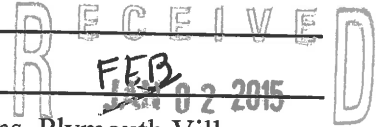


ANNUAL REPORT CHECKLIST

PROVIDER(S): American Baptist Homes of the West



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

CONTINUING CARE CONTRACTS BRANCH

CONTACT PERSON: Gary Johnson

TELEPHONE NO.: (925) 924-7135

EMAIL: GJohnson@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: \$ 88,362
 - 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.

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	69
[2]	Number at end of fiscal year	67
[3]	Total Lines 1 and 2	136
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	68
All Residents		
[6]	Number at beginning of fiscal year	93
[7]	Number at end of fiscal year	91
[8]	Total Lines 6 and 7	184
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	92
[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).	0.74

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$10,332,000
[a]	Depreciation	\$915,000
[b]	Debt Service (Interest Only)	\$349,000
[2]	Subtotal (add Line 1a and 1b)	\$1,264,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$9,068,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	74%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$6,702,435
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$6,702

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

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	62
[2]	Number at end of fiscal year	73
[3]	Total Lines 1 and 2	135
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	67.5
All Residents		
[6]	Number at beginning of fiscal year	78
[7]	Number at end of fiscal year	81
[8]	Total Lines 6 and 7	159
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	79.5
[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).	0.85

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only) \$4,032,000
[a]	Depreciation \$512,000
[b]	Debt Service (Interest Only) \$120,000
[2]	Subtotal (add Line 1a and 1b) \$632,000
[3]	Subtract Line 2 from Line 1 and enter result. \$3,400,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) 85%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) \$2,886,792
[6]	Total Amount Due (multiply Line 5 by .001) \$2,887

PROVIDER American Baptist Homes of West
COMMUNIT Grand Lake Gardens

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	232
[2]	Number at end of fiscal year	250
[3]	Total Lines 1 and 2	482
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	241
All Residents		
[6]	Number at beginning of fiscal year	302
[7]	Number at end of fiscal year	338
[8]	Total Lines 6 and 7	640
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	320
[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).	0.75

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$22,714,000
[a]	Depreciation	\$2,474,000
[b]	Debt Service (Interest Only)	\$454,000
[2]	Subtotal (add Line 1a and 1b)	\$2,928,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$19,786,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	75%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$14,901,331
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$14,901

PROVIDER: American Baptist Homes of West
COMMUNITY Piedmont Gardens

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	250
[2]	Number at end of fiscal year	264
[3]	Total Lines 1 and 2	514
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	257
All Residents		
[6]	Number at beginning of fiscal year	273
[7]	Number at end of fiscal year	289
[8]	Total Lines 6 and 7	562
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	281
[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).	0.91

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$15,117,000
[a]	Depreciation	\$2,466,000
[b]	Debt Service (Interest Only)	\$352,000
[2]	Subtotal (add Line 1a and 1b)	\$2,818,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$12,299,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	91%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$11,248,552
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$11,249

PROVIDER American Baptist Homes of West
COMMUNIT Plymouth Village

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	308
[2]	Number at end of fiscal year	367
[3]	Total Lines 1 and 2	675
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	337.5
All Residents		
[6]	Number at beginning of fiscal year	364
[7]	Number at end of fiscal year	415
[8]	Total Lines 6 and 7	779
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	389.5
[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)	\$24,030,000
[a]	Depreciation	\$3,060,000
[b]	Debt Service (Interest Only)	\$836,000
[2]	Subtotal (add Line 1a and 1b)	\$3,896,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$20,134,000
[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)	\$17,446,021
		x .001
[6]	Total Amount Due (multiply Line 5 by .001)	\$17,446

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	91
[2]	Number at end of fiscal year	98
[3]	Total Lines 1 and 2	189
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	94.5
All Residents		
[6]	Number at beginning of fiscal year	237
[7]	Number at end of fiscal year	237
[8]	Total Lines 6 and 7	474
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	237
[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).	0.40

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$16,831,000
[a]	Depreciation	\$1,362,000
[b]	Debt Service (Interest Only)	\$460,000
[2]	Subtotal (add Line 1a and 1b)	\$1,822,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$15,009,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	40%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$5,984,601
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$5,985

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	275
[2]	Number at end of fiscal year	284
[3]	Total Lines 1 and 2	559
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	279.5
All Residents		
[6]	Number at beginning of fiscal year	315
[7]	Number at end of fiscal year	328
[8]	Total Lines 6 and 7	643
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	321.5
[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]	\$21,795,000
[a]	\$2,717,000
[b]	\$2,201,000
[2]	\$4,918,000
[3]	\$16,877,000
[4]	87%
[5]	\$14,672,229
[6]	x .001
[6]	\$14,672

PROVIDER American Baptist Homes of West
COMMUNITY Terraces of Los Gatos



AMERICAN BAPTIST HOMES OF THE WEST

6120 Stoneridge Mall Rd., 3rd Floor - Pleasanton, CA 94588-3296

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January 31, 2015

Ref: CEO Certification.doc

CONTINUING CARE
CONTRACTS BRANCH

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

RE: Annual Audit and Reports - September 30, 2014
Financial Statements - September 30, 2014

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

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

Sincerely,

David B. Ferguson
President and CEO

Statement of Cash Flow

2014 Total

ABHOW
California
Obligated Group

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

Cash Flows from Operating Activities

Cash Received from Non-Contract Resident Services
Cash Received from Contract Resident Services
Cash Received from Entrance Fees & Deposits
Cash Received from Other Operating Income
Cash Received from Bequests and Trust Maturities
Cash Received from Investments

Cash Paid to Employees (Salaries & Wages)
Cash Paid for Employee Fringe Benefits
Cash Paid to Employees (subtotal)

Cash Paid to Temporary Labor

Cash Paid to Vendors
Cash Paid for Interest

Direct Entities to Equity Accts

Net Cash Provided by Operating Activities

Cash Flows from Investing Activities

Acquisition of Property & Equipment
Acquisition of Property & Equipment- AH
Change in Restricted Cash

Purchase of unrestricted investments
Proceeds from sale of unrestricted investments
Purchase of restricted investments

Net Cash Flows from Investing Activities

Cash Flows from Financing Activities

Payments of Notes and Bonds Payable
Proceeds from Issuance of Notes and Bonds Payable
Cash Received from Initial Entrance Fees & Deposits
Cash Paid for Deferred Debt Issuance Costs

Refunds of Deposits and Refundable Fees
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

Net Cash Flows from Financing Activities

Disposition of (Assets)/Liabilities & Cost of Sale

Increase (decrease) in Cash

Cash, Beginning Balance

Cash, Ending Balance

12,311,324	1,411,638	325,821	3,020,356	374,650	1,173,474	3,956,749	2,048,636
84,425,272	5,773,297	1,992,991	16,880,117	11,407,477	19,301,354	11,046,302	18,023,734
20,926,282	345,700	711,023	3,911,087	2,772,299	4,620,304	688,907	7,876,982
14,688,495	169,663	321,791	419,243	589,253	1,025,872	335,925	414,264
3,500	-	-	2,500	-	-	-	-
1,355,284	-	-	-	-	-	-	-
(47,020,163)	(8,311,773)	(4,483,518)	(1,077,344)	(7,496,322)	(4,779,460)	(8,176,726)	(6,743,425)
(14,082,957)	(2,572,579)	(1,248,807)	(313,417)	(2,342,970)	(1,450,086)	(2,554,102)	(1,903,264)
(61,103,120)	(10,884,352)	(5,732,325)	(1,390,761)	(9,839,293)	(6,229,546)	(10,730,828)	(8,646,890)
(3,986,842)	(127,089)	(312,232)	(194,505)	(1,361,102)	(436,239)	(625,723)	(260,316)
(44,242,626)	(3,260,357)	(3,068,059)	(1,803,445)	(8,272,004)	(5,267,905)	(8,422,087)	(7,286,647)
(5,305,109)	(326,293)	(556,087)	(119,590)	(454,054)	(351,604)	(836,375)	(460,353)
(7)	-	-	-	-	-	-	(7)
19,072,452	(1,829,323)	(1,968,405)	(156,675)	4,306,851	2,859,385	5,505,991	795,766
(35,679,791)	(970,684)	(13,440,471)	(663,457)	(1,736,628)	(2,343,070)	(13,805,823)	(758,471)
(77,000)	(77,000)	-	-	-	-	-	(1,961,187)
460,581	(7,000,160)	4,416,097	-	-	-	3,044,644	-
(26,879,172)	(26,879,172)	-	-	-	-	-	-
23,742,967	23,742,967	-	-	-	-	-	-
(109,248,954)	(29,503,013)	(77,160,163)	-	-	-	(2,499,232)	(86,546)
129,320,448	43,154,616	85,486,124	-	-	-	597,897	81,810
(18,360,921)	2,467,554	(698,413)	(663,457)	(1,736,628)	(2,343,070)	(12,662,514)	(758,471)
(3,503,003)	8,137,686	610,549	(74,625)	(156,245)	134,322	(11,588,732)	(767,694)
24,344,420	-	(106,130)	-	-	-	24,450,550	-
(2,611,232)	-	(8,000)	(63,028)	(214,424)	(608,002)	(1,194,948)	(482,615)
(1,419,839)	8,858,777	2,199,108	967,765	(2,197,417)	(42,635)	(4,665,702)	(199,424)
(3,012,600)	(3,000,000)	-	-	-	-	-	-
13,797,746	13,996,463	2,695,527	820,132	(2,568,086)	(516,315)	7,001,168	(37,912)
14,586,277	14,634,694	28,709	2,137	-	-	(155,355)	(284)
7,357,964	7,168,989	7,494	3,308	4,627	168,890	1,070	3,596
21,967,241	21,803,683	36,203	5,445	4,627	13,525	453	3,312

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CONTRACTS BRANCH

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information
**American Baptist Homes of the West
and Affiliates**
(a Member of Cornerstone Affiliates)

As of and for the Years Ended
September 30, 2014 and 2013

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Baptist Homes of the West ("ABHOW") and Affiliates, (a member of Cornerstone Affiliates) (collectively referred to as the "Corporation"), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Casa de la Vista, Fern Lodge, Oak Knolls Haven, Tahoe Senior Plaza, Judson Terrace Lodge, Broadmoor Plaza, Hillcrest Gardens, Shepherd's Garden or Salishan Gardens, (collectively, the "ABHOW Owned Affordable Housing communities") which statements reflect total assets constituting approximately 7 percent and 8 percent, respectively, of consolidated total assets at September 30, 2014 and 2013, and total revenues constituting approximately 2 percent of consolidated total revenues for the years then ended. These statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the ABHOW Owned Affordable Housing communities, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Baptist Homes of the West and Affiliates as of September 30, 2014 and 2013, 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.

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

San Francisco, California
December 22, 2014

CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2014 and 2013
(In Thousands)

ASSETS	2014	2013
CASH AND CASH EQUIVALENTS	\$ 31,140	\$ 16,856
RESTRICTED CASH	21,374	21,011
INVESTMENTS	101,451	98,441
INVESTMENTS IN LAS VENTANAS BONDS	6,959	8,250
RESTRICTED INVESTMENTS	100,824	119,516
RESIDENT ACCOUNTS AND OTHER RECEIVABLES, LESS ALLOWANCES FOR DOUBTFUL ACCOUNTS OF \$1,920 AND \$1,491, RESPECTIVELY	19,066	10,859
SUBORDINATED NOTES RECEIVABLE - Net	37,089	34,089
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	2,257	2,560
OTHER ASSETS	11,486	12,202
LAND, BUILDING, AND EQUIPMENT - Net	336,533	310,590
TOTAL	\$ 668,179	\$ 634,374
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 21,994	\$ 19,835
DEPOSITS	8,446	11,709
ACCRUED INTEREST	10,091	8,782
REBATABLE ENTRANCE FEES DUE	30,283	17,552
ENTRANCE FEES SUBJECT TO REFUND	47,326	35,459
ENTRANCE FEES NON-REFUNDABLE	83,391	77,219
DEFERRED REVENUE FROM INVESTMENT CONTRACT	-	2,987
REVOCABLE TRUSTS	552	685
OBLIGATIONS UNDER ANNUITY AGREEMENTS	2,216	2,290
NOTES AND BONDS PAYABLE	364,218	364,173
RETIREMENT LIABILITIES	3,658	3,761
WORKERS' COMPENSATION LIABILITY	4,365	3,586
OTHER LIABILITIES	10,028	8,337
Total liabilities	586,568	556,375
COMMITMENTS AND CONTINGENCIES (SEE NOTE 14)		
NET ASSETS		
Unrestricted - Controlling	28,795	32,006
Unrestricted - Non-controlling	43,316	37,636
Temporarily restricted	9,058	7,930
Permanently restricted	442	427
Total net assets	81,611	77,999
TOTAL	\$ 668,179	\$ 634,374

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013
(In Thousands)

UNRESTRICTED NET ASSETS	2014	2013
OPERATING REVENUES		
Residential living	\$ 44,315	\$ 42,708
Assisted living	12,684	11,112
Health center	51,854	50,368
Memory support	6,781	5,229
Other residential services	1,334	988
Amortization of entrance fees	18,190	17,473
Other operating revenue	7,648	7,352
Affordable housing fees and rents	9,570	9,100
Net assets released from restrictions	64	918
Bequests and charitable giving	589	695
Total operating revenues	153,029	145,943
OPERATING EXPENSES		
Salaries and wages	66,512	62,931
Employee benefits	17,619	17,994
Supplies	10,278	9,796
Chargeable ancillary services	7,717	7,063
Marketing and advertising	4,093	7,475
Repairs and maintenance	1,607	670
Purchased services	6,590	2,910
Leases and rents	1,504	1,341
Utilities	7,019	6,708
Travel and related	1,899	1,594
Other operating expenses	3,720	6,289
Insurance	1,841	269
Total operating expenses	130,399	125,040
INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)	22,630	20,903
OTHER OPERATING INCOME (EXPENSE)		
Decrease in unrealized loss on interest rate swaps and caps	36	1,527
Realized gains on investments - net	5,599	1,667
Investment income - net	2,464	2,523
Mortgage interest	(7,564)	(7,619)
Depreciation and amortization	(21,418)	(20,288)
INCOME (LOSS) FROM OPERATIONS	\$ 1,747	\$ (1,287)

See accompanying notes.

