3,234	5	-	704	1,295	8,851
{J}	Oxygen – Private (Non-Contract)	-	-	148	-	232	-	2,373	2,753
	Total for Line 2e	$ 2,013,384	$ 399,894	$ 3,193,385	$ 408,286	$ 2,291,444	$ 3,825,712	$ 2,212,999	$ 14,345,104
	Residential Living Fees Reconciliations								
{A}	Monthly Fees – Private (Non-Contract)	$ -	$ 382,980	$ 9,699	$ 33,891	$ -	$ 1,397,041	$ -	$ 1,823,611
{B}	Second Person Fee - PP	-	16,914	1,467	-	-	22,878	-	41,259
{C}	Drugs - Private (Non-Contract)	-	-	-	-	-	-	-	-
	Total (Non-Contract)	-	399,894	11,166	33,891	-	1,419,919	-	1,864,870
	Contract	1,684,879	2,306,999	7,123,087	5,943,106	11,008,627	2,083,828	9,246,377	39,396,903
	Total Residential Living Fees	$ 1,684,879	$ 2,706,893	$ 7,134,253	$ 5,976,997	$ 11,008,627	$ 3,503,747	$ 9,246,377	$ 41,261,773
	Assisted Living Fees Reconciliation								
{A}	Monthly Fees – Private (Non-Contract)	$ -	$ -	$ 1,102,999	$ 2,499	$ 269,072	$ 1,055,243	$ 311,424	$ 2,741,237
{B}	Second Person Fee - PP	-	-	-	-	1,442	9,952	-	11,394
{D}	Monthly Fees - Wellness - Private (Non-Contract)	-	-	-	-	-	22,612	-	22,612
{E}	Chargeable Supplies - Private (Non-Contract)	-	-	-	-	-	210	-	210
{C}	Drugs - Private (Non-Contract)	-	-	-	-	-	42	35	77
	Total (Non-Contract)	-	-	1,102,999	2,499	270,514	1,088,059	311,459	2,775,530
	Contract	1,135,647	-	2,090,655	1,674,239	1,535,886	610,687	2,493,901	9,541,015
	Total Assisted Living Fees	$ 1,135,647	$ -	$ 3,193,654	$ 1,676,738	$ 1,806,400	$ 1,698,746	$ 2,805,360	$ 12,316,545
	Health Center Fees Reconciliation								
{A}	Monthly Fees – Private (Non-Contract)	$ 1,317,091	$ -	$ 1,683,391	$ 367,832	$ 1,821,016	$ 741,255	$ 1,556,526	$ 7,487,111
{I}	Laboratory – Private (Non-Contract)	-	-	-	-	-	124	-	124
{F}	Physical Therapy – Private (Non-Contract)	655	-	(415)	(425)	-	8,754	15,948	24,517
{G}	Occupational Therapy – Private (Non-Contract)	655	-	740	(690)	135	2,512	1,204	4,556
{H}	Speech Therapy – Private (Non-Contract)	-	-	720	-	-	-	1,800	2,520
{E}	Chargeable Supplies – Private (Non-Contract)	31,127	-	9,066	5,034	20,028	12,388	27,718	105,361
{C}	Drugs – Private (Non-Contract)	3,613	-	3,234	5	-	662	1,260	8,774
{J}	Oxygen – Private (Non-Contract)	-	-	148	-	232	-	2,373	2,753
	Total (Non-Contract)	1,353,141	-	1,696,884	371,756	1,841,411	765,695	1,606,829	7,635,716
	Contract	3,763,285	-	10,149,741	4,023,740	6,676,053	8,753,925	6,864,958	40,231,702
	Total Health Center Fees Reconciliation	$ 5,116,426	$ -	$ 11,846,625	$ 4,395,496	$ 8,517,464	$ 9,519,620	$ 8,471,787	$ 47,867,418
	Memory Support Reconciliation								
{A}	Monthly Fees – Private (Non-Contract)	$ 658,732	$ -	$ 382,336	$ -	$ 179,519	$ 551,438	$ 291,362	$ 2,063,387
{D}	Monthly Fees – Wellness - Private (Non-Contract)	1,511	-	-	-	-	-	2,989	4,500
{E}	Chargeable Supplies – Private (Non-Contract)	-	-	-	-	-	15	-	15
	Total (Non-Contract)	660,243	-	382,336	-	179,519	551,453	294,351	2,067,902
	Contract	589,357	-	788,936	533,000	1,242,106	596,155	1,340,084	5,089,638
	Total Memory Support Fees	$ 1,249,600	$ -	$ 1,171,272	$ 533,000	$ 1,421,625	$ 1,147,608	$ 1,634,435	$ 7,157,540
	Other Resident Services Reconciliation								
{D}	Monthly Fees - Wellness - Private (Non-Contract)	$ -	$ -	$ -	$ 140	$ -	$ 586	$ 360	$ 1,086
	Total (Non-Contract)	-	-	-	140	-	586	360	1,086
	Contract	48,012	199,188	132,261	101,000	299,500	163,954	65,127	1,009,042
	Total Other Residential Services Revenue	$ 48,012	$ 199,188	$ 132,261	$ 101,140	$ 299,500	$ 164,540	$ 65,487	$ 1,010,128

Line	Description	
	Total cash and cash equivalents from financial statements	
	Cash and cash equivalents, ABHOW obligated Group	$ 25,504,000
	Cash and cash equivalents, Foundation	219,000
4	Total operating reserve, cash and cash equivalents	$ 25,723,000
	Total investments from financial statements	
	Investments, ABHOW obligated Group	$ 56,935,000
	Investments, Foundation	36,715,000
	Subtract:	
	Securities collateral required to back letters of credit as discussed in Note 10	4,315,427
	Total investments from financial statements	$ 89,334,573
	Total Investments securities and equity securities from Form 5-5	
5	Investment securities	$ 27,339,871
6	Equity securities	61,994,702
	Total investments securities and equity securities from Form 5-5	$ 89,334,573
	Operating reserve reconciliation	
4	Total operating reserve, cash and cash equivalents	$ 25,723,000
	Total investments from financial statements	89,334,573
12	Total listed for operating reserve obligation	$ 115,057,573
	Debt service reserve reconciliation	
5	Investment securities Form 5-5	$ 70,219,512
9	Debt service reserve Form 5-5	12,042,488
11	Total listed for debt service reserve obligation	$ 82,262,000
	ABHOW obligated group - restricted investments from financial statements	$ 82,262,000

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-5
SUPPLEMENTARY SCHEDULE: DESCRIPTION OF RESERVES UNDER SB 1212
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Description of Reserves under SB 1212		Comments in Consistency with Tax Exempt Status Under AB 1169
Total Qualifying Assets as Filed:		
Cash and Cash Equivalents	$ 25,723,000	
Unrestricted Investment Securities	93,650,000	
Subtotal Cash and Unrestricted Investment Securities	119,373,000	
Reserved for Workers Compensation	(4,315,427)	Securities collateral required to back letters of credit supporting partially self-insured workers compensation program as described in Note 10 to the audited financial statements.
Total Qualifying Assets as Filed:	115,057,573	
Reservations and Designations:		
Reserved for Refundable Entrance Fees - Terraces of Los Gatos	150,520	Refundable entrance fees received during 1990's on this campus and subject to refund provisions under Section 1792.6 of CC Statutes.
Designated for Endowment	36,659,000	Foundation unrestricted endowment funds that qualify for liquid reserves but are not available for operations. The Foundation does provide a guarantee for debt service as described in Note 7 to the audited financial statements. Earnings from the endowment funds are distributed to the communities for assistance with benevolence needs of residents.
Designated for 457(f)	5,622,000	Assets included in non-qualified retirement plan that is subject to the claims of creditors as discussed in Note 9 to the audited financial statements.
Designated for Claims	2,640,000	Claims and legal actions in the ordinary course of business as described in Note 14 to the audited financial statements.
Designated for Corporate Reserves	14,284,000	Per Executive Limitation #5 of the Board, a minimum of 45 days cash on hand must be maintained for working capital.
Designated for Guarantees	2,000,000	As discussed in Note 14 to the audited financial statements, ABHOW has provided temporary guarantees for a number of affordable housing communities as provided for in its master trust indenture. While ABHOW does not anticipate having to fund the guarantees, a designation of $2,000,000 of the maximum $30,000,000 is reflected as an estimate. Expanding affordable housing is consistent with ABHOW's mission statement and the Board's strategic objectives.
Designated for Commitments and Contingencies	7,000,000	
Designated for Campus Redevelopment	10,000,000	ABHOW's Terraces at Los Altos campus has embarked on a major redevelopment for the benefit of current and future residents. While certain borrowings have been restricted for this purpose, it is anticipated that unrestricted cash for this as well as future anticipated projects on other campuses will likely have to be utilized for a portion of those development projects to help manage the aggregate financing costs.
Total Reservations and Designations	78,355,520	
Remaining Liquid Reserves	$ 36,702,053	Reserves needed for general liquidity consistent with maintaining a credit rating of BBB with a positive effect on aggregate capital costs.

