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ANNUAL REPORT CHECKLIST

for

FISCAL YEAR ENDED:

2015

PROVIDER: Eskaton
FACILITY(IES): Eskaton Village-Carmichael

CONTACT PERSON: Eduard Boogaard
TELEPHONE NO.: (916) 334-0810

Your complete annual report must consist of **2 copies** of all of the following:

- ☒ This cover sheet.
- ☒ Annual Provider Fee in the amount of: $ 17,500.00
- ☒ 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 reserve and refund reserve , if applicable.
- ☒ Evidence of the provider's fidelity bond.
- ☒ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☒ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ☒ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community.

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CERTIFICATION BY CHIEF EXECUTIVE OFFICER

As required by the Continuing Care Contract Statutes, I hereby certify that:

- The annual reserve reports and any amendments thereto are correct to the best of my knowledge.
- Each continuing care contract form in use or offered to new residents has been approved by the Department.
- As of the date of my certification, the provider is maintaining the required liquid reserve and, if applicable, the required refund reserve.

Dated: Apr. 28, 2016

Todd Murch, CEO

Todd Murch, Chief Executive Officer

FORM 1-1
RESIDENT POPULATION

Continuing Care Residents

[1]	Number at beginning of fiscal year	392
[2]	Number at end of fiscal year	427
[3]	Total Lines 1 and 2	819
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	410

All Residents

[6]	Number at beginning of fiscal year	415
[7]	Number at end of fiscal year	445
[8]	Total Lines 6 and 7	860
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	430
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (rounded to two decimal places).	0.95

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service-interest only)		23,856,000
[a]	Depreciation	3,585,000	
[b]	Debt Service (Interest Only)	1,850,000	
[2]	Subtotal (add Line 1a and 1b)		5,435,000
[3]	Subtract Line 2 from Line 1 and enter result		18,421,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		0.95
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)		17,500,000
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		17,500

PROVIDER: Eskaton
COMMUNITY: Eskaton Village - Carmichael

ALLIED WORLD ASSURANCE COMPANY (U.S.) INC.
(A member company of Allied World Assurance Company Holdings Ltd.)
225 Franklin Street, Boston, MA 02110 · Tel. (857) 288-6000 · Fax (617) 556-8060

FORCEFIELD℠
CRIME INSURANCE POLICY

POLICY NUMBER: 0307-2195 **RENEWAL OF:** 0307-2195

PLEASE READ THE ENTIRE POLICY CAREFULLY AND DISCUSS THE COVERAGE HEREUNDER WITH YOUR INSURANCE BROKER.

DECLARATIONS

ITEM 1. NAMED INSURED: Eskaton

ADDRESS: **5105 Manzanita Avenue**
Carmichael, CA 95608

ITEM 2. POLICY PERIOD: Inception Date: January 1, 2015 Expiration Date: January 1, 2016
(12:01 a.m. Standard Time at the address stated in Item 1)

ITEM 3.A. LIMITS OF LIABILITY AND DEDUCTIBLES

Insuring Agreement	Limit of Liability for a Single Loss	Deductible, each Single Loss
Insuring Agreement A "Employee Theft" Coverage	$2,000,000	$25,000
Insuring Agreement B "Forgery or Alteration" Coverage	$2,000,000	$25,000
Insuring Agreement C "Inside the Premises" Coverage	$2,000,000	$25,000
Insuring Agreement D "In Transit" Coverage	$2,000,000	$25,000
Insuring Agreement E "Computer Fraud" Coverage	$2,000,000	$25,000
Insuring Agreement F "Funds Transfer Fraud" Coverage	$2,000,000	$25,000
Insuring Agreement G "Money Orders and Counterfeit Currency Fraud" Coverage	$2,000,000	$25,000
Insuring Agreement H "Credit Card Fraud " Coverage	$2,000,000	$25,000

ITEM 3.B. SUBLIMITS OF LIABILITY

Coverage	Sublimit of Liability
Restoration Expenses	$100,000
Authentication Expenses	$100,000

ITEM 3.C. AGGREGATE LIMIT OF LIABILITY

N/A

This Aggregate Limit of Liability set forth above is the maximum Limit of Liability of the Insurer for all loss for which coverage is provided under this policy.

ITEM 4. ADDRESS OF INSURER FOR NOTICES UNDER THIS POLICY

A. **Claim-Related Notices:**
ALLIED WORLD ASSURANCE COMPANY (U.S.) INC.
ATTN: CLAIMS DEPARTMENT
1690 New Britain Ave., Suite 101
Farmington, CT 06032
or
AWACUS.FinancialClaims@awac.com

B. **All Other Notices:**
ALLIED WORLD ASSURANCE COMPANY (U.S.) INC.
ATTN: PROFESSIONAL LIABILITY UNDERWRITING
199 WATER STREET
NEW YORK, NY 10038

ITEM 5. PREMIUM

$15,000

In Witness Whereof, the **Insurer** has caused this Policy to be executed and attested. This Policy shall not be valid unless countersigned by a duly authorized representative of the **Insurer**.

President

Secretary

AUTHORIZED REPRESENTATIVE

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Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Eskaton and Subsidiaries

December 31, 2015 and 2014

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Eskaton and Subsidiaries

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eskaton and Subsidiaries (the "Organization" or "Eskaton"), which comprise the consolidated balance sheets as of December 31, 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 Consolidated 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eskaton and Subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules as of and for the year ended December 31, 2015, for Eskaton and Subsidiaries, Eskaton Properties, Inc., and Eskaton, presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. 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, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The supplementary information – social responsibility for the years ended December 31, 2015 and 2014, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

San Francisco, California
April 28, 2016

CONSOLIDATED FINANCIAL STATEMENTS

ESKATON AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2015 and 2014
(in thousands)

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,952	$ 9,696
Assets limited as to use, required for current liabilities	839	2,645
Investments	50,125	52,187
Accounts receivable, net of allowance for uncollectible accounts of $319 in 2015 and $305 in 2014	7,215	7,920
Other receivables	2,207	3,122
Inventories	192	176
Deposits and prepaid expenses	1,200	1,124
Total current assets	74,730	76,870
Assets limited as to use, net of amount required for current liabilities	10,579	9,787
Investments	1,319	1,302
Property and equipment, net	108,337	112,983
Other assets:		
Land available for sale	1,830	1,050
Due from liability insurer	797	993
Deferred financing costs, net of accumulated amortization of $641 in 2015 and $509 in 2014	2,794	2,668
Associate member/resident/patient deposits	3,297	3,187
Other	1,283	1,481
	10,001	9,379
Total assets	$ 204,966	$ 210,321

See accompanying notes.

(in thousands)

	2015	2014
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	$ 4,571	$ 4,433
Current portion of deferred revenue from unamortized CCRC membership fees	1,828	2,132
Refundable CCRC entrance fees	2,974	1,859
Deposits on unoccupied CCRC units	282	333
Accounts payable	1,364	2,095
Accrued liabilities:		
Payroll and payroll taxes	2,204	2,240
Vacation	1,911	1,753
Current portion of self-insured workers' compensation	2,145	2,785
Self-insured employee health plan	998	1,160
Interest	685	713
Other	1,050	1,115
Total current liabilities	20,012	20,618
Other liabilities:		
Self-insured workers' compensation, net of current portion	7,620	8,195
Interest rate swap agreements	4,471	7,756
Unfunded pension obligation	3,416	2,351
Professional liability	2,134	2,329
Associate member/resident/patient deposits	3,297	3,187
Other	342	356
	21,280	24,174
Long-term debt, net of current maturities	145,996	149,393
Deferred revenue from unamortized CCRC membership fees, net of current portion	7,768	10,273
Total liabilities	195,056	204,458
Net assets:		
Unrestricted net assets	8,072	3,944
Temporarily restricted net assets	1,299	1,376
Permanently restricted net assets	539	543
Total net assets	9,910	5,863
Total liabilities and net assets	$ 204,966	$ 210,321

See accompanying notes.

ESKATON AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years Ended December 31, 2015 and 2014
(in thousands)

	2015	2014
Unrestricted net assets:		
Revenues, gains, and other support:		
Net patient service revenue	$ 49,504	$ 48,339
Resident service revenue, including amortization of CCRC membership fees of $1,705 in 2015 and $1,765 in 2014	64,397	61,265
Other, net	10,122	8,420
Total revenues, gains, and other support	124,023	118,024
Expenses:		
Salaries and wages	54,917	51,547
Employee benefits	16,047	17,453
Professional fees	2,351	1,473
Supplies	5,462	5,347
Purchased services	8,222	7,404
Ancillary costs	3,283	3,472
Utilities	4,513	4,417
Insurance and other	8,658	8,327
Depreciation	9,245	9,243
Interest and amortization	5,812	5,724
Provision for uncollectible accounts	452	354
Total operating expenses	118,962	114,761
Income from operations	5,061	3,263
Nonoperating revenue (expenses):		
Investment (loss) income	(1,390)	2,285
Interest rate swap activities	(1,473)	(3,754)
Loss on early repayment of debt	(197)	-
Other	2,931	(175)
Total nonoperating revenue (expenses), net	(129)	(1,644)
Excess of revenues, gains, and other support over expenses	4,932	1,619

See accompanying notes.

(in thousands)

	2015	2014
Excess of revenues, gains, and other support over expenses (page 5)	$ 4,932	$ 1,619
Pension related changes other than net periodic pension cost	(698)	(3,511)
Transfer to temporarily restricted net assets	(106)	(89)
Change in unrestricted net assets	4,128	(1,981)
Unrestricted net assets, beginning of year	3,944	5,925
Unrestricted net assets, end of year	$ 8,072	$ 3,944
Temporarily restricted net assets:		
Contributions	$ 404	$ 427
Investment (loss) income	(43)	69
Other	-	5
Transfer from unrestricted net assets	106	89
Net assets released from restriction used for operations	(544)	(217)
Change in temporarily restricted net assets	(77)	373
Temporarily restricted net assets, beginning of year	1,376	1,003
Temporarily restricted net assets, end of year	$ 1,299	$ 1,376
Permanently restricted net assets:		
Contributions to endowments	$ 2	$ 11
Change in assets held in trust by others	(6)	(1)
Change in permanently restricted net assets	(4)	10
Permanently restricted net assets, beginning of year	543	533
Permanently restricted net assets, end of year	$ 539	$ 543
Change in net assets	$ 4,047	$ (1,598)
Net assets, beginning of year	5,863	7,461
Net assets, end of year	$ 9,910	$ 5,863

See accompanying notes.

ESKATON AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014
(in thousands)

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 4,047	$ (1,598)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,245	9,243
Amortization of deferred financing costs	228	263
Amortization of CCRC membership fees	(1,705)	(1,765)
Net realized and unrealized losses (gains) on assets limited as to use	201	(41)
Net realized and unrealized losses (gains) on investments	1,840	(2,042)
Valuation adjustment on land available for sale	(780)	-
Pension related changes other than net periodic pension cost	698	3,511
Change in fair value of interest rate swap agreements	540	2,450
Provision for uncollectible accounts	452	354
Proceeds from permanently restricted contributions	(2)	(11)
Loss on early repayment of debt	97	-
CCRC resales of nonrefundable contracts	4,941	5,300
CCRC sales of refundable contracts	1,883	1,232
(Gain) loss on disposal of property and equipment	(2,165)	163
Changes in operating assets and liabilities:		
Change in receivables	1,168	1,137
Change in inventories	(16)	4
Change in deposits and prepaid expenses	(76)	(343)
Change in other assets	125	1,577
Change in accounts payable	(731)	252
Change in accrued liabilities	(1,348)	1,562
Change in unfunded pension obligation	367	(3,205)
Change in other liabilities	(99)	(1,521)
Net cash provided by operating activities	18,910	16,522
Cash flows from investing activities:		
Purchases of assets limited as to use	(7,648)	(7,200)
Proceeds from sales of assets limited as to use	8,461	8,863
Purchases of investments	(1,128)	(1,990)
Proceeds from sales of investments	1,333	1,528
Investment in housing joint venture	159	-
Expenditures for property and equipment	(6,295)	(6,986)
Proceeds from sale of property and equipment	3,861	-
Net cash used in investing activities	(1,257)	(5,785)

See accompanying notes.

(in thousands)

	2015	2014
Cash flows from financing activities:		
CCRC resale disbursements of nonrefundable contracts	(4,881)	(5,228)
CCRC resale disbursements - conversions to refundable contracts	(1,845)	(1,212)
CCRC contracts refunded	(87)	(71)
Change in deposits on unoccupied CCRC units	(51)	(32)
Proceeds from permanently restricted contributions	2	11
Proceeds from long-term debt	13,678	-
Principal payments on long-term debt	(16,937)	(4,468)
Debt issuance costs	(451)	(96)
Payments on settlement of terminated swaps	(3,825)	-
Net cash used in financing activities	(14,397)	(11,096)
Net increase (decrease) in cash and cash equivalents	3,256	(359)
Cash and cash equivalents, beginning of year	9,696	10,055
Cash and cash equivalents, end of year	$ 12,952	$ 9,696
Supplemental disclosure:		
Cash paid for interest	$ 5,612	$ 5,483

See accompanying notes.

NOTE 1 – ORGANIZATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements of Eskaton and Subsidiaries (the "Organization" or "Eskaton") include the following:

Eskaton – Eskaton is a not-for-profit 501(c)(3) California corporation, which was formed in 1967. Eskaton's primary mission is to enhance the quality of life of seniors through innovative health, housing, and social services. Eskaton is the sole corporate member of Eskaton Properties, Inc. (EPI), Eskaton Village-Grass Valley (EVGV), Eskaton Village-Roseville (EVR), Eskaton Village-Placerville (EVP), Eskaton Lodge Granite Bay (ELGB), Eskaton FountainWood Lodge (EFWL), and Eskaton Foundation, and the sole stockholder of Livable Design (LD) and California Healthcare Consultants (CHC). Eskaton also operates non-medical homecare services, adult day healthcare services and various community service programs.

EPI – EPI is a not-for-profit 501(c)(3) California corporation that operates skilled nursing care centers and retirement housing communities, home health services, a continuing care retirement community, and a business services group which provides financial and managerial support to all Eskaton operations. EPI also manages and provides support services to retirement housing communities owned by third parties and affordable housing communities that operate as single purpose not-for-profit 501(c)(3) California corporations.

EVGV – EVGV is a not-for-profit 501(c)(3) California corporation that operates a 57-apartment assisted living and 80-apartment independent living with services community in Grass Valley, California.

EVR – EVR is a not-for-profit 501(c)(3) California corporation that operates a 96-apartment assisted living community in Roseville, California.

EVP – EVP is a not-for-profit 501(c)(3) California corporation that operates a 64-apartment assisted living community in Placerville, California.

ELGB – ELGB is a not-for-profit 501(c)(3) California corporation that operates a 97-apartment assisted living community in Granite Bay, California.

EFWL – EFWL is a not-for-profit 501(c)(3) California corporation that operates a 92-apartment assisted living community in Orangevale, California.

Eskaton Foundation – Eskaton Foundation is a not-for-profit 501(c)(3) California corporation whose purpose is to raise funds for the benefit of Eskaton programs.

LD – LD, a C-corporation, is a taxable subsidiary of Eskaton, and owns a home used to demonstrate livable design concepts to the general public.

CHC – CHC, a C-corporation, is a taxable subsidiary of Eskaton that leases employees to communities owned by third parties and managed by EPI.

All material intercompany accounts and transactions have been eliminated in consolidation.

EPI, EVGV, and EVR are members of the Eskaton Properties Incorporated Obligated Group (the Obligated Group) according to a Master Indenture of Trust dated July 1, 1999, and various Supplemental Master Indentures dated subsequent to July 1, 1999 (together, the Master Indenture). Effective January 1, 2015, EPI sold the Eskaton Lodge Granite Bay community to Eskaton Gold River Lodge, which was renamed ELGB, and ELGB sold the Eskaton Lodge Gold River community to EPI. Effective June 10, 2015, ELGB withdrew from the Obligated Group, having met all of the conditions required by the Master Indenture. Accordingly, this change was retrospectively applied to the consolidated financial statements and footnotes of all prior periods presented. Under the terms of the Master Indenture, members of the Obligated Group are jointly and severally liable for bonds issued pursuant to the Master Indenture.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents – Cash and cash equivalents include cash in banks and short-term money market accounts. The carrying amounts at face value approximate fair value because of the short maturity of these instruments.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Management has elected to carry alternative investments under the fair value option. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the excess of revenues, gains, and other support over expenses.

Assets limited as to use – Assets limited as to use include assets held by trustees or lenders under bond indenture and HUD regulatory agreements, and assets restricted by donors for financial assistance to residents of Eskaton communities. Assets limited as to use are reported at fair value. Amounts required to satisfy obligations classified as current liabilities are reported in current assets in the consolidated balance sheets.

Property and equipment – Property and equipment are stated at cost. The cost of property and equipment purchased in excess of $1,000 is capitalized. Interest capitalized (net of investment income from bond proceeds) in connection with the construction of plant and equipment is recorded as part of the cost of the constructed asset to which it relates and is amortized over the asset's useful life. Depreciation is computed using the straight-line method based on estimated useful lives of property and equipment as follows:

Land improvements	10 to 20 years
Buildings and improvements	15 to 40 years
Equipment	5 to 20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues, gains, and other support over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported as net assets released from restriction when the donated or acquired long-lived assets are placed in service.

Impairment of long-lived assets and long-lived assets to be disposed of – Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of December 31, 2015 and 2014, land available for sale was recorded in the consolidated balance sheets at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*. The fair value estimate was performed by a third-party specialist using unobservable inputs that are supported by little or no market activity and were therefore classified within Level 3 of the valuation hierarchy.

Land available for sale – Eskaton entered into an option agreement effective September 11, 2014, that granted a potential buyer the exclusive option to purchase a parcel of undeveloped land that is approximately 12 acres in Lincoln, California. The option agreement was terminated by the potential buyer in 2015, and Eskaton realized nonrefundable deposits of approximately $20,000, which is recorded in other nonoperating revenue in the consolidated statement of activities and changes in net assets. During 2015, Eskaton recorded a recovery of loss valuation adjustment on the land available for sale of $780,000 based on a recent appraisal. The recovery of loss valuation adjustment is recorded in other nonoperating revenue in the consolidated statements of operations and changes in net assets.

Self-insured employee health and workers' compensation – The provisions for estimated self-insured employee health and workers' compensation include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Derivative instruments – Eskaton has entered into various swap agreements to manage interest rate risk on its bonds. Swaps are contracts to exchange, for a period of time, the investment performance of one underlying instrument for the investment performance of another instrument without exchanging the instruments themselves. Eskaton entered into these agreements to mitigate cash flow and fair value risks related to changes in interest rates.

Eskaton records in its consolidated balance sheets the estimated fair value of swaps at the balance sheet date. Because the derivatives have not been designated as hedges for accounting purposes, changes in the fair value of swaps are included at net value in nonoperating revenue (expenses) in the consolidated statements of operations and changes in net assets.

