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CONTINUING CARE
COMMUNITY RETIREMENT
ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED:
09 / 30 / 15

PROVIDER(S): CONGREGATIONAL HOMES, INC.

CCRC(S): MT. SAN ANTONIO GARDENS

CONTACT PERSON: PATRICIA WILLIAMS, CFO

TELEPHONE NO.: (909) 399-1281 EMAIL: pwilliams@the-gardens.org

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

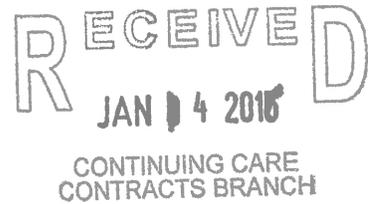
- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 21,432
 - If applicable, late fee in the amount of: \$ N/A
- Certification by the provider's **Chief Executive Officer** that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use 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.



CONGREGATIONAL HOMES, INC.

900 E. Harrison Avenue, Pomona, CA 91767
(909) 624-5061 Fax: (909) 626-2126



December 22, 2015

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

Dear Sir/Madam:

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

1. The annual reserve report and any attachments thereto for our fiscal year ending 9/30/2015 are correct to the best of my knowledge.
2. Each continuing care contract form in use or offered to new residents has been approved by the Department.
3. Mt. San Antonio Gardens has and will continue to maintain the required liquid reserve and, if applicable, the required refund reserve.

Sincerely,

Maureen Beith
President and CEO

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	486
[2]	Number at end of fiscal year	498
[3]	Total Lines 1 and 2	984
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	492
All Residents		
[6]	Number at beginning of fiscal year	498
[7]	Number at end of fiscal year	516
[8]	Total Lines 6 and 7	1014
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	507
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.97

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only) \$25,825,814
[a]	Depreciation \$3,348,805
[b]	Debt Service (Interest Only) \$391,639
[2]	Subtotal (add Line 1a and 1b) \$3,740,444
[3]	Subtract Line 2 from Line 1 and enter result. \$22,085,370
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) 97%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) \$21,431,957
[6]	Total Amount Due (multiply Line 5 by .001) \$21,432

PROVIDER Congregational Homes, Inc
COMMUNITY Mt. San Antonio Gardens



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JPARSONS

CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)

CONTINUING CARE CONTRACTS BRANCH 12/4/2015

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

If this certificate is being prepared for a party who has an insurable interest in the property, do not use this form. Use ACORD 27 or ACORD 28.

PRODUCER License # 0797015
Lewis & Assoc. Ins. Brokers, Inc.
700 W. Center Avenue
Visalia, CA 93291

CONTACT NAME: Julia Parsons, CIC, CPIW, CISR
PHONE (A/C, No, Ext): (559) 733-7272 FAX (A/C, No): (559) 733-5612
E-MAIL ADDRESS: Juliap@since1927.com
PRODUCER CUSTOMER ID: CONGHOM-01

INSURED

Congregational Homes, Inc.
900 E. Harrison Ave.
Pomona, CA 91767

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A: GuideOne Insurance	15032
INSURER B:	
INSURER C:	
INSURER D:	
INSURER E:	
INSURER F:	

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
Verification of continuing fidelity coverage.

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

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS
	PROPERTY				BUILDING	\$
	CAUSES OF LOSS	DEDUCTIBLES			PERSONAL PROPERTY	\$
	BASIC	BUILDING			BUSINESS INCOME	\$
	BROAD	CONTENTS			EXTRA EXPENSE	\$
	SPECIAL				RENTAL VALUE	\$
	EARTHQUAKE				BLANKET BUILDING	\$
	WIND				BLANKET PERS PROP	\$
	FLOOD				BLANKET BLDG & PP	\$
						\$
						\$
	INLAND MARINE	TYPE OF POLICY				\$
	CAUSES OF LOSS					\$
	NAMED PERILS	POLICY NUMBER				\$
						\$
X	CRIME				X Employee Dishonesty	\$ 500,000
A	TYPE OF POLICY	1423212	12/01/2015	12/01/2016	X Deductible	\$ 1,000
	Fidelity Coverage					\$
	BOILER & MACHINERY / EQUIPMENT BREAKDOWN					\$
						\$
						\$

SPECIAL CONDITIONS / OTHER COVERAGES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER

State of California
Department of Social Services
Continuing Care Contracts
744 P St., MS 10-90
Sacramento, CA 95814

CANCELLATION

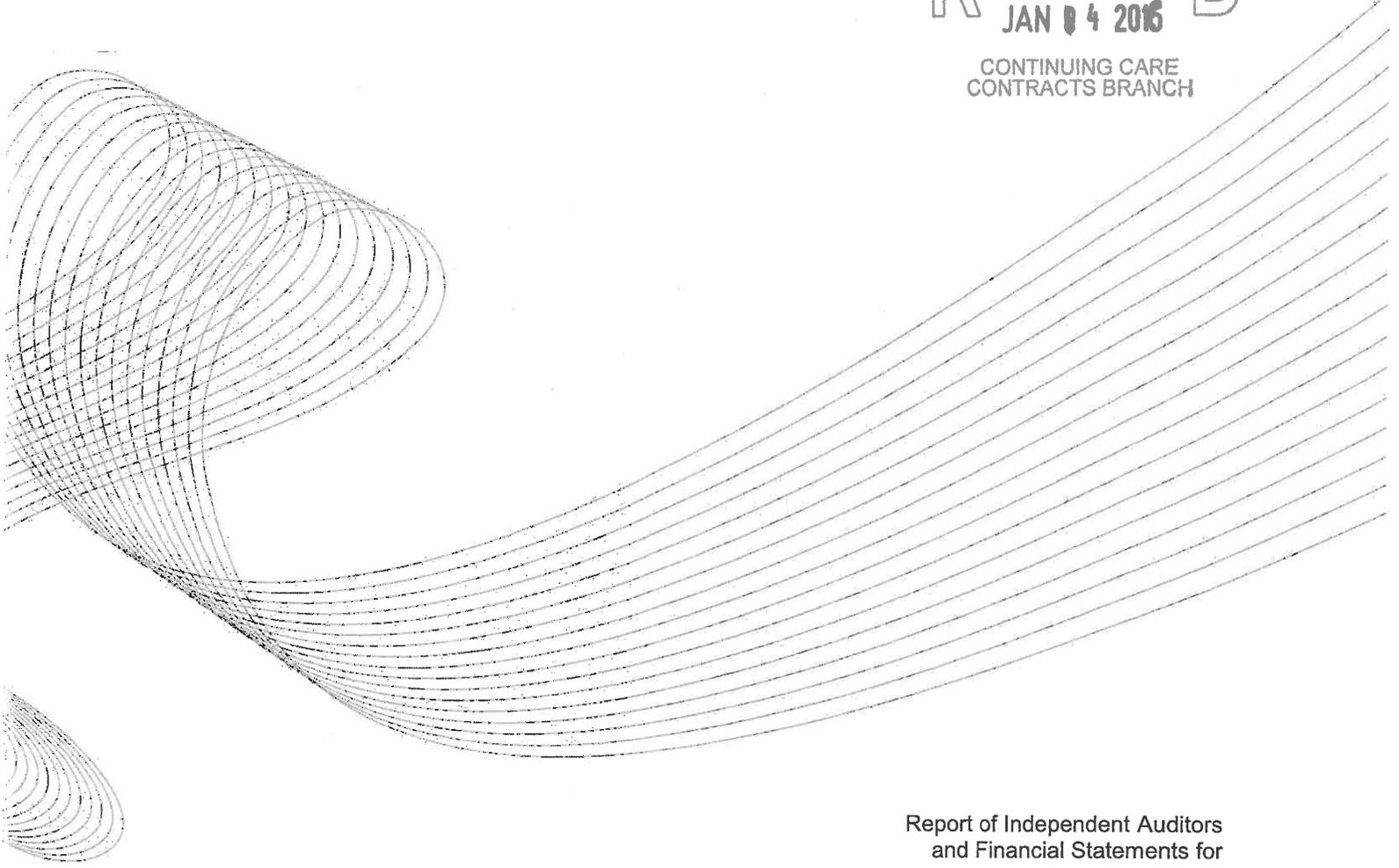
SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