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
SUPPLEMENTAL SCHEDULE: RECONCILIATION OF RESERVES UNDER SB 1212
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Line Description	
Total qualifying assets as filed	
Cash and cash equivalents, ABHOW obligated Group	$ 25,504,000
Cash and cash equivalents, Foundation	219,000
Investments, ABHOW obligated group	56,935,000
Investments, Foundation	36,715,000
Subtract:	
Securities collateral required to back letters of credit as discussed in Note 10	4,315,427
Total qualifying assets as filed	$ 115,057,573
Reservations and designations	
Reserved for Refundable Entrance Fees - Terraces of Los Gatos	$ 150,520
Designated for Endowment - Note 15	36,659,000
Designated for 457(f) plan - Note 15	5,622,000
Designated for claims - Note 15	2,640,000
Designated for corporate reserves - Note 15	14,284,000
Designated for affordable housing guarantees - Note 15	2,000,000
Designated for commitments and contingencies - Note 15	7,000,000
Designated for campus redevelopment - Note 15	10,000,000
Remaining liquid reserves	$ 36,702,053

SUPPLEMENTARY SCHEDULE – PER CAPITA COST OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Per Capita Cost of Operations	
Operating Expenses (Form 5-4 line 1)	$ 123,465,000
Mean Number of CCRC Residents (Form 1-1 line 10)	1,795
Per Capita Cost of Operations	$ 68,783

NOTE 1 – BASIS OF ACCOUNTING

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

Statement of Cash Flow
2015 Total

	ABHOW California Obligated Group	Home Office	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos
Cash Flows from Operating Activities									
Cash Received from Non Contract Resident Services	14,345,103		2,013,385	399,894	3,193,384	408,286	2,291,444	3,825,711	2,212,998
Cash Received from Contract Resident Services	95,443,032	-	6,785,488	2,355,765	20,409,505	12,571,292	21,542,323	11,954,666	19,823,995
Cash Received from Entrance Fees & Deposits	20,117,008	-	738,371	705,155	4,245,273	2,056,235	4,117,635	839,071	7,415,268
Cash Received from Other Operating Income	12,664,465	9,479,974	179,509	237,682	508,444	411,454	1,139,597	306,322	401,483
Cash Received from Bequests and Trust Maturities	79	(2)	-	(15)	-	-	2	51	43
Cash Received from Investments	3,895,314	3,892,165	-	-	-	-	3,090	-	58
Cash Paid to Employees (Salaries & Wages)	(50,641,005)	(8,608,628)	(4,972,275)	(1,104,592)	(8,851,643)	(4,913,656)	(8,504,996)	(6,493,351)	(7,191,864)
Cash Paid for Employee Fringe Benefits	(14,491,967)	(1,166,010)	(1,402,075)	(338,196)	(2,948,453)	(1,659,259)	(2,873,985)	(1,943,628)	(2,160,361)
Cash Paid to Employees (subtotal)	(65,132,972)	(9,774,638)	(6,374,350)	(1,442,788)	(11,800,097)	(6,572,915)	(11,378,981)	(8,436,980)	(9,352,225)
Cash Paid to Temporary Labor	(3,594,814)	(67,686)	(344,391)	(136,606)	(925,074)	(484,633)	(779,179)	(276,725)	(580,519)
Cash Paid to Vendors	(47,439,232)	141,956	(7,896,468)	(1,729,944)	(8,732,189)	(5,410,625)	(8,731,876)	(7,179,253)	(7,900,833)
Cash Paid for Interest	(7,189,059)	(1,354,382)	(1,064,576)	(121,719)	(413,068)	(358,210)	(1,248,909)	(453,893)	(2,174,302)
Direct Entries to Equity Accts	-	-	-	-	-	-	-	-	-
Net Cash Provided by Operating Activities	23,108,923	2,317,389	(5,963,032)	267,423	6,486,177	2,620,883	6,955,147	578,969	9,845,967
Cash Flows from Investing Activities									
Acquisition of Property & Equipment	(29,358,845)	(81,851)	(13,007,361)	(1,750,680)	(2,204,510)	(2,005,711)	(5,100,655)	(1,722,190)	(3,485,886)
Change in Restricted Cash	(4,465,024)	(4,200,045)	(264,979)	-	-	-	-	-	-
Purchase of unrestricted investments	(25,441,477)	(25,441,477)	-	-	-	-	-	-	-
Proceeds from sale of unrestricted investments	24,121,446	24,121,446	-	-	-	-	-	-	-
Purchase of restricted investments	(154,581,042)	(13,726,180)	(134,662,552)	-	-	-	(6,008,602)	-	(183,708)
Cash utilized from restricted investments	163,090,075	9,748,656	150,718,037	-	-	-	2,447,103	-	176,278
Net Cash Flows from Investing Activities	(26,634,868)	(9,579,450)	2,783,145	(1,750,680)	(2,204,510)	(2,005,711)	(8,662,155)	(1,722,190)	(3,493,316)
Cash Flows from Financing Activities									
Payments of Notes and Bonds Payable	(43,817,235)	(35,836,478)	(2,175,782)	20,681	(693,936)	66,198	(4,393,910)	(151,165)	(652,843)
Proceeds from Issuance of Notes and Bonds Payable	55,845,517	55,845,517	-	-	-	-	-	-	-
Cash Received from Initial Entrance Fees & Deposits	3,298,433	-	274,662	-	630	-	3,023,141	-	-
Cash Paid for Deferred Debt Issuance Costs	(1,067,738)	(1,057,308)	(8,865)	-	-	-	(1,565)	-	-
Refunds of Deposits and Refundable Fees	(3,278,069)	-	(8,000)	(278,254)	(488,584)	(219,976)	(1,972,866)	(104,971)	(205,419)
Cash Received from Inter-Company Transactions	(1)	(4,027,063)	4,907,803	1,740,830	(3,105,607)	(460,188)	5,039,552	1,398,777	(5,494,104)
Cash Received from Restricted Gifts and Donations	-	-	-	-	-	-	-	-	-
Cash Received (paid) from Other Trust Activity - net	-	-	-	-	-	-	-	-	-
Cash Received from Capital Contributions	(3,818,396)	(4,000,000)	181,604	-	-	-	-	-	-
Disposition of (Assets)/Liabilities & Cost of Sale	-	-	-	-	-	-	-	-	-
Net Cash Flows from Financing Activities	7,162,511	10,924,668	3,171,422	1,483,257	(4,287,497)	(613,967)	1,694,352	1,142,641	(6,352,365)
Increase (decrease) in Cash	3,636,565	3,662,606	(8,464)	-	(5,830)	1,205	(12,656)	(581)	285
Cash, Beginning Balance	21,867,248	21,803,683	36,203	-	5,445	4,627	13,525	453	3,312
Cash, Ending Balance	25,503,813	25,466,289	27,738	-	(385)	5,832	869	(127)	3,598

Date Amended: 01/28/16

RECEIVED FEB 0 2 2016 CONTINUING CARE CONTRACTS BRANCH

Continuing Care Retirement Community Disclosure Statement
General Information

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

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	14	ASSISTED LIVING	NA
APARTMENTS – 1 BDRM	52	SKILLED NURSING	NA
APARTMENTS – 2/3 BDRM	24	SPECIAL CARE	NA
COTTAGES/HOUSES		DESCRIBE SPECIAL CARE:	
% OCCUPANCY AT YEAR END	90.8%		

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

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

REFUND PROVISIONS (Check all that apply): ☐90% ☐75% ☒50% ☒PRORATED TO 0% ☒OTHER: 80%

RANGE OF ENTRANCE FEES: $37,080 TO $145,024 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: ___

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

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): ABHOW's board includes 2 residents from its owned and managed CCRCs. Resident Council Presidents attend 3 of the 4 ABHOW board meetings per year.

