

FISCAL YEAR ENDED:

09 / 30 / 15

ANNUAL REPORT CHECKLIST

PROVIDER(S): American Baptist Homes of the West

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FEB 02 2016

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

CONTINUING CARE
CONTRACTS BRANCH

CONTACT PERSON: Andrew McDonald

TELEPHONE NO.: (925) 924-7196

EMAIL: AMcDonald@abhow.com

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

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 93,753
 - If applicable, late fee in the amount of: \$ _____
- Certification by the provider's **Chief Executive Officer** that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for **each** community.
- Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

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



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CONTINUING CARE
CONTRACTS BRANCH

Terraces at San Joaquin Gardens
5555 North Fresno Street - Fresno, CA 93710

January 31, 2016

Ref: Cover Letter to DSS.doc

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

RE: Annual Report - September 30, 2015

Enclosed please find three copies of Terraces at San Joaquin Gardens' September 30, 2015 Annual Report and one additional unbound copy of Section 7.

The Key Financial Indicators will be submitted under separate cover by the due date of February 28, 2016.

If you have any questions or need additional information, please contact Gary Johnson at 925-924-7135.

Sincerely,

A handwritten signature in cursive script that reads 'Pamela S. Claassen'.

Pamela S. Claassen
CFO



THE TERRACES

AT SAN JOAQUIN GARDENS
REPLACED BY ARLSON

Terraces at San Joaquin Gardens
5555 North Fresno Street - Fresno, CA 93710

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CONTINUING CARE
CONTRACTS BRANCH

January 31, 2016

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

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

I, Jessica Lopez, President of Terraces at San Joaquin Gardens, hereby certify to the best of my knowledge and belief that:

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

Sincerely,

Jessica Lopez
President

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	332
[2]	Number at end of fiscal year	352
[3]	Total Lines 1 and 2	684
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	342
All Residents		
[6]	Number at beginning of fiscal year	385
[7]	Number at end of fiscal year	402
[8]	Total Lines 6 and 7	787
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	393.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.87

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$28,342,000
[a]	Depreciation	\$5,845,000
[b]	Debt Service (Interest Only)	\$4,271,000
[2]	Subtotal (add Line 1a and 1b)	\$10,116,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$18,226,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	87%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$15,840,640
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$15,841

PROVIDE Terraces at San Joaquin Gardens

COMMUN Terraces at San Joaquin Gardens

Terraces at San Joaquin Gardens
Statement of Cash Flow
2015 September

Year-To-Date
Actual

<i>Cash Flows from Operating Activities</i>	
Cash Received from Non-Contract Resident Services	936,754
Cash Received from Contract Resident Services	17,353,550
Cash Received from Entrance Fees & Deposits	2,989,107
Cash Received from Bequests and Trust Maturities	50
Cash Received from Investments	22,327
Cash Paid to Employees (Salaries & Wages)	(6,807,591)
Cash Paid for Employee Fringe Benefits	(2,059,265)
Cash Paid to Employees (subtotal)	(8,866,856)
Cash Paid to Temporary Labor	(392,078)
Cash Paid to Vendors	(8,119,593)
Cash Paid for Interest	(3,279,846)
<u>Direct Entries to Equity Accts</u>	<u>(0)</u>
<i>Net Cash Provided by Operating Activities</i>	1,208,265
<i>Cash Flows from Investing Activities</i>	
Acquisition of Property & Equipment	(2,911,879)
Change in Restricted Cash	-
Purchase of unrestricted investments	-
Proceeds from sale of unrestricted investments	-
Purchase of restricted investments	(3,980,673)
<u>Cash utilized from restricted investments</u>	<u>9,832,644</u>
<i>Net Cash Flows from Investing Activities</i>	2,940,092
<i>Cash Flows from Financing Activities</i>	
Payments of Notes and Bonds Payable	(7,840,000)
Proceeds from Issuance of Notes and Bonds Payable	-
Cash Received from Initial Entrance Fees & Deposits	6,798,552
Cash Paid for Deferred Debt Issuance Costs	73,963
Refunds of Deposits and Refundable Fees	(1,203,873)
Cash Received from Inter-Company Transactions	-
Cash Received from Restricted Gifts and Donations	-
Cash Received (paid) from Other Trust Activity - net	-
Cash Received from Capital Contributions	-
<u>Disposition of (Assets)/Liabilities & Cost of Sale</u>	<u>-</u>
<i>Net Cash Flows from Financing Activities</i>	(2,171,358)
<i>Increase (decrease) in Cash</i>	1,976,999
Cash, Beginning Balance	11,297,323
Cash, Ending Balance	13,274,323



PHILADELPHIA INSURANCE COMPANIES

A Member of the Tokio Marine Group

PI-NPD-1 (01-02)

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FEB 02 2016

One Bala Plaza, Suite 100
Bala Cynwyd, Pennsylvania 19004
610.617.7900 Fax 610.617.7940
PHLY.com

FLEXIPLUS FIVE

NOT-FOR-PROFIT ORGANIZATION DIRECTORS & OFFICERS LIABILITY INSURANCE
EMPLOYMENT PRACTICES LIABILITY INSURANCE
FIDUCIARY LIABILITY INSURANCE
WORKPLACE VIOLENCE INSURANCE
INTERNET LIABILITY INSURANCE

Philadelphia Indemnity Insurance Company

Policy Number: PHSD992173

DECLARATIONS

NOTICE: EXCEPT TO SUCH EXTENT AS MAY OTHERWISE BE PROVIDED HEREIN, THIS POLICY IS WRITTEN ON A CLAIMS MADE BASIS AND COVERS ONLY THOSE CLAIMS FIRST MADE DURING THE POLICY PERIOD AND REPORTED IN WRITING TO THE INSURER PURSUANT TO THE TERMS HEREIN. THE AMOUNTS INCURRED FOR DEFENSE COST SHALL BE APPLIED AGAINST THE RETENTION.

Item 1. Parent Organization and Address:
Cornerstone Affiliates
6120 Stoneridge Mall Rd Ste 300
C/O American Baptist Homes of the West
Pleasanton, CA 94588-3298

Internet Address: [www. cornerstoneaffiliates.com](http://www.cornerstoneaffiliates.com)

Item 2. Policy Period: From: 11/01/2014 To: 11/01/2015
(12:01 A.M. local time at the address shown in Item 1.)

Item 3. Limits of Liability:

(A)	Part 1, D&O Liability:	\$	10,000,000	each Policy Period.
(B)	Part 2, Employment Practices:	\$	10,000,000	each Policy Period.
(C)	Part 3, Fiduciary Liability:	\$	1,000,000	each Policy Period.
(D)	Part 4, Workplace Violence:	\$		each Policy Period.
(E)	Part 5, Internet Liability:	\$		each Policy Period.
(F)	Aggregate, All Parts:	\$	10,000,000	each Policy Period.

Item 4. Retention:

(A)	Part 1, D&O Liability:	\$	100,000	for each Claim under Insuring Agreement B & C.
(B)	Part 2, Employment Practices:	\$	100,000	for each Claim.
(C)	Part 3, Fiduciary Liability:	\$	0	for each Claim.
(D)	Part 4, Workplace Violence:	\$		for each Workplace Violence Act.
(E)	Part 5, Internet Liability:	\$		for each Claim.