J. Parsons

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CONTINUING CARE
CONTRACTS BRANCH



Report of Independent Auditors
and Financial Statements for

Congregational Homes, Inc. dba
Mt. San Antonio Gardens

September 30, 2015 and 2014

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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CONTINUING CARE
 CONTRACTS BRANCH

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
 Congregational Homes, Inc. dba Mt. San Antonio Gardens

Report on Financial Statements

We have audited the accompanying financial statements of Congregational Homes, Inc. dba Mt. San Antonio Gardens, which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of unrestricted revenues, expenses, and other changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Congregational Homes, Inc. dba Mt. San Antonio Gardens as of September 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California
 December 18, 2015

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
STATEMENTS OF FINANCIAL POSITION

ASSETS	SEPTEMBER 30,	
	2015	2014
Current Assets		
Cash and cash equivalents	\$ 2,634,862	\$ 4,173,719
Short-term investments	2,373,313	2,380,578
Accounts receivable, net	508,377	668,545
Other current assets	1,185,003	1,126,001
Total current assets	6,701,555	8,348,843
Noncurrent Assets		
Investments	34,860,515	33,556,541
Deferred financing costs, net	268,599	320,535
Derivative financial instrument	145,571	411,549
Property, plant and equipment, net	50,644,948	50,740,402
Total Assets	\$ 92,621,188	\$ 93,377,870
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 744,701	\$ 703,245
Accrued expenses	1,274,680	1,199,376
Workers' compensation liability	745,612	769,199
Refundable deposits and other liabilities	190,195	152,725
Current portion of unsecured term notes payable	106,190	57,901
Current portion of long-term debt	690,000	665,000
Total current liabilities	3,751,378	3,547,446
Noncurrent Liabilities		
Liabilities under split-interest agreements	533,205	602,019
Deferred revenue from advance fees, including estimated refundable fees of \$150,000 in 2015 and 2014	33,316,047	31,768,579
Asset retirement obligation	91,292	85,964
Unsecured term notes payable, net of current portion	283,670	326,313
Long-term debt, net of current portion	18,605,000	19,295,000
Total Liabilities	56,580,592	55,625,321
Net Assets		
Unrestricted	24,869,593	26,001,638
Temporarily restricted	4,363,719	4,955,825
Permanently restricted	6,807,284	6,795,086
Total Net Assets	36,040,596	37,752,549
Total Liabilities and Net Assets	\$ 92,621,188	\$ 93,377,870

See accompanying notes.

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES, AND OTHER CHANGES IN
UNRESTRICTED NET ASSETS

	YEARS ENDED SEPTEMBER 30,	
	2015	2014
REVENUES		
Care and service fees	\$ 16,741,304	\$ 15,567,282
Amortization of advance fees	5,052,214	4,745,166
Non-member health services	1,195,557	982,230
Non-member assisted living	297,849	305,760
HMO/Medicare	398,283	521,245
Interest income and dividends	692,335	637,563
Contributions	77,519	80,331
Other	693,172	640,047
Net assets released from restrictions, used for operations	685,167	610,553
Total Revenues	<u>25,833,400</u>	<u>24,090,177</u>
EXPENSES		
Skilled nursing facility	5,438,147	5,211,040
Health support services	598,549	546,585
Physical therapy	248,347	240,614
Wellness center	289,386	252,017
Maintenance	1,965,183	1,837,839
Housekeeping	1,596,171	1,496,962
Oak tree lodge (assisted living)	1,580,051	1,568,573
Dining services	4,346,023	4,164,256
Grounds	575,512	553,891
Security	173,122	167,732
Taxes and insurance	936,338	907,255
Interest	391,639	401,916
Deferred financing costs	51,936	125,116
Bond costs	3,644	3,744
Utilities	1,161,684	1,211,911
Asset retirement obligation	5,328	5,094
Depreciation	3,348,805	3,269,580
Bad debt expense	27,067	829
Total Program Expenses	<u>22,736,932</u>	<u>21,964,954</u>
Administration	2,523,781	2,793,575
Marketing	565,101	647,250
Total Operating Expenses	<u>25,825,814</u>	<u>25,405,779</u>
OPERATING INCOME (LOSS)	<u>7,586</u>	<u>(1,315,602)</u>
NONOPERATING REVENUE (EXPENSE)		
Changes in fair value of interest rate cap	(265,978)	(218,391)
Net loss on disposal and write-down of operating assets	(92,043)	(101,525)
Realized gains on investments, net	196,123	142,489
Total Nonoperating Expense	<u>(161,898)</u>	<u>(177,427)</u>
Deficiency of revenue over expenses	(154,312)	(1,493,029)
Net assets released for capital projects	90,951	-
Unrealized gains (losses) on investments, net	(1,068,684)	924,805
Change in unrestricted net assets	<u>\$ (1,132,045)</u>	<u>\$ (568,224)</u>

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
STATEMENTS OF CHANGES IN NET ASSETS

	YEARS ENDED SEPTEMBER 30,	
	2015	2014
UNRESTRICTED NET ASSETS		
Deficiency of revenue over expenses	\$ (154,312)	\$ (1,493,029)
Net assets released for capital projects	90,951	-
Unrealized gains (losses) on investments, net	(1,068,684)	924,805
Change in unrestricted net assets	(1,132,045)	(568,224)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	100,315	461,481
Interest income	164,560	140,413
Changes in the actuarial value of split-interest agreements	(102,254)	(137,951)
Net assets released from restrictions, used for operations	(685,167)	(610,553)
Net assets released from restriction for capital projects	(90,951)	-
Gardens club activity	299,937	442,349
Realized gains on investments, net	73,585	45,770
Unrealized gains (losses) on investments, net	(352,131)	316,075
Change in temporarily restricted net assets	(592,106)	657,584
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	128,092	4,388
Changes in the actuarial value of split-interest agreements	(115,894)	(140,899)
Change in permanently restricted net assets	12,198	(136,511)
CHANGE IN NET ASSETS	(1,711,953)	(47,151)
NET ASSETS - BEGINNING OF YEAR	37,752,549	37,799,700
NET ASSETS - END OF YEAR	\$ 36,040,596	\$ 37,752,549

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
STATEMENTS OF CASH FLOWS - DIRECT METHOD

	YEARS ENDED SEPTEMBER 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents	\$ 18,068,080	\$ 16,850,685
Cash from advance fees received	6,872,346	7,059,967
Cash received from contributions	477,771	984,161
Cash received from investment income	856,895	777,976
Cash received from other sources	1,091,455	1,161,292
Cash paid for interest on long-term debt	(391,171)	(401,750)
Cash paid to employees and vendors	(21,983,716)	(21,493,980)
Net cash provided by operating activities	4,991,660	4,938,351
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,997,484)	(6,031,276)
Proceeds from sale of investments	1,428,881	5,884,573
Acquisition of property, plant and equipment	(3,264,477)	(2,009,417)
Net cash used in investing activities	(5,833,080)	(2,156,120)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from promissory notes	72,297	95,307
Payments on promissory notes	(66,651)	(84,554)
Repayments of bonds payable	(665,000)	(640,000)
Payments on split-interest agreements	(166,175)	(195,194)
Proceeds from contributions for split-interest agreements	128,092	4,388
Net cash used in financing activities	(697,437)	(820,053)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,538,857)	1,962,178
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,173,719	2,211,541
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,634,862	\$ 4,173,719