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

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

SERVICES AVAILABLE

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

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

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

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

PROVIDER NAME: ____________

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	118,629,000	102,410,000	108,603,000	116,517,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	110,886,000	100,002,000	105,521,000	109,080,000
NET INCOME FROM OPERATIONS	7,743,000	2,408,000	3,082,000	7,437,000
LESS INTEREST EXPENSE	5,918,000	4,822,000	5,066,000	6,778,000
PLUS CONTRIBUTIONS	12,000	8,000	4,000	897,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,776,000	1,527,000	1,384,000	1,422,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	3,613,000	-879,000	-596,000	2,978,000
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	19,595,000	18,536,000	20,847,000	20,117,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2010	$103,635,000		2/16/2010	2040	
Series 2012	$18,950,000		1/2/2012	2036	
Series 2013	$71,250,000		2/1/2013	2043	
Series 2013	$1,943,000		2/1/2013	2020	
Series 2015	$52,080,000		5/28/2015	2045	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50th Percentile *(optional)*	**2013**	**2014**	**2015**
DEBT TO ASSET RATIO		57.50%	53.39%	50.07%
OPERATING RATIO		100.85%	100.54%	78.27%
DEBT SERVICE COVERAGE RATIO		2.58	2.12	4.41
DAYS CASH-ON-HAND RATIO		348.69	392.48	458.87

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE

	2012		2013		2014		2015
STUDIO	2,100	4.00%	2,130	4.90%	2,227	5.00%	2,487
ONE BEDROOM	2,615	4.00%	2,714	4.90%	2,827	5.00%	2,958
TWO BEDROOM	3,154	4.00%	3,222	4.90%	3,339	5.00%	3,592
THREE BEDROOM	3,484	4.00%	3,623	4.90%			
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

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

PROVIDER NAME: ______________________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

Date Amended: 01/28/16

Continuing Care Retirement Community
Disclosure Statement
General Information

FACILITY NAME: Piedmont Gardens Retirement Community
ADDRESS: 110 41st Street; Oakland, CA ZIP CODE: 94611 PHONE: 510-654-7172
PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW
RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Nonsectarian
YEAR OPENED: 1969 NO. OF ACRES: 2.8 MULTI-STORY: X SINGLE STORY: ___ BOTH: ___
MILES TO SHOPPING CTR: .5 MILES TO HOSPITAL: .5

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	19	ASSISTED LIVING	60
APARTMENTS – 1 BDRM	100	SKILLED NURSING	88
APARTMENTS – 2/3 BDRM	57	MEMORY CARE	16
COTTAGES/HOUSES	0	DESCRIBE SPECIAL CARE:	
% OCCUPANCY AT YEAR END	90.8%		

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

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

REFUND PROVISIONS (Check all that apply): ☐90% ☐75% ☒50% ☒PRORATED TO 0% ☒OTHER: 80%

RANGE OF ENTRANCE FEES: $38,500 TO $330,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

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

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

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): ABHOW's board includes 2 residents from its owned and managed CCRCs. Resident Council Presidents attend 3 of the 4 ABHOW board meetings per year.

FACILITY SERVICES AND AMENITIES

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

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

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

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

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

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

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

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

PROVIDER NAME: ______

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	118,629,000	102,410,000	108,603,000	116,517,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	110,886,000	100,002,000	105,521,000	109,080,000
NET INCOME FROM OPERATIONS	7,743,000	2,408,000	3,082,000	7,437,000
LESS INTEREST EXPENSE	5,918,000	4,822,000	5,066,000	6,778,000
PLUS CONTRIBUTIONS	12,000	8,000	4,000	897,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,776,000	1,527,000	1,384,000	1,422,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	3,613,000	-879,000	-596,000	2,978,000
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	19,595,000	18,536,000	20,847,000	20,117,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2010	$103,635,000		2/16/2010	2040	
Series 2012	$18,950,000		1/2/2012	2036	
Series 2013	$71,250,000		2/1/2013	2043	
Series 2013	$1,943,000		2/1/2013	2020	
Series 2015	$52,080,000		5/28/2015	2045	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO		57.50%	53.39%	50.07%
OPERATING RATIO		100.85%	100.54%	78.27%
DEBT SERVICE COVERAGE RATIO		2.58	2.12	4.41
DAYS CASH-ON-HAND RATIO		348.69	392.48	458.87

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2012		2013		2014		2015
STUDIO	2,395	4.00%	2,492	3.50%	2,585	4.00%	2,660
ONE BEDROOM	2,669	4.00%	2,776	3.50%	2,873	4.00%	2,959
TWO BEDROOM	4,389	4.00%	4,498	3.50%	4,654	4.00%	4,771
COTTAGE/HOUSE							
ASSISTED LIVING	5,607	3.50%	5,687	3.50%	5,791	3.50%	5,874
SKILLED NURSING	311/day	3.50%	319/day	3.50%	337/day	3.50%	345/day
SPECIAL CARE	6,796	3.50%	7,027	3.50%	7,349	3.00%	7,566

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

PROVIDER NAME: ______________________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

Continuing Care Retirement Community Disclosure Statement
General Information

Date Amended: 01/28/16

RECEIVED FEB 02 2016 CONTINUING CARE CONTRACTS BRANCH

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

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	0	ASSISTED LIVING	30
APARTMENTS – 1 BDRM	36	SKILLED NURSING	48
APARTMENTS – 2 BDRM	106	SPECIAL CARE	9
COTTAGES/HOUSES	43	DESCRIBE SPECIAL CARE:	Dementia
% OCCUPANCY AT YEAR END	86.0%		

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

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

REFUND PROVISIONS (Check all that apply): ☐90% ☐75% ☒50% ☒PRORATED TO 0% ☒OTHER: 80%

RANGE OF ENTRANCE FEES: $50,000 TO $345,565 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

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

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

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): ABHOW's board includes 2 residents from its owned and managed CCRCs. Resident Council Presidents attend 3 of the 4 ABHOW board meetings per year.