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (continued)
(In Thousands)**

	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS		
Income (loss) from operations	\$ 1,747	\$ (1,287)
Change in unrealized gains (losses) on investments - net	(951)	3,335
Unrealized loss on investments in Las Ventanas bonds	(1,291)	-
Loss on syndication of Harbor View Manor	-	(37)
Gain on syndication of Three Rivers Village	-	643
Contributions in aid of construction	4,129	19,277
(Loss) gain from change in unrecognized pension obligation	(1,165)	4,299
CHANGE IN UNRESTRICTED NET ASSETS	<u>2,469</u>	<u>26,230</u>
TEMPORARILY RESTRICTED NET ASSETS		
Dividend and interest income	214	210
Change in unrealized gains on restricted investments - net	406	364
Contributions	1,994	1,300
Net assets released from restrictions	(64)	(918)
Contractual payments to beneficiaries	(648)	(494)
Realized gains on investments - net	159	18
Contractual liability adjustments	112	354
Special project fund distribution	(1,045)	(341)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>1,128</u>	<u>493</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	<u>15</u>	<u>15</u>
CHANGE IN NET ASSETS	<u>3,612</u>	<u>26,738</u>
NET ASSETS - Beginning of year	<u>77,999</u>	<u>51,261</u>
NET ASSETS - End of year	<u>\$ 81,611</u>	<u>\$ 77,999</u>

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013
(In Thousands)

	2014	2013
OPERATING ACTIVITIES		
Cash received for resident services	\$ 120,289	\$ 116,383
Cash received for entrance fees from reoccupancy	24,209	23,913
Cash received from other operating activities	16,502	17,641
Cash received from bequests and trust maturities	636	1,663
Cash earnings realized from investments	5,078	3,912
Cash paid for employee salaries	(60,578)	(57,555)
Cash paid for employee benefits	(17,542)	(16,522)
Cash paid for temporary labor	(3,995)	(4,841)
Cash paid to vendors	(51,430)	(51,933)
Cash paid for interest, net of amounts capitalized	(7,321)	(7,863)
Net cash provided by operating activities	25,848	24,798
INVESTING ACTIVITIES		
Acquisition of land, buildings, and equipment - Continuing Care Retirement Communities ("CCRCs")	(36,823)	(45,261)
Acquisition of land, buildings, and equipment - Affordable Housing	(17,402)	(9,331)
Change in restricted cash	(363)	(5,497)
Purchase of unrestricted investments	(50,534)	(33,278)
Proceeds from sale of unrestricted investments	45,918	29,049
Purchase of restricted investments	(112,840)	(145,397)
Proceeds from sale of restricted investments	131,411	86,868
Net cash used in investing activities	(40,633)	(122,847)
FINANCING ACTIVITIES		
Cash received from initial entrance fees and deposits	24,344	2,628
Refunds of deposits and refundable fees	(3,445)	(3,853)
Net proceeds from issuance of notes and bonds payable - CCRCs	-	93,032
Cash paid for deferred debt issuance costs - CCRCs	-	(1,486)
Principal payments on notes and bonds payable - CCRCs	(4,471)	(3,517)
Net proceeds from issuance of notes and bonds payable - American Baptist Properties	-	3,030
Principal payments on notes and bonds payable American Baptist Properties	-	(3,030)
Proceeds from issuance of notes and bonds payable - Affordable Housing	7,993	1,850
Cash paid for deferred debt issuance costs - Affordable Housing	-	(48)
Principal payments on notes and bonds payable - Affordable Housing	(76)	(9,300)
Cash received from contributions in aid of construction	4,129	19,277
Cash received from restricted gifts and donations	2,073	1,313
Cash paid from other trust activity - net	(1,478)	(1,298)
Net cash provided by financing activities	29,069	98,598
INCREASE IN CASH AND CASH EQUIVALENTS	14,284	549
CASH AND CASH EQUIVALENTS - Beginning of year	16,856	16,307
CASH AND CASH EQUIVALENTS - End of year	\$ 31,140	\$ 16,856

See accompanying notes.

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (continued)
(In Thousands)

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Increase in net assets	\$ 3,612	\$ 26,738
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Amortization of entrance fees	(18,190)	(17,473)
Entrance fees from reoccupancy	24,209	23,913
Amortization of deferred revenue from investment contract	-	(213)
Depreciation and amortization	21,418	20,288
Change in unrealized losses (gains) on investments - net	545	(3,699)
Change in unrealized loss on investments in Las Ventanas bonds	1,291	-
Change in net unrecognized pension obligation	1,165	(4,299)
Decrease in unrealized loss on interest rate swaps and caps	(36)	(1,527)
Contributions in aid of construction	(4,129)	(19,277)
Loss on syndication of Harbor View Manor	-	37
Gain on syndication of Three Rivers Village	-	(643)
Change in accounts receivable from residents and others	(8,207)	(910)
Change in prepaid expenses and deposits	303	(465)
Other changes in operating assets and liabilities - net	3,867	2,328
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 25,848</u>	<u>\$ 24,798</u>
NONCASH DISCLOSURES		
Acquisition of buildings and equipment financed through accounts payable and accrued expenses	<u>\$ 2,392</u>	<u>\$ 5,737</u>
Purchase and sale of affordable housing fixed assets with debt	<u>\$ -</u>	<u>\$ 649</u>
Sale of Boise land through debt retirement	<u>\$ 3,000</u>	<u>\$ -</u>
Sale of Boise land through issuance of note receivable	<u>\$ 2,000</u>	<u>\$ -</u>

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

Note 1 – Business and Organization

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

Cornerstone Related Enterprises

American Baptist Estates, Inc. – American Baptist Estates, Inc. is a California nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for the elderly in Phoenix through its continuing care retirement community, Terraces of Phoenix. Prior to September 29, 2003, ABE was a controlled affiliate of ABHOW. The funds previously advanced by ABHOW to support ABE’s operating and capital needs were retained in the form of a note receivable from ABE. Based on Terraces of Phoenix’s projected cash flows, payments on the note receivable are not anticipated by ABHOW until 2021. The note has been recorded as part of subordinated notes receivable in the accompanying consolidated balance sheets at the estimated net realizable value of \$4,315,000 at September 30, 2014 and 2013.

ABHOW manages Terraces of Phoenix under a multiyear management agreement. In November 2013, Terraces of Phoenix refunded its Series 2003 and 2007 debt with the existing lender after ABHOW committed to a credit support package. Terraces of Phoenix and the holders of the Terraces of Phoenix’s debt have a maximum recourse of \$5.7 million to ABHOW in the event of default (see Note 14).

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

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

Note 1 – Business and Organization (continued)

Boise Retirement Community – Boise Retirement Community (“Boise”) 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 completion in calendar year 2015. The obligations of Boise are non-recourse to ABHOW. On January 28, 2014, Boise closed on its Series 2014 Bonds in the amount of \$103,185,000.

To support this financing, in 2014 ABHOW and ABP provided \$3 million in equity at financing along with \$1 million of funded liquidity support and an additional \$1.25 million of unfunded liquidity support. In conjunction with this close, Boise purchased from ABP the parcel of land upon which the Terraces of Boise is built for \$5 million. This purchase price consisted of \$3 million in cash, which was used to retire ABP’s Boise land acquisition loan, and a \$2 million interest-bearing subordinated note receivable. The land sale resulted in a deferred gain on sale of \$533,000 in 2014 as part of other liabilities in the accompanying consolidated balance sheets.

On October 24, 2013, Boise’s Sales and Marketing Oversight Services Agreement with Seniority, Inc. (“Seniority”), a related entity, was amended and restated. Under the terms of the amendment, Seniority will be paid a Marketing Administrative Fee equal to \$8,000 per month beginning in the month in which first occupancy of an independent living unit occurs and continuing until achievement of 90% occupancy of the independent living units. In addition, Seniority will be paid an Incentive Fee equal to \$80,000 as follows: (i) \$5,000 upon completion of the marketing collateral and first ad series, (ii) \$30,000 upon achievement of the priority member goal, (iii) \$35,000 upon achievement of the minimum number of reservation deposits necessary to secure financing and (iv) \$10,000 upon obtaining an initial certificate of occupancy for resident occupancy. The Sales and Marketing Oversight Services Fee is subject to provisions of the master indenture with respect to affiliate related subordinated debt and currently deferred until stabilization of occupancy of the Terraces of Boise, estimated to occur in 2020.

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

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

Note 1 – Business and Organization (continued)

Prior to September 26, 2012, TSJG was one of the eight continuing care retirement communities constituting ABHOW's California Obligated Group. Effective September 26, 2012, by vote of the ABHOW Board of Directors, and consistent with the rights and abilities granted in ABHOW's Master Trust Indenture, sole corporate membership and control of TSJG was transferred from ABHOW to Cornerstone. Additionally, at this time, ABHOW entered into a 10-year management agreement at a base fee of 8.5% of total budgeted revenues, with half of this fee subject to subordination. During fiscal year 2014 and 2013, the recognition of \$737,000 and \$754,000, respectively, of TSJG management fee revenue was deferred by ABHOW, and an additional \$1,384,000 and \$1,151,000, respectively of interest income related to the TSJG Subordinated Notes A and B, payable to ABHOW, was accrued, with collection pending achievement of certain TSJG operating performance criteria. In September 2014, the \$1,151,000 of interest income relating to 2013 was collected by ABHOW.

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

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

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

American Baptist Homes Foundation of the West, Inc. – American Baptist Homes Foundation of the West, Inc. (the "Foundation") is a California nonprofit public benefit tax-exempt corporation whose primary purpose is to develop, invest, and administer funds to provide residential and nursing home care on behalf of the residents of certain communities of the Corporation. The Foundation's principal activity is to administer such funds under trust agreements. The Corporation is the sole member of the Foundation, and therefore, elects the directors of the Foundation. As a result, the Corporation has control over the Foundation, and therefore, the Foundation is included in the Corporation's consolidated financial statements. The Foundation guarantees the bond obligations of the Corporation. The Foundation's obligations under the guaranty agreement are limited to the Foundation's income earned on its unrestricted net assets (see Note 6).

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

Note 1 – Business and Organization (continued)

Other Affiliates Included in the Consolidation – ABHOW is also the sole member and controlling organization for the following separately incorporated not-for-profit affiliates:

- American Baptist Homes of Washington (d.b.a. Judson Park)
- American Baptist Properties, Inc.

Affordable Housing:

- Redlands Senior Housing, Inc. (d.b.a. Casa de la Vista)
- Redlands Senior Housing Two (d.b.a. Fern Lodge)
- Harborview Properties, Inc. (formerly d.b.a Harbor View Manor)
- Oak Knolls Haven, Inc. (d.b.a. Oak Knolls Haven)
- Tahoe Senior Plaza, Inc. (d.b.a. Tahoe Senior Plaza)
- Carmel Senior Housing, Inc. including Tahoe Senior Housing II, L.P. (d.b.a. Kelly Ridge), Pacific Meadows Senior Housing L.P. (d.b.a. Pacific Meadows), Valley Vista Senior Housing (d.b.a. Valley Vista), Harborview Manor LLLP (d.b.a. Harbor View Manor), Bay Vista Partners LLLP (d.b.a The Pearl on Oyster Bay) and Three Rivers Senior Housing LLLP (d.b.a Three Rivers Village)
- Judson Terrace Lodge, Inc. (d.b.a. Judson Terrace Lodge)
- San Leandro Senior Housing, Inc. (d.b.a. Broadmoor Plaza)
- Hillcrest Senior Housing, Inc. (d.b.a. Hillcrest Gardens)
- Good Shepherd Senior Housing (d.b.a. Shepherd's Garden)
- Richland Senior Housing LLC (formerly d.b.a. Three Rivers Village)
- Salishan Senior Housing, Inc. (d.b.a. Salishan Gardens)

ABHOW is also the sole shareholder and controlling organization of Seniority.

American Baptist Homes of Washington – American Baptist Homes of Washington (“Judson Park”) is a Washington nonprofit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Washington through its continuing care retirement community, Judson Park.

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

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

Note 1 – Business and Organization (continued)

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

ABP contributed \$2,000,000, which was used to pay down accrued interest on the Las Ventanas Series 2004 bonds, in exchange for an equivalent interest in the newly issued Las Ventanas Series A-2 and Series B-2 bonds. ABP released its interests in the ground lease and construction loan in exchange for additional interests in the Las Ventanas Series A-2, Series B-2, and Series C-2 bonds. The bonds received by ABP are at parity with the Las Ventanas Series A-1, Series B-1, and Series C-1 bonds issued to bondholders in terms of collateral and principal, but have lower interest rates for an initial period of time and no voting rights.

As part of the restructuring, all but \$2,000,000 of outstanding accrued bonds interest and all construction loan interest was forgiven, along with all outstanding accrued management fees and the \$5,000,000 contingent liability due to ABP.

In conjunction with the restructuring, ABP transferred \$500,000 to Las Ventanas, which was deposited with the trustee in an escrow account and will be utilized to support the voluntary reduction and restructuring of resident entry fee rebate liabilities. In exchange, ABP received \$500,000 in Las Ventanas Series B-3 bonds. Finally, ABP, with liquidity support from ABHOW, provided an unfunded \$2,000,000 debt service support agreement for the Las Ventanas Series A-1 bonds, with any resulting funded amounts triggering the issuance to ABP of an equal amount of Las Ventanas Series B-4 bonds, comparable in structure to the Las Ventanas Series B-3 bonds.

As a result of the aforementioned restructuring, ABP received \$16,414,000 (par value) of LVRC bonds, classified as Investments in Las Ventanas bonds in the accompanying consolidated balance sheets. The restructuring and subsequent revaluations of the investments as of September 30, 2014 have resulted in an increase in the unrealized loss of \$1,291,000 and an aggregate unrealized loss on investments in Las Ventanas bonds of \$6,925,000, in the accompanying consolidated statements of operations and changes in net assets (see Note 3).

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

Note 1 – Business and Organization (continued)

Redlands Senior Housing, Inc. – Redlands Senior Housing, Inc. (“Redlands” d.b.a. Casa de la Vista) is a California nonprofit public benefit tax-exempt corporation whose cost of construction was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

Redlands Senior Housing Two – Redlands Senior Housing Two (d.b.a. Fern Lodge) is a California nonprofit public benefit tax-exempt corporation established in 1997 to develop a senior housing complex in Redlands, California. Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

Harborview Properties, Inc. – Harborview Properties, Inc. (“Harbor View Manor”) is a Washington nonprofit tax-exempt corporation that provided housing for low-income elderly in the Tacoma, Washington area. The community was financed with a mortgage note payable to Prudential Huntoon Paige Association, Ltd., secured by a deed of trust on Harborview’s property.