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
STATEMENTS OF CASH FLOWS - RECONCILIATION TO OPERATING ACTIVITIES

	YEARS ENDED SEPTEMBER 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,711,953)	\$ (47,151)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,348,805	3,269,580
Asset retirement obligation	5,328	5,094
Advance fees received	6,872,346	7,059,967
Bad debt expense	27,067	829
Amortization of entrance fees	(5,052,214)	(4,745,166)
Contributions restricted for long term purposes	(128,092)	(4,388)
Donated capital assets	(77,519)	(80,331)
Net losses (gains) on investments	1,151,107	(1,429,139)
Changes in actuarial value of split-interest agreements	218,148	278,850
Amortization of deferred financing costs	51,936	125,116
Changes in fair value of interest rate cap	265,978	218,391
Loss on disposal and write-down of operating assets	92,043	101,525
Decrease (increase) in operating assets:		
Accounts receivable	(139,563)	75,744
Other current assets	(59,002)	(173,842)
Increase (decrease) in operating liabilities:		
Accounts payable	38,058	(59,430)
Accrued expenses	75,304	166,251
Workers' compensation liability	(23,587)	117,500
Refundable deposits and other liabilities	37,470	58,951
	<u>\$ 4,991,660</u>	<u>\$ 4,938,351</u>

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization

Congregational Homes, Inc., dba Mt. San Antonio Gardens (“MSAG”), incorporated as a California not-for-profit public benefit corporation, is a nationally accredited Life Care retirement community. MSAG owns and operates 300 independent living units, 70 assisted living units and 72 skilled nursing facility units.

The Gardens Club, consisting of all the residents of MSAG, engages in activities for the betterment of MSAG. The Gardens Club assets, net assets, and results of operations are included in MSAG’s financial statements as part of temporarily restricted net assets.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – MSAG classifies its net assets into three categories as follows:

Unrestricted net assets – Unrestricted net assets generally result from revenues from providing services, receiving unrestricted contributions, and receiving dividend and interest income, less expenses incurred in providing services, raising contributions, and performing administrative and marketing functions. The only limits on the use of unrestricted net assets are the broad limits resulting from MSAG’s mission as defined in its articles of incorporation and bylaws.

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

Permanently restricted net assets – Permanently restricted net assets have been restricted by donors to be maintained by MSAG in perpetuity. Unrealized gains and investment income allocated to permanently restricted net assets are classified as temporarily restricted net assets, as supported by the associated agreements, until those amounts are appropriated for expenditure by MSAG in a manner consistent with the standard of prudence prescribed by the California Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Accounting method – The accrual method of accounting is used.

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

Cash and cash equivalents – MSAG considers all short-term investments with an original maturity of ninety days or less to be cash equivalents. As of September 30, 2015 and 2014, cash equivalents are comprised of money market funds.

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Investments – Investments consist of exchange traded funds and mutual funds and are classified as available-for-sale. All investments are reported at fair value. Unrealized holding gains and losses of available-for-sale securities are reported below deficiency of revenue over expenses. Realized gains and losses from the sale of available-for-sale securities are included above deficiency of revenue over expenses on a specific-identification basis. Investment income that is restricted by the donor or law is recorded as an increase in temporarily or permanently restricted net assets.

Accounts receivable – Bad debts are accounted for using the allowance method. Management estimates the allowance based upon historical write-off experience. The allowance for doubtful accounts totaled \$40,000 as of September 30, 2015 and 2014.

Other current assets – Includes prepaid insurance, other prepaid expenses, workers' compensation insurance recoveries receivable, and inventory which consists of food and kitchen supplies. Inventory is valued at first-in/first-out cost.

Deferred financing costs – Deferred financing costs include debt issuance costs incurred in connection with the issuance of the Series 2010 tax-exempt bonds. The costs are being amortized over the terms of the financing agreements using the straight-line method, which approximates the effective interest method.

Property, plant and equipment – Property, plant and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt. Depreciation is computed on the straight-line method based on estimated useful lives of 40 years for buildings built prior to September 30, 2005, 50 years for buildings completed after September 30, 2005, and 5 to 20 years for equipment. MSAG defines its capital expenditures as tangible assets of a relatively permanent nature, generally costing more than \$500.

Derivative financial instruments – MSAG purchased an interest rate cap in December 2010 to manage the interest rate risk associated with its variable rate debt. MSAG accounts for its interest rate cap in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 815, *Derivatives and Hedging*, which requires that all derivatives be carried at fair value on the statements of financial position.

Asset retirement obligations – Asset retirement obligations include legal obligations associated with the retirement of long-lived assets. These liabilities are recorded at fair value when incurred and are capitalized by increasing the carrying amount of the associated long-lived asset. The fair value of the obligation is measured based on the present value of estimated future retirement costs. Asset retirement costs are depreciated on a straight-line basis through the estimated date of retirement. Subsequent to the initial recognition, period-to-period changes in the carrying amount of the liability are recorded due to the passage of time and revisions to either the timing or amount of the original estimated cash flows. Liabilities are released when the related obligations are settled. Accretion expense was \$5,328 and \$5,094 for the years ended September 30, 2015 and 2014, respectively.

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Deficiency of revenue over expenses – The statements of unrestricted revenues, expenses, and other changes in unrestricted net assets include deficiency of revenue over expenses. Changes in unrestricted net assets, which are excluded from deficiency of revenues over expenses, include unrealized gains and losses on other-than-trading securities and restricted contributions expended during the year for capital.

Net patient service revenue (Skilled nursing facility) – MSAG has agreements with third-party payers that provide for payments to MSAG at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue, including Non-Member Health Services and HMO/Medicare, is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Donor-restricted gifts – Donations and other assets received are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of unrestricted revenues, expenses, and other changes in unrestricted net assets as net assets released from restrictions.

Obligation to provide future services – MSAG annually calculates the present value of the costs of providing future services and use of facilities to current residents less future revenues such as monthly fees and compares the net amount (“estimated obligation”) with the balance of deferred revenue from advance fees. If the estimated obligation exceeds the deferred revenue from advance fees, a liability is recorded with the corresponding charge to income. For the years ended September 30, 2015 and 2014, a corresponding liability is not required. The present value of the obligation as of September 30, 2015 and 2014 was calculated using a discount rate of 5%.

MSAG estimates the cost of future services and the use of facilities in calculating the future obligation. The estimated amount of the obligation is based on actuarial assumptions such as life expectancy, projected future monthly resident fees, projected future operating costs and estimated future inflation rate. Actual results will differ from those estimates.

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Concentration of credit risk – MSAG is a continuing care retirement community whose one campus is located on property in Claremont and Pomona, California. MSAG charges monthly fees on open accounts to its residents, all of whom live on campus.

MSAG has cash located in various institutions. The amount on deposit in one institution (MSAG's operating accounts) periodically exceeded the federally insured limit of \$250,000. MSAG monitors the financial condition of these institutions on an ongoing basis and does not believe significant credit risk exists at this time.

Split-interest agreements – MSAG sponsors charitable programs that enable the donor to receive income for life and leave the remainder of the principal to MSAG and other charitable organizations. These are referred to as split-interest agreements and can take several different forms, such as a gift annuity, an annuity trust, or a unitrust.

MSAG accounts for these agreements separately from other assets and liabilities even though some assets are pooled for investment purposes. Included in investments as of September 30, 2015 and 2014, is approximately \$2.9 million and \$3.2 million, respectively, of assets managed by MSAG under these programs.

The terms and discount rates for these agreements are based upon the life expectancy of the donor(s) and present value tables provided by the Internal Revenue Service for determining the amount of the charitable contribution. Assets donated are recorded at their fair value at the date of the agreement. In subsequent years, the value of the contributions is actuarially adjusted to reflect the income earned on the assets, less distributions and the then present value of the liability to the income beneficiaries. Payments of income to beneficiaries are principally funded by the investment income of the related investments.