Deferred financing costs – Deferred financing costs are amortized over the period the obligation is expected to be outstanding or the life of bank direct placement agreements associated with variable rate demand bonds, whichever is shorter. Amortization is calculated using the straight-line method, which is not materially different from using the effective interest method. Amortization of deferred financing costs is included as a component of interest expense.

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

Permanently restricted net assets – Permanently restricted net assets are those whose use by Eskaton has been restricted by donors to be maintained by Eskaton in perpetuity. The Board of Directors has interpreted California's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of permanently restricted donations, absent explicit donor stipulations to the contrary. As a result of this interpretation, Eskaton classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanently restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Generally, the donors of these assets permit Eskaton to use all or part of the investment return on these assets and to appropriate for distribution each year 5 percent of its endowment fund's prior year average fair value. Unrealized gains and investment income allocated to the permanently restricted fund are classified as temporarily restricted net assets, as supported by the associated agreements, until those amounts are appropriated for expenditure by Eskaton in a manner consistent with the standard of prudence prescribed by UPMIFA. In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund shall reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before a loss occurs. Any remaining loss shall reduce unrestricted net assets.

Net patient service revenue – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Resident service revenue – Residential units are charged a monthly accommodation fee. Additional fees are charged for services rendered in the assisted living and skilled nursing care centers, of which a portion may be defrayed by coverage under a long-term care group insurance policy.

Donated services and materials – A number of volunteers donate significant amounts of time to advance Eskaton's program objectives. No amounts are reported in the accompanying consolidated financial statements for donated services since no objective basis is available to measure the value of such services.

Eskaton records the donation of materials when an objective basis is available to measure the value of those donations and when the materials would be purchased if they were not donated. These amounts are recorded as contribution revenues and as expenses.

Excess of revenues, gains, and other support over expenses – The consolidated statements of operations and changes in net assets include excess of revenues, gains, and other support over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues, gains, and other support over expenses, include pension related changes other than net periodic pension cost and transfers to restricted funds to match designated contributions made by employees.

Advertising – Advertising costs are expensed as incurred and included in purchased services expenses. Advertising expense was $963,000 and $660,000 for the years ended December 31, 2015 and 2014, respectively.

Income taxes – Eskaton, EPI, EVGV, EVR, EVP, ELGB, EFWL, and Eskaton Foundation are exempt from income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3) and applicable state regulations, except for federal and state tax on income resulting from unrelated business income. LD and CHC are taxable entities; however, income taxes for these entities are not significant to the consolidated financial statements.

FASB ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Recognition of a tax position is determined when it is more likely than not that a tax position will be sustained on examination by the taxing authorities, including resolution of any related appeals or litigation processes. A tax position that meets the more likely than not recognition threshold is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority. Eskaton recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2015 and 2014, there were no such uncertain tax positions.

Use of management's estimates – The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounting estimates include fair value measurements of investments, contractual and uncollectible accounts receivables, useful lives of fixed assets, deferred revenue from unamortized CCRC membership fees, future service benefit obligations, self-insured workers' compensation, self-insured employee health costs, interest rate swap liability, unfunded pension obligation, and professional liability.

Fair value measurements – FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, prescribes fair value measurements and disclosures for financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements. 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 framework for measuring fair value and expands disclosures about fair value measurements.

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, other receivables, deposits and prepaid expenses, other assets, and accrued liabilities, approximate fair value. The fair values of assets limited as to use and investments are disclosed in Note 4. The fair values of derivative instruments are disclosed in Note 5. The fair values of long-term debt are disclosed in Note 7.

Recent accounting pronouncements –In August 2014, the 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 Organization in the fiscal year ending December 31, 2016. It is not anticipated that ASU No. 2014-15 will have an impact on the Organization's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30)*. The amendment in this update requires 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. ASU No. 2015-03 is effective for the Organization in the fiscal year ending December 31, 2016. It is not anticipated that ASU No. 2015-03 will have a material impact on the Organization's consolidated financial statements.

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 Organization is currently evaluating the impact of the ASU No. 2015-07 on the Organization's consolidated financial statements.

Reclassifications – Certain reclassifications have been made to the 2014 consolidated financial statements to conform to the 2015 presentation and had no impact on net income or net assets as previously reported.

NOTE 3 – THIRD-PARTY PAYORS

Eskaton has agreements with third-party payors that provide for payments to Eskaton at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare** – Skilled nursing services and home health visits provided to Medicare program beneficiaries are reimbursed under the Prospective Payment System (PPS). Eskaton is reimbursed under the PPS system for skilled nursing services on a per diem rate depending on each patient category, which is determined by the Resource Utilization Groups (RUG) system. Eskaton is reimbursed under the PPS system for home health visits on a per 60-day case rate depending on each patient category, which is determined by the Home Health Resource Groups (HHRG) system.

- **Medi-Cal** – Skilled nursing services and home health visits rendered to Medi-Cal program beneficiaries are reimbursed under prospectively determined per diem or per visit rates.

- **Other** – Eskaton has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to Eskaton under these agreements includes prospectively determined daily rates and discounts from established charges.

NOTE 4 – ASSETS LIMITED AS TO USE AND INVESTMENTS

Assets limited as to use – The composition of assets limited as to use, stated at fair value, as of December 31 is set forth in the following table (in thousands):

	2015	2014
Required under bond indenture and HUD regulatory agreements for escrow, principal, interest, reserves, and insurance, held by trustee:		
Cash and short-term investments	$ 2,188	$ 3,040
U.S. Treasury notes, government securities, and other corporate debt securities	7,636	7,846
	9,824	10,886
Resident assistance and program funds restricted by donors:		
Cash and short-term investments	27	74
Equity securities	706	367
Mutual funds	861	1,105
	1,594	1,546
	11,418	12,432
Less current portion	839	2,645
	$ 10,579	$ 9,787

Investments – Investments, at fair value, at December 31 include the following (in thousands):

	2015	2014
Corporate reserves for capital replacement, liquidity, and growth:		
Cash and short-term investments	$ 939	$ 1,883
U.S. Treasury notes, government securities, and other corporate debt securities	1,531	2,622
Equity securities	26,421	24,884
Mutual funds	13,776	14,382
Alternative investments	7,458	8,416
	50,125	52,187
Corporate reserves for resident assistance and charitable gift annuities:		
Cash and short-term investments	42	103
U.S. Treasury notes, government securities, and other corporate debt securities	105	35
Equity securities	580	304
Mutual funds	592	860
	1,319	1,302
	51,444	53,489
Less current portion	50,125	52,187
	$ 1,319	$ 1,302

FASB ASC Topic 820 establishes a 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Eskaton has the ability to access at the measurement date.

Level 2 – inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement, in its entirety.

The fair values of the financial instruments as of December 31, 2015 and 2014, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

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

Cash and cash equivalents – The carrying amounts at face value approximate fair value because of the short maturity of these instruments.

Marketable investment securities – Certificates of deposit, money market funds, common stock, mutual funds, U.S. government securities, U.S. government bonds, and corporate bonds are measured using quoted market prices at the reporting date multiplied by the quantity held.

Alternative investment securities – Management has elected to carry alternative investments at fair value under the fair value option. The fair value of alternative investments has been determined using net asset value (NAV) as a practical expedient.

Investments by level at December 31, 2015 and 2014, are as follows (in thousands):

		Fair value measurements at reporting date using		
	December 31, 2015	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments (including assets limited as to use):				
Cash and cash equivalents	$ 1,381	$ 1,381	$ -	$ -
Certificates of deposit	171	-	171	-
Money market funds	1,644	1,644	-	-
Common stocks	27,707	27,707	-	-
Mutual funds	15,229	15,229	-	-
U.S. Government securities	7,176	7,176	-	-
U.S. Government bonds	1,348	1,348	-	-
Corporate bonds	748	748	-	-
Alternative investments	7,458	-	-	7,458
Total	$ 62,862	$ 55,233	$ 171	$ 7,458

		Fair value measurements at reporting date using		
	December 31, 2014	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments (including assets limited as to use):				
Cash and cash equivalents	$ 1,074	$ 1,074	$ -	$ -
Certificates of deposit	303	-	303	-
Money market funds	3,723	3,723	-	-
Common stocks	25,555	25,555	-	-
Mutual funds	16,346	16,346	-	-
U.S. Government securities	7,386	7,386	-	-
U.S. Government bonds	1,607	1,607	-	-
Corporate bonds	1,511	1,511	-	-
Alternative investments	8,416	-	-	8,416
Total	$ 65,921	$ 57,202	$ 303	$ 8,416

Eskaton invests in limited partner positions including hedge funds. Investments in commingled funds have the potential to become illiquid under stressed market conditions and, in certain circumstances investors may be subject to redemption restrictions which can impede the timely return of capital. These partnerships are valued using their respective NAV, and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued on a monthly basis by each fund's independent administrator and for certain illiquid investments where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type, but are predominantly derived from observed market prices.

Eskaton management meets at least quarterly with its investment advisor to review the strategy, and the ongoing performance of all investments, including analyzing changes in fair value measurements from period to period. Eskaton further corroborates third-party information used in the fair value measurement by obtaining audited financial statements of its hedge funds.

The following table presents Eskaton's alternative investments measured at estimated fair value as of December 31, 2015 (in thousands):

Description	Balance as of December 31, 2015	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds (i)	$ 4,493	$ -	Quarterly	95 days
Hedge funds (ii)	2,965	-	Semi-Annually	95 days
Total	$ 7,458	$ -		

(i) Hedge funds in this category were established for the purpose of achieving capital appreciation through a multi-manager, multi-strategy investment approach while maintaining a low level of volatility. The hedge funds implement their investment programs through investments in individually managed accounts, private investment funds, and affiliated funds.

(ii) Hedge funds in this category were established for the purpose of achieving consistent, positive returns, which are not dependent upon a rising equity market, while attempting to reduce risk and volatility. The hedge funds invest with other hedge funds and other experienced portfolio managers or otherwise utilize the services of investment advisors or other investment managers employing a variety of trading styles or strategies, including, but not limited to, direct lending, convertible arbitrage, merger or risk arbitrage and other event-driven investing, distressed and long/short credit, long/short equity, multi-strategy, and other relative value strategies.

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 (in thousands):

	Hedge Funds (i)	Hedge Funds (ii)
Balance, January 1, 2015	$ 6,207	$ 2,209
Total realized and unrealized gains and losses:		
Included in excess of revenues, gains, and other support over expenses	(116)	(94)
Included in changes in unrestricted net assets	-	-
Purchases	-	850
Sales	(1,598)	-
Transfers in and/or out of Level 3	-	-
Balance, December 31, 2015	$ 4,493	$ 2,965

	Hedge Funds (i)	Hedge Funds (ii)
Balance, January 1, 2014	$ 5,330	$ 2,178
Total realized and unrealized gains and losses:		
Included in excess of revenues, gains, and other support over expenses	502	31
Included in changes in unrestricted net assets	-	-
Purchases	375	-
Sales	-	-
Transfers in and/or out of Level 3	-	-
Balance, December 31, 2014	$ 6,207	$ 2,209

Investment income, expenses, and gains for assets limited as to use, cash equivalents, and investments are comprised of the following for the years ended December 31 (in thousands):

	Year Ended December 31, 2015		
	Obligated Group	**Nonobligated**	**Total**
Investment income:			
Interest and dividend income	$ 1,308	$ 59	$ 1,367
Realized gains on sales of securities	4,362	210	4,572
Unrealized losses on trading securities and alternative investments	(6,546)	(319)	(6,865)
	(876)	(50)	(926)
Less investment expenses	485	22	507
Total investment loss	(1,361)	(72)	(1,433)
Less temporarily restricted investment losses	-	(43)	(43)
Unrestricted investment loss	$ (1,361)	$ (29)	$ (1,390)

	Year Ended December 31, 2014		
	Obligated Group	**Nonobligated**	**Total**
Investment income:			
Interest and dividend income	$ 1,191	$ 51	$ 1,242
Realized gains on sales of securities	2,874	272	3,146
Unrealized losses on trading securities and alternative investments	(1,344)	(140)	(1,484)
	2,721	183	2,904
Less investment expenses	498	52	550
Total investment income	2,223	131	2,354
Less temporarily restricted investment income	-	69	69
Unrestricted investment income	$ 2,223	$ 62	$ 2,285

NOTE 5 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Eskaton has interest rate swap derivative instruments (swaps) to manage its exposure on its debt instruments. By using derivative instruments, Eskaton exposes itself to credit risk and termination risk.

Credit risk exists because Eskaton is dependent upon the interest rate swap counterparty to meet its obligations under the agreement. This risk is measured by the cost associated with replacing the agreement, not by the notional amount of the agreement. At inception, the swap's replacement cost, or fair market value, is close to zero. If interest rates change such that the fair market value of the swap is positive, Eskaton's exposure to the swap counterparty increases as the cost of replacing the agreement increases. If the fair market value decreases, Eskaton's exposure to the swap counterparty decreases. Eskaton minimizes the credit risk in derivative instruments by entering into transactions with high quality counterparties whose credit rating is higher than A2/A.

Termination risk is the risk that a swap will be terminated by the swap counterparty before maturity and Eskaton, due to adverse market conditions, will be forced to make a cash termination payment to the counterparty. The termination risk associated with swaps is managed by establishing and monitoring parameters that limit the market value sensitivity Eskaton is willing to accept. Termination risk is also mitigated by allowing only Eskaton to have voluntary termination rights and allowing the swap counterparty to terminate only under specific ratings downgrade triggers of Eskaton.

The estimated fair values of derivative instruments have been determined using Level 2 inputs including available market information and valuation methodologies. At December 31, 2015 and 2014, the fair values of these derivatives were recorded in the consolidated balance sheets at net liabilities of $4.5 million and $7.8 million, respectively. The credit risk assumption, as required under FASB ASC Topic 820, reduced Eskaton's interest rate swap liability by $0.3 million and $1.0 million in 2015 and 2014, respectively.

Interest rate swap agreements for variable-rate debt – Eskaton has issued variable-rate debt to refinance various debt issuances and finance capital improvements. The variable-rate debt obligations expose Eskaton to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps effectively changed the variable-rate cash flow exposure on the debt obligations to fixed-rate cash flows. Under the terms of the swaps, Eskaton makes fixed interest rate payments and receives variable interest rate payments, thereby creating the equivalent of fixed-rate debt. As of December 31, 2015 and 2014, Eskaton was party to swap agreements with an aggregate notional principal amount of $19.5 million and $31.1 million, respectively.

Terminated interest rate swap agreement – In June 2015, as a precondition to refinancing the note payable to Bank of America, N.A., Eskaton voluntarily terminated the swap agreement associated with that note. In accordance with the terms of the swap termination agreement, Eskaton made a termination payment of approximately $3.8 million to the swap counterparty of which approximately $1.4 million was funded from loan proceeds of the note payable to Lancaster Pollard and approximately $2.4 million was paid in cash. Eskaton recognized a loss on settlement of approximately $0.3 million, which is included in interest rate swap activities in the consolidated statements of operations and changes in net assets for the year ended December 31, 2015.

Interest rate swap activities – Interest rate swap activities included in nonoperating revenue (expenses) for the years ended December 31 consist of the following (in thousands):

	2015	2014
Obligated Group:		
Unrealized loss on interest rate swap agreements for variable-rate debt	$ (192)	$ (1,330)
Non-Obligated Group:		
Unrealized loss on interest rate swap agreements for variable-rate debt	-	(1,120)
Loss on settlement of terminated swaps	(348)	-
Net loss on interest rate swap agreements (including terminated swaps)	(540)	(2,450)
Obligated Group:		
Net payments on interest rate swap agreements	(694)	(718)
Non-Obligated Group:		
Net payments on interest rate swap agreements	(239)	(586)
Total interest rate swap activities (including terminated swaps)	$ (1,473)	$ (3,754)

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of the following (in thousands):

	2015	2014
Land	$ 15,727	$ 16,395
Land improvements	18,134	17,615
Buildings and improvements	185,989	184,373
Equipment	29,257	28,257
	249,107	246,640
Accumulated depreciation	(141,667)	(133,991)
	107,440	112,649
Construction in progress	897	334
Property and equipment, net	$ 108,337	$ 112,983

NOTE 7 – LONG-TERM DEBT

Long-term debt at December 31 consists of the following (in thousands):

	2015	2014
Obligated group:		
Series 2013 Tax-Exempt Fixed-Rate Revenue Bonds (Series 2013 Bonds) due 2035, principal due in annual installments and fixed interest of 2.00% to 5.00% due semi-annually; secured by deeds of trust.	$ 47,850	$ 49,025
Series 2012 Tax-Exempt Fixed-Rate Revenue Bonds (Series 2012 Bonds) due 2034, principal due in annual installments and fixed interest of 2.00% to 5.25% due semi-annually; secured by deeds of trust.	34,855	35,855
Series 2008A Tax-Exempt Variable-Rate Demand Revenue Refunding Bonds (Series 2008A Bonds) due 2029, principal due in annual installments and variable interest due monthly (1.63% and 1.56% at December 31, 2015 and 2014, respectively); held under a bank direct placement agreement; secured by deeds of trust.	15,975	18,450
Series 2006 Tax-Exempt Variable-Rate Demand Revenue Bonds (Series 2006 Bonds) due 2037, principal due in annual installments and variable interest due monthly (1.41% and 1.35% at December 31, 2015 and 2014, respectively); held under a bank direct placement agreement; secured by deeds of trust.	18,115	18,575
Other notes, due through 2021	2,510	2,595

Nonobligated:		
Note payable to Bank of America, N.A., due 2016, principal due in annual installments and variable interest due monthly (1.21% at December 31, 2014); secured by deeds of trust.	-	11,060
Note payable to Red Mortgage Capital, LLC due 2047, principal and interest of 2.45% due in monthly installments of $32; insured by U.S. Department of Housing and Urban Development under Section 232, pursuant to Section 223(f); secured by deed of trust.	8,472	8,644
Note payable to Lancaster Pollard Mortgage Company due 2050, principal and interest of 3.07% due in monthly installments of $53; insured by U.S. Department of Housing and Urban Development under Section 232, pursuant to Section 223(f); secured by deed of trust.	13,586	-
Other notes, due through 2017	4,926	5,126
	146,289	149,330
Unamortized premiums	4,278	4,496
	150,567	153,826
Less current maturities	4,571	4,433
	$ 145,996	$ 149,393

Eskaton sold Eskaton Henson Manor on April 10, 2015, for a price of $4.0 million. In accordance with the regulations for tax-exempt financing, approximately $1.6 million of the proceeds from the sale, which represented the allocable portion of 2008A Bonds used to finance Eskaton Henson Manor, were used to make an early redemption of 2008A Bonds in the same amount. The remaining maturity schedule for the 2008A Bonds remains the same and the $1.6 million early redemption was deducted from the final maturity payment due in 2029.