In December 2011, Harbor View Manor completed a syndication whereby the community was sold to a partnership in which Carmel Senior Housing, Inc. (“CSH”) is the managing member of the General Partner, in conjunction with a planned refurbishment of the community which began in December 2011. As part of the sale, Harborview Properties, Inc. obtained a 20% interest in Harborview Manor GP LLC, the newly-formed General Partner, holding a 0.01% interest in Harbor View Manor, with CSH holding the remaining 80% interest. The community was purchased using a combination of loans and tax credits.

ABHOW and CSH, as co-guarantors issued guaranties related to the project. In March 2013, the refurbishment of the community was completed and Harbor View Manor received its Certificate of Occupancy. On September 26, 2013, the US Bank Series B loan was retired using Limited Partner capital contributions. In conjunction with the project completion and loan retirement, the material financial guarantees were released (see Note 14).

Harborview Manor LLLP – Harborview Manor LLLP (“Harbor View Manor”) is a Washington limited liability limited partnership providing housing for low-income elderly in the Tacoma, Washington area. See “Harborview Properties, Inc.” above for further discussion of the formation and capital structure of this corporation. As CSH is the managing member of the general partner, Harbor View Manor’s financial statements are required to be consolidated into CSH.

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

Note 1 – Business and Organization (continued)

Pacific Meadows Senior Housing, L.P. – Pacific Meadows Senior Housing (“Pacific Meadows”) is a California limited partnership acquired in 2010 to provide housing for low income elderly in the Carmel, California area. In conjunction with its April 2010 resyndication, Pacific Meadows secured tax credit financing to allow for a significant refurbishment of the campus. CSH is the managing member of the General Partner, Carmel Senior Housing, LLC, and as such, Pacific Meadow’s financial statements are required to be consolidated into CSH. ABHOW provided certain temporary guarantees, which were subsequently released, as discussed in Note 14.

On October 1, 2012, Pacific Meadows finalized a permanent conversion financing whereby its Series 2010A Variable Rate Demand Multifamily Housing Revenue Bonds were retired and replaced with a combination of debt and partner equity contributions. As part of this financing, the start date of its forward starting swap was extended to coincide with the issuance of the new variable rate debt.

Valley Vista Senior Housing – Valley Vista Senior Housing (“Valley Vista”) is a California limited partnership formed in 2008 for the development of an affordable housing community in San Ramon, California. The project commenced occupancy on May 25, 2011. The project was financed primarily with a combination of loans and tax credits. As CSH is the sole general partner, Valley Vista’s financial statements are required to be consolidated into CSH.

Tahoe Senior Housing II, L.P. – Tahoe Senior Housing II (“Kelly Ridge”) is a California limited partnership formed in 2008 for the development of an affordable senior housing community in South Lake Tahoe, California. The project was financed primarily with a combination of loans and tax credits. As CSH is the sole general partner, Kelly Ridge’s financial statements are required to be consolidated into CSH.

Bay Vista Partners LLLP – Bay Vista Partners LLLP (“The Pearl on Oyster Bay”) is a Washington limited liability limited partnership developed to provide housing for low income elderly in the Bremerton, Washington area. The community commenced operations in September 2014. Bay Vista GP LLC is the sole General Partner of Bay Vista, with CSH acting as its sole member, and as such, Bay Vista Senior Housing’s financial statements are required to be consolidated into CSH.

In conjunction with its July 2013 syndication, Bay Vista Senior Housing secured debt and tax credit financing to fund the construction of its campus. ABHOW and CSH, as co-guarantors issued an unconditional guaranty related to the completion of the project and compliance with certain on-going aspects of the Limited Partnership Agreement (see Note 14).

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
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FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

Note 1 – Business and Organization (continued)

The debt financing secured consists of a \$9,769,000 capital advance to Bay Vista GP LLC from the Department of Housing and Urban Development. Consistent with the terms of the agreement, Bay Vista GP LLC then advanced the proceeds to Bay Vista Partners LLLP through a separate loan agreement.

Richland Senior Housing LLC – Richland Senior Housing LLC (formerly “Three Rivers Village”) is a Washington state nonprofit tax exempt corporation acquired in 2010 to provide housing for low-income elderly in the Richland area. The 40 apartment community was acquired in June 2010 through the issuance of debt from state agencies.

In July 2013, Three Rivers Village completed a syndication whereby Richland Senior Housing LLC sold Three Rivers Village to Three Rivers Senior Housing LLLP, an entity in which CSH is the sole member of the General Partner holding a 0.01% interest, in conjunction with a planned refurbishment of the community. The community was purchased using a combination of debt and tax credits.

In connection with the sale of Three Rivers Village, Richland Senior Housing LLC received a \$195,000 Reserve Note from Three Rivers Senior Housing LLLP, with annually compounding interest of 6.5%. Over the 40 year amortization period, payments are to be made solely from distributable cash flows of the community. This note was immediately contributed to CSH where it was fully reserved due to the conditional nature of payments. Similarly, as part of the sale, Richland Senior Housing LLC also received a \$231,000 Seller Financing Note from Three Rivers Senior Housing LLLP, which it also contributed to CSH. This note also pays 6.5% interest compounding annually, however it has a 20 year life and, beginning August 1, 2018, begins to make regular principal and interest payments from operating cash flows subject to compliance with certain financial covenants.

Three Rivers Senior Housing LLLP – Three Rivers Senior Housing LLLP (“Three Rivers Village”) is a Washington limited liability limited partnership developed to provide housing for low income elderly in the Richland, Washington area. In conjunction with its July 2013 syndication, Three Rivers Village secured tax credit financing to allow for a significant refurbishment of the campus, which commenced in July 2013. CSH is the sole member of the General Partner, Three Rivers GP LLC, and as such, Three Rivers Villages financial statements are required to be consolidated into CSH.

ABHOW and CSH, as co-guarantors issued an unconditional guaranty related to the completion of the project and compliance with certain on-going aspects of the Limited Partnership Agreement (see Note 14).

Oak Knolls Haven, Inc. – Oak Knolls Haven, Inc. (“Oak Knolls Haven”) is a California nonprofit public benefit tax-exempt corporation, whose cost of construction was financed largely through loans endorsed for insurance by the United States Department of Housing and Urban Development.

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

Note 1 – Business and Organization (continued)

Tahoe Senior Plaza, Inc. – Tahoe Senior Plaza, Inc. (“Tahoe Senior Plaza”) is a California nonprofit public benefit tax-exempt corporation incorporated in January 1998 to develop a low-income senior housing complex in South Lake Tahoe, California. Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

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

In April 2010, the Corporation completed the resyndication of Pacific Meadows Senior Housing (“Pacific Meadows”). Under the resyndication agreement, CSH, as managing member, acquired a 79% interest in Carmel Senior Housing, LLC, the newly-formed General Partner holding a 0.01% interest in Pacific Meadows.

In December 2011, as part of the syndication of Harbor View Manor, CSH, as managing member, acquired an 80% interest in Harborview Manor GP LLC, the newly-formed General Partner holding a 0.01% interest in Harbor View Manor (see Note 14).

CSH is acting as General Partner with separate 0.01% interests in Valley Vista Senior Housing, L.P. (“Valley Vista”), Tahoe Senior Plaza II (“Kelly Ridge”), Bay Vista Partners LLLP (“The Pearl on Oyster Bay”) and Three Rivers Senior Housing LLLP (“Three Rivers Village”). Both Valley Vista and Kelly Ridge are California limited partnerships formed for the development of affordable housing and both are funded through the use of a combination of debt and tax credit investors. The Pearl on Oyster Bay and Three Rivers Village are Washington limited liability limited partnerships. Tax credit investors have been subscribed as Limited Partners, with a 99.99% collective interest in each project.

Judson Terrace Lodge, Inc. – Judson Terrace Lodge, Inc. (“Judson Terrace Lodge”) is a California nonprofit public benefit tax-exempt corporation incorporated in November 2000 to develop a low-income senior housing complex in San Luis Obispo, California. Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

San Leandro Senior Housing, Inc. – San Leandro Senior Housing, Inc. (“Broadmoor Plaza”) is a California nonprofit public benefit tax-exempt corporation established in May 2001, to develop a senior housing complex in San Leandro, California (d.b.a. Broadmoor Plaza). Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

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Note 1 – Business and Organization (continued)

Hillcrest Senior Housing, Inc. – Hillcrest Senior Housing, Inc. (“Hillcrest Gardens”) is a California nonprofit public benefit tax-exempt corporation established in 2005, to develop a senior housing complex in Daly City, California. Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development as well as other local government grants.

Good Shepherd Senior Housing – Good Shepherd Senior Housing (“Shepherd’s Garden”) is a Washington state nonprofit tax-exempt corporation established in 2008 to develop low-income elderly housing in the Lynwood area. The 40 apartment community commenced occupancy on March 1, 2010. Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

Salishan Senior Housing, Inc. – Salishan Senior Housing, Inc. (“Salishan Gardens”) is a Washington state nonprofit tax-exempt corporation established in 2009 to develop low-income elderly housing in the Tacoma, Washington area. The project commenced occupancy on May 10, 2011. Construction of the community was financed primarily through loans endorsed for insurance by the United States Department of Housing and Urban Development.

Seniority, Inc. – Seniority, Inc. is a California for-profit corporation and is wholly owned by the Corporation. Seniority commenced operations in October 1997 and provides sales and operational management and consulting services to ABHOW and unrelated third parties.

Managed Rental Homes and CCRCs – At September 30, 2014, the Corporation managed eighteen affordable housing rental communities and three continuing care retirement communities, while Seniority managed eight market rate rental communities under management agreements. At September 30, 2013, the Corporation managed eighteen affordable housing rental communities and three continuing care retirement communities, while Seniority managed seven market rate rental communities under management agreements (see Note 12).

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Note 2 – Accounting Policies

Basis of Consolidation – The accompanying financial statements consolidate the accounts of ABHOW, the Foundation, Judson Park, American Baptist Properties, Casa de la Vista, Fern Lodge, Harbor View Manor, Oak Knolls Haven, Tahoe Senior Plaza, Carmel Senior Housing, Kelly Ridge, Pacific Meadows, Valley Vista, Harborview Manor LLLP, Bay Vista Partners LLLP, Three Rivers Senior Housing LLLP, Judson Terrace Lodge, Broadmoor Plaza, Hillcrest Gardens, Shepherd’s Garden, Three Rivers Village, Salishan Gardens, and Seniority. The financial statements of ABHOW and Affiliates are presented on a consolidated basis due to the sole corporate membership and controlling financial interests of these organizations. All significant intercompany balances and transactions have been eliminated.

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

New Accounting Pronouncements – In April 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2013-06, *Services Received from Personnel of an Affiliate* (“ASU 2013-06”) to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The Corporation implemented this guidance in 2014. The adoption did not have a material impact on the consolidated financial statements.

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Note 2 – Accounting Policies (continued)

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

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

Investments – Investments include certain cash equivalents held by investment managers, certificates of deposits, commercial paper, mutual funds, equity securities, corporate debt, U.S. government securities and certain cash equivalents and securities held by trustees for capital project expenditures and debt service, and are stated at fair value. Certain investments are restricted as assets held in trust. These include assets held by trustees in accordance with the indentures relating to debt agreements and assets set aside in accordance with various trust agreements with third parties, including donors. Assets held in trust as well as assets managed for certain ABHOW affiliates are classified as restricted investments. Also included in restricted investments is \$6,886,000 and \$4,980,000 as of September 30, 2014 and 2013, respectively, designated by the board for future capital projects at several communities.

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

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Note 2 – Accounting Policies (continued)

Investments in Las Ventanas Bonds – Investments include holdings in three tranches of the Las Ventanas Series 2012 bonds (see Note 1). These investments are recorded at fair market value as of September 30, 2014 and 2013, in the accompanying consolidated balance sheets. Changes in fair market value are included in unrealized loss on Investments in Las Ventanas bonds in the consolidated statements of operations and changes in net assets. Investment income is included in the consolidated statements of operations and changes in net assets.

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

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

Subordinated Notes Receivable – Includes both a fixed rate subordinated note and a variable rate subordinated note from TSJG in the amount of \$29,774,000 for the years ended September 30, 2014 and September 30, 2013. Interest income is included as a reduction to interest expense in the consolidated statements of operations and changes in net assets, due to the notes being structured as a mechanism to reimburse ABHOW for prior borrowings that were partially utilized to specifically fund capital expenditures at TSJG. During the years ended September 30, 2014 and 2013, \$1,384,000 and \$1,151,000, respectively, of interest income was accrued by ABHOW. Subordinated Notes Receivable also includes a non-interest bearing subordinated note from ABE for \$4,315,000, an interest bearing subordinated note from Boise for \$2,000,000 and non-interest bearing amounts due under subordinated liquidity support agreement from Boise for \$1,000,000 (see Note 1).

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Note 2 – Accounting Policies (continued)

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

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

Asset Impairment – The Corporation periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment was recorded in the years ended September 30, 2014 and 2013.

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

Deferred Debt Issuance Costs – Expenses incurred in connection with the issuance of debt are deferred and amortized over the term of the related financing agreements using the effective interest method. Unamortized deferred debt issuance costs amounted to \$5,698,000 and \$6,138,000 at September 30, 2014 and 2013, respectively, and are included in other assets in the accompanying consolidated balance sheets. Accumulated amortization of deferred debt issuance costs was \$1,216,000 and \$1,017,000 at September 30, 2014 and 2013, respectively.

Deferred Marketing Costs – Expenses incurred in connection with marketing of newly constructed apartments are deferred and amortized over the estimated average life of the first generation of residents. Unamortized deferred marketing costs amounted to \$4,766,000 and \$4,128,000 at September 30, 2014 and 2013, respectively, and are included in other assets in the accompanying consolidated balance sheets. Accumulated amortization of deferred marketing costs was \$1,023,000 and \$819,000 at September 30, 2014 and 2013, respectively.

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Note 2 – Accounting Policies (continued)

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

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

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

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

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

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Note 2 – Accounting Policies (continued)

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

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

Obligation to Provide Future Services – If the present value of future outflows to provide future services, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. An evaluation of the future service obligation for residents indicated a liability was not considered to be necessary at September 30, 2014 and 2013. The discount rate used to calculate the obligation to provide future service is 5%.

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

Refund Policy on Entrance Fees – The Care and Residence Agreement provides the resident with the right to a refund of the entrance fee, less 2% for each month of residency for 44 months after an initial reduction of 12% of the original fee, under certain circumstances. For a majority of contracts, upon the move out of a resident, the unamortized balance of the entrance fee becomes the property of the Corporation and is included in income. For contracts established in fiscal year 2006 or later, the resident is entitled to a partial refund if move out occurs in the first 44 months of the contract. Amounts amortized to income relating to these types of contracts were \$18,190,000 and \$17,473,000 for the years ended September 30, 2014 and 2013, respectively.