Item 5. Prior and Pending Date: Part 1 12/18/1992 Part 2 12/18/1992 Part 3 12/18/1992
 Part 4 No Date Applies Part 5 No Date Applies

Item 6. Premium: Part 1 \$ 50,638.00 Part 2 \$ 52,475.00 Part 3 \$ 1,072.00
 Part 4 Part 5

State Surcharge/Tax: Total Premium: \$104,185.00

Item 7. Endorsements: PER SCHEDULE ATTACHED

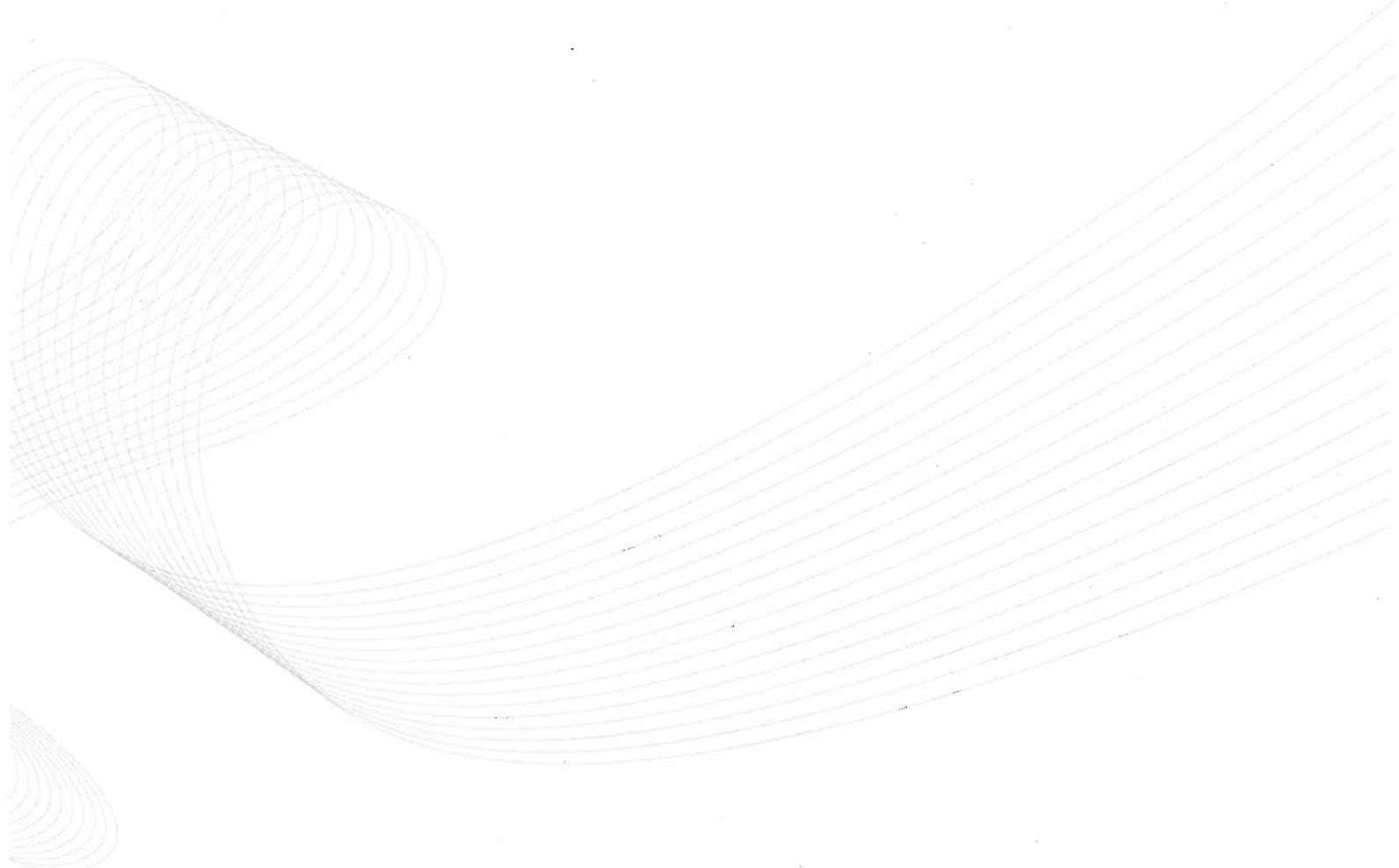
In witness whereof, the Insurer issuing this Policy has caused this Policy to be signed by its authorized officers, but it shall not be valid unless also signed by the duly authorized representative of the Insurer.



Authorized Representative

Countersignature

Countersignature Date



Report of Independent Auditors and
Financial Statements

**Terraces at San Joaquin Gardens
(a Member of Cornerstone Affiliates)**

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

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Directors
Terraces at San Joaquin Gardens (a Member of Cornerstone Affiliates)

Report on the Financial Statements

We have audited the accompanying financial statements of Terraces at San Joaquin Gardens ("TSJG") (a Member of Cornerstone Affiliates), which comprise the balance sheets as of September 30, 2015 and 2014, and the related statements of operations and changes in net deficit and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence 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 financial position of Terraces at San Joaquin Gardens as of September 30, 2015 and 2014, and the results of its operations, changes in net deficit, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California
December 18, 2015

FINANCIAL STATEMENTS

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
BALANCE SHEETS
AS OF SEPTEMBER 30, 2015 AND 2014
(In Thousands)**

	<u>2015</u>	<u>2014</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 13,274	\$ 11,297
RESTRICTED INVESTMENTS	6,237	12,062
RESIDENT ACCOUNTS AND OTHER RECEIVABLES, LESS ALLOWANCES FOR DOUBTFUL ACCOUNTS OF \$131 AND \$134, RESPECTIVELY	1,255	501
PREPAID EXPENSES AND OTHER DEPOSITS	100	86
OTHER ASSETS	5,259	5,778
LAND, BUILDINGS, AND EQUIPMENT - NET	99,857	102,956
TOTAL ASSETS	\$ 125,982	\$ 132,680
LIABILITIES AND NET DEFICIT		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 1,042	\$ 1,568
PAYABLE TO AFFILIATES	66	139
DEPOSITS	79	212
ACCRUED INTEREST	4,002	2,992
SUBORDINATED MANAGEMENT FEES	2,319	1,491
REBATABLE ENTRANCE FEES DUE	38,210	34,028
ENTRANCE FEES SUBJECT TO REFUND	4,858	3,134
ENTRANCE FEES NON-REFUNDABLE	10,050	9,055
NOTES AND BONDS PAYABLE	49,503	57,364
SUBORDINATED NOTES PAYABLE TO ABHOW	29,774	29,774
OTHER LIABILITIES	85	59
TOTAL LIABILITIES	139,988	139,816
NET DEFICIT - UNRESTRICTED	(14,006)	(7,136)
TOTAL LIABILITIES AND NET DEFICIT	\$ 125,982	\$ 132,680

TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(In Thousands)