Eskaton refinanced the $11.1 million note payable to Bank of America on June 10, 2015, with a $13.7 million note payable to Lancaster Pollard Mortgage Company, and simultaneously ELGB withdrew from the Obligated Group, having met all of the conditions required by the Master Indenture.

Maturities (as calculated based on the following paragraph) of long-term debt are as follows (in thousands):

Year Ending December 31:	
2016	$ 4,571
2017	26,338
2018	4,132
2019	4,280
2020	15,472
Thereafter	95,774
	$ 150,567

Eskaton calculated the above maturities of long-term debt as if the variable rate demand bonds held under direct placement agreements with banks were not renewed or successfully remarketed or refinanced and were required to be repaid at the expiration dates in 2017 and 2020.

The total amount of long-term debt supported by direct placement agreements at December 31, 2015, was approximately $34 million. Eskaton pays fees on each direct placement facility, which range from 1.25% to 1.45% per annum and are included in interest and amortization expense in the consolidated statements of operations and changes in net assets.

Interest expense related to long-term debt for the years ended December 31, 2015 and 2014, comprises the following (in thousands):

		2015		2014
Obligated Group:				
Interest on bonds and notes	$	4,627	$	4,721
Letter of credit and other financing fees		53		45
Amortization of debt issuance costs		182		185
Nonobligated:				
Interest on bonds and notes		902		693
Letter of credit and other financing fees		2		2
Amortization of debt issuance costs		46		78
	$	5,812	$	5,724

The Series 2013 Bonds, Series 2012 Bonds, Series 2008A Bonds, and Series 2006 Bonds are subject to restrictive covenants contained in the Master Indenture of Trust. The Series 2008A Bonds and Series 2006 Bonds are also subject to additional covenants contained in the direct placement agreements with U.S. Bank, N.A. and Compass Mortgage Corporation, respectively. Under the Master Indenture of Trust, Eskaton is required to maintain certain deposits with a trustee that are included in assets limited as to use. The Master Indenture of Trust and related direct placement agreements also, among other things, require Eskaton to maintain specified debt service coverage ratios and days cash on hand, place limits on Eskaton on the incurrence of additional long-term debt, and require Eskaton to report material adverse changes. Management believes that Eskaton was in compliance with the various covenants as of and for the year ended December 31, 2015.

The notes payable to Red Mortgage Capital, LLC and Lancaster Pollard Mortgage Company are also subject to restrictive covenants, including the requirement to maintain certain deposits with the lender. Such deposits include mortgage insurance premiums, property taxes, and property insurance escrow accounts. The lender also holds reserve accounts for capital replacement reserves and residual receipts. All such escrow accounts and reserve accounts are included in assets limited as to use. Disbursements from the reserve accounts for the proper purpose may only be made after receiving consent in writing from the Secretary of Housing and Urban Development.

The Series 2006 Bonds are held by Compass Mortgage Corporation under a direct placement agreement expiring May 31, 2017. The Series 2008A Bonds are held by U.S. Bank, N.A. under a direct placement agreement expiring August 31, 2020.

Long-term debt is carried at amortized cost. The following table presents Eskaton's estimated fair values of the long-term debt in accordance with FASB ASC Topic 825, *Financial Instruments*, at December 31, 2015 and 2014 (in thousands):

	2015				2014			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
Long-term debt	$	150,567	$	142,859	$	153,826	$	157,529

NOTE 8 – PENSION PLANS

Eskaton has a defined benefit cash balance pension plan whereby a participant's monthly rate of retirement benefits shall equal one twelfth of the amount determined in accordance with the Plan provisions. A participant may elect an optional form of benefit, including a single lump-sum payment. The Eskaton Retirement Plan covers all employees of Eskaton, EPI, EVGV, EVR, EVP, ELGB, EFWL, Eskaton Foundation, and LD who have attained the age of 21 after completion of one year of service in which the employee completes 1,000 hours of service. The Plan requires five benefit years to vest.

Eskaton is party to an irrevocable standby letter of credit totaling $3.2 million and $3.5 million at December 31, 2015 and 2014, respectively, with the Eskaton Retirement Plan named as beneficiary. The standby letter of credit supports restricted distributions (amounts distributed as lump sums in excess of amounts that would have been distributed as annuity payments) to 5 of the top 25 retirees of the Plan. The stand-by letter of credit would only be called upon in the event that Eskaton terminated the Plan and assets were insufficient to meet the Plan liabilities. Management has no plans to terminate the Plan and thus performance is not expected to be required. Management is therefore of the opinion that the fair value of this instrument is zero.

Eskaton also maintains a Supplemental Executive Retirement Plan (SERP) that provides supplemental funds for retirement or death for selected key employees of Eskaton in the event that the Eskaton Retirement Plan benefits of such individuals are less than the specified target. The SERP is a nonqualified plan intended to meet the requirements of an ineligible deferred compensation plan as described in Section 457(f) of the Internal Revenue Code of 1986. The benefit under the SERP is offset by certain portions of the Eskaton Retirement Plan. It is expected over time that the benefits payable from the SERP will be nearly completely offset by the cash balance pension plan.

The following table sets forth the plan's benefit obligations, fair value of assets, and funded status at December 31, 2015 and 2014 (in thousands):

	Eskaton Retirement Plan		SERP	
	2015	2014	2015	2014
Benefit obligation	$ 26,844	$ 27,192	$ 2,100	$ 1,151
Fair value of assets	25,528	25,992	-	-
Funded status at end of year (liabilities recognized in unfunded pension obligations in the consolidated balance sheets)	$ (1,316)	$ (1,200)	$ (2,100)	$ (1,151)

The accumulated benefit obligation for the pension plan was $26.5 million and $26.9 million at December 31, 2015 and 2014, respectively. Net periodic benefit cost recognized and other changes in plan assets and benefit obligations is excluded from excess of revenues over expenses in 2015 and 2014 and were as follows (in thousands):

	Eskaton Retirement Plan		SERP	
	2015	2014	2015	2014
Net periodic benefit cost recognized	$ 1,019	$ 758	$ 1,875	$ 23
Other changes in plan assets and benefit obligations recognized in accumulated unrestricted net assets (deficit):				
Net actuarial gain (loss)	823	2,891	(516)	744
Prior service cost	391	(124)	-	-
Total recognized in accumulated unrestricted net assets (deficit)	1,214	2,767	(516)	744
Total recognized in net periodic benefit cost and accumulated unrestricted net assets (deficit)	$ 2,233	$ 3,525	$ 1,359	$ 767

The net loss and prior service cost for the Eskaton Retirement Plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is $1.3 million and $0.2 million, respectively. The net loss and prior service cost for the SERP that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is $0.

Weighted average assumptions used are as follows:

	Eskaton Retirement Plan		SERP	
	2015	2014	2015	2014
Discount rate - benefit obligation	3.90%	3.70%	3.90%	3.70%
Discount rate - benefit cost	3.70%	4.40%	3.70%	4.40%
Expected rate of return on plan assets	7.00%	7.00%	n/a	n/a
Rate of compensation increase	3.00%	3.00%	4.00%	4.00%

Eskaton's expected rate of return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The following table summarizes benefit costs, employer contributions, settlement payments, and benefits paid during 2015 and 2014 (in thousands):

	Eskaton Retirement Plan		SERP	
	2015	2014	2015	2014
Benefit cost	$ 1,019	$ 758	$ 1,875	$ 23
Employer contribution	$ 2,116	$ 3,986	$ 406	$ -
Settlement	$ -	$ -	$ -	$ -
Benefits paid	$ (1,670)	$ (1,607)	$ (406)	$ -

Measurement date – The measurement date used to determine pension benefit measures for the plans is December 31.

Cash flows – Eskaton expects to contribute $1.8 million to the Eskaton Retirement Plan and $1.5 million to the SERP during the year ending December 31, 2016.

The benefits expected to be paid are as follows (in thousands):

Year Ending December 31,	Eskaton Retirement Plan	SERP
2016	$ 2,482	$ 1,453
2017	2,440	261
2018	2,468	249
2019	2,284	270
2020	2,001	509
2021 - 2025	9,353	1,739

The expected benefits are based on the same assumptions used to measure Eskaton's benefit obligation at December 31, 2015, and include estimated future employee service.

Plan assets – Eskaton's investment policy for the Eskaton Retirement Plan states the overall investment objectives of the account. It also contains a target asset mix and asset mix restrictions, which in combination with the skills of each investment manager should achieve these objectives.

The objectives of the account are expected to be pursued as a long-term goal designed to maximize the returns without exposure to undue risk. Each investment manager's greatest concern is expected to be long-term appreciation of the assets and consistency of total portfolio returns. Management expects the account to exceed (net of fees) the composite benchmark relevant to the target asset allocation defined in the investment policy.

Target Asset Mix Table
Overall Portfolio

Asset class	Minimum percentage	Target percentage	Maximum percentage
Domestic equities	30%	45%	60%
Real estate	0%	5%	10%
International equities	10%	15%	20%
Domestic fixed income	15%	25%	35%
Alternative investments	0%	10%	20%

The asset allocations of plan assets at December 31, 2015, are as follows (in thousands):

		Fair value measurements at December 31, 2015		
		Plan assets		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset category				
Cash	$ 359	$ 359	$ -	$ -
Money market funds	217	217	-	-
Common stocks	13,398	13,398	-	-
Mutual funds	6,816	6,816	-	-
U.S. government bonds	251	251	-	-
Corporate bonds	239	239	-	-
Guaranteed investment account	840	-	840	-
Pooled separate account	101	-	101	-
Alternative investments	3,307	-	-	3,307
Total pension assets	$ 25,528	$ 21,280	$ 941	$ 3,307

The asset allocations of plan assets at December 31, 2014, are as follows (in thousands):

		Fair value measurements at December 31, 2014		
		Plan assets		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset category				
Cash	$ 74	$ 74	$ -	$ -
Money market funds	630	630	-	-
Common stocks	12,906	12,906	-	-
Mutual funds	6,860	6,860	-	-
U.S. government bonds	410	410	-	-
Corporate bonds	558	558	-	-
Guaranteed investment account	868	-	868	-
Pooled separate account	94	-	94	-
Alternative investments	3,592	-	-	3,592
Total pension assets	$ 25,992	$ 21,438	$ 962	$ 3,592

The following tables reconcile the beginning and ending balances of recurring fair value measurements recognized in the plan assets using significant unobservable (Level 3) inputs (in thousands):

		Hedge funds
Balance, January 1, 2015	$	3,592
Actual return on plan assets		(120)
Purchases		-
Sales		(165)
Transfers in and/or out of Level 3		-
Balance, December 31, 2015	$	3,307

		Hedge funds
Balance, January 1, 2014	$	3,252
Actual return on plan assets		163
Purchases		177
Sales		-
Transfers in and/or out of Level 3		-
Balance, December 31, 2014	$	3,592

There were no significant transfers between plan assets with inputs with quoted prices in active markets for identical assets (Level 1) and assets with inputs with significant other observable inputs (Level 2) during the years ended December 31, 2015 and 2014.

NOTE 9 – ESKATON VILLAGE CARMICHAEL

EVC is a licensed continuing care community offering independent living, assisted living for those residents needing assistance with two or more of the activities of daily living and residents with cognitive impairments, and skilled nursing for all other residents. EVC is located on a 37-acre parcel of land in Carmichael, California, and consists of the following living units:

Unit type	Number of units
Apartments	201
Cottages	94
Assisted living	38
Assisted living – special care unit	20
Skilled nursing	35

Residents of the apartments and cottages pay a membership or entrance fee and sign a membership or residence agreement, which has been approved by the Continuing Care Contracts Branch of the California Department of Social Services. The nonrefundable membership agreement results in a payment to the resident only from reoccupancy proceeds of that apartment or cottage. Residents may resell their membership to another qualified individual, and Eskaton receives a transfer fee of 10% of the original membership fee amount, capped at a maximum of 10% of the new sales price. In addition, appreciation in excess of the original membership fee amount is shared equally between the resident and Eskaton.

The refundable residence agreement requires an entrance fee which is deferred and amortized on a straight-line basis over the five-year refundable period. Refundable entrance fees, net of amortization, totaled $3 million and $1.9 million as of December 31, 2015 and 2014, respectively.

Eskaton is obligated to provide future services and the use of the EVC community to the residents. Residents are charged monthly maintenance fees, which are used to pay routine operating expenses of EVC. Management has determined that the deferred revenue from unamortized EVC membership fees and future monthly fees exceeds the present value of the net cost of future services and use of the EVC community to be provided to residents as of December 31, 2015 and 2014, discounted at 3.5%. Accordingly, Eskaton has not recorded a liability to provide future services as of December 31, 2015 and 2014.

NOTE 10 – SELF-INSURED EMPLOYEE HEALTH AND WORKERS' COMPENSATION

Eskaton is self-insured for employee health and workers' compensation up to $150,000 and $1 million per claim, respectively. Eskaton maintains stop-loss insurance policies for employee health and workers' compensation with limits of $0 and $25 million per claim, respectively. Accruals have been made for estimated liabilities, including estimates for incurred but not reported claims. Eskaton has recorded a liability of $998,000 and $1.2 million at December 31, 2015 and 2014, respectively, in relation to employee health. Eskaton has recorded a liability of $9.8 million and $11 million at December 31, 2015 and 2014, respectively, in relation to workers' compensation. Eskaton is required to participate as a member in the State of California Self-Insurers' Security Fund, a not-for-profit mutual benefit corporation, to secure its liabilities for self-insured workers' compensation. In Eskaton's past experience, no claims have been made against this financial instrument. Management does not expect any material loss to result from this off-balance-sheet instrument because performance is not expected to be required and, therefore, is of the opinion that the fair value of this instrument is zero.

NOTE 11 – PROFESSIONAL LIABILITY INSURANCE

Eskaton maintains claims-made commercial professional liability insurance coverage with California Healthcare Insurance Company covering losses up to $5 million per claim, annual aggregate of $15 million, with a $10,000 deductible per claim. Eskaton also purchases excess professional liability insurance coverage of $10 million per claim and $10 million aggregate over the primary insurance coverage limits. Eskaton has recorded a liability of $1.3 million for the tail exposure at December 31, 2015 and 2014, respectively. In accordance with FASB Topic 954-450, *Health Care Entities: Contingencies*, Eskaton has also recorded a liability of $797,000 and $993,000 at December 31, 2015 and 2014, for estimated claim liabilities insured under its liability policy. Any related insurance recovery receivables are recorded under due from liability insurer in the accompanying consolidated balance sheets.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Eskaton is a defendant in various legal actions arising from its normal conduct of business. It is the opinion of Eskaton's management, after consulting with legal counsel, that the outcome of such matters will not have a material adverse effect on the consolidated financial position or results of operations of Eskaton.

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

Eskaton's financial instruments that are exposed to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation ("FDIC") and Security Investor Protection Corporation ("SIPC") limits and its accounts receivable.

Eskaton's operating facilities are located primarily in the Sacramento, California, metropolitan area. Eskaton grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. Receivables (before allowances for uncollectible accounts and net of applicable contractual allowances) from patients and third-party payors at December 31 are as follows (in thousands):

	2015	2014
Medicare	$ 1,652	$ 1,561
Medi-Cal	1,782	1,594
Other third-party payors	3,402	3,953
Patients and residents	698	1,117
	$ 7,534	$ 8,225

NOTE 14 – FUNCTIONAL EXPENSES

Eskaton provides health services, residential services, and community service programs within its geographic location. Expenses related to providing these services are as follows (in thousands):

	2015	2014
Health services	$ 42,968	$ 42,524
Residential services	60,675	58,127
Community service programs	2,026	1,255
Fund raising	1,014	925
General and administrative	12,279	11,930
	$ 118,962	$ 114,761

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 and Safety Code: no reserves are being accumulated for identified projects or contingencies.

NOTE 16 – SUBSEQUENT EVENTS

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

Subsequent events have been evaluated through April 28, 2016, which is the date the consolidated financial statements were issued.

SUPPLEMENTARY INFORMATION

ESKATON AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – BALANCE SHEET
December 31, 2015
(in thousands)

Assets	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Current assets:																
Cash and cash equivalents	$ 6,832	$ 140	$ 1,985	$ 8,957	$ -	$ 8,957	$ 181	$ 59	$ 1,126	$ 1,630	$ 190	$ -	$ 809	$ 12,952	$ -	$ 12,952
Assets limited as to use, required for current liabilities	468	232	-	700	-	700	-	-	65	74	-	-	-	839	-	839
Investments	49,954	-	171	50,125	-	50,125	-	-	-	-	-	-	-	50,125	-	50,125
Accounts receivable, net	6,937	75	18	7,030	-	7,030	130	-	19	7	29	-	-	7,215	-	7,215
Other receivables	2,111	-	-	2,111	-	2,111	6	52	36	1	2	-	59	2,267	(60)	2,207
Inventories	156	9	6	171	-	171	-	-	9	8	4	-	-	192	-	192
Deposits and prepaid expenses	823	49	53	925	-	925	138	-	16	95	17	-	9	1,200	-	1,200
Due from related parties	588	-	-	588	-	588	40	-	-	-	-	170	-	798	(798)	-
Total current assets	67,869	505	2,233	70,607	-	70,607	495	111	1,271	1,815	242	170	877	75,588	(858)	74,730
Assets limited as to use, net of amount required for current liabilities	5,863	2,063	-	7,926	-	7,926	-	-	379	680	-	-	1,594	10,579	-	10,579
Investments	-	-	-	-	-	-	-	-	-	-	-	-	1,319	1,319	-	1,319
Property and equipment, net	53,702	8,214	15,489	77,405	(150)	77,255	1,199	-	10,394	11,278	7,663	538	10	108,337	-	108,337
Other assets:																
Land available for sale	1,830	-	-	1,830	-	1,830	-	-	-	-	-	-	-	1,830	-	1,830
Due from liability insurer	797	-	-	797	-	797	-	-	-	-	-	-	-	797	-	797
Deferred financing costs, net	1,405	410	84	1,899	-	1,899	25	-	338	532	-	-	-	2,794	-	2,794
Associate member/resident/patient deposits	3,297	-	-	3,297	-	3,297	-	-	-	-	-	-	-	3,297	-	3,297
Other	724	-	-	724	-	724	1,284	-	-	-	500	-	-	2,508	(1,225)	1,283
Due from related parties, net of current portion	6,401	-	-	6,401	-	6,401	-	-	-	-	-	-	-	6,401	(6,401)	-
	14,454	410	84	14,948	-	14,948	1,309	-	338	532	500	-	-	17,627	(7,626)	10,001
Total assets	$ 141,888	$ 11,192	$ 17,806	$ 170,886	$ (150)	$ 170,736	$ 3,003	$ 111	$ 12,382	$ 14,305	$ 8,405	$ 708	$ 3,800	$ 213,450	$ (8,484)	$ 204,966