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Note 2 – Accounting Policies (continued)

At September 30, 2014 and 2013, the Corporation had non-refundable entrance fees of \$83,391,000 and \$77,219,000, respectively, related to entrance fees received that will be recognized as revenue in future years. Additionally, at September 30, 2014 and 2013, the Corporation had entrance fees subject to refund of \$47,326,000 and \$35,459,000, respectively, which will be recognized as revenue in future years unless refunded.

The Corporation offers contract options whereby 50% to 100% of the entrance fee is rebatable at death of or termination of the contract and subsequent reoccupancy of their apartment. At September 30, 2014 and 2013, \$30,283,000 and \$17,552,000, respectively, of the entrance fees related to these types of contracts are contractually rebatable, and are included in entrance fees subject to refund in the accompanying consolidated balance sheets.

Actual refunds and rebates of entrance fees were \$3,445,000 and \$3,853,000 for the years ended September 30, 2014 and 2013, respectively. Based on historical experience, management expects to pay refunds in future years of approximately \$4,000,000 per year.

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

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

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

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

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Note 2 – Accounting Policies (continued)

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

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

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

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

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Note 2 – Accounting Policies (continued)

	Controlling interest	Non- controlling	Total
Balance, September 30, 2012	\$ 25,507	\$ 17,905	\$ 43,412
Income (loss) from operations	1,187	(2,474)	(1,287)
Other increase in unrestricted net assets	5,312	22,205	27,517
Balance, September 30, 2013	32,006	37,636	69,642
Income (loss) from operations	4,188	(2,441)	1,747
Other (decrease) increase in unrestricted net assets	(7,399)	8,121	722
Balance, September 30, 2014	<u>\$ 28,795</u>	<u>\$ 43,316</u>	<u>\$ 72,111</u>

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

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

The Corporation provides health care services primarily to residents of its communities. Revenues from the Medicare, Medi-Cal, and Medicaid programs accounted for approximately 22% of the Corporation's total operating revenues less amortization of entrance fees for the years ended September 30, 2014 and 2013, respectively. Laws and regulations governing the Medicare, Medi-Cal and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations. Certain reimbursements from Medicare have been subjected to regulatory audit resulting in questioned costs, and subsequent losses of \$331,000, of which \$20,000 is under appeal at September 30, 2014. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare, Medi-Cal, and Medicaid programs.

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Note 2 – Accounting Policies (continued)

Benevolence – The Corporation provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporation is entitled from public assistance programs on behalf of residents that meet the Corporation’s benevolence criteria are reported as Health center revenues. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue. Benevolence provided for the years ended September 30, 2014 and 2013 (in thousands):

	<u>2014</u>	<u>2013</u>
Benevolence, at cost	<u>\$ 1,016</u>	<u>\$ 946</u>

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, 2014 and 2013 (in thousands):

	<u>2014</u>	<u>2013</u>
Contractual allowances	<u>\$ 9,448</u>	<u>\$ 8,755</u>

Performance Indicator – “Income (loss) from operations” as reflected in the accompanying consolidated statements of operations and changes in net assets is a performance indicator. Income (loss) from operations includes all changes in unrestricted net assets other than primarily noncash changes in unrealized gains and losses on other than trading investments, certain pension provisions, syndication gains and losses, and contributions in aid of construction.

Workers’ Compensation Plan – The Corporation is partially self-insured for workers’ compensation claims up to \$200,000 per year under an occurrence form insurance policy for 2014 and 2013. Claims are accrued under the plan as the incidents that give rise to them occur. The estimate of incurred but not reported claims is based on actuarial projections of the ultimate cost of settlement, including claim settlement expenses, using the Corporation’s historical claim payment experience. The estimated liability is continually monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate payments of self-insured workers’ compensation claims are dependent upon future developments, management is of the opinion that the recorded reserve is adequate (see Note 10). Any related insurance recovery receivables are recorded under resident accounts and other receivables in the accompanying consolidated balance sheets.

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Note 2 – Accounting Policies (continued)

Professional Liability Insurance – The Corporation has secured claims-made policies for malpractice and general liability insurance with self-insured retentions of \$150,000 for each claim for the years ended September 30, 2014 and 2013. The Corporation has accrued a liability of \$1,625,000 and \$364,000 as its best estimate of the cost of known claims incurred prior to September 30, 2014 and 2013, respectively. In addition the Corporation has accrued a liability of \$1,072,000 and \$891,000 at September 30, 2014 and 2013, respectively, as its best estimate of the cost of claims incurred but not yet reported. These liabilities are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. Related insurance recovery receivables of \$1,367,000 and \$0 at September 30, 2014 and 2013, respectively, are recorded under resident accounts and other receivables in the accompanying consolidated balance sheets.

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

The Corporation assesses uncertain tax positions in accordance with the provisions of the FASB ASC Topic 740-10, *Income Taxes*. The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses.

ABHOW files United States federal and California tax returns. The Organization is no longer subject to federal tax examinations before fiscal year 2010 or California tax examination before fiscal year 2009.

Reclassifications – Certain reclassifications were made to the 2013 amounts to conform to the 2014 presentation.

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Note 3 – Fair Value

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

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value per share (or its equivalent) with the ability to redeem the investments in the near term.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

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

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Note 3 – Fair Value (continued)

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

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

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at September 30, 2014 and 2013 (in thousands):

	Level 1	Level 2	Level 3	Fair value at September 30, 2014
Investments				
Cash and cash equivalents	\$ 31,845	\$ -	\$ -	\$ 31,845
Mutual funds	12,418	-	-	12,418
Commodities and structure products	-	2,081	-	2,081
Domestic equities	28,759	-	-	28,759
Foreign equities	20,474	-	-	20,474
Domestic corporate debt	64,215	-	-	64,215
Foreign corporate debt	9,633	-	-	9,633
U.S. government securities	32,444	-	-	32,444
Alternative investments	-	406	-	406
Investments in Las Ventanas bonds	-	-	6,959	6,959
Interest rate swaps and caps	-	(2,173)	-	(2,173)
Total	<u>\$ 199,788</u>	<u>\$ 314</u>	<u>\$ 6,959</u>	<u>\$ 207,061</u>

	Level 1	Level 2	Level 3	Fair value at September 30, 2013
Investments				
Cash and cash equivalents	\$ 49,161	\$ -	\$ -	\$ 49,161
Mutual funds	15,835	-	-	15,835
Commodities and structure products	-	1,931	-	1,931
Domestic equities	35,843	-	-	35,843
Foreign equities	15,555	-	-	15,555
Domestic corporate debt	71,206	-	-	71,206
Foreign corporate debt	5,504	-	-	5,504
U.S. government securities	22,058	-	-	22,058
Alternative investments	-	864	-	864
Investments in Las Ventanas bonds	-	-	8,250	8,250
Interest rate swaps and caps	-	(2,050)	-	(2,050)
Total	<u>\$ 215,162</u>	<u>\$ 745</u>	<u>\$ 8,250</u>	<u>\$ 224,157</u>

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Note 3 – Fair Value (continued)

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:

	<u>2014</u>	<u>2013</u>
Balance, October 1,	\$ 8,250	\$ 8,250
Increase in unrealized loss on Investments in Las Ventanas bonds	<u>(1,291)</u>	<u>-</u>
Balance, September 30,	<u>\$ 6,959</u>	<u>\$ 8,250</u>

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

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

The following table provides the fair value and redemption terms and restrictions for the alternative investments as of September 30, 2014 and 2013:

<u>Major Category</u>	<u>2014 Fair value</u>	<u>2013 Fair value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge fund of funds (a)	\$ 406	\$ 864	-	Quarterly, Semi-annually	75 - 95 days

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

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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.

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

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

The following table presents estimated fair values of the Corporation's financial instruments in accordance with FASB ASC Topic 825, *Financial Instruments*, at September 30, 2014 and 2013 (in thousands):

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents - unrestricted	\$ 31,140	\$ 31,140	\$ 16,856	\$ 16,856
Cash and cash equivalents - restricted	\$ 21,374	\$ 21,374	\$ 21,011	\$ 21,011
Subordinated notes receivable	\$ 37,089	\$ 37,089	\$ 34,089	\$ 34,089
Notes and bonds payable	\$ 364,218	\$ 378,421	\$ 364,173	\$ 366,432

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, 2014 and 2013. Current estimates of fair value may differ significantly from the amounts presented.

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Note 4 – Investments

Investments were held at September 30, 2014 and 2013, for the following purpose (at fair value) (in thousands):

	<u>2014</u>	<u>2013</u>
Investments		
Principal, interest, and other reserves held in trust under bond indenture or mortgage agreements	\$ 89,605	\$ 110,206
Investments held in trust under revocable trust, gift annuity, annuity trust or unitrust agreements	<u>11,219</u>	<u>9,310</u>
Total restricted investments	100,824	119,516
Investments in Las Ventanas bonds	6,959	8,250
Investments - unrestricted	<u>101,451</u>	<u>98,441</u>
Total investments	<u>\$ 209,234</u>	<u>\$ 226,207</u>

Investments at September 30, 2014 and 2013, consisted of the following at fair value (in thousands):

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 31,845	\$ 49,161
Mutual funds	12,418	15,835
Commodities and structure products	2,081	1,931
Domestic equities	28,759	35,843
Foreign equities	20,474	15,555
Domestic corporate debt	64,215	71,206
Foreign corporate debt	9,633	5,504
U.S. government securities	32,444	22,058
Investments in Las Ventanas bonds	6,959	8,250
Alternative investments	<u>406</u>	<u>864</u>
Total	<u>\$ 209,234</u>	<u>\$ 226,207</u>

Alternative investments consist of two hedge fund of funds as of September 30, 2014 and 2013. Cash equivalents include \$24,131,000 and \$37,454,000 at September 30, 2014 and 2013, respectively, invested in accordance with bond indentures and additional amounts to comply with bank collateral requirements. Of these amounts, \$17,109,000 at September 30, 2014, and \$21,639,000 at September 30, 2013, are held for various redevelopment projects at the California continuing care retirement communities.

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Note 4 – Investments (continued)

The following table shows the gross unrealized losses and fair value of unrestricted investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2014 and 2013 (in thousands):

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2014						
Bonds	\$ 12,208	\$ 53	\$ 11,592	\$ 306	\$ 23,800	\$ 359
Equity	9,758	449	5,004	537	14,762	986
Total temporarily impaired investments	<u>\$ 21,966</u>	<u>\$ 502</u>	<u>\$ 16,596</u>	<u>\$ 843</u>	<u>\$ 38,562</u>	<u>\$ 1,345</u>
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2013						
Bonds	\$ 14,286	\$ 692	\$ 2,162	\$ 191	\$ 16,448	\$ 883
Equity	2,175	202	4,858	915	7,033	1,117
Total temporarily impaired investments	<u>\$ 16,461</u>	<u>\$ 894</u>	<u>\$ 7,020</u>	<u>\$ 1,106</u>	<u>\$ 23,481</u>	<u>\$ 2,000</u>

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

The unrealized losses on these unrestricted investments represent approximately 1% and 1% of the Corporation's portfolio as of September 30, 2014 and 2013, respectively. Gross unrealized gains on unrestricted investments as of September 30, 2014 and 2013, were approximately \$13,941,000 and \$10,496,000, respectively.

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Note 4 – Investments (continued)

Investment income primarily on unrestricted net assets for the years ended September 30, 2014 and 2013, is as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Dividend, interest, and other investment income	\$ 2,678	\$ 2,733
Net realized gain on investments	5,758	1,685
Total investment income - net	<u>\$ 8,436</u>	<u>\$ 4,418</u>
Unrealized (losses) gains on investments - unrestricted	\$ (951)	\$ 3,335
Unrealized loss on Investments in Las Ventanas bonds	\$ (1,291)	\$ -
Unrealized gains on investments - temporarily restricted	\$ 406	\$ 364

Investment income is net of investment expenses of \$534,000 and \$526,000 for the years ended September 30, 2014 and 2013, respectively.

Note 5 – Land, Buildings, and Equipment

Land, buildings, and equipment at cost as of September 30, 2014 and 2013, consisted of the following (in thousands):

	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 36,056	\$ 38,916
Buildings and improvements	466,461	390,022
Furnishings and equipment	63,030	56,824
Automotive equipment	1,105	1,068
Total	566,652	486,830
Accumulated depreciation	<u>(266,782)</u>	<u>(245,551)</u>
Total	299,870	241,279
Construction in progress	36,663	69,311
Total	<u>\$ 336,533</u>	<u>\$ 310,590</u>

Construction contracts and commitments of approximately \$103,000,000 exist with various counterparties for the redevelopment of the Terraces of Los Altos, of which approximately \$62,800,000 remains unspent at September 30, 2014.