Deferred revenue from advance fees – Fees paid by a resident upon entering into a life care or continuing care contract are recorded as deferred revenue. Such fees are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The actuarial life expectancy tables used are based on MSAG's historical experience. Upon the death of a resident, the unamortized portion of an advance fee is included in current year amortization. A portion of deferred revenue from advance fees is allocated to refundable fees as described below.

Refundable fees – MSAG is obligated to refund a portion of advance fees to residents who withdraw before six years. If a resident withdraws (or dies) within ninety days, the entire advance fee is refunded, less reasonable expenses. After ninety days, the amount to be refunded upon withdrawal is the advance fee, less 1.39% of the advance fee per month. The liability for refundable advance fees of \$150,000 as of September 30, 2015 and 2014 is an estimate based upon MSAG's experience. As of September 30, 2015 and 2014, the maximum amount refundable was approximately \$17,744,000 and \$16,957,000, respectively.

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Income taxes – MSAG is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California franchise taxes under Revenue and Taxation code Section 23701d. Accordingly, no provision has been made for income taxes.

MSAG has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to MSAG's continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not (>50%) of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

New accounting guidance – In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, *Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 is intended to define debt issuance costs as a direct deduction from the debt liability as opposed to a deferred asset that has no future economic benefit. This presentation will have the effect of reducing the proceeds of borrowing, thereby increasing the effective interest rate. This guidance is effective for MSAG in the annual period ending September 31, 2017 and interim and annual periods thereafter. The impact of ASU 2015-03 will result in a reduction in the net carrying amount of MSAG's long-term debt equal to net deferred financing fees which amounted to \$268,599 as of September 30, 2015.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. As compared to existing guidance on revenue recognition, ASU 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principles-based guidance in ASU 2014-09 will provide a framework for addressing revenue recognition issues comprehensively for entities that apply U.S. GAAP in addition to those entities that apply International Financial Reporting Standards. The guidance in ASU 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. ASU 2014-09 is effective for annual periods beginning after December 15, 2018 (fiscal year ending September 30, 2020 for MSAG). MSAG is currently evaluating the impact of the provisions of ASU 2014-09 on the presentation of its financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40) – Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. This guidance is effective for MSAG in the annual period ending September 30, 2017 and interim and annual periods thereafter. MSAG does not expect the adoption of this standard to have a material impact on its financial statement disclosures.

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

In the normal course of business, MSAG evaluates all new accounting pronouncements to determine the potential impact they may have on its financial statements. Based upon this evaluation, MSAG does not expect any of the remaining recently issued accounting pronouncements, which have not already been adopted by MSAG, to have a material impact on its financial statements.

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

MSAG has evaluated subsequent events through December 18, 2015 which is the date the financial statements were issued, and concluded that there were no additional events or transactions that need to be disclosed.

Note 3 – Investments

In accordance with ASC 820, MSAG classifies its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
NOTES TO FINANCIAL STATEMENTS

Note 3 – Investments (continued)

Investments – Investments held by MSAG consist of level 1 exchange traded funds and mutual funds. These investments have quoted prices in an active market and are therefore classified within level 1 of the valuation hierarchy.

Derivative financial instrument – The fair value of the interest rate cap agreement 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.

The following tables disclose by level the fair value hierarchy of investments held:

	Investment Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
Gold exchange traded fund	\$ 189,142	\$ -	\$ -	\$ 189,142
Mutual funds:				
Balanced fund	268,971	-	-	268,971
Bond funds	26,113,858	-	-	26,113,858
International funds	2,756,445	-	-	2,756,445
US equity funds	7,905,412	-	-	7,905,412
Derivative financial instrumen	-	145,571	-	145,571
	<u>\$ 37,233,828</u>	<u>\$ 145,571</u>	<u>\$ -</u>	<u>\$ 37,379,399</u>

	Investment Assets at Fair Value as of September 30, 2014			
	Level 1	Level 2	Level 3	Total
Gold exchange traded fund	\$ 205,692	\$ -	\$ -	\$ 205,692
Mutual funds:				
Balanced fund	421,568	-	-	421,568
Bond funds	23,482,291	-	-	23,482,291
International funds	2,946,050	-	-	2,946,050
US equity funds	8,881,518	-	-	8,881,518
Derivative financial instrumen	-	411,549	-	411,549
	<u>\$ 35,937,119</u>	<u>\$ 411,549</u>	<u>\$ -</u>	<u>\$ 36,348,668</u>

The following table discloses the composition of investment return for the years ended September 30:

	2015	2014
Investment income, net		
Interest and dividend income	\$ 856,895	\$ 777,976
Realized gains on investments, net	269,708	188,259
Unrealized gains (losses) on investments, net	(1,420,815)	1,240,880
Total investment income, net	<u>\$ (294,212)</u>	<u>\$ 2,207,115</u>

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
NOTES TO FINANCIAL STATEMENTS

Note 4 - Deferred Financing Costs

Deferred financing costs, net, consist of the following as of September 30:

	<u>2015</u>	<u>2014</u>
Deferred financing costs	\$ 520,861	\$ 520,861
Less accumulated amortization	<u>(252,262)</u>	<u>(200,326)</u>
Deferred financing costs, net	<u>\$ 268,599</u>	<u>\$ 320,535</u>

Note 5 - Property, Plant, and Equipment

Property, plant, and equipment consist of the following as of September 30:

	<u>2015</u>	<u>2014</u>
Land improvements	\$ 6,908,870	\$ 6,871,903
Buildings and improvements	74,117,881	73,288,461
Furniture and equipment	<u>9,535,285</u>	<u>8,596,538</u>
Total depreciable assets	90,562,036	88,756,902
Less accumulated depreciation	<u>42,836,179</u>	<u>39,801,796</u>
Depreciable assets, net	47,725,857	48,955,106
Land	1,438,329	1,438,329
Construction in progress	<u>1,480,762</u>	<u>346,967</u>
Total property and equipment, net	<u>\$ 50,644,948</u>	<u>\$ 50,740,402</u>

Note 6 - Retirement Plan

MSAG maintains a retirement plan under Section 403(b) of the Internal Revenue Code, for substantially all full time employees. The plan is with United Church of Christ Pension Plan for Lay Employees. Employees who elect to participate are required to contribute, at a minimum, 3% (and may contribute up to 20%, subject to IRS dollar limitations) of their compensation to the plan. MSAG matches 100% of the employees' contribution, up to 10% of their compensation for each calendar year in which the employee completes at least 1,000 hours of service, and has completed two years of continuous service. MSAG's contributions to this plan totaled \$385,781 and \$402,676 for the years ended September 30, 2015 and 2014, respectively.

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
NOTES TO FINANCIAL STATEMENTS

Note 7 – Functional Classification of Expenses

The costs of providing the various program services and support activities have been summarized below on a functional basis. Accordingly, certain indirect costs have been allocated to the program services.