FACILITY SERVICES AND AMENITIES

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

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

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PROVIDER NAME: _____American Baptist Homes of the West______________________________

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

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

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

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

PROVIDER NAME: ______

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	118,629,000	102,410,000	108,603,000	116,517,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	110,886,000	100,002,000	105,521,000	109,080,000
NET INCOME FROM OPERATIONS	7,743,000	2,408,000	3,082,000	7,437,000
LESS INTEREST EXPENSE	5,918,000	4,822,000	5,066,000	6,778,000
PLUS CONTRIBUTIONS	12,000	8,000	4,000	897,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,776,000	1,527,000	1,384,000	1,422,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	3,613,000	-879,000	-596,000	2,978,000
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	19,595,000	18,536,000	20,847,000	20,117,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2010	$103,635,000		2/16/2010	2040	
Series 2012	$18,950,000		1/2/2012	2036	
Series 2013	$71,250,000		2/1/2013	2043	
Series 2013	$1,943,000		2/1/2013	2020	
Series 2015	$52,080,000		5/28/2015	2045	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO		57.50%	53.39%	50.07%
OPERATING RATIO		100.85%	100.54%	78.27%
DEBT SERVICE COVERAGE RATIO		2.58	2.12	4.41
DAYS CASH-ON-HAND RATIO		348.69	392.48	458.87

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2012		2013		2014		2015
STUDIO							
ONE BEDROOM	2,310	3.50%	2,391	3.50%	2,475	4.00%	2,572
TWO BEDROOM	2,515	3.50%	2,605	3.50%	2,699	4.00%	2,806
COTTAGE/HOUSE	2,779	3.50%	2,857	3.50%	2,952	4.00%	3,069
ASSISTED LIVING	4,977	2.00%	5,581	3.00%	5,593	3.50%	5,902
SKILLED NURSING	239/day	2.00%	244/day	2.75%	254/day	3.50%	266/day
SPECIAL CARE	5,932	1.50%	5,964	2.00%	6,191	3.00%	6,453

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

PROVIDER NAME: ______________________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

Continuing Care Retirement Community Disclosure Statement
General Information

Date Amended: 01/28/16

RECEIVED FEB 02 2016 CONTINUING CARE CONTRACTS BRANCH

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

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	20	ASSISTED LIVING	31
APARTMENTS – 1 BDRM	55	SKILLED NURSING	74
APARTMENTS – 2 BDRM	31	SPECIAL CARE	18
COTTAGES/HOUSES	-	DESCRIBE SPECIAL CARE:	Memory Support
% OCCUPANCY AT YEAR END	96.6%		

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

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

REFUND PROVISIONS (Check all that apply): ☐90% ☐75% ☐ 50% ☒PRORATED TO 0% ☒OTHER: 80%

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

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

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

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): ABHOW's board includes 2 residents from its owned and managed CCRCs. Resident Council Presidents attend 3 of the 4 ABHOW board meetings per year.

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

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

SERVICES AVAILABLE

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

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

PROVIDER NAME: American Baptist Homes of the West

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

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

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

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

PROVIDER NAME: ______

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	118,629,000	102,410,000	108,603,000	116,517,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	110,886,000	100,002,000	105,521,000	109,080,000
NET INCOME FROM OPERATIONS	7,743,000	2,408,000	3,082,000	7,437,000
LESS INTEREST EXPENSE	5,918,000	4,822,000	5,066,000	6,778,000
PLUS CONTRIBUTIONS	12,000	8,000	4,000	897,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,776,000	1,527,000	1,384,000	1,422,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	3,613,000	-879,000	-596,000	2,978,000
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	19,595,000	18,536,000	20,847,000	20,117,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2010	$103,635,000		2/16/2010	2040	
Series 2012	$18,950,000		1/2/2012	2036	
Series 2013	$71,250,000		2/1/2013	2043	
Series 2013	$1,943,000		2/1/2013	2020	
Series 2015	$52,080,000		5/28/2015	2045	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO		57.50%	53.39%	50.07%
OPERATING RATIO		100.85%	100.54%	78.27%
DEBT SERVICE COVERAGE RATIO		2.58	2.12	4.41
DAYS CASH-ON-HAND RATIO		348.69	392.48	458.87

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE

	2012		2013		2014		2015
STUDIO	1,947	4.00%	2,027	3.50%	2,075	4.00%	2,151
ONE BEDROOM	2,554	4.00%	2,639	3.50%	2,720	4.00%	2,791
TWO BEDROOM	3,053	4.00%	3,159	3.50%	3,269	4.00%	3,384
COTTAGE/HOUSE							
ASSISTED LIVING	4,082	4.00%	4,463	3.50%	4,493	3.00%	4,700
SKILLED NURSING	268/day	4.00%	281/day	3.50%	284/day	3.00%	301/day
SPECIAL CARE	4,727	3.00%	5,364	3.50%	5,552	3.00%	5,775

COMMENTS FROM PROVIDER:

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

PROVIDER NAME: ______________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

Continuing Care Retirement Community Disclosure Statement
General Information

Date Amended: 01/28/16

RECEIVED FEB 0 2 2016 CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: The Terraces at Los Altos Retirement Community
ADDRESS: 373 Pine Lane; Los Altos, CA ZIP CODE: 94022 PHONE: 650-948-8291
PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW
RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Nonsectarian
YEAR OPENED: 1949 NO. OF ACRES: 7 MULTI-STORY: ___ SINGLE STORY: ___ BOTH: X
MILES TO SHOPPING CTR: 2 MILES TO HOSPITAL: 4

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	4	ASSISTED LIVING	20
APARTMENTS – 1 BDRM	12	SKILLED NURSING	30
APARTMENTS – 2 BDRM	16	SPECIAL CARE	16
COTTAGES/HOUSES		DESCRIBE SPECIAL CARE:	Dementia Care
% OCCUPANCY AT YEAR END	96.9%		

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

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

REFUND PROVISIONS (Check all that apply): ☐90% ☐75% ☒50% ☒PRORATED TO 0% ☒OTHER: 80%

RANGE OF ENTRANCE FEES: $75,000 TO $891,926 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

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

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

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): ABHOW's board includes 2 residents from its owned and managed CCRCs. Resident Council Presidents attend 3 of the 4 ABHOW board meetings per year.

FACILITY SERVICES AND AMENITIES

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

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

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

PROVIDER NAME: ______________________

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

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

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

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

PROVIDER NAME: ______________________

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	118,629,000	102,410,000	108,603,000	116,517,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	110,886,000	100,002,000	105,521,000	109,080,000
NET INCOME FROM OPERATIONS	7,743,000	2,408,000	3,082,000	7,437,000
LESS INTEREST EXPENSE	5,918,000	4,822,000	5,066,000	6,778,000
PLUS CONTRIBUTIONS	12,000	8,000	4,000	897,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,776,000	1,527,000	1,384,000	1,422,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	3,613,000	-879,000	-596,000	2,978,000
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	19,595,000	18,536,000	20,847,000	20,117,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2010	$103,635,000		2/16/2010	2040	
Series 2012	$18,950,000		1/2/2012	2036	
Series 2013	$71,250,000		2/1/2013	2043	
Series 2013	$1,943,000		2/1/2013	2020	
Series 2015	$52,080,000		5/28/2015	2045	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO		57.50%	53.39%	50.07%
OPERATING RATIO		100.85%	100.54%	78.27%
DEBT SERVICE COVERAGE RATIO		2.58	2.12	4.41
DAYS CASH-ON-HAND RATIO		348.69	392.48	458.87

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2012		2013		2014		2015
STUDIO	2,880	4.00%	2,996	3.50%	3,094	1.00%	3,206
ONE BEDROOM	4,113	4.00%	4,230	3.50%	4,401	1.00%	4,570
TWO BEDROOM	4,903	4.00%	5,104	3.50%	5,121	1.00%	5,326
COTTAGE/HOUSE							
ASSISTED LIVING	5,781	4.00%	6,182	3.50%	6,242	3.50%	6,737
SKILLED NURSING	305/day	4.00%	312/day	3.50%	433/day	3.50%	441/day
SPECIAL CARE					7,926	3.50%	8,706

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

PROVIDER NAME: ______________________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

Continuing Care Retirement Community Disclosure Statement

Date Amended: 01/28/16

General Information

FACILITY NAME: The Terraces of Los Gatos Retirement Community

ADDRESS: 800 Blossom Hill Rd.; Los Gatos, CA ZIP CODE: 95032 PHONE: 408-356-1006

PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW

RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Nonsectarian

YEAR OPENED: 1992 NO. OF ACRES: 9 MULTI-STORY: ___ SINGLE STORY: ___ BOTH: X

MILES TO SHOPPING CTR: .25 MILES TO HOSPITAL: 1.0

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	10	ASSISTED LIVING	45
APARTMENTS – 1 BDRM	73	SKILLED NURSING	59
APARTMENTS – 2 BDRM	82	SPECIAL CARE	16
COTTAGES/HOUSES	10	DESCRIBE SPECIAL CARE:	PT, OT, ST, aqua therapy
% OCCUPANCY AT YEAR END	100%		

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

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

REFUND PROVISIONS (Check all that apply): ☐90% ☐75% ☒50% ☒PRORATED TO 0% ☒OTHER: 80%

RANGE OF ENTRANCE FEES: $179,452. - $1,026,316. **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

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

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

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): ABHOW's board includes 2 residents from its owned and managed CCRCs. Resident Council Presidents attend 3 of the 4 ABHOW board meetings per year.