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Note 6 – Notes and Bonds Payable

A summary of the Corporation's notes and bonds payable at September 30, 2014 and 2013 is as follows (in thousands):

	2014	2013
Secured		
Bonds used to refinance existing debt and renovate existing retirement communities in California, all secured under a master trust indenture on ABHOW obligated group assets, gross revenue pledged, and Foundation guaranty:		
Series 2010 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated February 16, 2010), Serial certificates, annual principal payable commencing on October 1, 2011, in varying amounts ranging from \$690 to \$1,045 through 2020, amounts ranging from \$1,100 to \$6,105 through 2030, and amounts ranging from \$6,490 to \$10,560 through 2039; interest at fixed rates ranging from 4.25% to 6.25%, payable semiannually on April 1 and October 1.	\$ 104,415	\$ 105,170
Series 2006, tax-exempt Variable Rate Demand Revenue Bonds pursuant to a Bond Trust Indenture dated September 1, 2006, to finance the acquisition, construction, and equipping of CCRC's of ABHOW. Annual principal payable in varying amounts ranging from \$1,095 to \$2,365 through 2018, and amounts ranging from \$2,485 to \$3,850 through 2028. Interest at variable rates determined daily by a remarketing agent, payable monthly. Rates before line of credit ("LOC") fees at September 30, 2014 and 2013, were 0.03% and 0.08%, respectively.	41,995	43,850
Series 2012 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority and subsequently sold and delivered to PNC Bank. The loan matures on October 1, 2036 and accrues interest at tax-exempt LIBOR plus 1.19%, with the undrawn portion incurring an availability fee of 0.15%. PNC bank has the option to tender the bonds to ABHOW for purchase upon the 5th, 10th, 15th and 20th anniversary of issuance. Rates at September 30, 2014 and 2013, were 1.26% and 1.32%, respectively.	19,480	20,000
Series 2013 Revenue Bonds issued by the California Statewide Communities Development Authority (dated February 1, 2013) to finance or reimburse ABHOW for the costs of acquiring, constructing, expanding, remodeling, renovating, furnishing, and equipping Terraces at Los Altos. Annual principal payable in varying amounts ranging from \$0 to \$30,000 through 2018, and amounts ranging from \$420 to \$1,350 through 2043.	71,250	71,250
Terraces of Los Altos Equipment Loan issued in February 2013 and maturing in February 2020. Monthly principal and interest payments in the amount of \$38 began March 2013, with an interest rate of 2.07%.	2,393	2,766

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Note 6 – Notes and Bonds Payable (continued)

	2014	2013
Other secured obligations		
Series 2012 tax-exempt Refunding Revenue Bonds issued by the Washington State Housing Finance Commission and subsequently sold and delivered to Washington Federal Bank. The bonds are secured by deed of trust on Judson Park due February 1, 2037, subject to optional redemption, interest at tax-exempt LIBOR plus 2.20%, resetting monthly. Rates at September 30, 2014 and 2013, were 2.34% and 2.32%, respectively.	19,471	20,415
Land acquisition loan payable to Front Porch Communities and Services and secured by Boise, Idaho land. The loan bore interest at 3.0% with the interest rate escalating 1.0% per month beginning November 11, 2013. Loan was retired in conjunction with the Boise loan closing (See Note 1).	-	3,030
Capital advance payable to Department of Housing and Urban Development by Carmel Senior Housing Inc., secured by Valley Vista's real estate. The non-recourse capital advance bears no interest and matures on March 1, 2067.	12,282	12,282
4.75% mortgage note to the Department of Housing and Urban Development. Payable in monthly installments (including interest) of \$19 until April 1, 2045. The loan is secured by a deed of trust on Casa de la Vista's property and security interest in all rents, profits and income from the property.	3,685	3,738
Series A promissory note payable to US Bank, secured by Harbor View Manor real estate and due on January 1, 2029. The loan bore interest at one-month LIBOR plus 3.0% until June 1, 2013, when the rate converted to 6.85%. Rates at September 30, 2014 and 2013 were 6.85%.	2,036	2,070
5.70% first mortgage payable to Evanston Financial in monthly installments (including interest) of \$10 until December 1, 2042. The loan is secured by a deed of trust on Oak Knoll real estate and a security interest in all rents, profits and income from Oak Knoll.	1,725	1,749
Capital advances payable to the Department of Housing and Urban Development, secured by Fern Lodge real estate, 5.75% interest payable monthly if not maintained as affordable housing, principal due 2039, unless forgiven.	4,890	4,890
Capital advances payable to the Department of Housing and Urban Development, secured by Tahoe Senior Plaza real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing, principal due 2039, unless forgiven.	4,603	4,603
Capital advances payable to Department of Housing and Urban Development, secured by Broadmoor Plaza real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, various principal due dates from 2044 to 2064, unless forgiven.	5,648	5,648

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Note 6 – Notes and Bonds Payable (continued)

	<u>2014</u>	<u>2013</u>
Promissory notes payable to the City of San Leandro and County of Alameda, secured by Broadmoor Plaza real estate. The notes bear 3.0% simple interest and have due dates of 2061, 2062 and 2064.	2,429	2,429
Capital advance payable to Department of Housing and Urban Development, secured by Judson Terrace Lodge real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years. The HUD capital advance agreement was entered into on January 1, 2003.	2,593	2,593
Promissory notes payable to the City and County of San Luis Obispo, secured by Judson Terrace Lodge real estate. The notes bear interest at a variable rate and 3.0% simple interest, respectively, with principal and interest due in 2033 and 2034, respectively. All principal and interest will be forgiven at maturity if certain provisions are met.	1,318	1,318
Capital advances payable to Department of Housing and Urban Development, secured by Hillcrest real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years. The HUD capital advance agreement was entered into on April 1, 2007.	5,620	5,620
Promissory notes payable to the City of Daly City and County of San Mateo, secured by Hillcrest real estate. The notes bear interest at rates ranging from 0% to 3.0% simple interest, with 55 year terms. Commencement dates of payables range from June 14, 2006 to May 20, 2009. All but one note requires payments from residual receipts and two notes will be forgiven at maturity if certain provisions are met.	4,112	4,112
Loan payable to Bank of the West, secured by a subordinated interest in Hillcrest real estate. The loan is non-interest bearing, non-amortizing and will be forgiven at the end of the fifteen year term, after the May 20, 2009 commencement date of the loan, if the owner has not defaulted under the terms of the note.	271	271
Land acquisition loans payable to the San Ramon Redevelopment Agency Contra Costa, secured by Valley Vista real estate. The land acquisition advances bear interest at 3.0% for the first 30 years from the dates of disbursement and no interest thereafter and are due 55 years after project completion. Loans payable commenced on December 1, 2009.	8,000	7,992
Promissory note payable to Bank of the West, secured by Valley Vista real estate and due in 2065. The loan bears no interest and is non-amortizing.	945	945
Promissory note payable to the California Tax Credit Allocation Committee, secured by Valley Vista real estate and due in 2065. The loan bears no interest and is non-amortizing.	725	725

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Note 6 – Notes and Bonds Payable (continued)

	2014	2013
Construction loans payable to the City of South Lake Tahoe, secured by Kelly Ridge real estate and due in 2064. The loans bear interest at a fixed rate of 3.0%, with principal and accrued interest only payable to the extent that certain operating cash flow targets are achieved by the community.	4,307	4,307
Loan payable to Bank of the West, as the party advancing funds received from the Federal Home Loan Bank of San Francisco's Affordable Housing Program, secured by a subordinated interest in Kelly Ridge real estate. The loan is non-interest bearing, non-amortizing and is not repayable unless certain conditions are met over the 15-year retention period. The loan payable commenced on August 1, 2009.	172	172
Mortgage note payable to the Washington Community Reinvestment Association in monthly installments of \$6, including interest of 6.25%, until July 1, 2018. In September 2013, Three Rivers Senior Housing LLLP assumed the loan from Richland Senior Housing LLC and immediately paid the balance down to \$300. The mortgage note is secured by the Three Rivers Village property.	242	296
Housing Trust Fund loan from the Washington Department of Commerce, secured by Three Rivers Village real estate, maturing on February 28, 2054. Interest begins to accrue on March 1, 2014 at 1.0%, compounding quarterly. Quarterly principal and interest payments in the amount of \$11 begin May 31, 2021.	1,100	1,100
Housing Trust Fund loans from the Washington Department of Commerce, secured by Three Rivers Village real estate, maturing on February 28, 2054. Interest begins to accrue on March 1, 2014, at 1.0%, compounding annually. A payment of \$1,191 is due at maturity to pay both principal and accrued interest.	800	800
Capital advances payable to Snohomish County in the state of Washington, secured by Shepherd's Garden real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2050, unless forgiven.	462	462
Promissory note payable to the State of Washington, secured by Shepherd's Garden real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2050, unless forgiven.	2,000	2,000
Capital advances payable to the Department of Housing and Urban Development, secured by Shepherd's Garden real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2050, unless forgiven.	5,078	5,078

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Note 6 – Notes and Bonds Payable (continued)

	2014	2013
Capital advances payable to Pierce County in the State of Washington, secured by Salishan real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2040, unless forgiven.	200	200
Promissory note payable to the State of Washington, secured by Salishan real estate. The capital advances bear no interest and principal is required to be repaid annually in the amount of 50% of residual cash flow, with the remaining principal due in 2051, upon maturity.	2,250	2,250
Capital advances payable to Tacoma Community Redevelopment Authority, secured by Salishan real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due between 2049 - 2051, unless forgiven.	1,200	1,200
Capital advances payable to the Department of Housing and Urban Development, secured by Salishan real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2051, unless forgiven.	7,647	7,647
Series 2010A Variable Rate Demand Multifamily Housing Revenue Bond secured by Pacific Meadows real estate and backed by a letter of credit through Chase which expired in December 2012. The loan bears interest at a variable rate, payable monthly, and matures in 2042. At September 30, 2014 and 2013, interest rate was 7.37%. Bonds partially repaid in October 2012 using tax credit equity and the letter of credit with Chase was replaced with a credit enhancement agreement with Freddie Mac.	6,558	6,603
Promissory note payable to the California Housing and Community Development Department, secured by Pacific Meadows real estate and due in 2047. The loan bears interest at 3.0%. Once operational, interest is payable annually from residual cash flows and both principal and all unpaid interest are due in full upon loan maturity.	3,100	3,100
Promissory note payable to the County of Monterey in the state of California, secured by Pacific Meadows real estate. The loan bears interest at 3%. Once operational, interest is payable annually from residual cash flows and both principal and all unpaid interest are due in full upon loan maturity in 2065.	625	625

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Note 6 – Notes and Bonds Payable (continued)

	<u>2014</u>	<u>2013</u>
Capital advance payable to Department of Housing and Urban Development by Bay Vista GP LLC, secured by Bay Vista Senior Housing real estate. The non-recourse capital advance has a total capacity of \$9,769, bears no interest and matures on October 1, 2069. Loan funding was conditional on Bay Vista GP LLC loaning the proceeds of the advance to Bay Vista Partners LLLP.	9,709	1,850
Total secured notes and bonds payable	<u>365,336</u>	<u>365,156</u>
Unsecured		
Note to individual bearing interest at 10.0%	<u>44</u>	<u>44</u>
Total unsecured notes payable	<u>44</u>	<u>44</u>
Less: Unamortized bond discount, net	<u>(1,162)</u>	<u>(1,027)</u>
Total notes and bonds payable	<u>\$ 364,218</u>	<u>\$ 364,173</u>

In 2008, American Baptist Properties obtained a revolving line of credit in the amount of \$15,000,000, subsequently reduced to \$10,925,000. In June 2009, \$4,250,000 was drawn upon the line to fund half of the purchase price of the Las Ventanas land and related ground lease and then was subsequently retired in September 2012 in conjunction with the Las Ventanas restructuring. At September 30, 2013, the remaining facility was terminated along with the related guaranty to Santander Bank. In May 2013, ABP's Boise land acquisition loan for \$3,030,000 matured and was replaced with a short-term loan from another senior housing provider. The replacement loan, which was backed by a guaranty from ABHOW, was retired in conjunction with the purchase of the underlying land by Boise at the time of its Series 2014 financing (see Notes 1 and 14). The Corporation and the Foundation are required to maintain compliance with certain financial reporting, administrative, and financial covenants on a consolidated reporting basis (see Note 7).

On May 31, 2012, Judson Park entered into a seven year direct placement financing with Washington Federal Bank for \$21,500,000 closed, with proceeds used to retire prior outstanding Variable Rate Demand Nonprofit Revenue and Refunding Revenue Bonds Series 2007, and with ABHOW providing unfunded liquidity support (see Note 14). See Note 7 for the Corporation's compliance with financial covenants.

During 2006, the Corporation issued \$50 million of additional tax-exempt bonds. The 2006 bonds are backed by irrevocable letters of credit issued by a bank for \$42,455,000. The original letters of credit expired on September 26, 2011, and were subsequently replaced by letters of credit expiring on September 26, 2016, which are subject to certain administrative and financial covenants. See Note 7 for the Corporation's compliance with financial covenants.

On October 1, 2012, Pacific Meadows finalized a permanent conversion financing whereby a portion of its Variable Rate Demand Multifamily Housing Revenue Bonds Series 2010A were retired with partner equity contributions. As a part of this financing, the start date of its forward starting swap was extended to coincide with the permanent conversion. Concurrent with this funding, the remaining \$5,000,000 guaranty was released (see Note 14).

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Note 6 – Notes and Bonds Payable (continued)

Capitalized interest expense for the year ended September 30, 2014, was \$2,429,000, comprised of \$3,774,000 of interest expense net of \$1,345,000 of interest income. Capitalized interest expense for the year ended September 30, 2013, was \$2,773,000, comprised of \$3,334,000 of interest expense net of \$561,000 of interest income.

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

<u>Year Ending September 30,</u>	
2015	\$ 4,821
2016	4,966
2017	22,966
2018	4,741
2019	4,867
Thereafter	<u>321,857</u>
	<u>\$ 364,218</u>

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

Note 7 – Compliance with Financial Covenants

ABHOW Debt – ABHOW is subject to financial covenants on its obligated group debt which include a debt service coverage ratio and minimum days of cash-on-hand requirement. Management believes that ABHOW was in compliance with both of these debt covenants as of and for the year ended September 30, 2014.

Judson Park Debt – American Baptist Homes of Washington, d.b.a. Judson Park is subject to financial covenants on debt which include a debt service coverage ratio and minimum days cash on hand requirement. Management believes that Judson Park was in compliance with each of these debt covenants as of and for the year ended September 30, 2014.

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

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Note 8 – Interest Rate Swaps and Caps

On April 2, 2007, Judson Park entered into an interest rate swap agreement with a counterparty to manage interest rate risk on half of the permanent debt portion of its Series 2007 variable rate bonds. On June 1, 2012, in conjunction with the retirement of the Series 2007 bonds with a seven year direct placement financing, a swap novation occurred, wherein the existing swap was replaced by a swap with a \$10,753,000 notional amount expiring June 1, 2019.

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

The net effect of the various interest rate swaps was an increase in interest expense of approximately \$608,000 and \$632,000 for the years ended September 30, 2014 and 2013, respectively.

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

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

On June 20, 2012, ABHOW entered into a forward starting interest rate cap agreement with a counterparty to extend the management of interest rate risk on \$19 million of its Series 2006 tax-exempt variable rate demand revenue bonds from December 1, 2015 to December 1, 2018. The agreement establishes that when 70% of the one-month LIBOR rate exceeds 2.50%, ABHOW is reimbursed for the excess by the counterparty to the transaction.

For the years ended September 30, 2014 and 2013, the aforementioned floating interest rates for both of the cap agreements failed to exceed the respective cap strike rates, and thus neither cap agreement had an impact on interest expense.

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Note 8 – Interest Rate Swaps and Caps (continued)

A summary of the components of the various interest rate swaps and caps as of September 30, 2014 and 2013, is as follows (in thousands):

	2014	2013
Swaps and caps not qualifying for hedge accounting included in other liabilities:		
Fair value of swap and caps - beginning of year	\$ (2,050)	\$ (3,419)
Purchase of interest rate caps, net of amortization	(159)	(158)
Decrease in unrealized loss from fair value adjustment	36	1,527
	\$ (2,173)	\$ (2,050)
Impact on consolidated statements of operations and changes in net assets -		
Net decrease in unrealized loss from mark-to-market of floating to fixed rate swaps and interest rate caps	\$ 36	\$ 1,527

Note 9 – Employee Benefit Plans

Defined Benefit Pension Plan – The Corporation’s employees with service prior to December 31, 2002, for nonunion, and up to September 30, 2003, for union, were eligible to participate in a defined benefit retirement plan which covers certain employees who are at least 21 years of age and have completed one year of service. Benefits are based on years of service and a percentage of the employee’s compensation. Employees vest after completion of five years of service. The Corporation’s funding policy is to contribute annually the amount required under the minimum funding standards of the Employee Retirement Income Security Act (“ERISA”). The Board of Directors approved the freezing of the plan for all nonunion employees effective December 31, 2002, and for union employees effective September 30, 2003. Contributions are intended to provide for benefits attributed to service to the date of freezing.