	<u>2015</u>	<u>2014</u>
Program expenses		
Residential living	\$ 10,398,474	\$ 9,784,041
Oak tree lodge (assisted living)	3,608,181	3,390,931
Skilled nursing facility	<u>8,730,277</u>	<u>8,789,982</u>
Total	22,736,932	21,964,954
Support activities		
Administration	2,523,781	2,793,575
Marketing	<u>565,101</u>	<u>647,250</u>
Total expenses	<u>\$ 25,825,814</u>	<u>\$ 25,405,779</u>

Note 8 – Temporarily Restricted Net Assets

MSAG receives charitable donations and split interest agreements (annuities and trusts) which the donor has stipulated must be used for a specific purpose and/or within a certain time period. The following is a summary of the temporarily restricted purposes:

	<u>2015</u>	<u>2014</u>
Homeship care for residents	\$ 1,771,944	\$ 2,209,061
Gardens club	604,607	608,602
Split-interest agreements	1,664,585	1,799,801
All other restrictions	<u>322,583</u>	<u>338,361</u>
Total temporarily restricted net assets	<u>\$ 4,363,719</u>	<u>\$ 4,955,825</u>

Net assets released from restrictions used for operations were derived from the following for the years ended September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Homeship fund transfers	\$ 395,352	\$ 365,268
Appreciation transfer	281,037	238,000
Maturities of split-interest agreements	-	7,285
Miscellaneous	<u>8,778</u>	<u>-</u>
	<u>\$ 685,167</u>	<u>\$ 610,553</u>

Net assets released from restrictions for capital expenditures totaled \$90,951 and \$0 during the years ended September 30, 2015 and 2014, respectively.

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
NOTES TO FINANCIAL STATEMENTS

Note 9 – Permanently Restricted Net Assets

Charitable donations received by MSAG where the principal may not be spent and must be maintained in perpetuity are recorded as permanently restricted. The following is a summary of the permanently restricted purposes:

	<u>2015</u>	<u>2014</u>
Endowment restricted net assets	\$ 6,108,777	\$ 5,984,901
Split-interest agreements	<u>698,507</u>	<u>810,185</u>
Total permanently restricted net assets	<u>\$ 6,807,284</u>	<u>\$ 6,795,086</u>

Note 10 – Endowment Restricted Net Assets

The Board of Directors of MSAG follow the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) in determining the fair value of the donor-restricted assets. As a result, MSAG classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. MSAG’s endowment spending policy provides the guidance for the distribution of the net appreciation of restricted endowments. At the beginning of each fiscal year, MSAG will distribute 5% of the average market value of the endowment fund for the twelve calendar quarters ended March 31 of the prior fiscal year. Endowment earning distributions are made in twelve equal monthly installments.

In accordance with UPMIFA, MSAG considers the following factors in making a determination to appropriate or accumulate donor-restricted assets:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted assets may fall below the level that the donor or UPMIFA requires MSAG to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets when applicable. There were no such deficiencies as of September 30, 2015 and 2014.

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS

NOTES TO FINANCIAL STATEMENTS

Note 10 – Endowment Restricted Net Assets (continued)

Return objectives, risk parameters and strategies employed for achieving objectives – MSAG has adopted investment and spending policies for restricted assets that attempt to provide a predictable stream of funding to the program. Under this policy, as approved by the Board of Directors, the restricted assets are invested in a manner that is intended to preserve and protect the assets by earning an appropriate return on the investments.

During the year ended September 30, 2014, investment earnings allocated to endowment funds totaled \$517,339 and were recorded as increases in temporarily restricted net assets. Such amounts were appropriated for expenditure during the year and recorded as increases in unrestricted net assets. During the year ended September 30, 2015, MSAG experienced losses on their investment portfolio; therefore, no amounts were available to be appropriated for expenditure.

Note 11 – Unsecured Term Notes Payable

MSAG issued unsecured term notes, as allowed by the Commissioner of Corporations of the State of California, to its residents. The notes pay interest determined by the length of the repayment time and amount of the note that range from 1.75% to 3.5%. Interest on the notes are payable on a quarterly basis and principal payments are due on the maturity dates of the notes. Principal payment commitments on unsecured term notes payable are as follows:

<u>Fiscal Year</u>		
2016	\$	106,190
2017		58,184
2018		136,821
2019		28,702
2020		59,963
Total	\$	<u>389,860</u>

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
NOTES TO FINANCIAL STATEMENTS

Note 12 - Long-Term Debt

On December 1, 2010, MSAG issued Series 2010 Bonds ("Bonds"). The proceeds of the Bonds totaling \$21,775,000 were used to refinance all of the outstanding Certificates of Participation (\$18,645,000) issued in 2004, reimburse MSAG for the payment of prior expenditures for planning the Green Houses Project, purchase interest rate protection, and pay certain expenses incurred in connection with the issuance of the Bonds. The Bonds have terms of 30 years due on December 1, 2040 with a variable interest rate. The Bonds were purchased by JP Morgan Chase Bank on December 1, 2010. The agreement between MSAG and JP Morgan Chase Bank is for a period of 10 years with a variable interest rate component in addition to a fixed interest rate. The fixed interest rate is 67% of 2.70%, which is calculated to be 1.809%. The variable interest rate is 67% of the sum of 2.50% plus the quotient of (a) the one month LIBOR rate, divided by (b) one minus the reserve requirement. The average interest rates for the years ended September 30, 2015 and 2014 were 1.93% and 1.92%, respectively. The Bonds are collateralized by the first trust deed of MSAG and have certain covenant restrictions. Upon expiration of the agreement with JP Morgan Chase Bank on December 1, 2020, MSAG will need to consider repayment or refinancing of the Bonds outstanding at that date.

The following table sets forth the principal payments due on the Series 2010 Bonds:

Fiscal Year	Principal Payments
2016	\$ 690,000
2017	715,000
2018	745,000
2019	770,000
2020	800,000
Thereafter	15,575,000
Totals	\$ 19,295,000

Note 13 - Derivative Financial Instrument

Due to the variable interest rate component of the Bonds, MSAG used \$1,905,000 (inclusive of fees of \$133,500) of the proceeds of the Bonds to purchase an interest rate cap to limit MSAG's exposure to fluctuating interest rates to 1.675%. In accordance with ASC 815, the interest rate cap satisfies the definition of a derivative and is reported at fair value. The fair value of the interest rate cap at inception date of December 23, 2010 was \$1,771,500. The fair value of the interest rate cap is subject to significant fluctuation based on changes in the long-term interest rates since the date of purchase and throughout the period the instrument is held, December 1, 2020. During fiscal years 2015 and 2014, the fair value decreased by \$265,978 and \$218,391 due to an overall increase in long-term interest rates. As of September 30, 2015 and 2014, the fair value of the interest rate cap totaled \$145,571 and \$411,549, respectively. The net fair value of the interest rate cap is reflected as a nonoperating expense in the statements of unrestricted revenues, expenses and other changes in unrestricted net assets as "changes in fair value of interest rate cap."

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
NOTES TO FINANCIAL STATEMENTS

Note 14 - Board Designated Net Assets

The Board has designated a portion of unrestricted net assets for the following purposes:

	2015	2014
Future debt service	\$ 4,082,838	\$ 3,363,697
Future asset replacement	4,544,000	4,544,000
Financial assistance to new residents	1,851,280	1,808,420
	<u>\$ 10,478,118</u>	<u>\$ 9,716,117</u>

Note 15 - Self-Insured Workers' Compensation Insurance

MSAG is self-insured for its workers' compensation through a nonprofit mutual benefit corporation ("Group") organized under the Nonprofit Mutual Benefit Corporation Law of California. MSAG is covered up to \$500,000 for the payment of medical, indemnity and legal costs of claims. MSAG is also covered by a supplemental policy for excess workers' compensation coverage that pays all statutory benefits in excess of a retention limit of \$500,000. Per the audited financial statements of the Group, a deficit recovery receivable is due from its members. MSAG's liability for the deficit recovery amounted to \$233,768 and \$229,350 as of September 30, 2015 and 2014, respectively. MSAG believes there is adequate coverage provided by the nonprofit mutual benefit corporation.