FACILITY SERVICES AND AMENITIES

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

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

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

PROVIDER NAME: American Baptist Homes of the West

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

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

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

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

PROVIDER NAME: ______

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	118,629,000	102,410,000	108,603,000	116,517,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	110,886,000	100,002,000	105,521,000	109,080,000
NET INCOME FROM OPERATIONS	7,743,000	2,408,000	3,082,000	7,437,000
LESS INTEREST EXPENSE	5,918,000	4,822,000	5,066,000	6,778,000
PLUS CONTRIBUTIONS	12,000	8,000	4,000	897,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,776,000	1,527,000	1,384,000	1,422,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	3,613,000	-879,000	-596,000	2,978,000
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	19,595,000	18,536,000	20,847,000	20,117,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2010	$103,635,000		2/16/2010	2040	
Series 2012	$18,950,000		1/2/2012	2036	
Series 2013	$71,250,000		2/1/2013	2043	
Series 2013	$1,943,000		2/1/2013	2020	
Series 2015	$52,080,000		5/28/2015	2045	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50th Percentile *(optional)*	**2013**	**2014**	**2015**
DEBT TO ASSET RATIO		57.50%	53.39%	50.07%
OPERATING RATIO		100.85%	100.54%	78.27%
DEBT SERVICE COVERAGE RATIO		2.58	2.12	4.41
DAYS CASH-ON-HAND RATIO		348.69	392.48	458.87

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2012		**2013**		**2014**		**2015**
STUDIO	2,947	3.00%	3,035	3.00%	3,126	3.00%	3,235
ONE BEDROOM	3,412	3.00%	3,514	3.00%	3,619	3.00%	3,746
TWO BEDROOM	4,514	3.00%	4,650	3.00%	4,789	3.00%	4,957
COTTAGE/HOUSE	5,747	3.00%	5,919	3.00%	6,097	3.00%	6,310
ASSISTED LIVING	4,897	3.00%	5,231	3.00%	5,544	3.00%	5,736
SKILLED NURSING	299/day	2.50%	308/day	3.00%	318/day	2.50%	328/day
SPECIAL CARE			9,165	3.00%	8,544	3.00%	8,563

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

PROVIDER NAME: ______________________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Amended: 01/28/16

FACILITY NAME: Valle Verde Retirement Community
ADDRESS: 900 Calle de los Amigos; Santa Barbara, CA ZIP CODE: 93105 PHONE: 805-883-4000
PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW
RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Nonsectarian
YEAR OPENED: 1966 NO. OF ACRES: 65 MULTI-STORY: ___ SINGLE STORY: X BOTH: ___
MILES TO SHOPPING CTR: 2 MILES TO HOSPITAL: 4

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	7	ASSISTED LIVING	26
APARTMENTS – 1 BDRM	93	SKILLED NURSING	72
APARTMENTS – 2 BDRM	126	SPECIAL CARE	17
COTTAGES/HOUSES	25	DESCRIBE SPECIAL CARE:	Dementia
% OCCUPANCY AT YEAR END	92 %		

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

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

REFUND PROVISIONS (Check all that apply): ☐90% ☐75% ☒50% ☒PRORATED TO 0% ☒OTHER: 80%

RANGE OF ENTRANCE FEES: $54,000 TO $750,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: $750/month credit up to a maximum of $18,000 upon permanent move to health center.

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

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): ABHOW's board includes 2 residents from its owned and managed CCRCs. Resident Council Presidents attend 3 of the 4 ABHOW board meetings per year.

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

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

SERVICES AVAILABLE

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

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

PROVIDER NAME: American Baptist Homes of the West

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

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

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

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

PROVIDER NAME: ____________________

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	118,629,000	102,410,000	108,603,000	116,517,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	110,886,000	100,002,000	105,521,000	109,080,000
NET INCOME FROM OPERATIONS	7,743,000	2,408,000	3,082,000	7,437,000
LESS INTEREST EXPENSE	5,918,000	4,822,000	5,066,000	6,778,000
PLUS CONTRIBUTIONS	12,000	8,000	4,000	897,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,776,000	1,527,000	1,384,000	1,422,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	3,613,000	-879,000	-596,000	2,978,000
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	19,595,000	18,536,000	20,847,000	20,117,000

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2010	$103,635,000		2/16/2010	2040	
Series 2012	$18,950,000		1/2/2012	2036	
Series 2013	$71,250,000		2/1/2013	2043	
Series 2013	$1,943,000		2/1/2013	2020	
Series 2015	$52,080,000		5/28/2015	2045	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO		57.50%	53.39%	50.07%
OPERATING RATIO		100.85%	100.54%	78.27%
DEBT SERVICE COVERAGE RATIO		2.58	2.12	4.41
DAYS CASH-ON-HAND RATIO		348.69	392.48	458.87

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2012		2013		2014		2015
STUDIO	2,320	3.75%	2,420	4.00%	2,517	3.00%	2,592
ONE BEDROOM	2,626	3.75%	2,769	4.00%	2,889	3.00%	2,951
TWO BEDROOM	4,241	3.75%	4,407	4.00%	4,670	3.00%	4,843
COTTAGE/HOUSE	4,430	3.75%	4,623	4.00%	4,784	3.00%	5,126
ASSISTED LIVING	5,238	4.50%	5,619	3.50%	6,041	3.00%	6,095
SKILLED NURSING	303/day	4.50%	309/day	3.50%	329/day	3.00%	342/day
SPECIAL CARE	7,252	4.00%	7,540	3.50%	7,805	3.00%	8,111

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

PROVIDER NAME: ____________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	**$ 2,144– 3,953**	**NA**	**NA**
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**5.00%**		

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

[3] Indicate the date the fee increase was implemented: December 01, 2014
(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.

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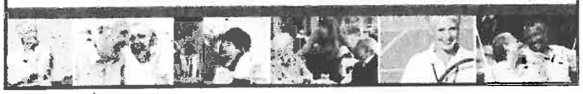
☑ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

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

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

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

GRAND
LAKE
GARDENS
AN ABHOW RETIREMENT COMMUNITY



GRAND LAKE GARDENS

Discussion with Residents
Budget 2016

Budget Team

2016 Budget

- GLG's Resident Advisory Board Committees
- ABHOW Board of Directors
- HO Supporting staff: (Finance, HR, Operations, Legal department)
- GLG's Staff Department Managers, Executive Director

3

Occupancy Assumptions

The Residences = 87% 78/90

Capital Expense Budget 2016

Paint exterior building (continuation of phase 2/3)	$ 90,000
Grand Assembly/Dining Room Remodel	75,000
ADA Accessible Power doors	30,000
GLG Signage	15,000
IT Cabling/Network Relocation	25,000
Rooftop Garden/Lounge/Walkway	350,000
Garage Gate Replacement	30,000
Garage Resurfacing/Striping	150,000
Garbage compactor	40,000
Heating system in apt upgrade	50,000
Digital signage	20,000

Capital Expense Budget 2016

Hallway light modernization	100,000
Dining room screens/glass –thermal efficiency	25,000
Upgrade radio/communication system	30,000
Upgrade/replace ARIAL	10,000
A/C in Lobby	2,000
Basement reorganization/EE break room build out	100,000
Grand Assembly Chairs	10,000
Evacuation Chairs for stairwells	25,000
Motorized door openers	25,000
Solar project	360,000
Total capital project requests	**$1,562,000**

6

Operating Margin

(in $000)	2016 Budget	2015 Budget	Variance
Operating Revenue	3,344	3,018	326
Operating Expense	(3,689)	(3,455)	(234)
Operating Margin	(345)	(436)	91
Interest Expense on Debt	(184)	(122)	(62)
Cash Operating Margin	(529)	(557)	28

GRAND LAKE GARDENS

Rate Increase

Effective January 1, 2016

- The Residences: 5.00 %

GRAND LAKE GARDENS

Recent Fee Increase History (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Residences	3.95	3.5	4.75	2.9	4.5	4.9	4.00	4.90	4.00	5.00

10 Year Average Rate Increase The Residences	5 Year Average Rate Increase The Residences
4.24%	4.56%

GRAND LAKE GARDENS

Thank you for your time and attention

Questions and Answers

GRAND LAKE GARDENS

FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (Includes 2nd Person Fee)	$ 2,556 - 5,912	$ 5,437–9,733	$ 338 – 448 per day
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.00%	3.50%	3.50 %

☐ Check here if monthly service fees at this community were 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: December 1, 2014
(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.