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Note 9 – Employee Benefit Plans (continued)

A recognition of the Plan's benefit obligations, fair value of assets, funded status, and amounts recognized in the Corporation's accompanying consolidated balance sheets is as follows as of September 30, 2014 and 2013 (in thousands):

	<u>2014</u>	<u>2013</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 31,559	\$ 35,723
Interest cost	1,455	1,302
Actuarial loss (gain)	3,204	(3,903)
Benefits paid	<u>(1,657)</u>	<u>(1,563)</u>
Benefit obligation at measurement date	<u>\$ 34,561</u>	<u>\$ 31,559</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 32,832	\$ 32,540
Actual return on plan assets	3,124	855
Employer contribution	1,000	1,000
Benefits paid	<u>(1,657)</u>	<u>(1,563)</u>
Fair value of plan assets at measurement date	<u>\$ 35,299</u>	<u>\$ 32,832</u>
Funded status at measurement date	\$ 738	\$ 1,273
Unrecognized net actuarial loss	9,823	8,645
Unrecognized prior service cost	<u>17</u>	<u>30</u>
Prepaid benefit	10,578	9,948
Accumulated other comprehensive income for unrecognized net actuarial losses	<u>(9,840)</u>	<u>(8,675)</u>
Net asset recognized	<u>\$ 738</u>	<u>\$ 1,273</u>

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Note 9 – Employee Benefit Plans (continued)

The components of net periodic benefit cost included as part of employee costs in the Corporation's accompanying consolidated statement of operations and changes in net assets is as follows for the years ended September 30, 2014 and 2013 (in thousands):

	<u>2014</u>	<u>2013</u>
Interest cost	\$ 1,455	\$ 1,302
Expected return on plan assets	(1,944)	(1,923)
Amortization of prior service cost	13	13
Recognized net actuarial loss	846	1,451
Net periodic benefit cost	<u>\$ 370</u>	<u>\$ 843</u>

The following assumptions were used for the September 30, 2014 and 2013, measurement dates:

	<u>2014</u>	<u>2013</u>
Actuarial present value of the benefit obligation		
Weighted-average discount rate	4.00%	4.75%
Rate of increase in future compensation levels*	n/a	n/a
Long-term rate of return on plan assets	6.00%	6.00%
Net periodic benefit cost		
Weighted-average discount rate	4.75%	3.75%
Rate of increase in future compensation levels*	n/a	n/a
Long-term rate of return on plan assets	6.00%	6.00%

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

Pension plan assets are as follows:

	<u>2014</u>	<u>2013</u>
Equity securities	14%	30%
Debt securities	82%	65%
Guaranteed insurance contract	4%	5%
Total	<u>100%</u>	<u>100%</u>

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Note 9 – Employee Benefit Plans (continued)

The expected rate of return on plan assets for computing pension expense was 6.0% for the years ended September 30, 2014 and 2013. This rate was based primarily on investment portfolios of 14% equities and 86% fixed income in fiscal year 2014. Real rates of return (before inflation) for these categories are assumed to be 7.25% and 4.25%, respectively, with a long-term inflation rate of 3%.

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

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

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

	Level 1	Level 2	Level 3	Fair value at September 30, 2013
Investments				
Mutual funds	\$ 828	\$ -	\$ -	\$ 828
Equity securities - Domestic	-	10,198	-	10,198
Equity securities - Foreign	-	1,746	-	1,746
U.S. government securities	-	8,622	-	8,622
Corporate debt securities - Domestic	-	9,783	-	9,783
Corporate debt securities - Foreign	-	92	-	92
Asset-backed securities	-	3,154	-	3,154
Investment contract with insurance company	-	-	1,517	1,517
Other liabilities	-	(3,108)	-	(3,108)
Total	\$ 828	\$ 30,487	\$ 1,517	\$ 32,832

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Note 9 – Employee Benefit Plans (continued)

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

	Investment contract with insurance company 2014	Investment contract with insurance company 2013
Balance, October 1	\$ 1,517	\$ 1,592
Actual return on plan assets:		
Relating to assets still held at the reporting date	83	91
Sales	(152)	(166)
Balance, September 30	<u>\$ 1,448</u>	<u>\$ 1,517</u>

Investment contract with insurance company: The unallocated IPG insurance contract is valued at fair value as estimated by the trustees.

There were no significant transfers between Levels 1, 2, and 3 during the years ended September 30, 2014 and 2013. ABHOW is not aware of any unfunded commitments related to plan assets or of any restrictions upon the redemption of plan assets.

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

The Corporation expects to contribute \$1,000,000 to its defined benefit retirement plan for the year ending September 30, 2015.

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

<u>Year Ending September 30,</u>	
2015	\$ 1,940
2016	1,950
2017	1,970
2018	1,990
2019	2,010
Thereafter	<u>10,310</u>
	<u>\$ 20,170</u>

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Note 9 – Employee Benefit Plans (continued)

Supplemental Retirement Income Plan Agreements – Certain management employees or retirees of the Corporation participate in supplemental retirement income plans, and have individually entered into agreements with the Corporation whereby the employees will be provided specific amounts of annual retirement income for the balance of their lifetime following retirement. During the year ended September 30, 2005, accrued benefits for active participants in the supplemental retirement income plan were transferred into a new non-qualified plan under IRC 457(f) that distributes a lump-sum payment at retirement. The Corporation is accruing the present value of such retirement benefits, assuming a discount rate of 6.0% at September 30, 2014 and 2013, from the date of eligibility to the normal retirement date at age 65 for active participants and for the present value of future benefit payments for retirees. The benefits under the IRC 457(f) plan are discretionary and do not vest until the participant reaches age 65, dies, becomes disabled or is involuntarily terminated without cause. No benefits are due to participants who terminate their employment prior to age 65. The present value of the future lump sum payments to active participants was \$5.9 million and \$6.7 million at September 30, 2014 and 2013, respectively.

Assets available for benefits for the pool of participants in the IRC 457(f) plan are subject to the claims of the Corporation's creditors. The assets are included in unrestricted investments and amounted to \$5,654,000 and \$5,523,000 at September 30, 2014 and 2013, respectively. Normal funding for the pool of active participants is approximately \$250,000 per year.

The Corporation annually assesses the estimated liability related to the supplemental retirement income plan agreements. At September 30, 2014 and 2013, ABHOW recognized a liability of \$4,072,000 and \$4,722,000, respectively, which is included in retirement liabilities in the accompanying consolidated balance sheets. Actual payments made to retirees under the agreements and plan were \$901,000 and \$1,712,000 for the years ended September 30, 2014 and 2013, respectively.

Defined Contribution Plan – Effective January 1, 1999, the Corporation also participates in a defined contribution retirement plan covering all eligible employees. The Corporation's contribution was a match of employee contributions up to 4% of eligible earnings in calendar years 2014 and 2013. Annual expenses incurred under the plan for the years ended September 30, 2014 and 2013, were \$1,274,000 and \$1,200,000, respectively.

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Note 9 – Employee Benefit Plans (continued)

Multiemployer Pension Plan – Two of ABHOW’s CCRC communities have employees under collective bargaining agreements that participate in a multiemployer pension plan managed by Service Employees International Union (“SEIU”). At September 30, 2014 and 2013, there were 134 and 159 employees, respectively, for which ABHOW made contributions to the plan. Plan provisions include pension but exclude post-retirement benefits. All contributions made to the plan were made in cash and amounted to \$208,000 and \$158,000 for the years ended September 30, 2014 and 2013, respectively. During fiscal years 2014 and 2013, ABHOW was notified that the SEIU plan was significantly underfunded and \$69,000 and \$46,000 of the fiscal year 2014 and 2013 contributions, respectively, were related to additional assessments required to partially offset poor plan performance. Pension benefits are one of the aspects of the collective bargaining agreement that is still under negotiation as the most recent contract with SEIU expired in April 2010 (see Note 14).

Note 10 – Self-Insured Workers’ Compensation Plan

The Corporation has a partially self-funded workers’ compensation program, covering all employees, which includes a reinsurance policy covering individual claims in excess of \$200,000 per occurrence at September 30, 2014 and 2013. In addition, for the 2014 and 2013 policy years, the Corporation is subject to a \$300,000 insurance corridor that is eroded by claims payments for the 2012 year that have exceeded \$200,000. No 2014 nor 2013 claims have exceeded \$200,000 in payments that would result in payments under the corridor arrangement. The Corporation has recorded a total liability for claims payable of \$4,365,000 and \$3,586,000, respectively, including an estimate of incurred but not reported claims assuming a discount rate of 5.25% at September 30, 2014 and 2013. The estimated insurance recovery receivable of \$1,900,000 and \$1,050,000 are recorded under resident accounts and other receivables in the accompanying consolidated balance sheets, at September 30, 2014 and 2013, respectively. As required by the insurer, the Corporation has obtained letters of credit for \$3,678,000 in connection with this program, automatically renewing annually, with the next scheduled renewal date on September 30, 2015.

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Note 11 – Functional Expenses

Management of the Corporation presents operating expenses in its accompanying consolidated statements of operations and changes in net assets by natural class categories. Operating expenses classified by functional categories for the years ended September 30, 2014 and 2013, were as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Direct resident care	\$ 44,600	\$ 41,998
Dietary services	18,847	17,904
Housekeeping and laundry services	5,133	5,353
Property	18,734	18,092
Resident services and activities	5,369	5,401
Marketing and advertising	8,904	8,317
Administrative and general	<u>28,812</u>	<u>27,975</u>
Total expense	<u>\$ 130,399</u>	<u>\$ 125,040</u>

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

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

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

Management fees for providing these services for the years ended September 30, 2014 and 2013, are included in other operating revenue earned by Seniority and ABHOW, and for affordable housing are included in affordable housing fees and rents in the accompanying consolidated statements of operations and changes in net assets and are as follows (in thousands):

	2014	2013
Seniority - Assisted Living and Memory Support		
Anthem Chico	\$ 34	\$ 107
Cottonwood Court	238	236
Courtside Cottages	171	170
Nikkei Gardens	186	180
Paintbrush	36	36
Carland Group	128	117
Miracle at Beverly Vista	3	24
Sisters of the Holy Family	60	-
Total Seniority	856	870
ABHOW - Continuing Care Retirement Communities		
Terraces of Phoenix	977	1,001
Terraces at San Joaquin Gardens [1]	737	754
Total ABHOW	1,714	1,755
Affordable Housing		
Allen Temple Arms I	72	72
Allen Temple Arms II	49	49
Allen Temple Arms III	45	46
Allen Temple Arms IV	32	32
Arbor Vista	59	59
Bellflower Friendship Manor	147	158
Bellflower Oak Street Manor	22	18
E.E. Cleveland Manor	52	52
Interfaith Housing	40	40
Judson Terrace	71	72
Lomita Manor	53	53
Manila Terrace	20	20
Mount Rubidoux Manor	178	187
Parnow Friendship House	60	60
Pleasanton Gardens	24	24
Rotary Plaza	155	146
San Rafael Rotary Manor	55	64
Vineyard Village	64	55
Total Affordable Housing	1,198	1,207
Total management fees	\$ 3,768	\$ 3,832

[1] Excludes \$737,000 and \$754,000 of deferred management fees in fiscal years 2014 and 2013, respectively.

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

Amounts receivable from these managed rental homes and CCRC's for management fees and cost recoveries for other services such as dining, purchase cards, payroll, and insurance at September 30, 2014 and 2013, are included in resident accounts and other receivables in the accompanying consolidated balance sheets, and are as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Seniority		
Anthem Chico	\$ -	\$ 9
Carland Group	30	29
Miracle at Beverly Vista	-	26
Total Seniority	<u>30</u>	<u>64</u>
ABHOW - Continuing Care Retirement Communities		
Boise Retirement Community	161	197
Las Ventanas	1,027	493
Terraces of Phoenix	275	953
Terraces of San Joaquin Gardens	1,629	896
Total ABHOW	<u>3,092</u>	<u>2,539</u>
Affordable Housing		
Allen Temple Arms I	34	1
Allen Temple Arms II	19	8
Allen Temple Arms III	55	50
Allen Temple Arms IV	22	-
Arbor Vista	28	-
Bellflower Friendship Manor	114	116
Bellflower Oak Street Manor	18	-
E.E. Cleveland Manor	25	2
Interfaith Housing	17	2
Judson Terrace	33	(9)
Lomita Manor	42	33
Manila Terrace	7	-
Mount Rubidoux Manor	109	(2)
Pleasanton Gardens	11	(2)
Parnow Friendship House	34	5
Rotary Plaza	54	4
San Rafael Rotary Manor	23	3
Vineyard Village	29	3
Total Affordable Housing	<u>674</u>	<u>214</u>
Total receivable	<u>\$ 3,796</u>	<u>\$ 2,817</u>

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Terraces of Phoenix receivable represents a portion of the management fee that is not payable until certain financial ratios are achieved. Repayment of this commenced in 2012 with payments totaling \$600,000, with no further payments made since then.

Note 13 – Leases

ABHOW has entered into operating leases for premises and equipment. Rent expense was approximately \$1,504,000 and \$1,341,000 for the years ended September 30, 2014 and 2013, respectively.

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

<u>Year Ending September 30,</u>	
2015	\$ 1,372
2016	1,224
2017	1,017
2018	817
2019	722
Thereafter	<u>177</u>
Total	<u><u>\$ 5,329</u></u>

Note 14 – Commitments and Contingencies

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

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

ABHOW had provided a debt service guaranty for the obligations of ABP in the event ABP liquidity fell below \$875,000. This debt service guaranty was extinguished in 2013 (see Note 6 and Note 7).

During fiscal year 2009, authorization was given for ABHOW to guaranty \$5,000,000 of debt related to the resyndication and refurbishment of Pacific Meadows. This \$5,000,000 guaranty was released in October 2012.