ESKATON AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – BALANCE SHEET (Continued)
December 31, 2015
(in thousands)

Liabilities and Net Assets (Deficit)	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Current liabilities:																
Current maturities of long-term debt	$ 2,788	$ 687	$ 485	$ 3,960	$ -	$ 3,960	$ -	$ -	$ 177	$ 224	$ 210	$ -	$ -	$ 4,571	$ -	$ 4,571
Current portion of deferred revenue from unamortized CCRC membership fees	1,828	-	-	1,828	-	1,828	-	-	-	-	-	-	-	1,828	-	1,828
Refundable CCRC entrance fees	2,974	-	-	2,974	-	2,974	-	-	-	-	-	-	-	2,974	-	2,974
Deposits on unoccupied CCRC units	274	5	3	282	-	282	-	-	-	-	-	-	-	282	-	282
Accounts payable	1,028	158	32	1,218	-	1,218	6	-	39	49	40	-	12	1,364	-	1,364
Accrued liabilities:																
Payroll and payroll taxes	1,816	65	54	1,935	-	1,935	43	73	39	74	40	-	-	2,204	-	2,204
Vacation	1,467	71	57	1,595	-	1,595	51	88	61	42	56	-	18	1,911	-	1,911
Current portion of self-insured workers' compensation	2,145	-	-	2,145	-	2,145	-	-	-	-	-	-	-	2,145	-	2,145
Self-insured employee health plan	998	-	-	998	-	998	-	-	-	-	-	-	-	998	-	998
Interest	394	145	79	618	-	618	-	-	32	103	15	-	-	768	(83)	685
Other	852	28	28	908	-	908	47	-	32	53	66	4	-	1,110	(60)	1,050
Due to related parties	170	-	-	170	-	170	39	(50)	67	242	190	-	57	715	(715)	-
Total current liabilities	16,734	1,159	738	18,631	-	18,631	186	111	447	787	617	4	87	20,870	(858)	20,012
Other liabilities:																
Self-insured workers' compensation, net of current portion	7,620	-	-	7,620	-	7,620	-	-	-	-	-	-	-	7,620	-	7,620
Interest rate swap agreements	-	-	4,471	4,471	-	4,471	-	-	-	-	-	-	-	4,471	-	4,471
Unfunded pension obligation	3,416	-	-	3,416	-	3,416	-	-	-	-	-	-	-	3,416	-	3,416
Professional liability	2,134	-	-	2,134	-	2,134	-	-	-	-	-	-	-	2,134	-	2,134
Associate member/resident/patient deposits	3,297	-	-	3,297	-	3,297	-	-	-	-	-	-	-	3,297	-	3,297
Other	71	14	139	224	-	224	4	-	13	-	-	-	101	342	-	342
Due to related parties, net of current portion	-	-	-	-	-	-	-	-	143	2,458	3,800	-	-	6,401	(6,401)	-
	16,538	14	4,610	21,162	-	21,162	4	-	156	2,458	3,800	-	101	27,681	(6,401)	21,280
Long-term debt, net of current maturities	77,311	24,682	17,630	119,623	-	119,623	-	-	8,295	13,362	4,716	-	-	145,996	-	145,996
Deferred revenue from unamortized CCRC membership fees, net of current portion	7,768	-	-	7,768	-	7,768	-	-	-	-	-	-	-	7,768	-	7,768
Total liabilities	118,351	25,855	22,978	167,184	-	167,184	190	111	8,898	16,607	9,133	4	188	202,315	(7,259)	195,056
Net assets (deficit):																
Unrestricted net assets (deficit)	23,531	(14,663)	(5,172)	3,696	(150)	3,546	2,813	-	3,484	(2,302)	(728)	704	1,780	9,297	(1,225)	8,072
Temporarily restricted net assets	6	-	-	6	-	6	-	-	-	-	-	-	1,293	1,299	-	1,299
Permanently restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	539	539	-	539
Total net assets (deficit)	23,537	(14,663)	(5,172)	3,702	(150)	3,552	2,813	-	3,484	(2,302)	(728)	704	3,612	11,135	(1,225)	9,910
Total liabilities and net assets (deficit)	$ 141,888	$ 11,192	$ 17,806	$ 170,886	$ (150)	$ 170,736	$ 3,003	$ 111	$ 12,382	$ 14,305	$ 8,405	$ 708	$ 3,800	$ 213,450	$ (8,484)	$ 204,966

ESKATON AND SUBSIDIARIES

CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)

Year Ended December 31, 2015

(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants
Unrestricted net assets (deficit):								
Revenue, gains, and other support:								
Net patient service revenue	$ 48,802	$ -	$ -	$ 48,802	$ -	$ 48,802	$ 702	$ -
Resident service revenue, including amortization of CCRC membership fees	37,109	6,647	6,369	50,125	-	50,125	-	-
Other, net	6,217	316	582	7,115	(843)	6,272	1,314	3,010
Total revenues, gains, and other support	92,128	6,963	6,951	106,042	(843)	105,199	2,016	3,010
Expenses:								
Salaries and wages	40,577	2,135	2,310	45,022	-	45,022	1,841	2,305
Employee benefits	11,581	693	721	12,995	-	12,995	628	704
Professional fees	1,793	451	3	2,247	-	2,247	14	-
Supplies	3,457	498	388	4,343	-	4,343	100	-
Purchased services	6,292	967	760	8,019	(843)	7,176	274	-
Ancillary costs	3,070	40	68	3,178	-	3,178	1	-
Utilities	3,210	352	233	3,795	-	3,795	30	-
Insurance and other	6,682	350	310	7,342	-	7,342	412	1
Depreciation	5,695	917	792	7,404	(9)	7,395	34	-
Interest and amortization	3,411	1,125	326	4,862	-	4,862	-	-
Provision for uncollectible accounts	430	5	3	438	-	438	3	-
Total operating expenses	86,198	7,533	5,914	99,645	(852)	98,793	3,337	3,010
Income (loss) from operations	5,930	(570)	1,037	6,397	9	6,406	(1,321)	-
Nonoperating revenue (expenses):								
Investment (loss) income	(1,301)	22	1	(1,278)	-	(1,278)	-	-
Interest rate swap activities	-	-	(886)	(886)	-	(886)	-	-
Loss on early repayment of debt	-	-	-	-	-	-	-	-
Other	2,976	-	(28)	2,948	-	2,948	(10)	-
Total nonoperating revenue (expenses), net	1,675	22	(913)	784	-	784	(10)	-
Excess (deficiency) of revenues, gains, and other support over expenses	7,605	(548)	124	7,181	9	7,190	(1,331)	-

	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Unrestricted net assets (deficit):								
Revenue, gains, and other support:								
Net patient service revenue	$ -	$ -	$ -	$ -	$ -	$ 49,504	$ -	$ 49,504
Resident service revenue, including amortization of CCRC membership fees	4,559	5,986	3,727	-	-	64,397	-	64,397
Other, net	304	144	38	-	759	11,841	(1,719)	10,122
Total revenues, gains, and other support	4,863	6,130	3,765	-	759	125,742	(1,719)	124,023
Expenses:								
Salaries and wages	1,717	1,825	1,791	-	416	54,917	-	54,917
Employee benefits	458	518	618	-	126	16,047	-	16,047
Professional fees	21	22	6	-	41	2,351	-	2,351
Supplies	269	433	325	1	51	5,522	(60)	5,462
Purchased services	577	636	617	2	63	9,345	(1,123)	8,222
Ancillary costs	40	39	25	-	-	3,283	-	3,283
Utilities	209	240	235	2	2	4,513	-	4,513
Insurance and other	205	276	179	6	773	9,194	(536)	8,658
Depreciation	559	584	638	21	14	9,245	-	9,245
Interest and amortization	277	476	280	-	-	5,895	(83)	5,812
Provision for uncollectible accounts	-	1	10	-	-	452	-	452
Total operating expenses	4,332	5,050	4,724	32	1,486	120,764	(1,802)	118,962
Income (loss) from operations	531	1,080	(959)	(32)	(727)	4,978	83	5,061
Nonoperating revenue (expenses):								
Investment (loss) income	-	-	2	-	(31)	(1,307)	(83)	(1,390)
Interest rate swap activities	-	(587)	-	-	-	(1,473)	-	(1,473)
Loss on early repayment of debt	-	(197)	-	-	-	(197)	-	(197)
Other	-	(2)	-	-	(5)	2,931	-	2,931
Total nonoperating revenue (expenses), net	-	(786)	2	-	(36)	(46)	(83)	(129)
Excess (deficiency) of revenues, gains, and other support over expenses	531	294	(957)	(32)	(763)	4,932	-	4,932

ESKATON AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)(Continued)
Year Ended December 31, 2015
(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Excess (deficiency) of revenues, gains, and other support over expenses (page 30)	$ 7,605	$ (548)	$ 124	$ 7,181	$ 9	$ 7,190	$ (1,331)	$ -	$ 531	$ 294	$ (957)	$ (32)	$ (763)	$ 4,932	$ -	$ 4,932
Pension related changes other than net periodic pension cost	(698)	-	-	(698)	-	(698)	-	-	-	-	-	-	-	(698)	-	(698)
Transfer to temporarily restricted net assets	(106)	-	-	(106)	-	(106)	-	-	-	-	-	-	-	(106)	-	(106)
Transfers between related entities	(3,421)	553	(920)	(3,788)	-	(3,788)	2,581	-	-	288	-	21	898	-	-	-
Change in unrestricted net assets (deficit)	3,380	5	(796)	2,589	9	2,598	1,250	-	531	582	(957)	(11)	135	4,128	-	4,128
Unrestricted net assets (deficit), beginning of year	20,151	(14,668)	(4,376)	1,107	(159)	948	1,563	-	2,953	(2,884)	229	715	1,645	5,169	(1,225)	3,944
Unrestricted net assets (deficit), end of year	$ 23,531	$ (14,663)	$ (5,172)	$ 3,696	$ (150)	$ 3,546	$ 2,813	$ -	$ 3,484	$ (2,302)	$ (728)	$ 704	$ 1,780	$ 9,297	$ (1,225)	$ 8,072
Temporarily restricted net assets:																
Contributions	$ 3	$ -	$ -	$ 3	$ -	$ 3	$ -	$ -	$ -	$ -	$ -	$ -	$ 401	$ 404	$ -	$ 404
Investment loss	-	-	-	-	-	-	-	-	-	-	-	-	(43)	(43)	-	(43)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from unrestricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	106	106	-	106
Net assets released from restriction used for operations	(3)	-	-	(3)	-	(3)	-	-	-	-	-	-	(541)	(544)	-	(544)
Change in temporarily restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	(77)	(77)	-	(77)
Temporarily restricted net assets, beginning of year	6	-	-	6	-	6	-	-	-	-	-	-	1,370	1,376	-	1,376
Temporarily restricted net assets, end of year	$ 6	$ -	$ -	$ 6	$ -	$ 6	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,293	$ 1,299	$ -	$ 1,299
Permanently restricted net assets:																
Contributions of endowments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2	$ 2	$ -	$ 2
Change in assets held in trust by others	-	-	-	-	-	-	-	-	-	-	-	-	(6)	(6)	-	(6)
Change in permanently restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	(4)	(4)	-	(4)
Permanently restricted net assets, beginning of year	-	-	-	-	-	-	-	-	-	-	-	-	543	543	-	543
Permanently restricted net assets, end of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 539	$ 539	$ -	$ 539
Change in net assets (deficit)	$ 3,380	$ 5	$ (796)	$ 2,589	$ 9	$ 2,598	$ 1,250	$ -	$ 531	$ 582	$ (957)	$ (11)	$ 54	$ 4,047	$ -	$ 4,047
Net assets (deficit), beginning of year	20,157	(14,668)	(4,376)	1,113	(159)	954	1,563	-	2,953	(2,884)	229	715	3,558	7,088	(1,225)	5,863
Net assets (deficit), end of year	$ 23,537	$ (14,663)	$ (5,172)	$ 3,702	$ (150)	$ 3,552	$ 2,813	$ -	$ 3,484	$ (2,302)	$ (728)	$ 704	$ 3,612	$ 11,135	$ (1,225)	$ 9,910

ESKATON AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – CASH FLOWS
Year Ended December 31, 2015
(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Lodge Granite Bay	Eskaton FountainWood Lodge	Livable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Cash flows from operating activities:																
Change in net assets (deficit)	$ 3,380	$ 5	$ (796)	$ 2,589	$ 9	$ 2,598	$ 1,250	$ -	$ 531	$ 582	$ (957)	$ (11)	$ 54	$ 4,047	$ -	$ 4,047
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:																
Depreciation	5,695	917	792	7,404	(9)	7,395	34	-	559	584	638	21	14	9,245	-	9,245
Amortization of deferred financing costs	105	21	56	182	-	182	-	-	11	35	-	-	-	228	-	228
Amortization of CCRC membership fees	(1,705)	-	-	(1,705)	-	(1,705)	-	-	-	-	-	-	-	(1,705)	-	(1,705)
Net realized and unrealized losses on assets limited as to use	111	30	-	141	-	141	-	-	-	-	-	-	60	201	-	201
Net realized and unrealized losses on investments	1,790	-	-	1,790	-	1,790	-	-	-	-	-	-	50	1,840	-	1,840
Valuation adjustment on land available for sale	(780)	-	-	(780)	-	(780)	-	-	-	-	-	-	-	(780)	-	(780)
Pension related changes other than net periodic pension cost	698	-	-	698	-	698	-	-	-	-	-	-	-	698	-	698
Change in fair value of interest rate swap agreements	-	-	192	192	-	192	-	-	-	348	-	-	-	540	-	540
Provision for uncollectible accounts	430	5	3	438	-	438	3	-	-	1	10	-	-	452	-	452
Transfers between related entities	3,527	(553)	920	3,894	-	3,894	(2,581)	-	-	(288)	-	(21)	(1,004)	-	-	-
Proceeds from permanently restricted contributions	-	-	-	-	-	-	-	-	-	-	-	-	(2)	(2)	-	(2)
Loss on early repayment of debt	-	-	-	-	-	-	-	-	-	97	-	-	-	97	-	97
CCRC resales of nonrefundable contracts	4,941	-	-	4,941	-	4,941	-	-	-	-	-	-	-	4,941	-	4,941
CCRC sales of refundable contracts	1,883	-	-	1,883	-	1,883	-	-	-	-	-	-	-	1,883	-	1,883
(Gain) loss on disposal of property and equipment	(2,177)	-	-	(2,177)	-	(2,177)	10	-	-	2	-	-	-	(2,165)	-	(2,165)
Changes in operating assets and liabilities:																
Change in receivables	997	3	28	1,028	-	1,028	(25)	165	(18)	5	11	-	2	1,168	-	1,168
Change in inventories	(14)	(3)	-	(17)	-	(17)	-	-	-	(1)	2	-	-	(16)	-	(16)
Change in deposits and prepaid expenses	2	5	(1)	6	-	6	(46)	-	2	(42)	7	-	(3)	(76)	-	(76)
Change in other assets	118	-	-	118	-	118	-	-	-	-	7	-	-	125	-	125
Change in accounts payable	(647)	36	(36)	(647)	-	(647)	(2)	-	(33)	(33)	(25)	-	9	(731)	-	(731)
Change in accrued liabilities	(1,310)	(27)	18	(1,319)	-	(1,319)	61	(28)	(61)	23	(26)	(2)	4	(1,348)	-	(1,348)
Change in unfunded pension obligation	367	-	-	367	-	367	-	-	-	-	-	-	-	367	-	367
Change in other liabilities	(117)	-	5	(112)	-	(112)	-	-	(9)	-	(8)	-	30	(99)	-	(99)
Net cash provided by (used in) operating activities	17,294	439	1,181	18,914	-	18,914	(1,296)	137	982	1,313	(341)	(13)	(786)	18,910	-	18,910
Cash flows from investing activities:																
Purchases of assets limited as to use	(4,812)	(1,816)	-	(6,628)	-	(6,628)	-	-	(98)	(788)	-	-	(134)	(7,648)	-	(7,648)
Proceeds from sales of assets limited as to use	6,574	1,763	-	8,337	-	8,337	-	-	65	34	-	-	25	8,461	-	8,461
Purchases of investments	(929)	-	(1)	(930)	-	(930)	-	-	-	-	-	-	(198)	(1,128)	-	(1,128)
Proceeds from sales of investments	1,068	-	-	1,068	-	1,068	-	-	-	-	134	-	131	1,333	-	1,333
Investment in housing joint venture	159	-	-	159	-	159	-	-	-	-	-	-	-	159	-	159
Expenditures for property and equipment	(5,267)	(275)	(96)	(5,638)	-	(5,638)	(98)	-	(66)	(239)	(253)	-	(1)	(6,295)	-	(6,295)
Proceeds from disposal of property and equipment	3,861	-	-	3,861	-	3,861	-	-	-	-	-	-	-	3,861	-	3,861
Payments received on notes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by (used in) investing activities	654	(328)	(97)	229	-	229	(98)	-	(99)	(993)	(119)	-	(177)	(1,257)	-	(1,257)
Cash flows from financing activities:																
CCRC resale disbursements of nonrefundable contracts	(4,881)	-	-	(4,881)	-	(4,881)	-	-	-	-	-	-	-	(4,881)	-	(4,881)
CCRC resale disbursements - conversions to refundable contracts	(1,845)	-	-	(1,845)	-	(1,845)	-	-	-	-	-	-	-	(1,845)	-	(1,845)
CCRC contracts refunded	(87)	-	-	(87)	-	(87)	-	-	-	-	-	-	-	(87)	-	(87)
Change in deposits on unoccupied CCRC units	(40)	(6)	(5)	(51)	-	(51)	-	-	-	-	-	-	-	(51)	-	(51)
Proceeds from permanently restricted contributions	-	-	-	-	-	-	-	-	-	-	-	-	2	2	-	2
Proceeds from long-term borrowing	-	-	-	-	-	-	-	-	-	13,678	-	-	-	13,678	-	13,678
Principal payments on long-term debt	(4,288)	(665)	(460)	(5,413)	-	(5,413)	-	-	(172)	(11,152)	(200)	-	-	(16,937)	-	(16,937)
Debt issuance costs	22	-	-	22	-	22	(25)	-	-	(448)	-	-	-	(451)	-	(451)
Payments on settlement of terminated swaps	-	-	-	-	-	-	-	-	-	(3,825)	-	-	-	(3,825)	-	(3,825)
Net change in due to/due from related entities	(3,875)	553	(807)	(4,129)	-	(4,129)	1,409	(78)	(1,792)	3,056	519	13	1,002	-	-	-
Net cash provided by (used in) financing activities	(14,994)	(118)	(1,272)	(16,384)	-	(16,384)	1,384	(78)	(1,964)	1,309	319	13	1,004	(14,397)	-	(14,397)
Net increase (decrease) in cash and cash equivalents	2,954	(7)	(188)	2,759	-	2,759	(10)	59	(1,081)	1,629	(141)	-	41	3,256	-	3,256
Cash and cash equivalents, beginning of year	3,878	147	2,173	6,198	-	6,198	191	-	2,207	1	331	-	768	9,696	-	9,696
Cash and cash equivalents, end of year	$ 6,832	$ 140	$ 1,985	$ 8,957	$ -	$ 8,957	$ 181	$ 59	$ 1,126	$ 1,630	$ 190	$ -	$ 809	$ 12,952	$ -	$ 12,952
Supplemental disclosure:																
Cash paid for interest	$ 3,315	$ 1,106	$ 272	$ 4,693	$ -	$ 4,693	$ -	$ -	$ 376	$ 386	$ 281	$ -	$ -	$ 5,736	$ (124)	$ 5,612