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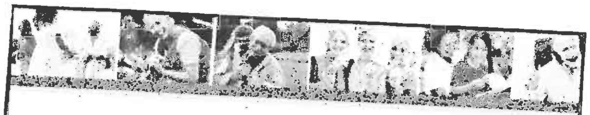
☑ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

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

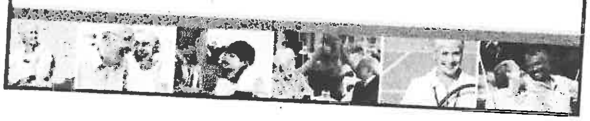
☑ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

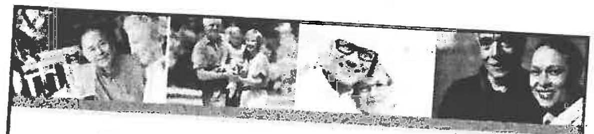
[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

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



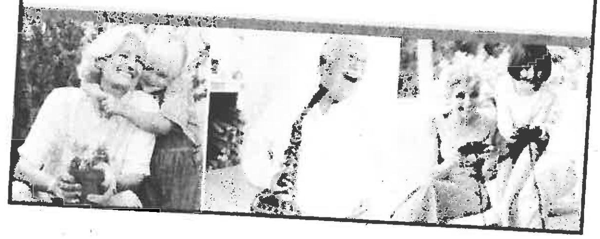
PIEDMONT
GARDENS
AN ABHOW RETIREMENT COMMUNITY





PIEDMONT GARDENS

Discussion with Residents
Budget FY 2016



Budget Team

- PG's Resident Advisory Board Finance Committee → 2016 Budget
- ABHOW Board of Directors → 2016 Budget
- HO Supporting staff: (Finance, HR, Operations) → 2016 Budget
- Executive Director Department Managers → 2016 Budget

PIEDMONT GARDENS

3

Occupancy Assumptions

The Residences	= 94.3%	166.9/177
The Lodge	= 80.0%	48/60
The Grove	= 81.3%	13/16
The Village	= 84.4%	76/90

PIEDMONT GARDENS

Capital Expense Budget 2016

Fire Sprinkler Installation	$800,000
Rebuilding elevators	$600,000
1st Floor Meeting Space	$250,000
Deco Gard installation	$250,000
Dining room upgrades	$225,000
1st Floor Café/Bistro	$200,000
1st Floor Flooring	$50,000
L-Tac unit replacement	$50,000
LED light upgrades	$45,000
Annunciator Panels	$25,000
PA System	$25,000
Nurse Call System	$15,000
Replacement of certain lawns	$10,000
Total Budgeted Capital Expense	$2,545,000

Operating Revenue ($000s)

(in $000)	2016 Budget	2015 Budget	Variance
The Residences	7,421	7,054	367
The Lodge	3,393	3,010	383
The Grove	1,130	1,180	(50)
The Village	11,765	11,378	387
Wellness	169	118	51
Other Operating Revenue	238	234	4
Foundation Distribution	203	183	20
Total Operating Revenue	24,319	23,157	1,162

PIEDMONT GARDENS

Rate Increase

Effective December 1, 2015

- The Residences: 4.00 %
- The Lodge: 3.50 %
- The Grove: 3.00 %
- The Village: 3.50 %

PIEDMONT

Recent Fee Increase History (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Residences	4.50	3.85	3.85	2.90	3.00	4.90	4.00	3.50	3.00	4.00
Lodge	5.00	4.50	3.95	3.50	3.00	4.90	3.50	3.50	3.00	3.50
Village	5.00	3.75	3.95	3.50	3.00	4.00	3.50	3.50	3.50	3.50
Grove						4.90	3.50	3.50	3.00	3.00

10 Year Average Rate Increase The Residences	5 Year Average Rate Increase The Residences
3.75%	3.88%

PIEDMONT

This budget is achievable and Piedmont Gardens expects to meet or exceed its budget for 2015. The fee increases for FY 2015 are prudent and congruent with its financial goals.

PIEDMONT

Thank you for your time and attention

Questions and Answers

PIEDMONT

16

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	**$2,572 - 3,226**	**$4,475-$6,495**	**$260 - $350 per day**
	2nd person fee	**$1,332**		
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**4.00%**	**3.50%**	**3.50%**

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

[3] Indicate the date the fee increase was implemented: Residential Living on January 1, 2015; all others on October 1, 2013
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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

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

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

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

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

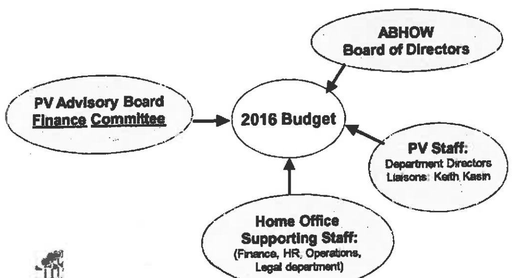
PROVIDER: American Baptist Homes of the West
COMMUNITY: Plymouth Village

Plymouth Village

Plymouth Village

Plymouth Village Budget FY2016

Plymouth Village's Budget Team



Plymouth Village

Budgeted Occupancy Assumptions

The Residences	= 90.3%	167/185
The Lodge	= 95%	28.5/30
The Village	= 83.3%	40/48
The Grove	= 80.0%	8/10

Plymouth Village

Capital Expense Budget 2016

Project Title	Budget
Expanded Roam Alert Network	$72,000
ShoreTel Phone System	$95,000
Dining Equipment Replacements	$159,000
Dual pane windows	$160,000
LED Lighting upgrade	$100,000
Village kitchen	$20,000
Village Plumbing and HVAC replacement	$35,000
Kendall	$300,000
Village Nurse Call	$25,000
Village Carpet	$55,000
POS for BS an Conc	$12,000
Final phase of campus security cameras	$93,000
Laundry Equip Replacement	$40,000
LED Lighting upgrade	$100,000
Total Capital Expense Budget	**$1,266,000**
Apartment Remodels	Share of $6,000,000 pool

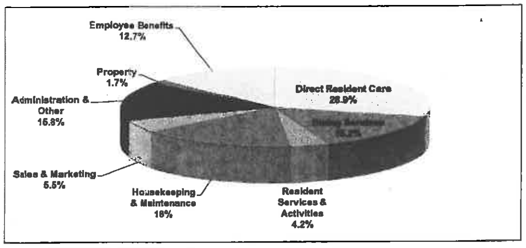
Plymouth Village

Operating Margins ($000s)

	2016 Budget	2015 Budget	Change
Operating Revenues	13,978	12,924	1054
Operating Expenses	13,468	12,529	939
Operating Margin	510	395	115
Less interest on debt:			
Interest Expense	385	358	27
Cash Operating Margin	125	37	88

Plymouth Village

Expenses



Plymouth Village

Budget 2016

Rate Increase

Effective October 1, 2015

- The Lodge: 3.5%
- The Village: 3.5%
- The Grove: 3.0%

Effective January 1, 2016

- The Residences: 4.0%

Plymouth Village

Recent Fee Increase History (%)

	2012	2013	2014	2015	2016
The Residences	4.90	3.50	3.50	3.90	4.00
The Lodge	4.90	2.00	3.00	3.90	3.50
The Grove	4.90	1.50	2.00	3.00	3.00
The Village	4.00	2.00	2.75	3.90	3.50

Five Year Average Rate Increase The Residences
3.96%

Plymouth Village

This budget is achievable and Plymouth Village expects to meet or exceed its budget for 2016. The fee increases for FY 2016 are prudent and congruent with its financial goals.