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Note 14 – Commitments and Contingencies (continued)

During fiscal year 2012, as part of the Harbor View Manor syndication discussed in Note 1, ABHOW and CSH, as co-guarantors issued an unconditional guaranty related to the completion of the project and compliance with certain on-going aspects of the Limited Partnership Agreement and CSH also issued a loan guaranty. In March 2013, the refurbishment of the community was completed and Harbor View Manor received its Certificate of Occupancy. In conjunction with the completion of the project, ABHOW was released from its co-guarantor status on the unconditional guaranty. On September 26, 2013, the US Bank Series B loan was retired using Limited Partner capital contribution, at which time CSH was released from the loan guaranty.

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

During fiscal year 2010, ABHOW's most recent union labor contract with two of its CCRC communities expired, and as of December 22, 2014, a new agreement has not been reached. The union filed a number of charges with the National Labor Relations Board ("NLRB") regarding labor practices and certain union employees went on strike. In August 2011, ABHOW received a ruling that the strike was considered an economic strike and ABHOW was entitled to replace workers. Of the 38 workers replaced during the strike, other than those who have retired, turned down a substantially equivalent offer, or ABHOW was unable to reach, all but one employee has returned to work. Management, based on the opinion of outside legal counsel, believes actions taken in labor negotiations have been in compliance with labor laws and should not result in any material liability to the Corporation.

On September 12, 2012, Las Ventanas closed on the restructuring of its indebtedness. As discussed in Note 1, ABP, with liquidity support from ABHOW, provided an unfunded \$2,000,000 debt service support agreement for the Las Ventanas Series A-1 bonds, with any resulting funded amounts triggering the issuance to ABP of an equal amount of Las Ventanas Series B-4 bonds.

On May 10, 2013, as part of the refinancing of ABP's Boise land loan of \$3,030,000, ABHOW issued a guaranty for the repayment of all debt service and principal payments associated with the loan. The loan was retired in January 2014.

On July 31, 2013, as part of the Three Rivers Village syndication discussed in Note 1, ABHOW and CSH, as co-guarantors issued an unconditional guaranty related to the completion of the project and compliance with certain on-going aspects of the Limited Partnership Agreement. The Project completion guaranty is anticipated to expire in March 2015.

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Note 14 – Commitments and Contingencies (continued)

In conjunction with the July 19, 2013, closing date, as part of the Bay Vista Senior Housing syndication discussed in Note 1, ABHOW and CSH, as co-guarantors issued an unconditional guaranty related to the completion of the project and compliance with certain on-going aspects of the Limited Partnership Agreement. The project completion guaranty is anticipated to expire in September 2015.

On November 20, 2013, ABE closed on a refunding whereby its Series 2003 and Series 2007 bonds were refunded with a \$48,615,000 direct placement financing with Santander Bank that extends through December 1, 2014, with two additional one year extensions, as long as specified potential covenant violations are timely cured by first restricting a portion of ABE cash over 150 days and, if insufficient for cure, ABHOW credit support. As a condition of the refunding, ABHOW's board approved a credit support package including unfunded credit support up to a cumulative maximum of \$2 million (increasing to \$2.5 million in the event of an occupancy covenant violation) to cure potential covenant violations in achieving ABE's minimum liquidity, debt service coverage or minimum occupancy covenants. As of September 30, 2014, ABE cash was sufficient to fund amounts required under the new borrowing arrangement.

As a condition in advance of the third year of the financing, ABE is required to obtain a current appraisal. If the loan to value ratio based on the appraisal exceeds 85%, ABHOW will advance funds equaling the excess into a trusteed account. In March 2015, if required for replacement of Santander on the financing, ABHOW will advance \$2.4 million for deposit into ABE's debt service reserve fund. Finally, ABHOW advanced \$750,000 in fiscal year 2014 to fund the completion of refurbishments on the Terraces of Phoenix campus and approximately \$250,000 to provide for costs of issuance for the new credit facility. In exchange for the credit support package, ABE benefits from a reduction in interest expense based on current rates of \$1.6 million from that incurred in fiscal year 2013 as well as having a relaxation of debt service coverage covenants to 1.1 times and liquidity covenants to 150 days. Based on current management estimates, the total credit support to be advanced from ABHOW to ABE under this new three year financing will not exceed \$3.5 million through fiscal year 2016.

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

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

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

	<u>2014</u>	<u>2013</u>
Designed for Endowment	\$ 38,070	\$ 36,134
Designated for 457(f) Plan	5,654	5,523
Designed for Claims	1,330	1,255
Designated for Corporate Reserves	13,622	12,923
Designated for Affordable Housing Guarantees	2,000	6,000
Designated for Commitments and Contingencies	10,000	10,000
Designated for Campus Redevelopment	5,000	10,000
Total designations	<u>\$ 75,676</u>	<u>\$ 81,835</u>

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

On October 30, 2014, ABHOW entered an agreement to acquire an affordable housing development consulting firm, with an anticipated acquisition closing date of January 1, 2015.

ABHOW has evaluated subsequent events through December 22, 2014, which is the date the financial statements are issued.

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited the consolidated financial statements of American Baptist Homes of the West, (“ABHOW”) and Affiliates (a member of Cornerstone Affiliates) (collectively referred to as the “Corporation”), all of which are under common control and common management, as of and for the years ended September 30, 2014 and 2013, and our report thereon dated December 22, 2014, which contained an unmodified opinion on those consolidated financial statements.

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules listed in the table of contents as of and for the years ended September 30, 2014 and 2013, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements.

The Balance Sheet Information, Statements of Operations and Changes in Net Assets (Deficit) Information, Statement of Operations and Changes in Net Assets (Deficit) Community Information (ABHOW Obligated Group), Balance Sheets Information (ABHOW Owned Affordable Housing), Statements of Operations and Changes in Net Assets (Deficit) Information (ABHOW Owned Affordable Housing), Statements of Cash Flows Information (ABHOW Obligated Group) and Statements of Cash Flows Information (Judson Park) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to Casa de la Vista, Fern Lodge, Oak Knolls Haven, Tahoe Senior Plaza, Judson Terrace Lodge, Broadmoor Plaza, Hillcrest Gardens, Shepherd’s Garden and Salishan Gardens, is based on the reports of other auditors, such information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

The accompanying Statements of Operations and Changes in Net Assets (Deficit) Information (ABHOW Affordable Housing) – UNAUDITED 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.

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

San Francisco, California
December 22, 2014

SUPPLEMENTARY INFORMATION

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEETS INFORMATION
AS OF SEPTEMBER 30, 2014
(In Thousands)

	ABHOW Obligated Group	Judson Park	Seniority Inc.	Foundation	American Baptist Properties
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 21,867	\$ 7,194	\$ 250	\$ 247	\$ 51
RESTRICTED CASH	15,940	-	-	-	-
INVESTMENTS	58,411	2,290	-	38,389	-
INVESTMENTS IN LAS VENTANAS BONDS	-	-	-	-	6,959
RESTRICTED INVESTMENTS	89,491	114	-	11,219	-
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	17,416	2,467	71	40	64
SUBORDINATED NOTES RECEIVABLE - Net	34,089	-	-	-	3,000
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	1,148	74	2	51	-
OTHER ASSETS	13,745	1,123	-	-	-
LAND, BUILDING, AND EQUIPMENT - Net	163,751	31,785	-	-	-
INTERCOMPANY	30,709	(7,422)	(1,844)	(553)	(17,242)
TOTAL	\$ 446,567	\$ 37,625	\$ (1,521)	\$ 49,393	\$ (7,168)
LIABILITIES AND NET ASSETS (DEFICIT)					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 18,990	\$ 2,220	\$ 959	\$ 50	\$ -
DEPOSITS	7,961	101	-	-	-
ACCRUED INTEREST	4,293	114	-	-	-
REBATABLE ENTRANCE FEES DUE	19,717	10,566	-	-	-
ENTRANCE FEES SUBJECT TO REFUND	43,541	3,785	-	-	-
ENTRANCE FEES NON-REFUNDABLE	74,752	8,639	-	-	-
REVOCABLE TRUSTS	-	-	-	552	-
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	-	-	2,216	-
NOTES AND BONDS PAYABLE	238,416	19,471	-	-	-
RETIREMENT LIABILITIES	3,658	-	-	-	-
WORKERS' COMPENSATION LIABILITY	4,292	73	-	-	-
OTHER LIABILITIES	6,983	894	-	64	532
Total liabilities	422,603	45,863	959	2,882	532
COMMITMENTS AND CONTINGENCIES					
NET ASSETS (DEFICIT)					
Unrestricted - Controlling	23,964	(8,238)	(2,480)	38,070	(7,700)
Unrestricted - Non-controlling	-	-	-	-	-
Temporarily restricted	-	-	-	7,999	-
Permanently restricted	-	-	-	442	-
Total net assets (deficit)	23,964	(8,238)	(2,480)	46,511	(7,700)
TOTAL	\$ 446,567	\$ 37,625	\$ (1,521)	\$ 49,393	\$ (7,168)

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEETS INFORMATION
AS OF SEPTEMBER 30, 2014 (continued)
(In Thousands)

	Carmel Senior Housing	ABHOW Owned Affordable Housing	Subtotal	Eliminations	Total
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 1,264	\$ 267	\$ 31,140	\$ -	\$ 31,140
RESTRICTED CASH	3,474	1,960	21,374	-	21,374
INVESTMENTS	2,361	-	101,451	-	101,451
INVESTMENTS IN LAS VENTANAS BONDS	-	-	6,959	-	6,959
RESTRICTED INVESTMENTS	-	-	100,824	-	100,824
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	11	35	20,104	(1,038)	19,066
SUBORDINATED NOTES RECEIVABLE - Net	-	-	37,089	-	37,089
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	-	982	2,257	-	2,257
OTHER ASSETS	18,900	270	34,038	(22,552)	11,486
LAND, BUILDING, AND EQUIPMENT - Net	96,644	44,353	336,533	-	336,533
INTERCOMPANY	(3,449)	(199)	-	-	-
TOTAL	\$ 119,205	\$ 47,668	\$ 691,769	\$ (23,590)	\$ 668,179
LIABILITIES AND NET ASSETS (DEFICIT)					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 1,209	\$ 270	\$ 23,698	\$ (1,704)	\$ 21,994
DEPOSITS	238	146	8,446	-	8,446
ACCRUED INTEREST	5,978	1,211	11,596	(1,505)	10,091
REBATABLE ENTRANCE FEES DUE	-	-	30,283	-	30,283
ENTRANCE FEES SUBJECT TO REFUND	-	-	47,326	-	47,326
ENTRANCE FEES NON-REFUNDABLE	-	-	83,391	-	83,391
REVOCABLE TRUSTS	-	-	552	-	552
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	-	2,216	-	2,216
NOTES AND BONDS PAYABLE	77,929	55,730	391,546	(27,328)	364,218
RETIREMENT LIABILITIES	-	-	3,658	-	3,658
WORKERS' COMPENSATION LIABILITY	-	-	4,365	-	4,365
OTHER LIABILITIES	2,334	72	10,879	(851)	10,028
Total liabilities	87,688	57,429	617,956	(31,388)	586,568
COMMITMENTS AND CONTINGENCIES					
NET ASSETS (DEFICIT)					
Unrestricted - Controlling	182	(9,761)	34,037	(5,242)	28,795
Unrestricted - Non-controlling	31,335	-	31,335	11,981	43,316
Temporarily restricted	-	-	7,999	1,059	9,058
Permanently restricted	-	-	442	-	442
Total net assets (deficit)	31,517	(9,761)	73,813	7,798	81,611
TOTAL	\$ 119,205	\$ 47,668	\$ 691,769	\$ (23,590)	\$ 668,179

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEETS INFORMATION
AS OF SEPTEMBER 30, 2013
(In Thousands)

	ABHOW Obligated Group	Judson Park	Seniority Inc.	Foundation	American Baptist Properties
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 7,358	\$ 6,362	\$ 311	\$ 479	\$ 182
RESTRICTED CASH	16,401	-	-	-	-
INVESTMENTS	55,356	2,254	-	36,948	1,962
INVESTMENTS IN LAS VENTANAS BONDS	-	-	-	-	8,250
RESTRICTED INVESTMENTS	110,090	117	-	9,309	-
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	9,300	1,160	(13)	326	64
SUBORDINATED NOTES RECEIVABLE - Net	34,089	-	-	-	-
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	1,081	53	8	1	-
OTHER ASSETS	13,572	1,387	-	49	13
LAND, BUILDING, AND EQUIPMENT - Net	144,432	32,827	4	-	4,448
INTERCOMPANY	29,290	(7,134)	(1,188)	(624)	(17,336)
TOTAL	\$ 420,969	\$ 37,026	\$ (878)	\$ 46,488	\$ (2,417)
LIABILITIES AND NET ASSETS (DEFICIT)					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 17,073	\$ 784	\$ 848	\$ 81	\$ 8
DEPOSITS	11,313	179	-	-	-
ACCRUED INTEREST	4,303	-	-	-	-
REBATABLE ENTRANCE FEES DUE	7,597	9,955	-	-	-
ENTRANCE FEES SUBJECT TO REFUND	31,775	3,684	-	-	-
ENTRANCE FEES NON-REFUNDABLE	68,505	8,714	-	-	-
DEFERRED REVENUE FROM INVESTMENT CONTRACT	2,987	-	-	-	-
REVOCABLE TRUSTS	-	-	-	685	-
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	-	-	2,290	-
NOTES AND BONDS PAYABLE	242,050	20,415	-	-	3,030
RETIREMENT LIABILITIES	3,761	-	-	-	-
WORKERS' COMPENSATION LIABILITY	3,586	-	-	-	-
OTHER LIABILITIES	4,143	1,120	-	-	-
Total liabilities	397,093	44,851	848	3,056	3,038
COMMITMENTS AND CONTINGENCIES					
NET ASSETS (DEFICIT)					
Unrestricted - Controlling	23,876	(7,825)	(1,726)	36,134	(5,455)
Unrestricted - Non-controlling	-	-	-	-	-
Temporarily restricted	-	-	-	6,871	-
Permanently restricted	-	-	-	427	-
Total net assets (deficit)	23,876	(7,825)	(1,726)	43,432	(5,455)
TOTAL	\$ 420,969	\$ 37,026	\$ (878)	\$ 46,488	\$ (2,417)

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEETS INFORMATION
AS OF SEPTEMBER 30, 2013 (continued)
(In Thousands)