ESKATON AND SUBSIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – BALANCE SHEET
December 31, 2015
(in thousands)

Assets	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties Inc. Total
Current assets:												
Cash and cash equivalents	$ 6,733	$ 1	$ 1	$ 1	$ 105	$ -	$ 1	$ (13)	$ 1	$ 2	$ -	$ 6,832
Assets limited as to use, required for current liabilities	114	-	-	-	-	-	-	121	-	233	-	468
Investments	40,824	-	-	-	-	-	-	-	-	9,130	-	49,954
Accounts receivable, net	-	1,718	2,086	1,847	25	-	23	14	726	498	-	6,937
Other receivables	1,063	-	-	-	10	-	-	2	-	1,036	-	2,111
Inventories	30	14	31	13	2	-	5	3	7	51	-	156
Deposits and prepaid expenses	210	71	110	65	26	-	14	38	15	274	-	823
Due from related parties	588	-	-	-	-	-	-	-	-	-	-	588
Total current assets	49,562	1,804	2,228	1,926	168	-	43	165	749	11,224	-	67,869
Assets limited as to use, net of amount required for current liabilities	1,021	-	-	-	-	-	-	1,074	-	3,768	-	5,863
Property and equipment, net	1,478	1,241	1,890	2,823	1,968	-	2,392	7,910	60	33,940	-	53,702
Other assets:												
Land available for sale	1,830	-	-	-	-	-	-	-	-	-	-	1,830
Due from liability insurer	797	-	-	-	-	-	-	-	-	-	-	797
Deferred financing costs, net	211	10	38	45	13	-	28	213	-	847	-	1,405
Associate member/resident/patient deposits	-	-	5	18	-	-	-	8	-	3,266	-	3,297
Other	442	-	-	-	-	-	-	-	-	282	-	724
Due from related parties, net of current portion	6,401	-	-	-	-	-	-	-	-	-	-	6,401
	9,681	10	43	63	13	-	28	221	-	4,395	-	14,454
Total assets	$ 61,742	$ 3,055	$ 4,161	$ 4,812	$ 2,149	$ -	$ 2,463	$ 9,370	$ 809	$ 53,327	$ -	$ 141,888

ESKATON AND SUBSIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – BALANCE SHEET (Continued)
December 31, 2015
(in thousands)

Liabilities and Net Assets (Deficit)	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties Inc. Total
Current liabilities:												
Current maturities of long-term debt	$ 462	$ 49	$ 180	$ 215	$ 64	$ -	$ 134	$ 357	$ -	$ 1,327	$ -	$ 2,788
Current portion of deferred revenue from unamortized CCRC membership fees	-	-	-	-	-	-	-	-	-	1,828	-	1,828
Refundable CCRC entrance fees	-	-	-	-	-	-	-	-	-	2,974	-	2,974
Deposits on unoccupied CCRC units	-	-	-	-	-	-	-	-	-	274	-	274
Accounts payable	104	125	118	102	28	-	9	45	4	493	-	1,028
Accrued liabilities:												
Payroll and payroll taxes	645	196	256	250	27	-	26	65	83	268	-	1,816
Vacation	318	231	252	258	31	-	23	56	65	233	-	1,467
Current portion of self-insured workers' compensation	2,145	-	-	-	-	-	-	-	-	-	-	2,145
Self-insured employee health plan	998	-	-	-	-	-	-	-	-	-	-	998
Interest	73	1	4	5	2	-	3	76	-	230	-	394
Other	234	68	109	73	110	-	20	11	227	-	-	852
Due to related parties	170	-	-	-	-	-	-	-	-	-	-	170
Total current liabilities	5,149	670	919	903	262	-	215	610	379	7,627	-	16,734
Other liabilities:												
Self-insured workers' compensation, net of current portion	7,620	-	-	-	-	-	-	-	-	-	-	7,620
Unfunded pension obligation	3,416	-	-	-	-	-	-	-	-	-	-	3,416
Professional liability	2,134	-	-	-	-	-	-	-	-	-	-	2,134
Associate member/resident/patient deposits	-	-	5	18	-	-	-	8	-	3,266	-	3,297
Other	2	4	7	3	1	-	-	6	-	48	-	71
	13,172	4	12	21	1	-	-	14	-	3,314	-	16,538
Long-term debt, net of current maturities	15,194	776	2,845	3,395	1,011	-	2,114	12,843	-	39,133	-	77,311
Deferred revenue from unamortized CCRC membership fees, net of current portion	-	-	-	-	-	-	-	-	-	7,768	-	7,768
Total liabilities	33,515	1,450	3,776	4,319	1,274	-	2,329	13,467	379	57,842	-	118,351
Net assets (deficit):												
Unrestricted net assets (deficit)	28,227	1,605	385	493	875	-	134	(4,097)	430	(4,521)	-	23,531
Temporarily restricted net assets	-	-	-	-	-	-	-	-	-	6	-	6
Total net assets (deficit)	28,227	1,605	385	493	875	-	134	(4,097)	430	(4,515)	-	23,537
Total liabilities and net assets (deficit)	$ 61,742	$ 3,055	$ 4,161	$ 4,812	$ 2,149	$ -	$ 2,463	$ 9,370	$ 809	$ 53,327	$ -	$ 141,888

ESKATON AND SUBSIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
Year Ended December 31, 2015
(In thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties Inc. Total
Unrestricted net assets (deficit):												
Revenue, gains, and other support:												
Net patient service revenue	$ -	$ 11,597	$ 17,398	$ 15,814	$ -	$ -	$ -	$ -	$ 3,993	$ -	$ -	$ 48,802
Resident service revenue, including amortization of CCRC membership fees	-	-	-	-	3,234	174	2,247	5,505	-	25,949	-	37,109
Other, net	9,695	85	26	257	131	10	8	74	-	1,295	(5,364)	6,217
Total revenues, gains, and other support	9,695	11,682	17,424	16,071	3,365	184	2,255	5,579	3,993	27,244	(5,364)	92,128
Expenses:												
Salaries and wages	6,570	5,788	7,675	7,474	888	26	976	1,946	2,283	6,951	-	40,577
Employee benefits	1,136	1,796	2,355	2,295	263	11	306	632	641	2,146	-	11,581
Professional fees	1,145	210	113	155	-	-	2	3	5	160	-	1,793
Supplies	367	552	763	636	354	2	157	348	13	265	-	3,457
Purchased services	920	971	1,230	1,247	443	23	308	747	244	5,523	(5,364)	6,292
Ancillary costs	-	769	914	914	-	-	6	29	30	408	-	3,070
Utilities	153	262	291	228	263	50	122	231	36	1,574	-	3,210
Insurance and other	907	904	1,413	1,394	180	14	119	259	233	1,259	-	6,682
Depreciation	357	194	233	198	240	37	209	618	24	3,585	-	5,695
Interest and amortization	692	16	59	70	21	9	44	586	-	1,914	-	3,411
Provision for uncollectible accounts	-	200	90	65	1	-	1	-	2	71	-	430
Total operating expenses	12,247	11,662	15,136	14,676	2,653	172	2,250	5,399	3,511	23,856	(5,364)	86,198
Income (loss) from operations	(2,552)	20	2,288	1,395	712	12	5	180	482	3,388	-	5,930
Nonoperating revenue (expenses):												
Investment income (loss)	(1,034)	-	-	-	-	-	-	11	-	(278)	-	(1,301)
Other	2,978	-	-	-	-	-	-	-	-	(2)	-	2,976
Total nonoperating revenue (expenses), net	1,944	-	-	-	-	-	-	11	-	(280)	-	1,675
Excess (deficiency) of revenues, gains, and other support over expenses	(608)	20	2,288	1,395	712	12	5	191	482	3,108	-	7,605

ESKATON AND SUBSIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (Continued)
Year Ended December 31, 2015
(in thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties Inc. Total
Excess (deficiency) of revenues, gains, and other support over expenses (page 35)	$ (608)	$ 20	$ 2,288	$ 1,395	$ 712	$ 12	$ 5	$ 191	$ 482	$ 3,108	$ -	$ 7,605
Pension related changes other than net periodic pension cost	(698)	-	-	-	-	-	-	-	-	-	-	(698)
Transfer to temporarily restricted net assets	(106)	-	-	-	-	-	-	-	-	-	-	(106)
Transfers between related entities	4,580	(401)	(2,194)	(982)	(589)	(191)	(38)	(456)	(347)	(2,803)	-	(3,421)
Change in unrestricted net assets (deficit)	3,168	(381)	94	413	123	(179)	(33)	(265)	135	305	-	3,380
Unrestricted net assets (deficit), beginning of year	25,059	1,986	291	80	752	179	167	(3,832)	295	(4,826)	-	20,151
Unrestricted net assets (deficit), end of year	$ 28,227	$ 1,605	$ 385	$ 493	$ 875	$ -	$ 134	$ (4,097)	$ 430	$ (4,521)	$ -	$ 23,531
Temporarily restricted net assets:												
Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3	$ -	$ 3
Net assets released from restriction used for operations	-	-	-	-	-	-	-	-	-	(3)	-	(3)
Change in temporarily restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-
Temporarily restricted net assets, beginning of year	-	-	-	-	-	-	-	-	-	6	-	6
Temporarily restricted net assets, end of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6	$ -	$ 6
Change in net assets (deficit)	$ 3,168	$ (381)	$ 94	$ 413	$ 123	$ (179)	$ (33)	$ (265)	$ 135	$ 305	$ -	$ 3,380
Net assets (deficit), beginning of year	25,059	1,986	291	80	752	179	167	(3,832)	295	(4,820)	-	20,157
Net assets (deficit), end of year	$ 28,227	$ 1,605	$ 385	$ 493	$ 875	$ -	$ 134	$ (4,097)	$ 430	$ (4,515)	$ -	$ 23,537

ESKATON AND SUBSIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE – CASH FLOWS
Year Ended December 31, 2015
(in thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties Inc. Total
Cash flows from operating activities:												
Change in net assets (deficit)	$ 3,168	$ (381)	$ 94	$ 413	$ 123	$ (179)	$ (33)	$ (265)	$ 135	$ 305	$ -	$ 3,380
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:												
Depreciation	357	194	233	198	240	37	209	618	24	3,585	-	5,695
Amortization of deferred financing costs	12	2	8	9	3	1	6	11	-	53	-	105
Amortization of CCRC membership fees	-	-	-	-	-	-	-	-	-	(1,705)	-	(1,705)
Net realized and unrealized losses on assets limited as to use	15	-	-	-	-	-	-	16	-	80	-	111
Net realized and unrealized gains on investments	1,464	-	-	-	-	-	-	-	-	326	-	1,790
Valuation adjustment on land held for sale	(780)	-	-	-	-	-	-	-	-	-	-	(780)
Pension related changes other than net periodic pension costs	698	-	-	-	-	-	-	-	-	-	-	698
Change in fair value of interest rate swap agreements	-	-	-	-	-	-	-	-	-	-	-	-
Provision for uncollectible accounts	-	200	90	65	1	-	1	-	2	71	-	430
Transfers between related entities	(4,474)	401	2,194	982	589	191	38	456	347	2,803	-	3,527
CCRC resales of nonrefundable contracts	-	-	-	-	-	-	-	-	-	4,941	-	4,941
CCRC sales of refundable contracts	-	-	-	-	-	-	-	-	-	1,883	-	1,883
(Gain) loss on disposal of property and equipment	(2,179)	-	-	-	-	-	-	-	-	2	-	(2,177)
Changes in operating assets and liabilities:												
Change in receivables	1,064	66	107	-	(25)	2	(1)	28	(84)	(160)	-	997
Change in inventories	(15)	4	(4)	2	1	-	-	1	-	(3)	-	(14)
Change in deposits and prepaid expenses	(21)	(2)	(7)	6	1	9	1	6	3	6	-	2
Change in other assets	196	3	-	(8)	-	-	2	-	-	(75)	-	118
Change in accounts payable	(335)	(14)	(75)	(78)	(31)	(9)	(11)	(22)	(48)	(24)	-	(647)
Change in accrued liabilities	(1,391)	83	42	51	(2)	(43)	5	25	(25)	(55)	-	(1,310)
Change in unfunded pension obligation	367	-	-	-	-	-	-	-	-	-	-	367
Change in other liabilities	(195)	(14)	(9)	(13)	(2)	-	(2)	3	(4)	119	-	(117)
Net cash provided by (used in) operating activities	(2,049)	542	2,673	1,627	898	9	215	877	350	12,152	-	17,294
Cash flows from investing activities:												
Purchases of assets limited as to use	(899)	-	-	-	-	-	-	(945)	-	(2,968)	-	(4,812)
Proceeds from sales of assets limited as to use	873	-	-	-	-	-	-	917	-	4,784	-	6,574
Purchases of investments	(752)	-	-	-	-	-	-	-	-	(177)	-	(929)
Proceeds from sales of investments	237	-	-	-	-	-	-	-	-	831	-	1,068
Investment in housing joint venture	159	-	-	-	-	-	-	-	-	-	-	159
Expenditures for property and equipment	(2,018)	(95)	(309)	(442)	(250)	1,708	(50)	(154)	(3)	(3,654)	-	(5,267)
Proceeds from disposal of property and equipment	3,861	-	-	-	-	-	-	-	-	-	-	3,861
Net cash used in investing activities	1,461	(95)	(309)	(442)	(250)	1,708	(50)	(182)	(3)	(1,184)	-	654
Cash flows from financing activities:												
CCRC resale disbursements of nonrefundable contracts	-	-	-	-	-	-	-	-	-	(4,881)	-	(4,881)
CCRC resale disbursements - conversions to refundable contracts	-	-	-	-	-	-	-	-	-	(1,845)	-	(1,845)
CCRC contracts refunded	-	-	-	-	-	-	-	-	-	(87)	-	(87)
Change in deposits on unoccupied CCRC units	-	-	-	-	-	-	-	-	-	(40)	-	(40)
Proceeds from long-term borrowing	-	-	-	-	-	-	-	-	-	-	-	-
Principal payments on long-term debt	(450)	(47)	(170)	(203)	(61)	(1,572)	(127)	(346)	-	(1,312)	-	(4,288)
Debt issuance costs	1	-	-	-	-	21	-	-	-	-	-	22
Payments on settlement of terminated swaps	-	-	-	-	-	-	-	-	-	-	-	-
Net change in due to/due from related entities	4,125	(400)	(2,194)	(982)	(589)	(191)	(38)	(456)	(347)	(2,803)	-	(3,875)
Net cash provided by (used in) financing activities	3,676	(447)	(2,364)	(1,185)	(650)	(1,742)	(165)	(802)	(347)	(10,968)	-	(14,994)
Net (decrease) increase in cash and cash equivalents	3,088	-	-	-	(2)	(25)	-	(107)	-	-	-	2,954
Cash and cash equivalents, beginning of year	3,645	1	1	1	107	25	1	94	1	2	-	3,878
Cash and cash equivalents, end of year	$ 6,733	$ 1	$ 1	$ 1	$ 105	$ -	$ 1	$ (13)	$ 1	$ 2	$ -	$ 6,832
Supplemental disclosure:												
Cash paid for interest	$ 681	$ 14	$ 51	$ 61	$ 18	$ 10	$ 38	$ 576	$ -	$ 1,866	$ -	$ 3,315

(in thousands)

	Parent	Carmichael Adult Day Health Care	Live Well At Home	Eskaton Combined
Assets				
Current assets:				
Cash and cash equivalents	$ 19	$ 36	$ 126	$ 181
Accounts receivable, net	-	79	51	130
Other receivables	-	4	2	6
Deposits and prepaid expenses	-	18	120	138
Due from related parties	-	-	40	40
Total current assets	19	137	339	495
Property and equipment, net	875	83	241	1,199
Other assets:				
Deferred financing costs, net	25	-	-	25
Other	1,284	-	-	1,284
	1,309	-	-	1,309
Total assets	$ 2,203	$ 220	$ 580	$ 3,003
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	$ -	$ 1	$ 5	$ 6
Accrued liabilities:				
Payroll and payroll taxes	12	14	17	43
Vacation	5	20	26	51
Other	-	8	39	47
Due to related parties	37	2	-	39
Total current liabilities	54	45	87	186
Other liabilities:				
Other liabilities	4	-	-	4
Due to related parties, net of current portion	-	-	-	-
	4	-	-	4
Total liabilities	58	45	87	190
Net assets:				
Unrestricted net assets	2,145	175	493	2,813
Total net assets	2,145	175	493	2,813
Total liabilities and net assets	$ 2,203	$ 220	$ 580	$ 3,003

ESKATON AND SUBSIDIARIES
ESKATON CONSOLIDATING SCHEDULE - OPERATIONS AND CHANGES IN NET ASSETS
Year Ended December 31, 2015
(in thousands)

	Parent	Carmichael Adult Day Health Care	Live Well At Home	Eskaton Combined
Unrestricted net assets:				
Revenues, gains, and other support:				
Net patient services revenue	$ -	$ 702	$ -	$ 702
Other, net	-	61	1,253	1,314
Total revenues, gains, and other support	-	763	1,253	2,016
Expenses:				
Salaries and wages	159	542	1,140	1,841
Employee benefits	57	202	369	628
Professional fees	-	3	11	14
Supplies	5	66	29	100
Purchased services	23	103	148	274
Ancillary costs	-	1	-	1
Utilities	4	2	24	30
Insurance and other	8	213	191	412
Depreciation	2	16	16	34
Provision for uncollectible accounts	-	1	2	3
Total operating expenses	258	1,149	1,930	3,337
Loss from operations	(258)	(386)	(677)	(1,321)
Nonoperating expense:				
Other	-	-	(10)	(10)
Total nonoperating expense	-	-	(10)	(10)
Deficiency of revenues, gains, and other support over expenses	$ (258)	$ (386)	$ (687)	$ (1,331)

(in thousands)

	Parent	Carmichael Adult Day Health Care	Live Well At Home	Eskaton Combined
Deficiency of revenues, gains, and other support over expenses (page 39)	$ (258)	$ (386)	$ (687)	$ (1,331)
Transfers between related entities	274	371	1,936	2,581
Change in unrestricted net assets	16	(15)	1,249	1,250
Net assets (deficit), beginning of year	2,129	190	(756)	1,563
Net assets, end of year	$ 2,145	$ 175	$ 493	$ 2,813

ESKATON AND SUBSIDIARIES
ESKATON CONSOLIDATING SCHEDULE – CASH FLOWS
Year Ended December 31, 2015
(in thousands)

	Parent	Carmichael Adult Day Health Care	Live Well At Home	Eskaton Combined
Cash flows from operating activities:				
Change in net assets	$ 16	$ (15)	$ 1,249	$ 1,250
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation	2	16	16	34
Provision for uncollectible accounts	-	1	2	3
Transfers between related entities	(274)	(371)	(1,936)	(2,581)
Loss on disposal of property and equipment	-	-	10	10
Change in operating assets and liabilities:				
Change in receivables	9	13	(47)	(25)
Change in deposits and prepaid expenses	2	(4)	(44)	(46)
Change in accounts payable	-	-	(2)	(2)
Change in accrued liabilities	1	1	59	61
Net cash used in operating activities	(244)	(359)	(693)	(1,296)
Cash flows from investing activities:				
Expenditures for property and equipment	(47)	(4)	(47)	(98)
Net cash used in investing activities	(47)	(4)	(47)	(98)
Cash flows from financing activities:				
Debt issuance costs	(25)	-	-	(25)
Net change in due to/from related entities	313	373	723	1,409
Net cash provided by financing activities	288	373	723	1,384
Net change in cash and cash equivalents	(3)	10	(17)	(10)
Cash and cash equivalents, beginning of year	22	26	143	191
Cash and cash equivalents, end of year	$ 19	$ 36	$ 126	$ 181

Eskaton supports community charitable organizations and other not-for-profit aging services organizations that provide services to older adults through contributions to those organizations. In addition, Eskaton provides the following community services programs:

Resident Assistance Funds – Eskaton contributes funds to and solicits donations to various resident assistance funds that provide help to older adults who can no longer afford the monthly fees associated with their care and do not have sufficient family resources to cover the full cost of services. Residents are screened based on income and net assets and family resources and eligible residents are provided a monthly assistance stipend to supplement available income as necessary.