Plymouth Village

Thank you for your time and attention

Questions and Answers

Plymouth Village

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	$1,942 - $3,305	$1,958- $6,374	$285 - $381 per day
	2nd Person Fee	$544		
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.00%	3.00%	3.50%

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

[3] Indicate the date the fee increase was implemented: January 1, 2015
(If more than 1 increase was implemented, indicate the dates for each increase.)

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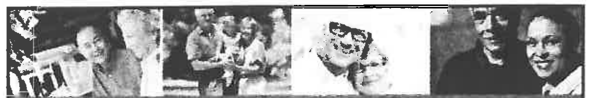
PROVIDER: American Baptist Homes of the West
COMMUNITY: Rosewood

Rosewood

SENIOR LIVING COMMUNITY

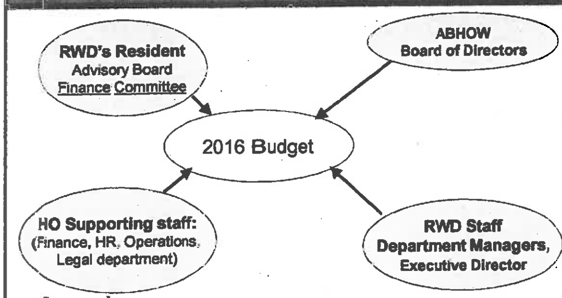
AN ABHOW RETIREMENT COMMUNITY



Rosewood SENIOR LIVING COMMUNITY

Discussion with Residents Budget FY 2016

Rosewood's Budget Team



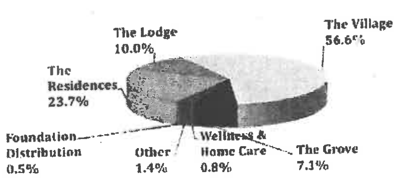
Rosewood

Budgeted Occupancy Assumptions

The Residences	96.2 % 102
The Lodge	90.3 % 28.0
The Grove	91.7 % 16.5
The Village	92.3 % 68.3

Rosewood

Revenue Resources



Rosewood

Budget 2016

Operating Revenue

(in $000)	2016 Budget	2015 Budget	Change
The Residences	$ 3,750	$ 3,546	$ 204
The Lodge	1,591	1,480	111
The Village	8,968	8,684	284
The Grove	1,121	1,088	33
Wellness & Home Care	120	104	16
Other Operating Revenue	229	216	13
Foundation Distributions	78	70	8
Operating Revenue	$15,857	$15,188	$ 669

Rosewood

This budget is achievable and Rosewood expects to meet or exceed its budget for 2016. The fee increases for FY 2016 are prudent and congruent with its financial goals.

Rosewood

Thank you for your time and attention

Questions and Answers

Rosewood

FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	**$3,196 – 5,536**	**$4,715 - $10,016**	**$ 370 - $483 per day**
	2nd Person Fee	**$302**		
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**1.00%**	**3.50%**	**3.50%**

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

[3] Indicate the date the fee increase was implemented: January 1, 2015
(If more than 1 increase was implemented, indicate the dates for each increase.)

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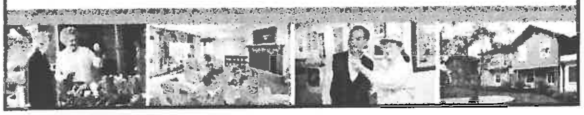
PROVIDER: American Baptist Homes of the West
COMMUNITY: Terraces at Los Altos

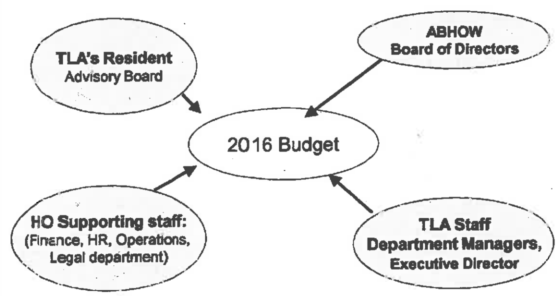
THE TERRACES
At Los Altos
OWNED AND MANAGED BY ABHOW



THE TERRACES

The Terraces at Los Altos Budget FY2016

Terraces at Los Altos Budget Team

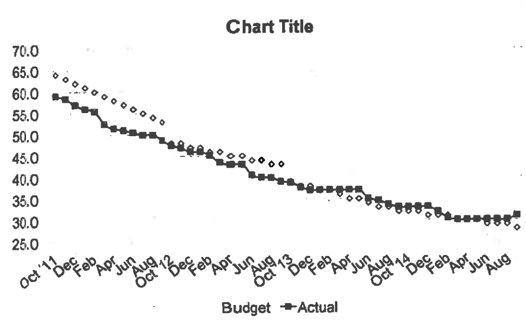


Assumptions

Budgeted Occupancy Assumptions

The Residences = 95.5 %
The Lodge = 96.4 %
The Village = 95.0%
The Grove = 93.8%

Occupancy Decline - The Residences



Factors Affecting Operating Margin

- **Revenue**
  - Occupancy reduced in The Residences from an average of 30.2 in 2015 to an average 22 in 2016
    - Due to redevelopment, 21 Residential residents will be able to remain in their apartments
    - The completion of the Phase 3 Residences buildings is estimated for 8/30/16, with occupancy initiating about 10/1/16, so the new inventory will not affect FY2016
  - Occupancy increased in the Lodge from an average of 17 in 2015 to 27 in 2016
    - **28** Lodge apartments were completed in January 2015. Lodge occupancy will increase with move-ins from outside as well as residential residents who convert to needing assisted living services.

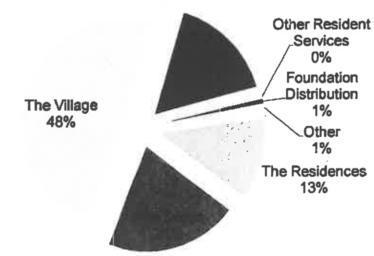
Recent Fee Increase History (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Res.	3.5%	5.0%	2.9%	3.0%	4.9%	4.0%	3.5%	3.5%	1.0%
Lodge	4.5%	5.0%	3.5%	3.0%	4.9%	4.0%	3.5%	3.5%	3.5%
Villages	4.5%	5.0%	3.5%	3.0%	4.0%	4.0%	3.5%	3.5%	3.5%
Grove							0.0%	3.5%	3.5%

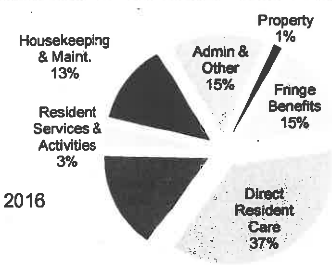
Nine Year Average Rate Increase The Residences 3.48%	Five Year Average Rate Increase The Residences 3.38%

Revenue Sources

Budget 2016



Expenses



Budget 2016

This budget is achievable and The Terraces at Los Altos expects to meet or exceed its budget for 2016. The fee increases for FY 2016 are prudent and congruent with its financial goals.