	2015	2014
OPERATING REVENUES		
Residential living	\$ 7,859	\$ 5,966
Assisted living	2,478	2,075
Health center	6,812	7,395
Memory support	1,636	1,631
Other residential services	97	133
Amortization of entrance fees	1,988	1,761
Other operating revenue	553	552
Total operating revenues	21,423	19,513
OPERATING EXPENSES		
Salaries and wages	7,236	7,283
Employee benefits	2,086	1,965
Supplies	1,833	1,813
Chargeable ancillary services	1,119	1,229
Other purchased services	682	630
Marketing and advertising	1,284	1,106
Repairs and maintenance	307	213
Utilities	1,247	1,254
Insurance	234	233
Travel and related	51	43
Leases and rents	198	177
Management fees	1,658	1,474
Other operating expenses	291	294
Total operating expenses	18,226	17,714
INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)	3,197	1,799
OTHER OPERATING INCOME (EXPENSE)		
Realized losses on investments - net	(38)	(102)
Investment income - net	60	121
Mortgage interest	(4,271)	(3,200)
Depreciation and amortization	(5,845)	(4,196)
LOSS FROM OPERATIONS	(6,897)	(5,578)
Unrealized gains on investments	27	218
CHANGE IN NET DEFICIT	(6,870)	(5,360)
NET DEFICIT - Beginning of year	(7,136)	(1,776)
NET DEFICIT - End of year	\$ (14,006)	\$ (7,136)

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(In Thousands)**

	2015	2014
OPERATING ACTIVITIES		
Cash received for resident services	\$ 18,290	\$ 18,096
Cash received for entrance fees from reoccupancy	2,989	4,744
Cash received from other operating activities	565	548
Cash earnings realized from investments	22	19
Cash paid for employee salaries	(6,808)	(6,872)
Cash paid for employee benefits	(2,059)	(1,956)
Cash paid for temporary labor	(392)	(358)
Cash paid to vendors	(8,120)	(10,164)
Cash paid for interest, net of amounts capitalized	(3,280)	(3,297)
Net cash provided by operating activities	<u>1,207</u>	<u>760</u>
INVESTING ACTIVITIES		
Acquisition of land, buildings and equipment	(2,838)	(19,126)
Change in restricted cash	-	2,834
Purchase of restricted investments	(3,981)	(41,204)
Proceeds from sale of restricted investments	9,833	59,236
Net cash provided by investing activities	<u>3,014</u>	<u>1,740</u>
FINANCING ACTIVITIES		
Cash received from initial entrance fees and deposits	6,799	15,965
Refunds of deposits and refundable fees	(1,204)	(2,032)
Principal payments on notes and bonds payable	(7,839)	(14,175)
Net cash used in financing activities	<u>(2,244)</u>	<u>(242)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	1,977	2,258
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	11,297	9,039
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 13,274</u>	<u>\$ 11,297</u>
OPERATING ACTIVITIES		
Change in unrestricted net deficit	\$ (6,870)	\$ (5,360)
Adjustments to reconcile change in unrestricted net deficit to net cash provided by operating activities		
Amortization of entrance fees	(1,988)	(1,761)
Entrance fees from reoccupancy	2,989	4,744
Depreciation and amortization	5,845	4,196
Change in unrealized gains on investments - net	(27)	(218)
Change in payable to affiliates	(73)	55
Other changes in operating assets and liabilities, net	1,331	(896)
Net cash provided by operating activities	<u>\$ 1,207</u>	<u>\$ 760</u>
NONCASH DISCLOSURES		
Acquisition of buildings and equipment financed through accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ 611</u>

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Business and Organization

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

Cornerstone Related Enterprises

Terraces at San Joaquin Gardens – Terraces at San Joaquin Gardens is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Fresno, California through its continuing care retirement community. Prior to September 26, 2012, the Corporation was one of the eight continuing care retirement communities constituting ABHOW’s California Obligated Group. Effective September 26, 2012, by vote of the ABHOW Board of Directors, and consistent with the rights and abilities granted in ABHOW’s Master Trust Indenture, sole corporate membership and control of the Corporation was transferred from ABHOW to Cornerstone.

American Baptist Homes of the West and Affiliates – American Baptist Homes of the West is a California nonprofit public benefit tax-exempt corporation which owns, operates, and manages both continuing care retirement communities and rental housing communities in which housing, health care, and supportive services are provided for the elderly in California. ABHOW developed the Corporation’s campus in 1966 and has managed the community since that time.

ABHOW provides financial support and management services including financial budgeting, accounting, and tax services; negotiation of capital and financing services; regulatory and compliance oversight and legal support; a pooled program for employee benefits including pensions and workers compensation and a pooled program for property and liability insurance as well as other services through ABHOW affiliates. TSJG reimburses ABHOW for its pro-rata share of employee benefit costs incurred.

ABHOW continues to manage the Corporation under a multi-year management agreement. The current agreement began on September 26, 2012, and continues for 10 years. Under the management agreement, TSJG is charged a base management fee equal to 8.5% of total budgeted cash revenues. Half of this fee is payable to ABHOW on the tenth of each month, with the remaining half subordinated to debt service and payable annually if certain occupancy, debt service coverage, and days cash on hand requirements are met. Total management fees for the years ending September 30, 2015 and 2014, were \$1,658,000 and \$1,474,000, respectively. \$2,319,000 and \$1,491,000 of management fees have been accrued but not paid and is included in accrued management fees in the accompanying balance sheets at September 30, 2015 and 2014, respectively.

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Business and Organization (continued)

American Baptist Homes of Washington – American Baptist Homes of Washington is a Washington nonprofit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Washington through its continuing care retirement community, Judson Park. On September 22, 2015, the Cornerstone Board of Directors voted to accept receipt of the sole membership of Judson Park from ABHOW, causing a transfer of the ownership of Judson Park from ABHOW to Cornerstone.

American Baptist Estates, Inc. – American Baptist Estates, Inc., is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Phoenix, Arizona, through its continuing care retirement community, the Terraces of Phoenix.

Las Ventanas Retirement Community – Las Ventanas Retirement Community is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Las Vegas, Nevada, through its continuing care retirement community.

Boise Retirement Community – Boise Retirement Community is a California nonprofit public benefit tax-exempt corporation which leased, and subsequently purchased, from American Baptist Properties, Inc. a site in Boise, Idaho upon which the Terraces of Boise is currently under construction, with planned substantial completion in Spring of 2016. The first phase of residential living is fully constructed and occupancy commenced on July 27, 2015.

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

Seniority, Inc. – Seniority, Inc. is a California for-profit corporation which was wholly owned by ABHOW from inception in October 1997 through September 2015. Seniority provides sales and operational management and consulting services to Cornerstone's CCRCs (excluding Las Ventanas) and unrelated third parties. On September 22, 2015, the Cornerstone Board of Directors voted to accept receipt of the stock of Seniority from ABHOW causing a transfer of the ownership of Seniority from ABHOW to Cornerstone.