Information and Referral Assistance Program – Eskaton operates a toll free phone number and electronic mail and other social media links that provide older adults and their family members with information about community resources, assistance in selecting the appropriate level and source of care, educational courses, placement referrals, legal consultation services, case management, transportation services, and other services. These information and referral services are provided free to the community.

Telephone Reassurance Program – Eskaton owns and operates a telephone reassurance/home visitor program. The Telephone Reassurance Program is provided primarily by volunteers, is free to clients, and includes daily telephone calls and/or weekly home visits to isolated older adults.

Adult Day Health Care Center (ADHC) – Eskaton owns and operates an ADHC program that provides social, recreational, and rehabilitation services to residents of a portion of Sacramento County. The ADHC program accepts Medi-Cal clients despite the shortfall of Medi-Cal reimbursement compared to cost. The ADHC program also accepts uninsured and under-insured clients at rates below actual cost.

Social responsibility costs – The actual costs of community organization and aging services sponsorships, and actual costs, net of any reimbursement, of providing community service programs are all considered to be social responsibility. The level of social responsibility provided for the years ended December 31 is measured as follows (dollar amounts in thousands):

	2015	2014
Community sponsorships	$ 58	$ 22
Aging services sponsorships	40	11
Resident Assistance Funds	116	143
Information and Referral Assistance Program	77	104
Telephone Reassurance Program	181	166
ADHC, net of revenue	386	391
Total	$ 858	$ 837
Community service program operating statistics:		
Resident Assistance Funds:		
Months of assistance	74	83
Residents assisted	11	10
Information and Referral Assistance calls	2,059	2,103
Telephone Reassurance Program:		
Telephone calls	75,739	73,938
Home visits	2,658	2,561
ADHC client days	8,926	9,339

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Report of Independent Auditors and Continuing Care Liquid Reserve Schedules

Eskaton and Subsidiaries

December 31, 2015

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Eskaton and Subsidiaries

We have audited the accompanying financial statements of Eskaton and Subsidiaries, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended December 31, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of Eskaton and Subsidiaries as of and for the year ended December 31, 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 Eskaton and Subsidiaries 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 Statement of Cash Flows – Direct Method; Supplementary Form 5-1 & Form 5-2, Reconciliation to Audit Report; Supplementary Form 5-4, Reconciliation to Audit Report; Supplementary Form 5-4, Calculation of Net Operating Expenses; Supplementary Form 5-5, Description of Reserves under SB 1212; and Supplementary Form 5-5, ALATU – Composition of Assets; 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 the 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 the 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 financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Eskaton and Subsidiaries 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
April 28, 2016

CONTINUING CARE LIQUID RESERVE SCHEDULES

FORM 5-1
LONG-TERM DEBT INCURRED IN 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		See attachment	to Form 5-1		
2					
3					
4					
5					
6					
7					
8					
	TOTAL:	$ 4,214,000	$ 5,174,000	$ -	$ 9,388,000

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

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

PROVIDER: Eskaton

ATTACHMENT TO FORM 5-1
LONG-TERM DEBT INCURRED IN 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	3/29/2002	$ 85,000	$ 123,000		$ 208,000
2	12/21/2006	460,000	257,000		717,000
3	4/1/2008	903,000	273,000		1,176,000
4	3/31/2011	200,000	281,000		481,000
5	5/22/2012	1,053,000	1,774,000		2,827,000
6	11/29/2012	173,000	253,000		426,000
7	6/6/2013	1,340,000	2,213,000		3,553,000
8					
9					
10					
11					
12					
13					
14					
	TOTAL:	$ 4,214,000	$ 5,174,000	$ -	$ 9,388,000

PROVIDER: Eskaton

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	6/10/2015	$276,000	$53,000	12	$636,000
2					
3					
4					
5					
6					
7					
8					
	TOTAL:	$ 276,000	$ 53,000	12	$ 636,000

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

NOTE:

PROVIDER: Eskaton

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$ 9,388,000
2	Total from Form 5-2 bottom of Column (e)	$ 636,000
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:**	$ 10,024,000

PROVIDER: Eskaton

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$ 23,856,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$ 1,850,000	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$ -	
	c.	Depreciation	$ 3,585,000	
	d.	Amortization	$ 53,000	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$ 2,244,000	
	f.	Extraordinary expenses approved by the Department	$ -	
3		Total Deductions		$ 7,732,000
4		Net Operating Expenses		$ 16,124,000
5		Divide Line 4 by 365 and enter the result.		$ 44,000
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve		$ 3,300,000

PROVIDER: Eskaton
COMMUNITY: Eskaton Village - Carmichael

FORM 5-5

Provider Name: Eskaton
Fiscal Year Ended: December 31, 2015

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2015 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	$ 10,024,000
[2]	Operating Expense Reserve Amount	$ 3,300,000
[3]	**Total Liquid Reserve Amount:**	$ 13,324,000

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

	Qualifying Asset Description	Amount: Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents	$ 3,891,000		$ 10,000,000
[5]	Investment Securities	$ -		$ 1,531,000
[6]	Equity Securities	$ -		$ 40,197,000
[7]	Unused/Available Lines of Credit	$ -		$ -
[8]	Unused/Available Letters of Credit	$ -		$ -
[9]	Debt Service Reserve	$ 8,627,000		(not applicable)
[10]	Other: (describe qualifying asset)			$ 7,458,000
	Total Amount of Qualifying Assets	$ 12,518,000	[12]	$ 59,186,000
	Reserve Obligation Amount: [13]	$ 10,024,000	[14]	$ 3,300,000
	Surplus/(Deficiency): [15]	$ 2,494,000	[16]	$ 55,886,000

Signature: [signature]
(Authorized Representative)

Date: April 28, 2016

Chief Executive Officer
(Title)

SUPPLEMENTARY SCHEDULES

ESKATON VILLAGE CARMICHAEL
STATEMENT OF CASH FLOWS – DIRECT METHOD
December 31, 2015
(IN THOUSANDS)

Cash flows from operating activities:		
Cash received from independent residents	$	15,767
Cash received from ALU contract residents		2,507
Cash received from SNF contract residents		3,835
Cash received from non-contract residents		2,046
Cash received from guest services		189
Cash received from other revenue		7,932
Cash received from other investment income		128
Cash paid to suppliers and employees		(20,252)
Net cash provided by operating activities		12,152
Cash flows from investing activities:		
Purchases of assets limited as to use		(2,968)
Proceeds from sale of assets limited as to use		4,784
Purchases of investments		(177)
Proceeds from sale of investments		831
Expenditures for capital maintenance		(3,654)
Net cash used in investing activities		(1,184)
Cash flows from financing activities:		
CCRC resale disbursements of nonrefundable contracts		(4,881)
CCRC resale disbursements conversions to refundable contracts		(1,845)
CCRC contracts refunded		(87)
Change in deposits on unoccupied CCRC units		(40)
Principal payments on long-term debt		(1,312)
Change in due from related party - current year cash flow		(2,803)
Net cash used in financing activities		(10,968)
Net change in cash		-
Cash and cash equivalents at December 31, 2014		2
Cash and cash equivalents at December 31, 2015	$	2
Supplemental Disclosures:		
Cash paid for interest (net of financing fees)	$	1,866

Principal payments paid during fiscal year (per consolidated financial statements)		$ 16,937,000
Less:		
Refunded debt - Bank of America note payable		11,060,000
Refunded debt - 2008A bonds		1,572,000
Total principal payment adjustment		12,632,000
Total principal payments paid during the year ended December 31, 2015		$ 4,305,000
Form 5-1		
Total column (b) principal payments paid during fiscal year		$ 4,214,000
Principal payment paid to Granite Bay FHA loan during fiscal year		91,000
Total principal payments paid during the year ended December 31, 2015		$ 4,305,000
Interest paid during fiscal year (per consolidated financial schedules)		$ 5,612,000
Less:		
Finance fees - 2006 bonds	14,000	
Finance fees - 2007 ELGB bonds	2,000	
Finance fees - 2008A bonds	8,000	
Finance fees - 2012 bonds	13,000	
Finance fees - 2013 bonds	17,000	
Interest paid on ELGB extinguished debt	108,000	
Total interest expense adjustment		162,000
Total long-term interest paid during the year ended December 31, 2015		$ 5,450,000
Form 5-1		
Total column (c) interest paid during fiscal year		$ 5,174,000
Form 5-2		
Total column (b) interest paid during fiscal year		276,000
Total long-term interest paid during the year ended December 31, 2015		$ 5,450,000

ESKATON VILLAGE CARMICHAEL
SUPPLEMENTARY FORM 5-4
RECONCILIATION TO AUDIT REPORT
December 31, 2015

Interest paid during fiscal year (per consolidating financial schedules)		$ 1,866,000
Less:		
Finance fees - 2008A bonds	3,000	
Finance fees - 2012 bonds	13,000	
		16,000
Total long-term interest paid during the year ended December 31, 2015		$ 1,850,000

Total Resident revenue	$ 25,949,000
Less: Reimbursements for services to residents	23,705,000
Reimbursements for services to non-residents	$ 2,244,000
Assisted Living services to non-residents	$ 697,000
Skilled Nursing services to non-residents	1,358,000
Guest meals	143,000
Guest room meals	46,000
Reimbursements for services to non-residents	$ 2,244,000

ESKATON AND SUBSIDIARIES
SUPPLEMENTARY FORM 5-5
DESCRIPTION OF RESERVES UNDER SB 1212

Financial Statements and Footnote Description			Qualifying Asset Description (Form 5-5)
Qualifying assets			
Cash and cash equivalents for operating reserve	$	10,000,000	Cash and Cash Equivalents
Cash and cash equivalents for debt service reserve		3,891,000	Cash and Cash Equivalents
U.S. Treasury notes, government securities, and other corporate debt securities reserves for capital replacement, liquidity, and growth		1,531,000	Investment Securities
Equity securities		26,421,000	
Mutual funds		13,776,000	
Total equity securities and mutual funds		40,197,000	Equity securities
Alternative investments		7,458,000	Other
Total qualifying assets as filed for operating reserve		63,077,000	
Less: reservations and designations			
Self-insured workers' compensation		9,765,000	
Deposits on unoccupied CCRC units		282,000	
Professional liability, net of known exposure of $797,000		1,337,000	
Self-insured employee health plan		998,000	
Unfunded pension obligation		3,416,000	
Refundable CCRC entrance fees		2,974,000	
Remaining liquid reserves	$	44,305,000	

Reconciliation to Audited Financial Statements		
Cash and cash equivalents	$	12,952,000
Investments, current		50,125,000
Total qualifying assets as filed for operating reserve	$	63,077,000
Cash and cash equivalents	$	12,952,000
Assets limited as to use, required for current liabilities		839,000
Assets limited as to use, net of amount required for current liabilities		10,579,000
Investments, current		50,125,000
Investments, noncurrent		1,319,000
	$	75,814,000
Total amount of qualifying assets as filed for operating reserve	$	59,186,000
Total amount of qualifying assets as filed for debt service reserve		12,518,000
Investments, noncurrent		1,319,000
Restricted FHA loan reserves (see ALATU – COMPOSITION OF ASSETS)		1,197,000
Resident assistance and program funds restricted by donors		1,594,000
	$	75,814,000

ESKATON AND SUBSIDIARIES
SUPPLEMENTARY FORM 5-5
ALATU – COMPOSITION OF ASSETS
December 31, 2015

	Total	Cash and ST Investments	U.S. Treasury Government Security and Corporate Debt
2012 Bonds	$ 4,001,000	$ 456,000	$ 3,545,000
2013 Bonds	4,626,000	535,000	4,091,000
TOTAL DEBT SERVICE RESERVE	8,627,000	991,000	7,636,000
Restricted FHA Loan Reserves	1,197,000	1,197,000	-
TOTAL RESERVES AND COLLATERAL IN ALATU	$ 9,824,000	$ 2,188,000	$ 7,636,000
TOTAL DEBT SERVICE RESERVE	$ 8,627,000		
TOTAL CASH AND CASH EQUIVALENTS FOR DEBT SERVICE RESERVE	3,891,000		
TOTAL AMOUNT OF QUALIFYING ASSETS FOR DEBT SERVICE RESERVE	$ 12,518,000		

ESKATON
Calculation of Nonresident Reimbursement
December 31, 2015

	Independent	Assisted	Skilled	Total
Contract Residents @ 12/31/14	332	40	20	392
Contract Residents @ 12/31/15	353	43	31	427
Total	685	83	51	819
Mean	343	42	26	410
All Residents @ 12/31/14	332	49	34	415
All Residents @ 12/31/15	353	57	35	445
Total	685	106	69	860
Mean	343	53	35	430
% Contract Residents to Total Residents	100.00%	78.30%	73.91%	95.23%
% Nonresidents to Total Residents	0.00%	21.70%	26.09%	4.77%

2015 OPERATING REVENUES

Assisted Living (Contract Residents)		2,516,000	
Assisted Living (Nonresidents)		**697,000**	
Less: Bad Debt Expense		-	
Net Assisted Living (Nonresidents)		**697,000**	
Total		3,213,000	
Skilled Nursing (Contract Residents)			3,847,000
Skilled Nursing (Nonresidents)			**1,358,000**
Less: Bad Debt Expense			-
Net Skilled Nursing (Nonresidents)			**1,358,000**
Total Skilled Nursing (without Bad Debt adj)			5,205,000
Total NonResidents Revenues	**2,055,000**		

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	3,412 – 5,234	4,615 – 8,067	9,870 – 11,760
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.50%	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: 01/01/15
(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: Eskaton
COMMUNITY: Eskaton Village-Carmichael

ATTACHMENT TO FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES
EXPLANATION FOR INCREASE IN MONTHLY SERVICE FEES

Monthly service fees were increased in 2015 by 3.00% to offset expected increases in costs for labor, food, supplies, contractor support, etc.. There were also higher expected increases in the cost of workers' compensation.

PROVIDER NAME: Eskaton
COMMUNITY NAME: Eskaton Village - Carmichael

ESKATON VILLAGE CARMICHAEL ASSISTED LIVING - FY 2015 BUDGET

ROUTINE REVENUE - ASSISTED LIVING

unt ber				31 Jan	28 Feb	31 Mar	30 Apr	31 May	30 Jun	31 Jul	31 Aug	30 Sep	31 Oct	30 Nov	31 Dec	365 Total
	Number of Units Available															
	One Bedroom			7	7	7	7	7	7	7	7	7	7	7	7	
	Studio			31	31	31	31	31	31	31	31	31	31	31	31	
	Total Units Available			38	38	38	38	38	38	38	38	38	38	38	38	
	Number of Units Occupied															
	One Bedroom			6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	
	Studio			30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	
	Total Units Occupied			37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	
	Percent Occupancy			97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	
	Resident Day Payor Type Percentage															
	Private Pay			81.08%	81.08%	81.08%	81.08%	81.08%	81.08%	81.08%	81.08%	81.08%	81.08%	81.08%	81.08%	
	Met Life			18.92%	18.92%	18.92%	18.92%	18.92%	18.92%	18.92%	18.92%	18.92%	18.92%	18.92%	18.92%	
				100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
	Resident Day By Payor Type	***(@ 7/1/14)***	**# Units**													
	Private Pay	28	30.0	930	840	930	900	930	900	930	930	900	930	900	930	10,950
	Met Life - Standard Option	5	5.0	155	140	155	150	155	150	155	155	150	155	150	155	1,825
	Met Life - High Option	2	2.0	62	56	62	60	62	60	62	62	60	62	60	62	730
	Extra days due to Respite			-	-	-	-	-	-	-	-	-	-	-	-	-
	Extra days due to Flexible Respite			-	-	-	-	-	-	-	-	-	-	-	-	-
		35	37.0	1,147	1,036	1,147	1,110	1,147	1,110	1,147	1,147	1,110	1,147	1,110	1,147	13,505
	Room Rates	***2014***	***Increase***													
	One Bedroom	$ 5,327	3.50%	$ 5,513	$ 5,513	$ 5,513	$ 5,513	$ 5,513	$ 5,513	$ 5,513	$ 5,513	$ 5,513	$ 5,513	$ 5,513	$ 5,513	
	Studio	$ 4,459	3.50%	$ 4,615	$ 4,615	$ 4,615	$ 4,615	$ 4,615	$ 4,615	$ 4,615	$ 4,615	$ 4,615	$ 4,615	$ 4,615	$ 4,615	
	Average Monthly Unit Rate			$ 4,780	$ 4,780	$ 4,780	$ 4,780	$ 4,780	$ 4,780	$ 4,780	$ 4,780	$ 4,780	$ 4,780	$ 4,780	$ 4,780	
	Daily Rates															
20	Respite			$ 228	$ 228	$ 228	$ 228	$ 228	$ 228	$ 228	$ 228	$ 228	$ 228	$ 228	$ 228	
-	Flexible Respite			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
	Gross Revenue by Payor Type															
	Private Pay			(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(2,021,460)
	Met Life - Standard Option	Per day: $	20	(6,015)	(6,015)	(6,015)	(6,015)	(6,015)	(6,015)	(6,015)	(6,015)	(6,015)	(6,015)	(6,015)	(6,015)	(72,180)
	Met Life - High Option	Per day: $	28	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(28,872)
	Total Gross Revenue			(176,876)	(176,876)	(176,876)	(176,876)	(176,876)	(176,876)	(176,876)	(176,876)	(176,876)	(176,876)	(176,876)	(176,876)	(2,122,512)
	Combined Routine Revenues															
00	Monthly Service Fees			(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(168,455)	(2,021,460)
10	Respite Care			-	-	-	-	-	-	-	-	-	-	-	-	-
20	Flexible Respite			-	-	-	-	-	-	-	-	-	-	-	-	-
30	Met Life Revenue			(8,421)	(8,421)	(8,421)	(8,421)	(8,421)	(8,421)	(8,421)	(8,421)	(8,421)	(8,421)	(8,421)	(8,421)	(101,052)
00	Clinic Room Revenue			(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(60,000)
	Total Routine Revenues			(181,876)	(181,876)	(181,876)	(181,876)	(181,876)	(181,876)	(181,876)	(181,876)	(181,876)	(181,876)	(181,876)	(181,876)	(2,182,512)