Thank you for your time and attention

Questions and Answers

FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	$3,126 – 6,097	$4,385-8,516	$302 - $409 per day
	2nd person fee	$857		
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.00%	3.00%	2.75%

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

[3] Indicate the date the fee increase was implemented: Skilled Nursing on October 1, 2014; all others on January 1, 2015
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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

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

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

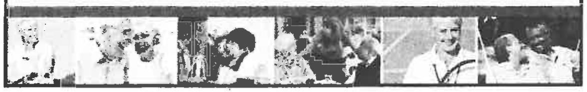
☑ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

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

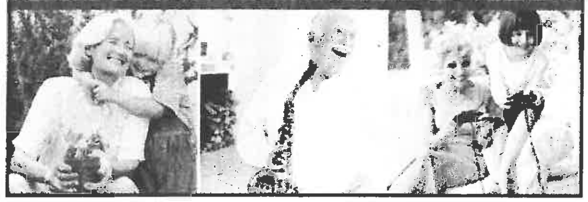
THE TERRACES
of Los Gatos

AN ABHOW RETIREMENT COMMUNITY

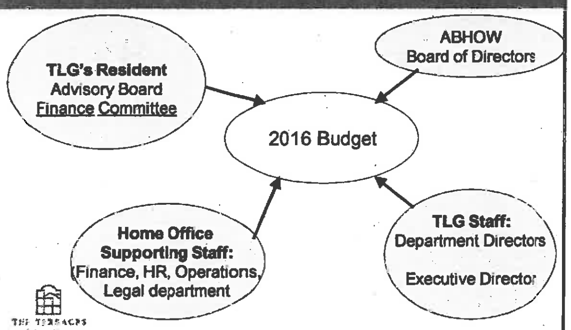


THE TERRACES
of Los Gatos

Discussion with Residents Budget FY 2016



Terraces of Los Gatos Budget Team



THE TERRACES of Los Gatos

Assumptions

Budgeted Occupancy Assumptions

The Residences	=	96.0%	168.0
The Lodge	=	94.4%	42.0
The Grove	=	93.8%	15.0
The Village	=	87.3%	51.5

THE TERRACES of Los Gatos

Capital Expense Budget 2016

Village Phase II & Village Equipment	$ 116,000
LED Light & Concrete Replacement	250,000
Laundry Room: RL Remodel & Bldg. C	150,000
Remodel Galleria - most areas are tied into the new Café for 2016	390,000
Campus Bldg. Painting & Campus LED Lighting	175,000
Elevator Remodel	50,000
Boiler Replacement	75,000
Cooling Tower Bldg. A, Q, D	325,000
Bldg. A,B&C Common and Pool Area Furniture and or Artwork	125,000
Main Dining Room	100,000
Total Capital Expense Budget	**$ 1,756,000**

THE TERRACES of Los Gatos

Operating Revenue

(in $000)	2016 Budget	2015 Budget	Variance
The Residences	9,541	9,114	427
The Lodge	2,914	2,752	162
The Grove	1,534	1,517	17
The Village	8,407	8,002	405
Wellness	124	110	14
Other Operating Revenue	278	230	48
Foundation Distributions	62	52	10
Operating Revenue	**22,860**	**21,777**	**1,083**

THE TERRACES of Los Gatos

Terraces of Los Gatos
Recent Fee Increase History (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Res.	3.50	3.50	4.25	2.90	2.0	3.5	3.0	3.0	3.50	3.00
Lodge	4.00	4.00	4.75	3.60	2.5	4.0	3.0	3.0	3.00	3.00
Grove	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.75	3.00
Village	4.95	5.00	4.75	3.60	4.0	2.8	2.5	3.0	2.75	2.50

Ten Year Average Rate Increase The Residences	Five Year Average Rate Increase The Residences
3.22%	3.20%

This budget is achievable and Terraces of Los Gatos expects to meet or exceed its budget for 2016. The fee increases for FY 2016 are prudent and congruent with its financial goals.

Thank you for your time and attention

Questions and Answers

FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	$2,592 - $5,553	$5,115-$7,885	$291 - $490 per day
	2nd Person Fee	$942		
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.00%	3.50%	3.50%

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

[3] Indicate the date the fee increase was implemented: Skilled Nursing on October 1, 2014; all others on January 1, 2015
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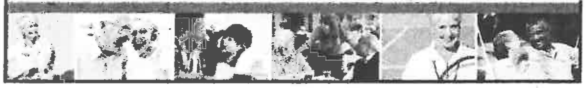
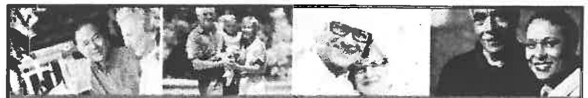
[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

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

VALLE VERDE

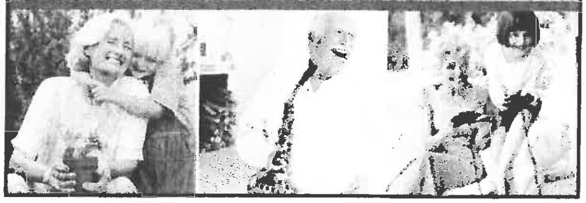
AN ABHOW RETIREMENT COMMUNITY





VALLE VERDE

Valle Verde Budget FY 2016



Valle Verde's Budget Team

ABHOW
Board of Directors

VV Advisory Board

Finance Committee:
Gail Harling, Chair
Jeanne Nicholls Pennycook
Bob Miller
Charles Greene
Don O'Dowd
Duncan Mellichamp

2016 Budget

VV Staff:
Department Directors
Liaisons: Melissa Honig,
Mary Naflus

Home Office
Supporting Staff:
(Finance, HR, Operations,
Legal department)

VALLE VERDE

Budgeted Occupancy Assumptions

The Residences	=	93.1%	233.8
The Lodge	=	96.2%	25.0
The Grove	=	94.1%	16.0
The Village	=	88.2%	63.5

VALLE VERDE

Capital Expense Budget 2016

Switch-Gear Replace	$ 400,000
Nurse Call-Village	250,000
Bed replacement	125,000
Paving Lots/Surfaces	100,000
Village-Ceilings-Lights	50,000
Kitchen Walk In Cooler	40,000
HW Tanks-Boiler Room	25,000
Quail-Grove-HW	20,000

VALLE VERDE

Capital Expense Budget 2016 (cont.)

Roof Replacement	$ 20,000
Bathrooms-Mailboxes	18,000
Hydronic Boilers	16,000
Lighting fixture upgrades	15,000
Quail Dining HVAC	12,000
Bathrooms-Social Room	11,000
Main Electric panels	10,000
Total Capital Expenditures	**$1,112,000**

VALLE VERDE

Rate Increases

Effective January 1, 2016

- The Residences: 3.00%
- The Lodge: 3.00%
- The Grove: 3.00%

Effective October 1, 2015

- The Village: 3.00%

VALLE VERDE

Recent Fee Increase History (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Resi-dences	3.50	3.50	3.75	2.00	3.00	4.50	3.75	4.00	3.00	3.00
Lodge	4.50	5.00	5.50	2.00	3.00	5.00	4.50	3.50	3.00	3.00
Grove	4.50	5.00	5.50	2.00	3.00	5.00	4.00	3.50	3.00	3.00
Village	5.50	5.00	5.50	2.00	3.00	5.00	4.50	3.50	3.00	3.00

10 Year Average Rate Increase The Residences	Five Year Average Rate Increase The Residences
3.40%	3.65%

Competitor Five Year Averages
Samarkand = 3.9%
Vista del Monte = 3.9%
Casa Dorinda = 3.9%

TW4 NM5 TW10 NM8 TW12

Mary the competitor 5yr Avgs needs to be update. This data is from last year's presentation.

VALLE VERDE

This budget is achievable and Valle Verde expects to meet or exceed its budget for 2016. The fee increases for FY 2016 are prudent and congruent with its financial goals.

VALLE VERDE

Thank you for your time and attention

Questions and Answers

VALLE VERDE