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

Note 2 – Accounting Policies

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

New Accounting Pronouncements – In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update (ASU No. 2014-15), *Presentation of Financial Statements – Going Concern (Subtopic 205-40)*. The amendments in this update provide 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, an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). ASU No. 2014-15 is effective for the Corporation in the year ending September 30, 2016. It is not anticipated that ASU No. 2014-15 will have an impact on the Corporation's financial statements.

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

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Accounting Policies (continued)

In April 2015, FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (“ASU No. 2015-07”), a consensus of the Emerging Issues 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 to 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 that 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. It is not anticipated that ASU No. 2015-07 will have an impact on the Corporation’s financial statements.

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

Restricted Investments – Investments include certain cash equivalents held by investment managers, equity securities, corporate debt, and U.S. government securities, held by the trustee in accordance with the indentures relating to debt agreements, and are stated at fair value.

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

Resident Accounts Receivable – The Corporation provides services to residents even though they may lack adequate funds or may participate in programs that do not pay full charges. The Corporation receives payment for health services from residents, insurance companies, Medicare, Medi-Cal, HMOs, and other third-party payors. In September 2014, the Corporation decertified from the state Medi-Cal program and no longer accepts Medi-Cal as a form of payment from new admits into its health center. As a result, the Corporation is exposed to certain credit risks. The Corporation manages its risk by regularly reviewing its accounts, by providing appropriate allowances for uncollectible accounts, and by having secured the accounts through the Care and Residence Agreements with the residents of continuing care retirement community.

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Accounting Policies (continued)

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

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

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

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

Deferred Debt Issuance Costs – Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the interest method. Unamortized deferred debt issuance costs amounted to \$1,832,000 and \$1,906,000 at September 30, 2015 and 2014, respectively, and are included in other assets in the accompanying balance sheets. Accumulated amortization of deferred debt issuance costs was \$317,000 and \$236,000 at September 30, 2015 and 2014, respectively.

Deferred Marketing Costs – Expenses incurred in connection with marketing of newly constructed apartments are deferred and amortized over the estimated average life of the first generation of residents. Unamortized deferred marketing costs amounted to \$3,426,000 and \$3,872,000 at September 30, 2015 and 2014, respectively, and are included in other assets in the accompanying balance sheets. Accumulated amortization of deferred marketing costs was \$930,000 and \$485,000 at September 30, 2015 and 2014, respectively.

Obligation to Provide Future Services – If the present value of future outflows to provide future services, adjusted for certain noncash items exceeds the present value of future cash inflows, a liability is recognized. An evaluation of the future service benefit obligation for residents indicated a liability was not considered to be necessary at September 30, 2015 and 2014. The discount rate used to calculate the obligation to provide future services is 6% for 2015 and 2014.

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Accounting Policies (continued)

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

Refund Policy on Entrance Fees – The Care and Residence Agreement provides the resident with the right to a refund of the entrance fee, less 2% for each month of residency for 44 months after an initial reduction of 12% of the original fee, under certain circumstances. For a majority of contracts, upon the move out of a resident, the unamortized balance of the entrance fee becomes the property of the Corporation and is included in income. Amounts amortized to income relating to these types of contracts were \$1,988,000 and \$1,761,000 for the years ended September 30, 2015 and 2014, respectively.

At September 30, 2015 and 2014, the Corporation had nonrefundable entrance fees of \$10,050,000 and \$9,055,000, respectively, related to entrance fees received that will be recognized as revenue in future years. Additionally, at September 30, 2015 and 2014, the Corporation had entrance fees subject to refund of \$4,858,000 and \$3,134,000, respectively, that will be recognized as revenue in future years unless refunded.

The Corporation offers contract options whereby 50% to 100% of the entrance fee is rebatable at death or termination of the contract and subsequent reoccupancy of the apartment. The Corporation's redevelopment apartments were sold offering primarily rebatable entrance fee contracts. At September 30, 2015 and 2014, \$38,210,000 and \$34,028,000, respectively, of the entrance fees related to these types of contracts are contractually rebatable, and reflected as rebatable entrance fees due in the accompanying balance sheets.

Actual refunds and rebates of entrance fees were \$1,204,000 and \$2,032,000, for the years ended September 30, 2015 and 2014, respectively. Based on historical experience, management expects refunds in future years to approximate \$2,500,000 per year.

Subordinated Notes Payable to ABHOW – Includes both a fixed rate subordinated note and a variable rate subordinated note to ABHOW (see Note 6).

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

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

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Accounting Policies (continued)

Temporarily Restricted Net Assets – Temporarily restricted net assets include net assets subject to donor imposed stipulations that may, or will be met, either by actions of the Corporation and/or the passage of time. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations as net assets released from restrictions. At September 30, 2015 and 2014, the Corporation had no temporarily restricted net assets.

Permanently Restricted Net Assets – Permanently restricted net assets include net assets subject to donor imposed stipulations that they be maintained permanently by the Corporation. At September 30, 2015 and 2014, the Corporation had no permanently restricted net assets.

Revenue Recognition – Non-rebatable entrance fees are initially recorded as either entrance fees non-refundable or entrance fees subject to refund and are amortized to income using the straight-line method over the remaining life expectancy of the resident. The life expectancy of each resident is updated annually based upon the 2004 Group Annuity Mortality Table.

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

The Corporation provides health care services primarily to its residents. Revenues from the Medicare and Medi-Cal program accounted for approximately 27% and 29% of the Corporation's total operating revenue less amortization of entrance fees for the years ended September 30, 2015 and 2014, respectively. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations. Certain reimbursements from Medicare have been subjected to regulatory audit resulting in questioned costs, and subsequent losses of \$0 and \$92,000 in the years ended September 30, 2015 and 2014, respectively. There were no additional findings open at September 30, 2015. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

Contributions – The Corporation participates in the American Baptist Homes Foundation of the West ("ABHFOW") fundraising activity. Gifts and bequests to the Corporation are credited to the Corporation's fund with ABHFOW. In addition, upon maturity, deferred gifts such as gift annuities and charitable remainder trusts are also credited to the Corporation's fund. Funds held by ABHFOW that the ABHFOW board has designated for the Corporation amounted to approximately \$17,000 and \$20,000 as of September 30, 2015 and 2014. ABHFOW retains a legal right to redirect the use of unrestricted endowment funds. Board practice since inception has been to designate earnings distributions on funds for community benevolence needs. The Corporation receives distributions from ABHFOW based upon the market value of the twelve-quarter rolling average of the Corporation's endowment fund at a current rate of 3.5%. This rate is subject to change based upon the ABHFOW board's action. Distribution income for the years ended September 30, 2015 and 2014, was approximately \$128,000 and \$124,000, respectively, and is reflected in other operating revenues in the accompanying statements of operations and changes in net deficit.

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Accounting Policies (continued)

The Corporation and ABHFOW account for contributions in accordance with FASB ASC Topic 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with the guidance, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Corporation and ABHFOW report the support as unrestricted.

The Corporation reports gifts of property and equipment (or other long-lived assets) as unrestricted support 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, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

	2015	2014
Benevolence, at cost	\$ 797	\$ 312

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

	2015	2014
Contractual allowances	\$ 2,273	\$ 2,350

Performance Indicator – “Loss from operations” as reflected in the accompanying statements of operations and changes in net deficit is a performance indicator. Loss from operations includes all changes in unrestricted net deficit other than noncash changes in unrealized gains and losses on investments.