ESKATON VILLAGE CARMICHAEL MEMORY CARE - FY 2015 BUDGET

ROUTINE REVENUE - MEMORY CARE

Account Number			31 Jan	28 Feb	31 Mar	30 Apr	31 May	30 Jun	31 Jul	31 Aug	30 Sep	31 Oct	30 Nov	31 Dec	365 Total
	Number of Units Available		20	20	20	20	20	20	20	20	20	20	20	20	
	Number of Units Occupied	***(@ 7/1/14)***													
	Private Pay	10	15.0	15.0	15.0	16.0	16.0	16.0	17.0	17.0	17.0	17.0	17.0	17.0	
	Met Life	2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	
		12	17.0	17.0	17.0	18.0	18.0	18.0	19.0	19.0	19.0	19.0	19.0	19.0	
	Percent Occupancy		85.0%	85.0%	85.0%	90.0%	90.0%	90.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	
	Care Level Mix Percentage														
	Level 1		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
	Level 2		52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	
	Level 3		36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	
	Level 4		12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	
			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
	Average Level of Care	***(YTD 7/1/14)*** 2.44	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	
	Resident Days by Care Level														
	Level 1		-	-	-	-	-	-	-	-	-	-	-	-	-
	Level 2		242	218	242	250	258	250	274	274	265	274	265	274	3,086
	Level 3		167	151	167	173	179	173	190	190	184	190	184	190	2,138
	Level 4		56	50	56	58	60	58	63	63	61	63	61	63	712
	Met Life		62	56	62	60	62	60	62	62	60	62	60	62	730
	Extra days due to Respite		-	-	-	-	-	-	-	-	-	-	-	-	-
	Extra days due to Flexible Respite		-	-	-	-	-	-	-	-	-	-	-	-	-
			527	475	527	541	559	541	589	589	570	589	570	589	6,666
2014	***Monthly Rent by Care Level***	***Increase***													
$ 6,049	Level 1	3.50%	$ 6,261	$ 6,261	$ 6,261	$ 6,261	$ 6,261	$ 6,261	$ 6,261	$ 6,261	$ 6,261	$ 6,261	$ 6,261	$ 6,261	
$ 6,631	Level 2	3.50%	$ 6,863	$ 6,863	$ 6,863	$ 6,863	$ 6,863	$ 6,863	$ 6,863	$ 6,863	$ 6,863	$ 6,863	$ 6,863	$ 6,863	
$ 7,217	Level 3	3.50%	$ 7,465	$ 7,465	$ 7,465	$ 7,465	$ 7,465	$ 7,465	$ 7,465	$ 7,465	$ 7,465	$ 7,465	$ 7,465	$ 7,465	
$ 7,804	Level 4	3.50%	$ 8,067	$ 8,067	$ 8,067	$ 8,067	$ 8,067	$ 8,067	$ 8,067	$ 8,067	$ 8,067	$ 8,067	$ 8,067	$ 8,067	
		(Diff)	602												
2014	***Daily Rates***														
$ 327	Respite		$ 338	$ 338	$ 338	$ 338	$ 338	$ 338	$ 338	$ 338	$ 338	$ 338	$ 338	$ 338	
$ -	Flexible Respite		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
$ 20	Met Life		$ 20	$ 20	$ 20	$ 20	$ 20	$ 20	$ 20	$ 20	$ 20	$ 20	$ 20	$ 20	
	Private Revenue by Care Level														
	Level 1		-	-	-	-	-	-	-	-	-	-	-	-	-
	Level 2		(59,418)	(59,418)	(59,418)	(62,987)	(62,987)	(62,987)	(66,555)	(66,555)	(66,555)	(66,555)	(66,555)	(66,555)	(766,545)
	Level 3		(44,820)	(44,820)	(44,820)	(47,507)	(47,507)	(47,507)	(50,195)	(50,195)	(50,195)	(50,195)	(50,195)	(50,195)	(578,151)
	Level 4		(16,168)	(16,169)	(16,168)	(17,136)	(17,136)	(17,136)	(18,104)	(18,104)	(18,104)	(18,104)	(18,104)	(18,104)	(208,537)
	Total Private Revenue		(120,406)	(120,407)	(120,406)	(127,630)	(127,630)	(127,630)	(134,854)	(134,854)	(134,854)	(134,854)	(134,854)	(134,854)	(1,553,233)
	Combined Routine Revenues														
04-3001-000	Monthly Service Fees		(120,406)	(120,407)	(120,406)	(127,630)	(127,630)	(127,630)	(134,854)	(134,854)	(134,854)	(134,854)	(134,854)	(134,854)	(1,553,233)
04-3001-010	Respite Care		-	-	-	-	-	-	-	-	-	-	-	-	-
04-3001-020	Flexible Respite		-	-	-	-	-	-	-	-	-	-	-	-	-
04-3001-030	Met Life Revenue		(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(2,406)	(28,872)
	Total Routine Revenues		(122,812)	(122,813)	(122,812)	(130,036)	(130,036)	(130,036)	(137,260)	(137,260)	(137,260)	(137,260)	(137,260)	(137,260)	(1,582,105)

ESKATON VILLAGE CARMICHAEL SKILLED NURSING - FY 2015 BUDGET

03-3111 CERTIFIED DISTINCT PART

Account Number				31 Jan	28 Feb	31 Mar	30 Apr	31 May	30 Jun	31 Jul	31 Aug	30 Sep	31 Oct	30 Nov	31 Dec	365 Total
	Number of Beds Available															
	Private Room			6	6	6	6	6	6	6	6	6	6	6	6	
	Semi-Private Room			29	29	29	29	29	29	29	29	29	29	29	29	
				35	35	35	35	35	35	35	35	35	35	35	35	
	Number of Beds Occupied															
	Private Room			6	6	6	6	6	6	6	6	6	6	6	6	
	Semi-Private Room			28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	
				34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	
	Percent Occupancy			97.1%	97.1%	97.1%	97.1%	97.1%	97.1%	97.1%	97.1%	97.1%	97.1%	97.1%	97.1%	
	Patient Day Payor Type Percentage															
	Private Pay			35.29%	35.29%	35.29%	35.29%	35.29%	35.29%	35.29%	35.29%	35.29%	35.29%	35.29%	35.29%	
	Managed Care			25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	
	Medicare			19.12%	19.12%	19.12%	19.12%	19.12%	19.12%	19.12%	19.12%	19.12%	19.12%	19.12%	19.12%	
	Medi-Cal			8.82%	8.82%	8.82%	8.82%	8.82%	8.82%	8.82%	8.82%	8.82%	8.82%	8.82%	8.82%	
	Met Life			11.77%	11.77%	11.77%	11.77%	11.77%	11.77%	11.77%	11.77%	11.77%	11.77%	11.77%	11.77%	
	Total Percentage			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
	Patient Day By Payor Type	*(YTD 7/1/14)*	**# Units**													
	Private Pay	13.7	12.0	372	336	372	360	372	360	372	372	360	372	360	372	4,392
	Managed Care	8.9	8.5	264	238	264	255	264	255	264	264	255	264	255	264	3,115
	Medicare	6.7	6.5	202	182	202	195	202	195	202	202	195	202	195	202	2,383
	Medi-Cal	1.0	3.0	93	84	93	90	93	90	93	93	90	93	90	93	1,098
	Met Life	3.2	4.0	124	112	124	120	124	120	124	124	120	124	120	124	1,464
	Total Patient Days	33.6	34.0	1,055	952	1,055	1,020	1,055	1,020	1,055	1,055	1,020	1,055	1,020	1,055	12,451
	Room Rates	***2014***	***Increase***													
	Private Room	$ 379.00	3.50%	$ 392.00	$ 392.00	$ 392.00	$ 392.00	$ 392.00	$ 392.00	$ 392.00	$ 392.00	$ 392.00	$ 392.00	$ 392.00	$ 392.00	
	Semi-Private Room	$ 318.00	3.50%	$ 329.00	$ 329.00	$ 329.00	$ 329.00	$ 329.00	$ 329.00	$ 329.00	$ 329.00	$ 329.00	$ 329.00	$ 329.00	$ 329.00	
	Routine Revenue															
	Private Room			(72,912)	(65,856)	(72,912)	(70,560)	(72,912)	(70,560)	(72,912)	(72,912)	(70,560)	(72,912)	(70,560)	(72,912)	(858,480)
	Semi-Private Room			(285,572)	(257,936)	(285,572)	(276,360)	(285,572)	(276,360)	(285,572)	(285,572)	(276,360)	(285,572)	(276,360)	(285,572)	(3,362,380)
				(358,484)	(323,792)	(358,484)	(346,920)	(358,484)	(346,920)	(358,484)	(358,484)	(346,920)	(358,484)	(346,920)	(358,484)	(4,220,860)
	Gross Revenue by Payor Type															
03-3111-000	Private Pay			(126,523)	(114,279)	(126,523)	(122,442)	(126,523)	(122,442)	(126,523)	(126,523)	(122,442)	(126,523)	(122,442)	(126,523)	(1,489,708)
03-3111-010	Managed Care			(89,621)	(80,948)	(89,621)	(86,730)	(89,621)	(86,730)	(89,621)	(89,621)	(86,730)	(89,621)	(86,730)	(89,621)	(1,055,215)
03-3111-040	Medicare			(68,535)	(61,903)	(68,535)	(66,324)	(68,535)	(66,324)	(68,535)	(68,535)	(66,324)	(68,535)	(66,324)	(68,535)	(806,944)
03-3111-050	Medi-Cal			(31,633)	(28,571)	(31,633)	(30,612)	(31,633)	(30,612)	(31,633)	(31,633)	(30,612)	(31,633)	(30,612)	(31,633)	(372,450)
03-3100-030	Met Life			(42,176)	(38,094)	(42,176)	(40,815)	(42,176)	(40,815)	(42,176)	(42,176)	(40,815)	(42,176)	(40,815)	(42,176)	(496,586)
	Total Gross Revenue			(358,488)	(323,795)	(358,488)	(346,923)	(358,488)	(346,923)	(358,488)	(358,488)	(346,923)	(358,488)	(346,923)	(358,488)	(4,220,903)
	Contractual Allowances	***Jan-July Per Diem***	***Aug-Dec Per Diem***													
	Managed Care	$ 600.00	$ 600.00	(68,779)	(61,852)	(68,779)	(66,270)	(68,779)	(66,270)	(68,779)	(68,779)	(66,270)	(68,779)	(66,270)	(68,779)	(808,385)
	Medicare	$ 583.00	$ 583.00	(49,231)	(44,203)	(49,231)	(47,361)	(49,231)	(47,361)	(49,231)	(49,231)	(47,361)	(49,231)	(47,361)	(49,231)	(578,264)
	Medi-Cal	$ 220.42	$ 220.42	11,134	10,056	11,134	10,774	11,134	10,774	11,134	11,134	10,774	11,134	10,774	11,134	131,090
	Met Life	$ 182.19	$ 182.19	19,584	17,689	19,584	18,952	19,584	18,952	19,584	19,584	18,952	19,584	18,952	19,584	230,585
	Total Contractuals			(87,292)	(78,310)	(87,292)	(83,905)	(87,292)	(83,905)	(87,292)	(87,292)	(83,905)	(87,292)	(83,905)	(87,292)	(1,024,974)
	Net Revenue by Payor Type															
	Private Pay			(126,523)	(114,279)	(126,523)	(122,442)	(126,523)	(122,442)	(126,523)	(126,523)	(122,442)	(126,523)	(122,442)	(126,523)	(1,489,708)
	Managed Care			(158,400)	(142,800)	(158,400)	(153,000)	(158,400)	(153,000)	(158,400)	(158,400)	(153,000)	(158,400)	(153,000)	(158,400)	(1,863,600)
	Medicare			(117,766)	(106,106)	(117,766)	(113,685)	(117,766)	(113,685)	(117,766)	(117,766)	(113,685)	(117,766)	(113,685)	(117,766)	(1,385,208)
	Medi-Cal			(20,499)	(18,515)	(20,499)	(19,838)	(20,499)	(19,838)	(20,499)	(20,499)	(19,838)	(20,499)	(19,838)	(20,499)	(241,360)
	Met Life			(22,592)	(20,405)	(22,592)	(21,863)	(22,592)	(21,863)	(22,592)	(22,592)	(21,863)	(22,592)	(21,863)	(22,592)	(266,001)
	Total Net Revenue			(445,780)	(402,105)	(445,780)	(430,828)	(445,780)	(430,828)	(445,780)	(445,780)	(430,828)	(445,780)	(430,828)	(445,780)	(5,245,877)
	Bad Debt	***Monthly***														
03-7700-700	Coverage for Private Bad Debt	$ 300		300	300	300	300	300	300	300	300	300	300	300	300	3,600

ESKATON VILLAGE - CARMICHAEL

FINAL

MONTHLY MAINTENANCE FEE SCHEDULE (W/O METLIFE)

2015 Budget

	Units	Number of Units	2004 Monthly Fee	2005 Monthly Fee	2006 Monthly Fee	2007 Monthly Fee	2008 Monthly Fee	2009 Monthly Fee	2010 Monthly Fee	2011 Monthly Fee	2012 Monthly Fee	2013 Monthly Fee	2014 Monthly Fee	2015 Monthly Fee	Cumulative 2015 Monthly Fee
			5.00% Increase	5.00% Increase	4.25% Increase	4.50% Increase	4.00% Increase	4.75% Increase	2.75% Increase	2.80% Increase	3.00% Increase	4.00% Increase	2.90% Increase	3.50% Increase	
Apartments:															
B	One bedroom, one bath	5	2,273	2,386	2,488	2,600	2,704	2,832	2,910	2,991	3,081	3,204	3,297	3,412	17,060
BM	One bedroom, one bath	17	2,273	2,386	2,488	2,600	2,704	2,832	2,910	2,991	3,081	3,204	3,297	3,412	58,004
BN	One bedroom, one bath	1	2,273	2,386	2,488	2,600	2,704	2,832	2,910	2,991	3,081	3,204	3,297	3,412	3,412
C	One bedroom, one bath	23	2,454	2,577	2,686	2,808	2,920	3,059	3,143	3,231	3,328	3,461	3,561	3,686	84,778
CM	One bedroom, one bath	7	2,454	2,577	2,686	2,808	2,920	3,059	3,143	3,231	3,328	3,461	3,561	3,686	25,802
CL	One bedroom, one bath	8	2,454	2,577	2,686	2,808	2,920	3,059	3,143	3,231	3,328	3,461	3,561	3,686	29,488
D	One bedroom, den, 1-1/2 baths	24	2,637	2,768	2,886	3,016	3,137	3,286	3,376	3,471	3,575	3,718	3,826	3,960	95,040
E	Two bedrooms, two baths	20	2,819	2,960	3,086	3,225	3,354	3,513	3,610	3,711	3,822	3,975	4,090	4,233	84,660
EM	Two bedrooms, two baths	12	2,903	3,048	3,178	3,321	3,454	3,618	3,717	3,821	3,936	4,093	4,212	4,359	52,308
F	Two bedrooms, two baths	29	2,819	2,960	3,086	3,225	3,354	3,513	3,610	3,711	3,822	3,975	4,090	4,233	122,757
G	Two bedrooms, two baths	11	3,236	3,397	3,542	3,701	3,849	4,032	4,143	4,259	4,387	4,562	4,694	4,858	53,438
GM	Two bedrooms, two baths	1	3,236	3,397	3,542	3,701	3,849	4,032	4,143	4,259	4,387	4,562	4,694	4,858	4,858
H	Two bedrooms, two baths	13	3,236	3,397	3,542	3,701	3,849	4,032	4,143	4,259	4,387	4,562	4,694	4,858	63,154
J	Two bedroom, den, two baths	14	3,402	3,572	3,724	3,892	4,048	4,240	4,357	4,479	4,613	4,798	4,937	5,110	71,540
N	Two bedroom, den, two baths	11	3,402	3,572	3,724	3,892	4,048	4,240	4,357	4,479	4,613	4,798	4,937	5,110	56,210
P	Two bedroom, den, two baths	1	2,819	2,960	3,086	3,225	3,354	4,240	4,357	4,479	4,613	4,798	4,937	5,110	5,110
P	Two bedroom, den, two baths	4	3,402	3,572	3,724	3,892	4,048	4,240	4,357	4,479	4,613	4,798	4,937	5,110	20,440
Cottages:															
K	One bedroom, one bath	5	2,903	3,048	3,178	3,321	3,454	3,618	3,717	3,821	3,936	4,093	4,212	4,359	21,795
L	Two bedroom, two baths	49	3,203	3,363	3,506	3,664	3,811	3,992	4,102	4,217	4,344	4,518	4,649	4,812	235,788
M	Three bedroom, two baths	24	3,485	3,659	3,814	3,987	4,146	4,343	4,462	4,587	4,725	4,914	5,057	5,234	125,616
MM	Three bedroom, two baths	16	3,485	3,659	3,814	3,987	4,146	4,343	4,462	4,587	4,725	4,914	5,057	5,234	83,744
		295													4,458
	Second Person Fee		749	786	820	857	891	933	959	986	1,016	1,016	1,045	1,082	271
															4,729

ESKATON VILLAGE - CARMICHAEL

FINAL

MONTHLY MAINTENANCE FEE SCHEDULE (W/O METLIFE)