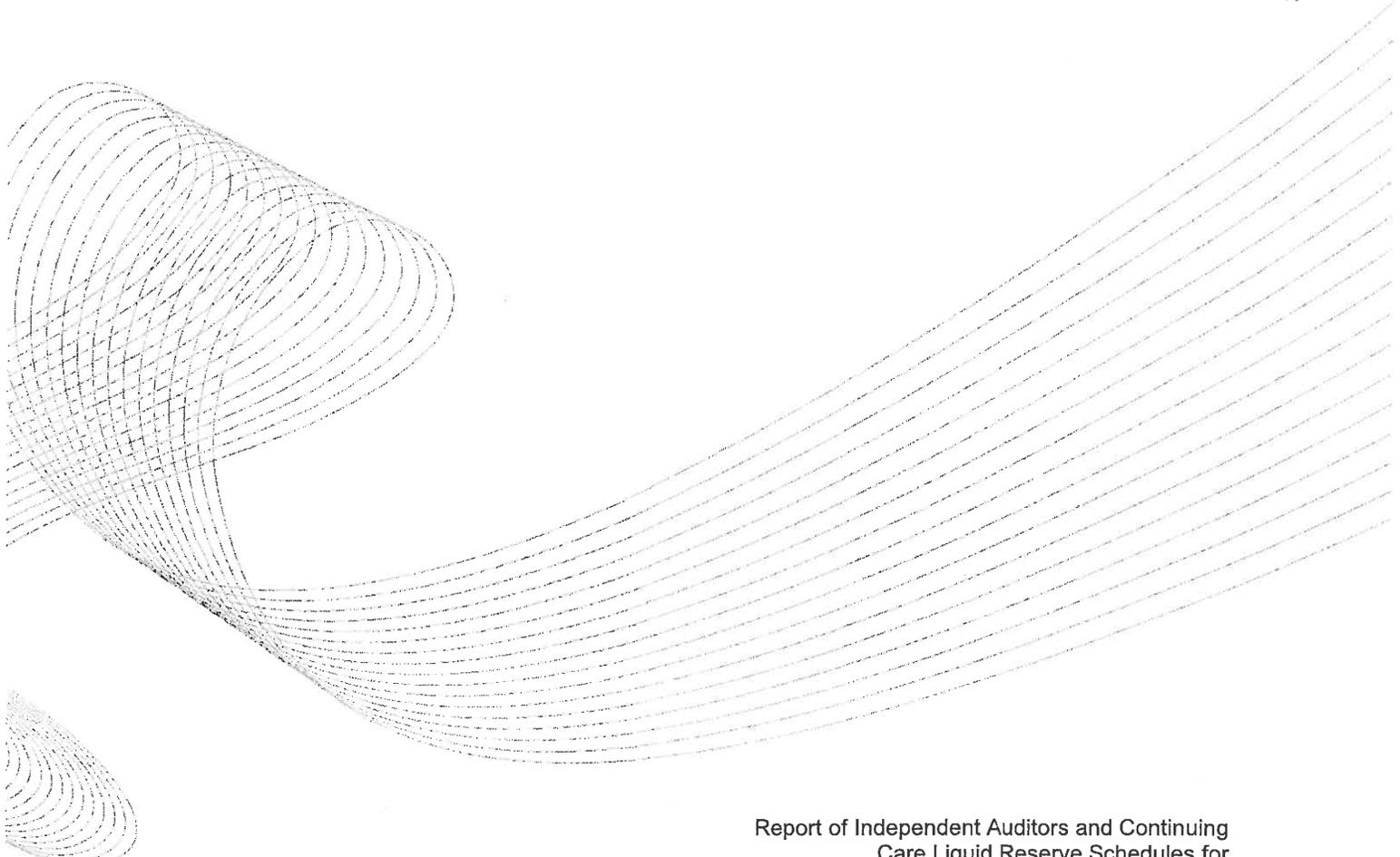
In accordance with ASU No. 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, MSAG discloses in the statements of financial position the estimated liability outstanding for workers' compensation claims as well as the related insurance recoveries. The estimated liability and insurance recoveries for workers' compensation claims amounted to \$745,612 and \$769,199 for the years ended September 30, 2015 and 2014, respectively. Insurance recoveries receivable are included in other current assets on the statements of financial position.

As required by the state of California, Department of Industrial Relations, Office of Self-Insurance Plans (OSIP), the Group obtained a surety bond from two insurance carriers. As of December 31, 2014 and 2013 (the Group's year-end) the Group has a surety bond from Liberty Mutual Insurance Company in the amount \$4,826,675. Additionally, as of December 31, 2014 and 2013, the Group obtained a surety bond from Westchester Fire Insurance Company in the amount of \$13,501,945 and \$11,262,241, respectively. These surety bonds satisfy the financial security requirement for self-insured plans.

As a condition from surety carriers in return for obtaining the surety bond posted by the program to OSIP, each participating member in the program is required to sign a General Agreement of Indemnity. In the event that Liberty Mutual is called upon to satisfy any outstanding obligation of the Group, Liberty Mutual has the right of indemnification from each member on a joint and several basis. There were 32 members as of December 31, 2014.

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CONTINUING CARE
CONTRACTS BRANCH



Report of Independent Auditors and Continuing
Care Liquid Reserve Schedules for

Congregational Homes, Inc. dba
Mt. San Antonio Gardens

September 30, 2015

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To Board of Directors
Congregational Homes, Inc. dba Mt. San Antonio Gardens

Report of Independent Auditors

We have audited the accompanying financial statements of Congregational Homes, Inc. dba Mt. San Antonio Gardens, 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 misstatements 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.

MOSS ADAMS_{LLP}

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of Congregational Homes, Inc. dba Mt. San Antonio Gardens 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 Congregational Homes, Inc. dba Mt. San Antonio Gardens 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise Congregational Homes, Inc. dba Mt. San Antonio Gardens basic financial statements. The supplementary information on pages 8 through 10 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Congregational Homes, Inc. dba Mt. San Antonio Gardens 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

Los Angeles, California
December 18, 2015

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
FORM 5-1

LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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	12/01/10	\$665,000	\$378,442		\$1,043,442
2	07/23/10	\$59,568	\$1,595		\$61,163
3	11/24/10	\$1,757	\$1,757		\$3,514
4	09/14/12	\$0	\$2,001		\$2,001
5	10/11/12	\$5,326	\$1,758		\$7,084
6	11/03/12	\$0	\$1,991		\$1,991
7	05/17/13	\$0	\$995		\$995
8	(see attached)	\$0	\$2,237		\$2,237
TOTAL:			\$390,776	\$0	\$1,122,427

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

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

PROVIDER: Congregational Homes, Inc

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS

FORM 5-2

**LONG-TERM DEBT INCURRED DURING FISCAL YEAR
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	(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))
Long-Term Debt Obligation					
1	07/23/15	\$395	\$59,568	0	\$0
2				0	\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$395	\$59,568	0	\$0

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

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

PROVIDER: Congregational Homes, Inc

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Line	TOTAL
1 Total from Form 5-1 bottom of Column (e)	\$1,122,427
2 Total from Form 5-2 bottom of Column (e)	\$0
3 Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4 TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$1,122,427

PROVIDER: Congregational Homes, Inc

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
FORM 5-4

CALCULATION OF NET OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$25,825,814
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$391,171
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0
c.	Depreciation	\$3,348,805
d.	Amortization	\$60,908
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$1,717,253
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$5,518,137
4	Net Operating Expenses	\$20,307,677
5	Divide Line 4 by 365 and enter the result.	\$55,637
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$4,172,810

PROVIDER: Congregational Homes, Inc
COMMUNITY: Mt. San Antonio Gardens

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
ATTACHMENT I TO FORMS 5-1 AND 5-2
AND ADDITIONAL LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
RECONCILIATION OF PRINCIPAL AND INTEREST PAID
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
SEPTEMBER 30, 2015