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Accounting Policies (continued)

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

Professional Liability Insurance – The Corporation has professional liability insurance through a pooled program provided by ABHOW. ABHOW has secured claims-made policies for malpractice and general liability insurance with a self-insured retention of \$150,000 for the years ended September 30, 2015 and 2014. Management of the Corporation is not aware of any claims outstanding which are in excess of policy limits, and any liability would be included in accounts payable and accrued expenses in the accompanying balance sheets. Any related insurance recovery receivables would be recorded under resident accounts and other receivables in the accompanying balance sheets.

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

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

Note 3 – Fair Value

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

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

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 3 – Fair Value (continued)

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

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

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

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

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

	Level 1	Level 2	Level 3	Fair value at September 30, 2015
Restricted investments				
Cash and cash equivalents	\$ 3,064	\$ -	\$ -	\$ 3,064
Domestic corporate debt	1,253	-	-	1,253
Foreign corporate debt	380	-	-	380
U.S. government securities	1,540	-	-	1,540
Total	<u>\$ 6,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,237</u>
				Fair value at September 30, 2014
Restricted investments				
Cash and cash equivalents	\$ 8,091	\$ -	\$ -	\$ 8,091
Domestic corporate debt	1,433	-	-	1,433
Foreign corporate debt	531	-	-	531
U.S. government securities	2,007	-	-	2,007
Total	<u>\$ 12,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,062</u>

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 3 – Fair Value (continued)

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

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

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

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

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents - unrestricted	\$ 13,274	\$ 13,274	\$ 11,297	\$ 11,297
Notes and bonds payable	\$ 49,503	\$ 53,035	\$ 57,364	\$ 60,145

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

Note 4 – Restricted Investments

Restricted investments are held at September 30, 2015 and 2014, for the following purpose (at fair value) (in thousands):

	2015	2014
Restricted investments		
Principal, interest, and other reserves held in trust under bond indenture or mortgage agreements	\$ 6,237	\$ 12,062

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

	2015	2014
Dividend, interest, and other investment income	\$ 60	\$ 121
Net realized loss on investments	(38)	(102)
Total investment income - net	\$ 22	\$ 19
Unrealized gains on investments	\$ 27	\$ 218

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 4 – Restricted Investments (continued)

Investment income is net of investment expenses of \$38,000 and \$0 for the years ended September 30, 2015 and 2014, respectively.

Note 5 – Land, Buildings, and Equipment

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

	<u>2015</u>	<u>2014</u>
Land and improvements	\$ 4,128	\$ 3,946
Buildings and improvements	125,135	123,983
Furnishings and equipment	8,581	8,428
Automotive equipment	<u>198</u>	<u>198</u>
Total	138,042	136,555
Accumulated depreciation	<u>(39,208)</u>	<u>(33,809)</u>
Total	98,834	102,746
Construction in progress	<u>1,023</u>	<u>210</u>
Total	<u><u>\$ 99,857</u></u>	<u><u>\$ 102,956</u></u>

Depreciation expense for the years ended September 30, 2015 and 2014, was \$5,400,000 and \$4,050,000, respectively.

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 6 – Notes and Bonds Payable

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

	2015	2014
Secured		
Series 2012 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated September 26, 2012), Serial certificates, to fund redevelopment spending at Terraces at San Joaquin Gardens, with annual principal payable commencing on April 1, 2014, in varying amounts depending on initial entrance fee collections through 2016; interest at fixed rates ranging from 4.00% to 6.00%, payable annually on October 1.	\$ 49,020	\$ 56,860
Subordinated		
Series A Subordinated Promissory Note, payable to ABHOW, with principal and interest payments contingent upon the Corporation meeting certain liquidity requirements and coverage ratios. The note bears interest at the rate of 4.22% until October 1, 2014, 4.00% per annum until October 1, 2018, and thereafter bears interest at the average rate per annum on the ABHOW Series 2006 bonds or any bonds refunding those bonds, plus, in any case, credit enhancement and remarketing fees applicable thereto, if any.	23,336	23,336
Series B Subordinated Promissory Note, payable to ABHOW, with principal and interest payments contingent upon the Corporation meeting certain liquidity requirements and coverage ratios. The note bears interest at the rate of 6.20% per annum, or if the ABHOW Series 2010 bonds are refunded, the average interest rate per annum on any such refunding bonds, plus, in any case, credit enhancement and remarketing fees applicable thereto, if any.	6,438	6,438
Total secured and subordinated notes and bonds payable	78,794	86,634
Add: unamortized bond premium	483	504
Total bonds and subordinated notes payable	\$ 79,277	\$ 87,138

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 6 – Notes and Bonds Payable (continued)

The Corporation undertook a plan to redevelop portions of its campus (the “Project”). As part of this plan, sole corporate membership and control of the Corporation was transferred from ABHOW to Cornerstone on September 26, 2012. Concurrent with this change in legal structure, the repayment of funds previously provided from the Corporation to ABHOW for corporate purposes were forgiven. As part of the transfer, at closing, \$4,807,000 of the proceeds from the financing discussed below were transferred from the Corporation to ABHOW to reimburse for construction costs advanced by ABHOW in anticipation of the financing. Additionally, the portion of ABHOW’s Series 2006 bonds previously allocated to the Corporation were replaced with a \$23,336,000 variable rate subordinated note, and the portion of ABHOW’s Series 2010 bonds previously allocated to the Corporation were replaced with a \$6,438,000 fixed rate subordinate note. Debt service payments on these subordinate notes are contingent upon the Corporation being compliant with certain performance metrics. At September 30, 2015 and 2014, \$2,717,000 and \$1,384,000, respectively, of interest expense related to these notes were accrued but not paid, pending achievement of these performance criteria.

To finance the Project, the Corporation issued \$71,035,000 of tax exempt bonds in September 2012 (“Series 2012”). ABHOW has no obligation for and does not guarantee the Series 2012 debt. These bonds were sold at a premium of \$567,000 in order to affect a market rate of interest. The premium is being amortized under the effective interest method. At September 30, 2015 and 2014, the accumulated amortized premium was \$84,000 and \$63,000, respectively.

Capitalized interest expense for the year ended September 30, 2014, was \$1,850,000, comprised of \$1,944,000 of interest expense and \$94,000 of net interest income, inclusive of capitalized investment expense.

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

<u>Year Ending September 30,</u>	
2016	\$ 1,379
2017	311
2018	937
2019	990
2020	1,041
Thereafter	<u>74,136</u>
	<u>\$ 78,794</u>

Note 7 – Compliance with Financial Covenants

The Corporation is subject to financial covenants on its debt which include a debt service coverage ratio and minimum days of cash-on-hand requirement. Management believes that the Corporation was in compliance with each of these debt covenants as of and for the year ended September 30, 2015, on its senior series 2012 debt. Performance of the Corporation has not yet been at a level to pay subordinated interest on management fees as discussed in Note 6.