2015 Budget

	Units	Number of Units	1992 & Prior Fee	1993 Monthly Fee (5.7% Increase)	1994 Monthly Fee (7.4% Increase)	1995 Monthly Fee (11.3% Increase)	1996 Monthly Fee (6.7% Increase)	1997 Monthly Fee (8.7% Increase)	1998 Monthly Fee (6.5% Increase)	1999 Monthly Fee (2.0% Increase)	2000 Monthly Fee (2.0% Increase)	2001 Monthly Fee (5.75% Increase)	2002 Monthly Fee (3.75% Increase)	2003 Monthly Fee (5.00% Increase)
Apartments:														
B	One bedroom, one bath	5	1,138	1,206	1,304	1,456	1,556	1,693	1,806	1,842	1,879	1,987	2,062	2,165
BM	One bedroom, one bath	17	1,138	1,206	1,304	1,456	1,556	1,693	1,806	1,842	1,879	1,987	2,062	2,165
BN	One bedroom, one bath	1	1,138	1,206	1,304	1,456	1,556	1,693	1,806	1,842	1,879	1,987	2,062	2,165
C	One bedroom, one bath	23	1,238	1,311	1,412	1,574	1,682	1,829	1,950	1,989	2,029	2,145	2,226	2,337
CM	One bedroom, one bath	7	1,238	1,311	1,412	1,574	1,682	1,829	1,950	1,989	2,029	2,145	2,226	2,337
CL	One bedroom, one bath	8	1,238	1,311	1,412	1,574	1,682	1,829	1,950	1,989	2,029	2,145	2,226	2,337
D	One bedroom, den, 1-1/2 baths	24	1,338	1,416	1,521	1,694	1,809	1,967	2,095	2,137	2,180	2,305	2,391	2,511
E	Two bedrooms, two baths	20	1,438	1,521	1,630	1,814	1,936	2,104	2,240	2,285	2,330	2,464	2,557	2,685
EM	Two bedrooms, two baths	12	1,488	1,573	1,680	1,869	1,994	2,167	2,307	2,353	2,400	2,538	2,633	2,765
F	Two bedrooms, two baths	29	1,438	1,521	1,630	1,814	1,936	2,104	2,240	2,285	2,330	2,464	2,557	2,685
G	Two bedrooms, two baths	11	1,663	1,757	1,878	2,087	2,225	2,416	2,571	2,622	2,675	2,829	2,935	3,081
GM	Two bedrooms, two baths	1	1,663	1,757	1,878	2,087	2,225	2,416	2,571	2,622	2,675	2,829	2,935	3,081
H	Two bedrooms, two baths	13	1,663	1,757	1,878	2,087	2,225	2,416	2,571	2,622	2,675	2,829	2,935	3,081
J	Two bedroom, den, two baths	14	1,738	1,836	1,977	2,196	2,340	2,541	2,703	2,757	2,812	2,974	3,085	3,240
N	Two bedroom, den, two baths	11	1,738	1,836	1,977	2,196	2,340	2,541	2,703	2,757	2,812	2,974	3,085	3,240
P	Two bedroom, den, two baths	1	1,438	1,521	1,630	1,814	1,936	2,104	2,240	2,285	2,330	2,464	2,557	2,685
P	Two bedroom, den, two baths	4	1,743	1,841	1,977	2,196	2,340	2,541	2,703	2,757	2,812	2,974	3,085	3,240
Cottages:														
K	One bedroom, one bath	5	1,488	1,573	1,680	1,869	1,994	2,167	2,307	2,353	2,400	2,538	2,633	2,765
L	Two bedroom, two baths	49	1,638	1,731	1,858	2,065	2,202	2,391	2,545	2,596	2,648	2,800	2,905	3,050
M	Three bedroom, two baths	24	1,788	1,888	2,026	2,250	2,398	2,603	2,769	2,824	2,881	3,047	3,161	3,319
MM	Three bedroom, two baths	16	1,788	1,888	2,026	2,250	2,398	2,603	2,769	2,824	2,881	3,047	3,161	3,319
		295												
	Second Person Fee		238	288	288	388	438	497	538	549	560	655	679	713

Continuing Care Retirement Community Disclosure Worksheet
General Information

FACILITY NAME: Eskaton Village Carmichael

ADDRESS: 3939 Walnut Avenue ZIP CODE: 95608 PHONE: 916/974-2000

FACILITY OWNER: Eskaton FACILITY OPERATOR: Eskaton

RELATED FACILITIES: ~~See attached~~ RELIGIOUS AFFILIATION: N/A

YEAR OPENED: 1992 NO. OF ACRES: 37 MULTI-STORY: ___ SINGLE STORY: ___ BOTH: X

MILES TO SHOPPING CTR: one mile MILES TO HOSPITAL: MSJ four miles

NUMBER OF UNITS:

INDEPENDENT LIVING	
APARTMENTS – STUDIO	0
APARTMENTS – 1 BDRM	85
APARTMENTS – 2 BDRM	116
COTTAGES/HOUSES	94
% OCCUPANCY AT YEAR END	96.6%

HEALTHCARE	
ASSISTED LIVING	38
SKILLED NURSING	35
MEMORY CARE	20

DESCRIBE MEMORY CARE: Secured perimeter unit for care of residents with Alzheimer's or related dementia.

TYPE OF OWNERSHIP: X NOT FOR PROFIT ❑ FOR PROFIT **ACCREDITED:** ❑ Y X N BY ___

FORM OF CONTRACT: ❑ LIFECARE X CONTINUING CARE X FEE FOR SERVICE

❑ ASSIGN ASSETS X EQUITY X ENTRY FEE ❑ RENTAL X MEMBERSHIP

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

RANGE OF ENTRANCE FEES: $8,000 TO $345,000 **LONG-TERM CARE INSURANCE REQUIRED?** ❑ Y X N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Priority access to ALU, SNF, & MCU (income eligible fee for service)

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): **Please see attached disclosure worksheet.**

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER:

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

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

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES PER MONTH	4	
NUMBER OF MEALS PER DAY	3	
SPECIAL DIETS AVAILABLE	X	❑
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 - 24 hour security	X	❑

Participation in this report is voluntary and accuracy of information in not guaranteed. Many communities are part of multi-facility operations, which may influence financial reporting. Consumers are encouraged to ask questions of the CCRC that they are considering and to seek advice from professional advisors if necessary.

PROVIDER NAME: ESKATON

CCRCs	LOCATION (City, State):	PHONE (with area code)
Eskaton Village, Carmichael	Carmichael, CA	916-974-2000
MULTI-LEVEL RETIREMENT COMUNITIES		
Eskaton Village – Grass Valley	Grass Valley, CA	530-273-1778
Eskaton Village Roseville	Roseville, CA	916-789-7831
Eskaton Village Placerville	Placerville, CA	530-295-3400
INDEPENDENT LIVING		
Eskaton Monroe Lodge	Sacramento, CA	916-441-1015
FREE-STANDING ASSISTED LIVING		
Eskaton Lodge Gold River	Gold River, CA	916-852-7900
Eskaton Lodge Cameron Park	Cameron Park, CA	530-672-8900
Eskaton Lodge Granite Bay	Granite Bay, CA	916-789-0326
Eskaton FountainWood Lodge	Orangevale, CA	916-988-2200
FREE-STANDING SKILLED NURSING		
Eskaton Care Center Manzanita	Carmichael, CA	916-331-8513
Eskaton Care Center Fair Oaks	Fair Oaks, CA	916-965-4663
Eskaton Care Center Greenhaven	Sacramento, CA	916-393-2550

SUBSIDIZED SENIOR HOUSING

Eskaton manages 23 low income housing communities in the Northern California area.

*** PLEASE INDICATE IF THE FACILITY IS LIFECARE.**

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
ESKATON

	2013	2014	2015	
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	112,787	116,170	122,212	
LESS OPERATING EXPENSES (excluding depreciation, amortization and interest)	95,017	99,841	103,960	
NET INCOME FROM OPERATIONS	17,770	16,329	18,252	
LESS INTEREST EXPENSE	4,843	5,414	5,528	
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	7,142	(1,644)	(129)	
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	20,069	9,271	12,595	
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	-	72	60	See Cash Flow

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 2008A ABAG VRDB's	15,975,000	Variable	Apr-08	2029	21 years
Series 2006 ABAG VRDB's	18,115,000	Variable	Dec-06	2037	31 years
Series 2013 ABAG Fixed Rate Bonds	51,125,000	2% - 5%	Jun-13	2035	22 years
Series 2012 CSCDA Fixed Rate Bonds	35,858,000	2% - 5.25%	May-12	2034	22 years
Other (see attached)	29,494,000				

FINANCIAL RATIOS (see next page for ratio formulas)

	2003 CCAC Medians 50th percentile (optional)	2013	2014	2015
DEBT TO ASSET RATIO	41.50%	71.52%	71.03%	71.23%
OPERATING RATIO	102.94%	88.54%	90.60%	89.59%
DEBT SERVICE COVERAGE RATIO	2.64%	2.57	1.49	1.82
DAYS CASH-ON-HAND RATIO	201	218.48	214.60	210.28

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2013	%	2014	%	2015	%
STUDIO	N/A		N/A		N/A	
ONE BEDROOM	3,464	4.0%	3,564	2.9%	3,689	3.5%
TWO BEDROOM	4,326	4.0%	4,452	2.9%	4,608	3.5%
COTTAGE/HOUSE	4,664	4.0%	4,799	2.9%	4,967	3.5%
ASSISTED LIVING	4,333	4.0%	4,459	2.9%	4,615	3.5%
SKILLED NURSING	9,270	4.0%	9,540	2.9%	9,870	3.5%
SPECIAL CARE	6,203	4.0%	6,383	2.9%	6,603	3.5%

COMMENTS FROM PROVIDER:

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
FINANCIAL RATIO FORMULAS (in thousands)
ESKATON

Long-Term Debt to Total Assets Ratio

	2011	2012	2013	2014	2015
Long-Term Debt	152,697	151,028	158,294	153,826	150,567
Less: Current Portion	(36,949)	(6,878)	(4,449)	(4,433)	(4,571)
	115,748	144,150	153,845	149,393	145,996
Divided By:					
Total Assets	210,588	209,290	215,113	210,321	204,966
Long-Term Debt to Total Assets Ratios	**54.96%**	**68.88%**	**71.52%**	**71.03%**	**71.23%**

Operating Ratio

	2011	2012	2013	2014	2015
Total Operating Expenses	104,027	108,259	109,213	114,761	118,962
Less: Depreciation & Amortization	(9,149)	(9,602)	(9,353)	(9,506)	(9,473)
	94,878	98,657	99,860	105,255	109,489
Divided By:					
Total Operating Revenues	108,176	113,446	114,354	117,935	123,917
Less: Amortization of Deferred Revenue	(2,132)	(2,132)	(1,567)	(1,765)	(1,705)
	106,044	111,314	112,787	116,170	122,212
Operating Ratio	**89.47%**	**88.63%**	**88.54%**	**90.60%**	**89.59%**

Debt Service Coverage Ratio

	2011	2012	2013	2014	2015
Total Excess of Revenues over Expenses	(3,030)	7,321	12,283	1,619	4,826
Plus: Interest & amortization	3,606	4,398	5,174	5,724	5,812
Depreciation	9,149	9,141	9,022	9,243	9,245
Net Proceeds from Entrance Fees	15	-	-	72	60
Less: Amortization of Deferred Revenue	(2,132)	(2,132)	(1,567)	(1,765)	(1,705)
	7,608	18,728	24,912	14,893	18,238
Divided By:					
Annual Debt Service	3,899	5,284	9,321	9,701	10,024
Debt Service Coverage Ratio	**1.95**	**3.54**	**2.67**	**1.54**	**1.82**

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
FINANCIAL RATIO FORMULAS (in thousands)
ESKATON

Days Cash On Hand Ratio

	2011	2012	2013	2014	2015
Cash & Cash Equivalents	16,819	7,703	10,055	9,696	12,952
Investments	42,116	46,179	49,717	52,187	50,125
Unrestricted Cash & Investments	58,935	53,882	59,772	61,883	63,077
Divided By:					
Operating Expenses	104,027	108,259	109,213	114,761	118,962
Less: Depreciation & Amortization	(9,149)	(9,602)	(9,353)	(9,506)	(9,473)
	94,878	98,657	99,860	105,255	109,489
Divided By:	365	366	365	365	365
Operating Expenses per Day	259.94	269.55	273.58	288.36	299.96
Days Cash On Hand Ratio	**227**	**200**	**218**	**215**	**210**

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Wells Fargo Bank	2,510,000	4.75%	Oct-08	2021	25 years
Red Mortgage Capital, LLC	8,472,000	2.45%	Nov-12	2047	35 years
Lancaster Pollard	13,586,000	3.07%	Jun-15	2050	35 years
Five Star Bank	4,926,000	Variable	Mar-11	2017	20 years
Total	29,494,000				

Eskaton
Supporting Calculations
Consolidated $000's

	2013	2014	2015
Net patient revenues	47,991	48,339	49,504
Net resident revenues	58,402	61,265	64,397
Less amort of entrance fees	(1,567)	(1,765)	(1,705)
Other	7,961	8,331	10,016
Income from ongoing operations	**112,787**	**116,170**	**122,212**
Total expenses	109,213	114,761	118,962
Less depreciation and amortization	(9,353)	(9,506)	(9,473)
Less Interest	(4,843)	(5,414)	(5,529)
Operating expenses	**95,017**	**99,841**	**103,960**
Net income from operations	**17,770**	**16,329**	**18,252**
Interest expense	**(4,843)**	**(5,414)**	**(5,529)**
Non Operating Income	**7,142**	**(1,644)**	**(129)**
NI before entrance fees, depr and amort	**20,069**	**9,271**	**12,594**

ESKATON
ESKATON VILLAGE - CARMICHAEL
ATTACHMENT TO DISCLOSURE WORKSHEET

RESIDENT REPRESENTATIVE TO THE BOARD: The Eskaton Village Carmichael Resident Council (EVC Resident Council) elects a representative to the Eskaton Board of Directors (CCRC Representative) to serve a two year term. The CCRC Representative attends the four quarterly board meetings of Eskaton, including the full agenda of the annual Eskaton Board Retreat. The CCRC Representative is excluded only from executive sessions of the Eskaton Board. The CCRC Representative reports Eskaton Board actions and discussions back to the EVC Resident Council on a quarterly basis.

RESIDENT MEMBER OF THE BOARD: The EVC Resident Council nominates one resident (CCRC Director) to serve a nine year term on the Eskaton Board of Directors. The CCRC Director attends the four quarterly board meetings of Eskaton, including the full agenda of the annual Eskaton Board Retreat. The CCRC Director is not excluded from executive sessions of the Eskaton Board.

ESKATON
Transforming the Aging Experience

May 26, 2016

Ms. Allison Nakatomi
Continuing Care Contracts Branch
California Department of Social Services
Community Care Licensing Division
744 P Street, MS 10-90
Sacramento, CA 95814

Dear Ms. Nakatomi,

Enclosed herewith is Eskaton's 2015 Key Indicators Report.

Lines 2, 3, 6, 7 and 15 were prepared using CCRC community data and all other lines in the report were prepared using Obligated Group data.

We have not identified any trends that we feel are cause for concern but we will be happy to discuss any questions the Department may have.

Best regards,

Ed Boogaard,
Director of Finance

Eskaton Administrative Center

5105 Manzanita Avenue
Carmichael, CA 95608-0598

916-334-0810 PH
916-338-1248 FX

KEY INDICATORS REPORT

ESKATON, INC.

Date Prepared: 5/26/2016

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

Bill Pace

Chief Financial Officer Signature

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CONTINUING CARE CONTRACTS BRANCH

	2011	2012	2013	2014	2015	Projected 2016	Forecast 2017	2018	2019	2020	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	See Attached Schedule										N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%) *	30.37%	29.24%	29.23%	27.76%	28.40%	28.40%	28.40%	28.40%	28.40%	28.40%	↑
3. Net Operating Margin - Adjusted (%) *	30.41%	29.24%	29.23%	27.97%	28.57%	28.56%	28.56%	28.55%	28.55%	28.54%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$53,986	$52,155	$57,359	$58,395	$59,082	$62,163	$65,244	$68,325	$71,406	$74,487	↑
5. Days Cash on Hand (Unrestricted)	248.26	218.19	238.45	229.81	237.55	244.32	249.75	254.71	259.22	263.30	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000) *	$17,587	$14,995	$12,860	$10,273	$7,768	$6,123	$4,478	$2,833	$1,188	$0	N/A
7. Net Annual E/F proceeds ($000) *	$14	$0	$0	$72	$60	$60	$60	$60	$60	$60	N/A
8. Unrestricted Net Assets ($000)	-$13,037	-$17,058	-$1,469	-$2,693	$3,546	$7,467	$11,662	$16,143	$20,917	$25,996	N/A
9. Annual Capital Asset Expenditure ($000)	$3,037	$5,293	$9,627	$6,288	$5,638	$5,100	$5,253	$5,411	$5,573	$5,740	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	2.73	2.26	2.15	1.98	1.74	1.77	1.81	1.85	1.89	1.93	↓
11. Annual Debt Service Coverage (x)	2.73	2.26	2.15	1.99	1.75	1.78	1.82	1.86	1.90	1.94	↓
12. Annual Debt Service/Revenue (%)	6.05%	7.42%	8.00%	8.19%	9.03%	8.39%	8.17%	7.95%	7.74%	7.53%	↓
13. Average Annual Effective Interest Rate (%)	1.78%	2.54%	2.93%	3.50%	3.74%	3.50%	3.50%	3.50%	3.50%	3.50%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	48.96%	40.11%	40.95%	42.94%	49.39%	54.25%	59.65%	65.70%	72.56%	80.41%	↑
15. Average Age of Facility (years) *	15.75	17.36	18.75	17.37	17.42	17.92	18.39	18.86	19.31	19.75	↓

NUMBERS MARKED WITH AN ASTERICK ARE VILLAGE CARMICHAEL ONLY. ALL OTHER NUMBERS ARE OBLIGATED GROUP NUMBERS.

Key Indicator Report - Occupancy By Facility
Eskaton

	2011	2012	2013	2014	2015	Budget 2016	2017	2018	2019	2020
Care Center Manzanita	93%	93%	86%	85%	91%	94%	94%	94%	94%	94%
Care Center Fair Oaks	96%	97%	99%	95%	96%	94%	94%	94%	94%	94%
Care Center Greenhaven	93%	95%	98%	92%	90%	94%	94%	94%	94%	94%
Monroe Lodge	86%	84%	95%	97%	100%	94%	94%	94%	94%	94%
Cameron Park Lodge	75%	82%	80%	80%	85%	94%	94%	94%	94%	94%
Gold River Lodge	77%	74%	74%	75%	80%	93%	93%	93%	93%	93%
Village Carmichael	99%	97%	90%	93%	94%	96%	96%	96%	96%	96%
Village Grass Valley	82%	82%	80%	85%	87%	93%	93%	93%	93%	93%
Village Roseville	85%	78%	92%	94%	96%	93%	93%	93%	93%	93%