	(b) Principal Paid During Fiscal year	(c) Interest Paid	(e) Total Paid
<u>Additions to Form 5-1</u>			
Date Incurred: 5/17/14	\$ -	\$ 987	\$ 987
Date Incurred: 9/23/14		\$ 1,250	\$ 1,250
Sub-total (transfer to line 8 of Form 5-1)	\$ -	\$ 2,237	\$ 2,237
<u>INTEREST PAID DURING FISCAL YEAR:</u>			
Interest paid during fiscal year per Form 5-1		\$ 390,776	
Interest paid during fiscal year per Form 5-2		395	
Total interest paid per audited statement of cash flows		\$ 391,171	
<u>PRINCIPAL PAYMENTS ON PROMISSORY NOTES PER FORM 5-1:</u>			
Notes payable issued 07/23/10, repaid in full on 07/23/15		\$ 59,568	
Note payable issued 11/24/10, partial payment of principal on 9/30/15		1,757	
Note payable issued 10/11/12, partial payment of principal on 9/30/15		5,326	
Total principal payments on promissory notes in fiscal 2015 per audited statement of cash flows		\$ 66,651	
<u>PRINCIPAL PAYMENTS ON PROMISSORY NOTES PER FORM 5-1:</u>			
New promissory notes with no payments made in fiscal 2015 per Form 5-2 (next scheduled payment included)			\$ 59,568
Balance of promissory notes with payments made in fiscal 2015 (activity included on Form 5-1)			330,292
Total outstanding promissory notes as of September 30, 2015 per Note 11 to audited financial statements			\$ 389,860

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
ATTACHMENT II TO FORM 5-4
RECONCILIATION OF REVENUES RECEIVED DURING THE YEAR FOR SERVICES TO
PERSONS WHO DID NOT HAVE A CONTINUING CARE CONTRACT
STATE OF CALIFORNIA - DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

REVENUES RECEIVED DURING THE FISCAL YEAR FOR SERVICES TO
PERSONS WHO DID NOT HAVE A CONTINUING CARE CONTRACT

Non-Member Health Services	\$ 1,195,557
Non-Member Assisted Living	297,849
	<u>1,493,406</u>
Guest Rooms	59,216
Non-Resident Meals	164,631
	<u>223,847</u>
Total Revenues Received During the Fiscal Year for Services to Person Who Did Not Have a Continuing Care Contract per Form 5-4	\$ <u><u>1,717,253</u></u>
Reconciliation to audited statement of cash flows:	
Cash received from Members	\$ 16,574,674
Cash received from Non-Members	1,493,406
Cash received from residents per audited statement of cash flows	<u>18,068,080</u>
Cash received from other sources	867,608
Cash received from Guest Room and Non-Resident Meals	223,847
Cash received from other sources per audited statement of cash flows	\$ <u><u>1,091,455</u></u>

CONGREGATIONAL HOMES, INC. DBA MT. SAN ANTONIO GARDENS
ATTACHMENT III TO FORM 5-4
RECONCILIATION OF OPERATING AND DEBT SERVICE RESERVES
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Unrestricted	Specific Purpose	Endowment	Annuity	Trusts	Total All Funds
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 2,193,854	325,820	63,948	51,240		2,634,862
Short-term investments		2,373,313				2,373,313
Accounts receivable, net	508,377					508,377
Other current assets	1,185,003					1,185,003
Total current assets	<u>3,887,234</u>	<u>2,699,133</u>	<u>63,948</u>	<u>51,240</u>	-	<u>6,701,555</u>
Noncurrent Assets:						
Investments	17,517,028	-	14,498,428	2,576,088	268,971	34,860,515
Deferred financing costs, net	268,599					268,599
Derivative financial instrument	145,571					145,571
Property, plant and equipment, net	50,644,948					50,644,948
Total Assets	<u>\$ 72,463,380</u>	<u>2,699,133</u>	<u>14,562,376</u>	<u>2,627,328</u>	<u>268,971</u>	<u>92,621,188</u>
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable	\$ 744,701					744,701
Accrued expenses	1,274,680					1,274,680
Workers' compensation liability	745,612					745,612
Refundable deposits and other liabilities	190,195					190,195
Current portion of unsecured term notes	106,190					106,190
Current portion of long term debt	690,000					690,000
Total current liabilities	<u>3,751,378</u>	-	-	-	-	<u>3,751,378</u>
Noncurrent liabilities:						
Liabilities to grantors under split-interest agreements				514,692	18,513	533,205
Deferred revenue from advance fees	33,316,047					33,316,047
Asset retirement obligation	91,292					91,292
Unsecured term notes	283,670					283,670
Long term debt	18,605,000					18,605,000
Total Liabilities	<u>56,047,387</u>	<u>-</u>	<u>-</u>	<u>514,692</u>	<u>18,513</u>	<u>56,580,592</u>
NET ASSETS						
Unrestricted	16,415,993		8,453,600			24,869,593
Temporarily restricted		2,699,134		1,506,671	157,914	4,363,719
Permanently restricted			6,108,776	605,965	92,543	6,807,284
Total Net Assets	<u>16,415,993</u>	<u>2,699,134</u>	<u>14,562,376</u>	<u>2,112,636</u>	<u>250,457</u>	<u>36,040,596</u>
Total Liabilities and Net Assets	<u>\$ 72,463,380</u>	<u>2,699,134</u>	<u>14,562,376</u>	<u>2,627,328</u>	<u>268,970</u>	<u>92,621,188</u>

Sum of Total Cash & Cash Equivalents, Investments Available for use per Form 5-5: \$2,193,854 (Unrestricted Cash) + \$17,517,028 (Unrestricted Noncurrent Investments) + \$8,453,600 (Unrestricted Endowment)

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2,732</u>	<u>\$2,732</u>	<u>\$2,732</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.5%</u>	<u>4.5%</u>	<u>4.5%</u>

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

[3] Indicate the date the fee increase was implemented: November 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.
- 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: Congregational Homes, Inc.
COMMUNITY: Mt. San Antonio Gardens

ATTACHMENT TO FORM 7-1

MT. SAN ANTONIO GARDENS – 9/30/15

[5] ADJUSTMENTS IN MONTHLY CARE FEES

Mt. San Antonio Gardens contracts are prepaid and include monthly care fees that have no minimum or maximum increase limit. All contract residents pay the same regardless of what level of care. To calculate the monthly Care & Service increase, we use the attached budget worksheets. Please note that the amortization of the prepaid portion of the entrance fee is recorded on the income statement as earned Founders Fees which reduces operating expenses and ultimately determines the amount of the monthly fee increase which may be necessary.

Please note that the Managements' Working Budget Assumptions #1 states a 4.5% increase for the fiscal year beginning October 1, 2014 but the increase did not become effective until November 1, 2014.

RANGE OF MONTHLY FEES:

All residents pay the same monthly fee for every unit type - \$2,732 (effective 11/1/2014)

The only exception to this are for single residents who are living in a unit designed for two persons. These residents pay 1 and 1/2 of the above fee - \$4,098. These unit types include:

- One bedroom apartments in buildings A,B,C,D
- Full suites in buildings A,B,C,D
- Garden suites in building D
- All cottages
- Two bedroom Terrace homes
- Taylor houses

In addition, single residents who occupy a unit designed for "two persons only" pay 1 and ¾ of the basic \$2,732 fee (\$4,781) after one year of occupancy after they became single. These unit types include:

- Two bedroom cottages (Plans I & Pomona)
- Two bedroom Terrace homes
- Taylor houses