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

Note 8 – Functional Expenses

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

	<u>2015</u>	<u>2014</u>
Direct resident care	\$ 6,119	\$ 6,337
Dietary services	3,243	3,071
Housekeeping and laundry services	850	742
Property	2,911	2,737
Resident services and activities	741	801
Marketing and advertising	1,283	1,106
Administrative and general	<u>3,079</u>	<u>2,920</u>
Total operating expenses	<u>\$ 18,226</u>	<u>\$ 17,714</u>

Note 9 – Commitments and Contingencies

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

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

Note 10 – Health and Safety Code Section 1790(a)(3) Disclosure

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health & Safety Code. The Corporation has identified certain corporate initiatives and contingencies listed below to which unrestricted assets may be exposed; and, therefore, have designated reserves as a safeguard against such contingencies. Although not restricted in accordance with FASB ASC Topic 958, *Not-for-Profit Entities*, an amount of \$5,036,000 is designated for commitments due to ABHOW at September 30, 2015, and is accrued in accrued interest and subordinated management fees on the balance sheet.

**TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO FINANCIAL STATEMENTS**

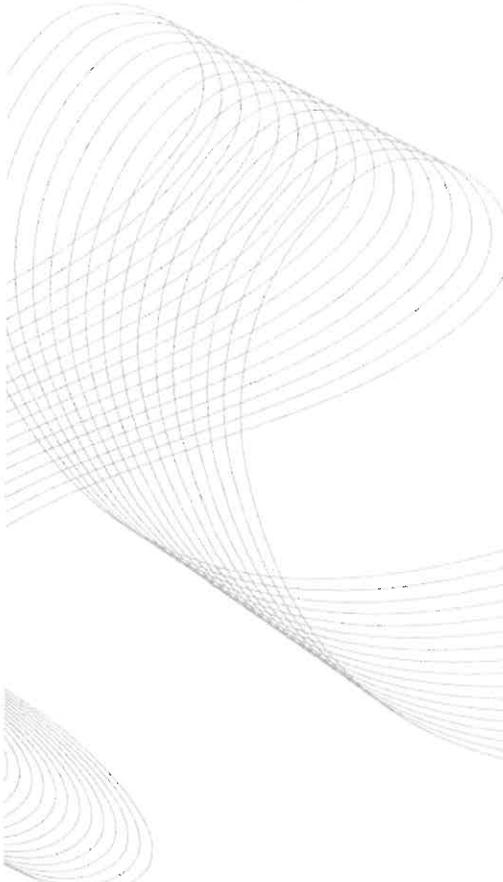
Note 11 – Subsequent Events

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

The Corporation has evaluated subsequent events through December 18, 2015, which is the date the financial statements are issued.

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CONTINUING CARE
CONTRACTS BRANCH



Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules
Terraces at San Joaquin Gardens

As of and for the year ended September 30, 2015

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Directors
 Terraces at San Joaquin Gardens

Report on the Financial Statements

We have audited the accompanying financial statements of Terraces at San Joaquin Gardens (a member of Cornerstone Affiliates), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended September 30, 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of Terraces at San Joaquin Gardens as of and for the year ended September 30, 2015, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

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

Other Matter

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

Restriction on Use

Our report is intended solely for the information and use of management and the board of directors of Terraces at San Joaquin Gardens and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mess Adams LLP".

San Francisco, California
January 28, 2016

CONTINUING CARE LIQUID RESERVE SCHEDULES

TERRACES AT SAN JOAQUIN GARDENS
FORM 5-1
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
(INCLUDING BALLOON DEBT)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	09/26/12	\$0	\$3,190,390		\$3,190,390
2	10/1/2012 SubA	\$0			\$0
3	10/1/2012 SubB	\$0			\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:			\$3,190,390	\$0	\$3,190,390

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

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

TERRACES AT SAN JOAQUIN GARDENS
 FORM 5-2
 LONG-TERM DEBT INCURRED DURING FISCAL YEAR
 (INCLUDING BALLOON DEBT)
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

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					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
TOTAL:		\$0	\$0	0	\$0

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

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

TERRACES AT SAN JOAQUIN GARDENS
 FORM 5-3
 CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$3,190,390
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$198,000
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$3,388,390

TERRACES AT SAN JOAQUIN GARDENS
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$28,342,000
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$3,190,390
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0
c.	Depreciation	\$5,400,000
d.	Amortization	\$445,000
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$936,755
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$9,972,145
4	Net Operating Expenses	\$18,369,855
5	Divide Line 4 by 365 and enter the result.	\$50,328
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$3,774,600

PROVIDER: Terraces at San Joaquin Gardens
COMMUNITY

**TERRACES AT SAN JOAQUIN GARDENS
FORM 5-5
ANNUAL RESERVE CERTIFICATION
SEPTEMBER 30, 2015**

ANNUAL RESERVE CERTIFICATION

Provider Name: Terraces at San Joaquin Gardens
 Fiscal Year Ended: 2015

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

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$3,388,390</u>
[2] Operating Expense Reserve Amount	<u>\$3,774,600</u>
[3] Total Liquid Reserve Amount:	<u>\$7,162,990</u>

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

<u>Qualifying Asset Description</u>	<u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$0</u>	<u>\$13,274,000</u>
[5] Investment Securities	<u>\$0</u>	<u>\$0</u>
[6] Equity Securities	<u>\$0</u>	<u>\$0</u>
[7] Unused/Available Lines of Credit	<u>\$0</u>	<u>\$0</u>
[8] Unused/Available Letters of Credit	<u>\$0</u>	<u>\$0</u>
[9] Debt Service Reserve	<u>\$3,444,765</u>	(not applicable)
[10] Other:	<u>_____</u>	<u>_____</u>

(describe qualifying asset)		
Listed for Reserve Obligation: [11]	<u>\$3,444,765</u>	<u>\$13,274,000</u> [12]
Reserve Obligation Amount: [13]	<u>\$3,388,390</u>	<u>\$3,774,600</u> [14]
Surplus/(Deficiency): [15]	<u>\$56,375</u>	<u>\$9,499,400</u> [16]

Signature:



(Authorized Representative)

Date: January 28, 2016

SVP Finance/Chief Financial Officer
(Title)

SUPPLEMENTARY SCHEDULES



**TERRACES AT SAN JOAQUIN GARDENS
ATTACHMENT I TO FORM 5-1
INTEREST PAID DURING FISCAL YEAR
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

INTEREST PAID DURING FISCAL YEAR:

77125	Interest expense - TSJG Series 2012	\$	3,190,390	\$	3,190,390
TOTAL AMOUNT OF INTEREST PAID DURING FISCAL YEAR					3,190,390

INTEREST EXPENSE RECONCILIATION:

77140	Amortization of loan costs		91,543		
13511	Prepaid finance fees		(2,087)		89,456
TOTAL INTEREST FROM FINANCIAL STATEMENTS AS REPORTED					\$ 3,279,846

**TERRACES AT SAN JOAQUIN GARDENS
ATTACHMENT II TO FORM 5-4
DEDUCTIONS FROM OPERATING EXPENSES
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Line	Description	Terraces at San Joaquin Gardens	
2e	Total Revenues received during the fiscal year for services to resident who did not have a continuing care contract		
40201	Monthly Fees – Private (Non-Contract)	\$ 869,590	sum of {A}
40221	Second Person Fee - PP	1,810	{B}
41001	Monthly Fees - Wellness - Private (Non-Contract)	11,405	{C}
43201	Physical Therapy – Private (Non-Contract)	35,495	{D}
43211	Speech Therapy – Private (Non-Contract)	18,400	{E}
43301	Chargeable Supplies – Private (Non-Contract)	55	sum of {F}
	Total for Line 2e	\$ 936,755	
	Residential Living Fees Reconciliations		
	Total (Non-Contract)	-	
	Contract	\$ 7,859,188	
	Total Residential Fees	\$ 7,859,188	
	Assisted Living Fees Reconciliation		
40201	Monthly Fees – Private (Non-Contract)	\$ 209,709	{A}
40221	Second Person Fee - PP	1,810	{B}
43301	Chargeable Supplies – Private (Non-Contract)	(81)	{F}
	Total (Non-Contract)	211,438	
	Contract	2,266,989	
	Total Assisted Living Fees	\$ 2,478,427	
	Health Center Fees Reconciliation		
40201	Monthly Fees – Private (Non-Contract)	\$ 601,019	{A}
43201	Physical Therapy – Private (Non-Contract)	35,495	{D}
43221	Speech Therapy – Private (Non-Contract)	18,400	{E}
43301	Chargeable Supplies – Private (Non-Contract)	136	{F}
	Total (Non-Contract)	655,050	
	Contract	6,157,090	
	Total Health Center Fees	\$ 6,812,140	
	Memory Support Fees Reconciliation		
40201	Monthly Fees – Private (Non-Contract)	\$ 58,862	{A}
	Total (Non-Contract)	58,862	
	Contract	1,577,067	
	Total Memory Support Fees	\$ 1,635,929	
	Other Resident Svc. Reconciliation		
41001	Monthly Fees - Wellness - Private (Non-Contract)	\$ 11,405	{C}
	Total (Non-Contract)	11,405	
	Contract	85,620	
	Total Other Resident Svc. Fees	\$ 97,025	

**TERRACES AT SAN JOAQUIN GARDENS
ATTACHMENT III TO FORM 5-4
OPERATING EXPENSES FROM FINANCIAL STATEMENTS
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Line	Description	Terraces at San Joaquin Gardens
1	Total operating expenses from financial statements	
	Total operating expenses from financial statements as reported	\$ 18,226,000
	Add:	
	Depreciation and amortization	5,845,000
	Mortgage interest	4,271,000
	Total for Line 1	\$ 28,342,000

**TERRACES AT SAN JOAQUIN GARDENS
ATTACHMENT IV TO FORM 5-5 (QUARTERLY RESERVE CERTIFICATION)
SCHEDULE OF QUALIFYING ASSETS – DEBT SERVICE RESERVE
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

DEBT SERVICE RESERVE

US Bank #200523009	Cash & cash equivalents	\$	272,124	
	Domestic corporate debt		1,252,979	
	Foreign corporate debt		380,121	
	U.S. government securities		1,539,541	
			1,539,541	\$ 3,444,765

TOTAL AMOUNT OF QUALIFYING ASSETS FOR DEBT SERVICE RESERVE

\$ 3,444,765

RESTRICTED INVESTMENTS RECONCILIATION:

14000	DSR funds 2012 A series - USB # 200523009	\$	3,473,616	
14200	MktSec/L.T.(Market)-USB 200523009		(28,851)	\$ 3,444,765
14004	Project funds - 2012 Bonds USB #200523016		35,538	35,538
14006	2012 -A SERIES - #200523002		1,390,000	
14007	2012 -B1 SERIES -#200523003		31,706	
14188	2012 Series Optional Redemp Fund- USB #200523007		1,335,000	
			1,335,000	2,756,706

TOTAL RESTRICTED INVESTMENTS FROM FINANCIAL STATEMENTS AS REPORTED

\$ 6,237,009

TERRACES AT SAN JOAQUIN GARDENS
FORM 5-5
SUPPLEMENTAL SCHEDULE -- DESCRIPTION OF RESERVES UNDER SB 1212
FOR THE YEAR ENDED SEPTEMBER 30, 2015

		Comments in Consistency with Tax Exempt Status Under AB 1169
Total Qualifying Assets as Filed:		
Cash and Cash Equivalents	\$ 13,274,000	
Unrestricted Investment Securities	-	
Subtotal Cash and Unrestricted Investment Securities	13,274,000	
Reserved for Workers Compensation	-	
Total Qualifying Assets as Filed:	13,274,000	
Reservations and Designations:		
Total Reservations and Designations		All liquid investments are designated for working capital during the completion of construction and fill process for the major redevelopment underway at Terraces at San Joaquin Gardens.
Remaining Liquid Reserves	13,274,000	
	\$ -	

TERRACES AT SAN JOAQUIN GARDENS
FORM 5-5
SUPPLEMENTAL SCHEDULE – PER CAPITA COST OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Per Capita Cost of Operations

Operating Expenses \$ 28,342,000
(Form 5-4 line 1)

Mean Number of CCRC Residents 394
(Form 1-1 line 10)

Per Capita Cost of Operations \$ 71,934

**TERRACES AT SAN JOAQUIN GARDENS
FORM 5-5
NOTE TO RESERVE REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE 1 – BASIS OF ACCOUNTING

The accompanying reserve reports have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of Terraces at San Joaquin Gardens assets, liabilities, revenues, and expenses.

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

Date Amended: 11/25/15
RECEIVED
FEB 02 2016
CONTRACTS BRANCH

FACILITY NAME: The Terraces at San Joaquin Gardens Retirement Community
 ADDRESS: 5555 N Fresno St. Fresno, CA ZIP CODE: 93710 PHONE: 559-439-4770
 PROVIDER NAME: TSJG FACILITY OPERATOR: TSJG
 RELATED FACILITIES: _____ RELIGIOUS AFFILIATION: Nonsectarian
 YEAR OPENED: 1966 NO. OF ACRES: 25 MULTI-STORY: _____ SINGLE STORY: _____ BOTH: X
 MILES TO SHOPPING CTR: 1 MILES TO HOSPITAL: 2

NUMBER OF UNITS:		INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>0</u>		ASSISTED LIVING <u>58</u>
APARTMENTS - 1 BDRM	<u>105</u>		SKILLED NURSING <u>54</u>
APARTMENTS - 2 BDRM	<u>157</u>		SPECIAL CARE <u>26</u>
COTTAGES/HOUSES	_____		DESCRIBE SPECIAL CARE: <u>Memory Support</u>
% OCCUPANCY AT YEAR END	<u>78.2%</u>		

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

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

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

RANGE OF ENTRANCE FEES: \$76,000 TO \$473,000 LONG-TERM CARE INSURANCE REQUIRED? Y N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Various transfer credits dependent upon contract.