**CONGREGATIONAL HOMES
MANAGEMENT'S WORKING BUDGET ASSUMPTIONS
Fiscal Year Beginning October 1, 2014**

1. Management's Operating Budget will be constructed so that any Monthly Care & Service Fee increase will be held at 4.5%. A 4.5% increase in the current single fee is included (\$2,614 to \$2,732 - \$118 per month).
(Prior year increase was 4% - \$100 per month)
2. Health Care Operations – Census Data:
Health Center: 43 rooms (34 private and 9 semi-private) = 52 beds
Evergreen Villas: 20 private rooms = 20 beds
Total: 63 rooms = 72 beds
Target Census: 10 community patients + 59 residents = 69 (96% occupancy)
3. Assisted Living Operations – Census Data:
Oak Tree Lodge: 70 private rooms + 1 semi-private = 72 beds
Target census: 3 community people + 67 residents = 70 (97% occupancy)
4. Residential Living Operations – Census Data:
Studios/Apartments/ Homes = 298 Current occupancy 354 residents. (96% occupancy)
5. Salary and Benefits budget assumptions: A 2% general wage increase will be effective April-2015 and a pool of .75% of current labor costs was created to cover in-step progression/merit increases and bonuses.
(prior year: 2% general wage increase; a .75% pool to cover all "other" increases.)
6. Consistent with policy, a sum equal to 5% of the average market value of the Endowment Investments for the 12 quarters ended March 31, 2014 shall be transferred annually into the General Fund Investment Portfolio. That amount will be \$52,160 per month; \$625,922 per year.
(prior year was \$51,300 per month; \$615,600 per year)
7. It is expected that Founders Fees will net about \$4.4 million, for the fiscal year. The overall increase to the Founders Fee schedule will be 4-10%.- *prior year was 3-4.5%.*
(prior year total Founders Fee budget was \$4,398,000, estimated actual \$6.4m)
8. The proposed Capital Expenditures Budget is set with a target amount of \$1,214,740 for identified items; \$128,000 for unidentified contingencies; \$1,250,000 for "Other Capital Projects and \$208,000 for IT infrastructure projects and improvements. The Total Capital Budget is \$2.801 million.
9. Other key assumptions: Department managers have budgeted expenses at actual or at anticipated actual if justified.

**CONGREGATIONAL HOMES, INC.
MT. SAN ANTONIO GARDENS
BUDGET - ASSUMPTIONS/NOTES
Beginning 10/1/2014**

1. Occupancy levels:

Residential living Units -	96%	(296 total units including 13-K studios for LOA assignments)
Lodge (Assisted Living) -	98%	(1 vacant room at any given time + TCR)
Health Care -	96%	(permanent residents + community only)

2. Resident Population Assumptions

Skilled Nursing: 59 residents	10 community	(\$290/day or \$345/day)
Asst. Living: 67 residents	3 community	(\$5,825 per month)
Indep. Living: <u>354 residents</u>		
480 residents	<u>13 community</u>	

Total (Monthly Care & Service Fee Equivalent) Population Budget:

Resident (515) + Community Lodge (6) + Community Health Center (35) = 556
(Current = 552.5)

3. Interest earnings on Investments

Current investment portfolio balance (6/30/14):

Unrestricted/Endowment	\$36.0 million
Donor restricted Endowment	<u>- 6.0 million</u>
	\$30.0 million
Estimated "other" capital	-2.3 million
Estimated addt. Founders Fee	<u>+ .9 million</u>
	\$28.6 million* (used for Invest. Income)

Other investment income (2.5%) \$715,000 /12 = \$59,580/mo.

4. Debt Service –Expense Only (not including principal payments)

	<u>Oct & Nov</u>	<u>Dec - Sept</u>	
principal balance:	\$19,960,000	\$19,295,000	
Interest	<u>@ 2.5%</u>	<u>@ 2.5%</u>	(maximum = 3.484%)
	\$ 83,160	\$ 401,980	= <u>\$485,140/12 = \$40,428</u>

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

RECEIVED
JAN 14 2016

Date Prepared: 12/18/15

FACILITY NAME: CONGREGATIONAL HOMES, INC. dba Mt. San Antonio Gardens
 ADDRESS: 900 E. Harrison Ave., Pomona, CA ZIP CODE: 91767 PHONE: 909/624-5061
 PROVIDER NAME: Mt. San Antonio Gardens FACILITY OPERATOR: Congregational Homes, Inc.
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: United Church of Christ
 YEAR # OF SINGLE MULTI- MILES TO SHOPPING CTR: 1.0
 OPENED: 1961 ACRES: 31 STORY STORY OTHER: Both MILES TO HOSPITAL: 1.5

NUMBER OF UNITS:

RESIDENTIAL LIVING

APARTMENTS — STUDIO: 78
 APARTMENTS — 1 BDRM: 121
 APARTMENTS — 2 BDRM: 1
 COTTAGES/HOUSES: 98

HEALTH CARE

ASSISTED LIVING: 71
 SKILLED NURSING: 63 (54 private)
 SPECIAL CARE: N/A
 DESCRIPTION: >

RLU OCCUPANCY (%) AT YEAR END: 96.5%

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

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

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: 90 Days

RANGE OF ENTRANCE FEES: \$ 62,000 - \$ 458,000 **LONG-TERM CARE INSURANCE REQUIRED?** YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Observation, Personal Care, Physician Care & Skilled Nursing Care

ENTRY REQUIREMENTS: MIN. AGE: N/A PRIOR PROFESSION: N/A OTHER: Medicare A, B, D

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Six residents with full Board Member privileges

FACILITY SERVICES AND AMENITIES

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

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

PROVIDER NAME: CONGREGATIONAL HOMES, INC. dba Mt. San Antonio Gardens

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

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

PROVIDER NAME: CONGREGATIONAL HOMES, INC. dba Mt. San Antonio Gardens

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	\$18,110,952	\$18,524,377	\$19,345,011	\$20,781,186
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	\$18,344,776	\$20,152,125	\$21,609,167	\$22,033,434
NET INCOME FROM OPERATIONS	<u>-\$233,824</u>	<u>-\$1,627,748</u>	<u>-\$2,264,156</u>	<u>-\$1,252,248</u>
LESS INTEREST EXPENSE	\$417,124	\$378,387	\$401,916	\$391,639
PLUS CONTRIBUTIONS	\$235,915	\$83,324	\$80,331	\$77,519
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	\$2,646,188	\$990,040	\$747,378	-\$1,139,631
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>\$2,229,064</u>	<u>\$-1,068,319</u>	<u>-\$1,838,363</u>	<u>-\$2,735,999</u>
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	\$4,226,531	\$4,980,483	\$7,332,631	\$6,599,369

DESCRIPTION OF SECURED DEBT (as of most recent fiscal year end)

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
JP MORGAN CHASE	\$19,295,000	1.96 (Variable)	12/01/10	12/01/40	30 Years

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile (optional)	<u>2013</u>	<u>2014</u>	<u>2015</u>
DEBT TO ASSET RATIO	37.7	22.1	21.1	26.9
OPERATING RATIO	98.5	112.3	113.8	108.3
DEBT SERVICE COVERAGE RATIO	2.55	3.89	4.43	5.25
DAYS CASH ON HAND RATIO	343	441.4	460.4	458.50

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>
STUDIO	\$2,514	4.0	\$2,614	4.5	\$2,732	4.0	\$2,842
ONE BEDROOM	\$2,514	4.0	\$2,614	4.5	\$2,732	4.0	\$2,842
TWO BEDROOM	\$2,514	4.0	\$2,614	4.5	\$2,732	4.0	\$2,842
COTTAGE/HOUSE	\$2,514	4.0	\$2,614	4.5	\$2,732	4.0	\$2,842
ASSISTED LIVING	\$2,514	4.0	\$2,614	4.5	\$2,732	4.0	\$2,842
SKILLED NURSING	\$2,514	4.0	\$2,614	4.5	\$2,732	4.0	\$2,842
SPECIAL CARE							

COMMENTS FROM PROVIDER: > Our entry fees are based on unit ambience (size & location) and resident's age. The monthly service fee > is the same per person for all residents unless a single person occupies a unit designated for "one or two people." Contracts have an \$1,800 per year, > per person deductible (adjusted annually) for out-of-pocket medical expenses. Long term care insurance could lower the entry fee amount.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.