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

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	SERVICES AVAILABLE		INCLUDED IN FEE	FOR EXTRA CHARGE
	AVAILABLE	FEE FOR SERVICE		
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES/MONTH <u>2-4</u>	_____
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY <u>1</u>	_____
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE <u>Yes</u>	_____
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>
COFFEE SHOP/BISTRO	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>
OTHER - SAUNA	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

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

PROVIDER NAME: _____ Terraces at San Joaquin Gardens _____

CCRCs	LOCATION (City, State)	PHONE (with area code)
Terraces at San Joaquin Gardens	Fresno, CA	559-439-4770

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: _____

	2011	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)		\$17,292,000	\$17,752,000	\$19,435,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)		16,690,000	17,714,000	18,226,000
NET INCOME FROM OPERATIONS		602,000	38,000	1,209,000
LESS INTEREST EXPENSE		1,146,000	3,200,000	4,271,000
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)			19,000	22,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION		<u>-544,000</u>	<u>-3,143,000</u>	<u>-3,040,000</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)		<u>6,176,000</u>	<u>4,743,528</u>	<u>2,989,107</u>

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 2012	\$49,020,000		09/26/12		
Series A Subnote 2006	\$23,336,000		09/01/12		
Series B Subnote 2010	\$6,438,000		09/01/12		

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50 th Percentile (optional)	2013	2014	2015
DEBT TO ASSET RATIO		78.11%	65.68%	62.93%
OPERATING RATIO		103.15%	117.01%	112.77%
DEBT SERVICE COVERAGE RATIO		0.95	3.64	2.42
DAYS CASH-ON-HAND RATIO		145.13	197.17	220.38

**HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE**

	2012		2013		2014		2015	
STUDIO								
ONE BEDROOM	2,177	4.00%	2,253	3.00%	2,444	4.00%	2,609	
TWO BEDROOM	2,847	4.00%	3,090	3.00%	3,409	4.00%	3,585	
COTTAGE/HOUSE								
ASSISTED LIVING	4,567	4.00%	4,927	2.00%	4,944	2.75%	5,574	
SKILLED NURSING	252/day	4.00%	262/day	3.00%	293/day	3.00%	302/day	
SPECIAL CARE	6,390	4.00%	6,414	2.00%	7,092	3.00%	7,092	

COMMENTS FROM PROVIDER: _____

The financial information is taken from the OFI section of the audited financial statements.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: 2 nd person fee	<u>\$2,128 – 4,395</u> <u>\$858</u>	<u>\$2,737-</u> <u>\$7,660</u>	<u>\$257 - \$300</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.00%</u>	<u>3.00%</u>	<u>3.00%</u>

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

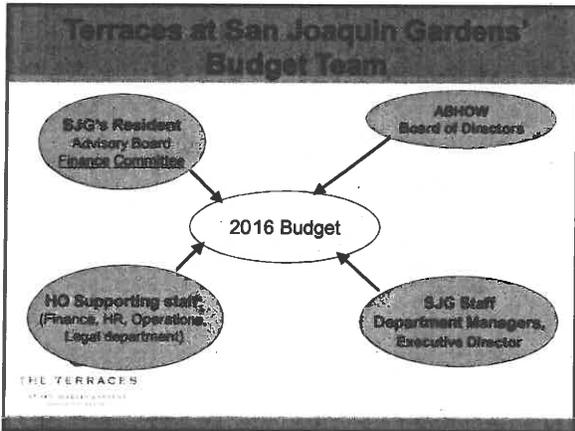
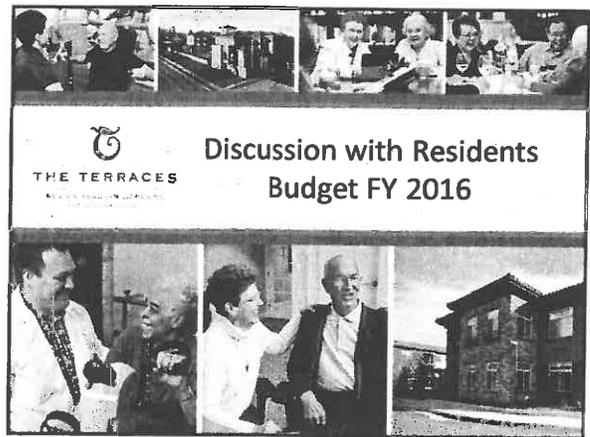
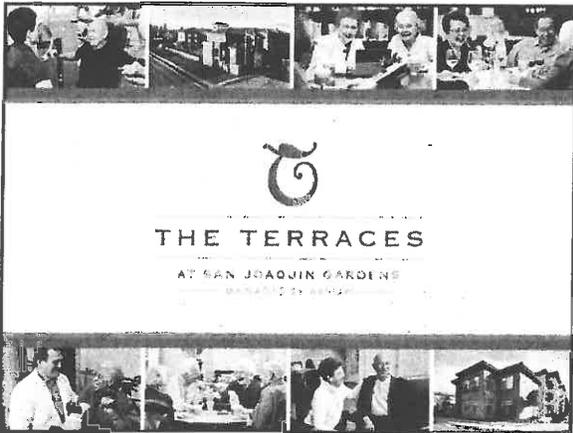
[3] Indicate the date the fee increase was implemented: December 1, 2014
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

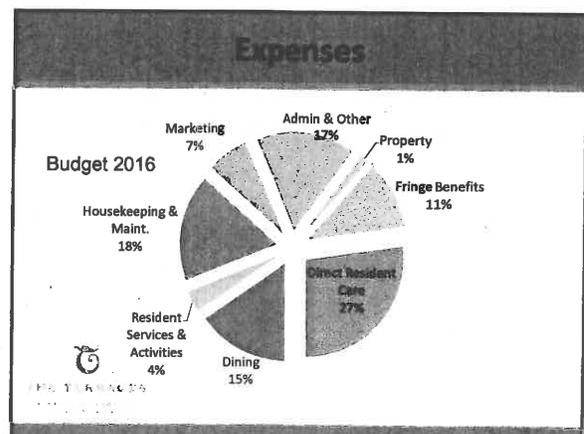
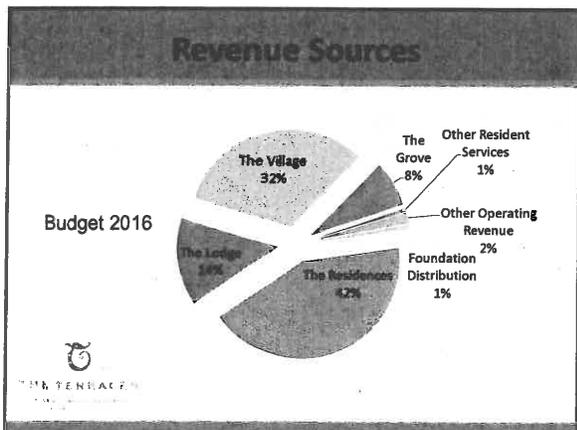
PROVIDER: American Baptist Homes of the West
COMMUNITY: Terraces at San Joaquin Gardens



Assumptions

Budgeted Occupancy Assumptions

- **The Residences** 88.0 %
- **The Lodge** 91.4 %
- **The Village** 96.3 %
- **The Grove** 84.6 %



Thank you for your time and attention

Questions and Answers