	Camel Senior Housing	ABHOW Owned Affordable Housing	Subtotal	Eliminations	Total
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 2,081	\$ 83	\$ 16,856	\$ -	\$ 16,856
RESTRICTED CASH	2,801	1,809	21,011	-	21,011
INVESTMENTS	1,921	-	98,441	-	98,441
INVESTMENTS IN LAS VENTANAS BONDS	-	-	8,250	-	8,250
RESTRICTED INVESTMENTS	-	-	119,516	-	119,516
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	141	24	11,002	(143)	10,859
SUBORDINATED NOTES RECEIVABLE - Net	-	-	34,089	-	34,089
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	250	1,167	2,560	-	2,560
OTHER ASSETS	19,349	282	34,652	(22,450)	12,202
LAND, BUILDING, AND EQUIPMENT - Net	82,851	46,028	310,590	-	310,590
INTERCOMPANY	(2,975)	(33)	-	-	-
TOTAL	\$ 106,419	\$ 49,360	\$ 656,967	\$ (22,593)	\$ 634,374
LIABILITIES AND NET ASSETS (DEFICIT)					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 2,233	\$ 182	\$ 21,209	\$ (1,374)	\$ 19,835
DEPOSITS	217	-	11,709	-	11,709
ACCRUED INTEREST	4,418	1,097	9,818	(1,036)	8,782
REBATABLE ENTRANCE FEES DUE	-	-	17,552	-	17,552
ENTRANCE FEES SUBJECT TO REFUND	-	-	35,459	-	35,459
ENTRANCE FEES NON-REFUNDABLE	-	-	77,219	-	77,219
DEFERRED REVENUE FROM INVESTMENT CONTRACT	-	-	2,987	-	2,987
REVOCABLE TRUSTS	-	-	685	-	685
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	-	2,290	-	2,290
NOTES AND BONDS PAYABLE	70,175	55,807	391,477	(27,304)	364,173
RETIREMENT LIABILITIES	-	-	3,761	-	3,761
WORKERS' COMPENSATION LIABILITY	-	-	3,586	-	3,586
OTHER LIABILITIES	2,845	229	8,337	-	8,337
Total liabilities	79,888	57,315	586,089	(29,714)	556,375
COMMITMENTS AND CONTINGENCIES					
NET ASSETS (DEFICIT)					
Unrestricted - Controlling	20	(7,955)	37,069	(5,063)	32,006
Unrestricted - Non-controlling	26,511	-	26,511	11,125	37,636
Temporarily restricted	-	-	6,871	1,059	7,930
Permanently restricted	-	-	427	-	427
Total net assets (deficit)	26,531	(7,955)	70,878	7,121	77,999
TOTAL	\$ 106,419	\$ 49,360	\$ 656,967	\$ (22,593)	\$ 634,374

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT) INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)**

UNRESTRICTED NET ASSETS	ABHOW Obligated Group	Judson Park	Seniority Inc.	Foundation	American Baptist Properties
OPERATING REVENUES					
Residential living	\$ 38,442	\$ 5,873	\$ -	\$ -	\$ -
Assisted living	10,926	1,758	-	-	-
Health center	43,709	8,145	-	-	-
Memory support	5,631	1,150	-	-	-
Other residential services	1,138	196	-	-	-
Amortization of entrance fees	16,215	1,975	-	-	-
Other operating revenue	5,391	285	8,618	-	-
Affordable housing fees and rents	2,479	-	-	-	-
Net assets released from restrictions	-	-	-	64	-
Bequests and charitable giving	4	-	-	537	-
Foundation community benefit	887	53	-	-	-
Total operating revenues	124,822	19,435	8,618	601	-
OPERATING EXPENSES					
Salaries and wages	52,903	7,672	3,683	425	-
Employee benefits	14,037	2,056	877	71	-
Supplies	8,457	1,325	77	4	-
Chargeable ancillary services	6,678	1,039	-	-	-
Marketing and advertising	4,428	737	3,867	4	-
Repairs and maintenance	1,227	150	-	-	-
Purchased services	5,503	470	115	133	31
Leases and rents	1,272	160	(12)	11	-
Utilities	5,043	711	31	4	-
Travel and related	1,329	35	373	77	-
Corporate allocations	-	1,567	194	-	-
Other operating expenses	3,406	444	140	(297)	1
Foundation community distribution	-	-	-	1,245	-
Insurance	1,238	259	23	32	-
Total operating expenses	105,521	16,625	9,368	1,709	32
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	19,301	2,810	(750)	(1,108)	(32)
OTHER OPERATING INCOME (EXPENSE)					
(Increase) decrease in unrealized loss on interest rate swaps and caps	(18)	233	-	-	-
Realized gains on investments - net	2,958	8	-	2,631	-
Investment income - net	1,384	67	-	823	128
Mortgage interest	(5,066)	(948)	-	-	(21)
Depreciation and amortization	(13,832)	(2,543)	(4)	-	-
INCOME (LOSS) FROM OPERATIONS	4,727	(373)	(754)	2,346	75
Change in unrealized gains and losses on investments	(460)	(40)	-	(410)	-
Unrealized loss on Investments in Las Ventanas bonds	-	-	-	-	(1,291)
Contribution in aid of construction	(3,014)	-	-	-	(1,029)
Loss from change in unrecognized pension obligation	(1,165)	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS	88	(413)	(754)	1,936	(2,245)
TEMPORARILY RESTRICTED NET ASSETS					
Dividend and interest income	-	-	-	214	-
Change in unrealized gains on restricted investments - net	-	-	-	406	-
Contributions	-	-	-	1,994	-
Net assets released from restrictions	-	-	-	(64)	-
Contractual payments to beneficiaries	-	-	-	(648)	-
Realized gains on investments - net	-	-	-	159	-
Contractual liability adjustments	-	-	-	112	-
Special project fund distribution	-	-	-	(1,045)	-
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-	1,128	-
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	15	-
INCREASE (DECREASE) IN NET ASSETS	88	(413)	(754)	3,079	(2,245)
NET ASSETS (DEFICIT) - Beginning of year	23,876	(7,825)	(1,726)	43,432	(5,455)
NET ASSETS (DEFICIT) - End of year	\$ 23,964	\$ (8,238)	\$ (2,480)	\$ 46,511	\$ (7,700)

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT) INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014 (continued)
(In Thousands)

UNRESTRICTED NET ASSETS	Carmel Senior Housing	ABHOW Owned Affordable Housing	Subtotal	Eliminations	Total
OPERATING REVENUES					
Residential living	\$ -	\$ -	\$ 44,315	\$ -	\$ 44,315
Assisted living	-	-	12,684	-	12,684
Health center	-	-	51,854	-	51,854
Memory support	-	-	6,781	-	6,781
Other residential services	-	-	1,334	-	1,334
Amortization of entrance fees	-	-	18,190	-	18,190
Other operating revenue	174	140	14,608	(6,960)	7,648
Affordable housing fees and rents	4,234	3,569	10,282	(712)	9,570
Net assets released from restrictions	-	-	64	-	64
Bequests and charitable giving	13	18	572	-	572
Foundation community benefit	16	3	959	(942)	17
Total operating revenues	<u>4,437</u>	<u>3,730</u>	<u>161,643</u>	<u>(8,614)</u>	<u>153,029</u>
OPERATING EXPENSES					
Salaries and wages	880	949	66,512	-	66,512
Employee benefits	278	300	17,619	-	17,619
Supplies	160	272	10,295	(17)	10,278
Chargeable ancillary services	-	-	7,717	-	7,717
Marketing and advertising	45	1	9,082	(4,989)	4,093
Repairs and maintenance	101	129	1,607	-	1,607
Purchased services	572	602	7,426	(836)	6,590
Leases and rents	43	30	1,504	-	1,504
Utilities	707	523	7,019	-	7,019
Travel and related	28	57	1,899	-	1,899
Corporate allocations	-	-	1,761	-	1,761
Other operating expenses	(194)	183	3,683	(2,027)	1,656
Foundation community distribution	-	-	1,245	(942)	303
Insurance	129	160	1,841	-	1,841
Total operating expenses	<u>2,749</u>	<u>3,206</u>	<u>139,210</u>	<u>(8,811)</u>	<u>130,399</u>
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	<u>1,688</u>	<u>524</u>	<u>22,433</u>	<u>197</u>	<u>22,630</u>
OTHER OPERATING INCOME (EXPENSE)					
(Increase) decrease in unrealized loss on interest rate swaps and caps	(179)	-	36	-	36
Realized gains on investments - net	2	-	5,599	-	5,599
Investment income - net	61	1	2,464	-	2,464
Mortgage interest	(1,603)	(396)	(8,034)	470	(7,564)
Depreciation and amortization	(3,104)	(1,935)	(21,418)	-	(21,418)
INCOME (LOSS) FROM OPERATIONS	<u>(3,135)</u>	<u>(1,806)</u>	<u>1,080</u>	<u>667</u>	<u>1,747</u>
Change in unrealized gains and losses on investments	(41)	-	(951)	-	(951)
Unrealized loss on Investments in Las Ventanas bonds	-	-	(1,291)	-	(1,291)
Contribution in aid of construction	8,162	-	4,119	10	4,129
Loss from change in unrecognized pension obligation	-	-	(1,165)	-	(1,165)
CHANGE IN UNRESTRICTED NET ASSETS	<u>4,986</u>	<u>(1,806)</u>	<u>1,792</u>	<u>677</u>	<u>2,469</u>
TEMPORARILY RESTRICTED NET ASSETS					
Dividend and interest income	-	-	214	-	214
Change in unrealized gains on restricted investments - net	-	-	406	-	406
Contributions	-	-	1,994	-	1,994
Net assets released from restrictions	-	-	(64)	-	(64)
Contractual payments to beneficiaries	-	-	(648)	-	(648)
Realized gains on investments - net	-	-	159	-	159
Contractual liability adjustments	-	-	112	-	112
Special project fund distribution	-	-	(1,045)	-	(1,045)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>-</u>	<u>-</u>	<u>1,128</u>	<u>-</u>	<u>1,128</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	<u>-</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>15</u>
INCREASE (DECREASE) IN NET ASSETS	<u>4,986</u>	<u>(1,806)</u>	<u>2,935</u>	<u>677</u>	<u>3,612</u>
NET ASSETS (DEFICIT) - Beginning of year	<u>26,531</u>	<u>(7,955)</u>	<u>70,878</u>	<u>7,121</u>	<u>77,999</u>
NET ASSETS (DEFICIT) - End of year	<u>\$ 31,517</u>	<u>\$ (9,761)</u>	<u>\$ 73,813</u>	<u>\$ 7,798</u>	<u>\$ 81,611</u>

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT) INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)

UNRESTRICTED NET ASSETS	ABHOW Obligated Group	Judson Park	Seniority Inc.	Foundation	American Baptist Properties
OPERATING REVENUES					
Residential living	\$ 36,874	\$ 5,834	\$ -	\$ -	\$ -
Assisted living	9,438	1,674	-	-	-
Health center	42,256	8,112	-	-	-
Memory support	4,138	1,091	-	-	-
Other residential services	900	88	-	-	-
Amortization of entrance fees	15,053	2,420	-	-	-
Other operating revenue	6,013	240	7,315	-	-
Affordable housing fees and rents	1,920	-	-	-	-
Net assets released from restrictions	-	-	-	918	-
Foundation community benefit	871	52	-	-	-
Bequests and charitable giving	8	3	-	671	-
Total operating revenues	117,471	19,514	7,315	1,589	-
OPERATING EXPENSES					
Salaries and wages	49,267	7,566	3,793	400	-
Employee benefits	14,272	2,083	937	80	-
Supplies	7,959	1,345	70	2	-
Chargeable ancillary services	6,208	919	-	-	-
Marketing and advertising	3,858	614	3,001	-	-
Repairs and maintenance	1,254	183	-	-	-
Purchased services	5,347	436	99	138	11
Leases and rents	1,182	114	9	4	-
Utilities	4,637	712	24	4	-
Travel and related	1,019	24	396	123	-
Corporate allocations	-	1,513	194	-	-
Other operating expenses	3,658	303	280	(227)	1
Foundation community distribution	-	-	-	1,100	-
Insurance	1,341	290	22	29	-
Total operating expenses	100,002	16,102	8,825	1,653	12
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	17,469	3,412	(1,510)	(64)	(12)
OTHER OPERATING INCOME (EXPENSE)					
Decrease in unrealized loss on interest rate swaps and caps	310	434	-	-	-
Realized gains (losses) on investments - net	516	1	-	874	289
Investment income - net	1,527	63	-	732	159
Mortgage interest	(4,822)	(896)	-	-	(154)
Depreciation and amortization	(12,940)	(2,632)	(3)	-	-
INCOME (LOSS) FROM OPERATIONS	2,060	382	(1,513)	1,542	282
Change in unrealized gains and losses on investments	1,371	(96)	-	2,355	(262)
Loss on syndication of Harbor View Manor	-	-	-	-	-
Gain on syndication of Three Rivers Village	-	-	-	-	-
Contribution in aid of construction	500	-	-	-	-
Gain from increase in unrecognized pension obligation	4,299	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS	8,230	286	(1,513)	3,897	20
TEMPORARILY RESTRICTED NET ASSETS					
Dividend and interest income	-	-	-	210	-
Change in unrealized gains on restricted investments - net	-	-	-	364	-
Contributions	-	-	-	1,300	-
Net assets released from restrictions	-	-	-	(918)	-
Contractual payments to beneficiaries	-	-	-	(494)	-
Realized gains on investments - net	-	-	-	18	-
Contractual liability adjustments	-	-	-	354	-
Special project fund distribution	-	-	-	(841)	-
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	-	-	(7)	-
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	15	-
INCREASE (DECREASE) IN NET ASSETS	8,230	286	(1,513)	3,905	20
NET ASSETS (DEFICIT) - Beginning of year	15,646	(8,111)	(213)	39,527	(5,475)
NET ASSETS (DEFICIT) - End of year	\$ 23,876	\$ (7,825)	\$ (1,726)	\$ 43,432	\$ (5,455)

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT) INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2013 (continued)
(In Thousands)

UNRESTRICTED NET ASSETS	Carmel Senior Housing	ABHOW Owned Affordable Housing	Subtotal	Eliminations	Total
OPERATING REVENUES					
Residential living	\$ -	\$ -	\$ 42,708	\$ -	\$ 42,708
Assisted living	-	-	11,112	-	11,112
Health center	-	-	50,368	-	50,368
Memory support	-	-	5,229	-	5,229
Other residential services	-	-	988	-	988
Amortization of entrance fees	-	-	17,473	-	17,473
Other operating revenue	51	-	13,619	(6,267)	7,352
Affordable housing fees and rents	4,096	3,796	9,812	(712)	9,100
Net assets released from restrictions	-	-	918	-	918
Foundation community benefit	-	-	923	(923)	-
Bequests and charitable giving	280	-	962	(267)	695
Total operating revenues	<u>4,427</u>	<u>3,796</u>	<u>154,112</u>	<u>(8,169)</u>	<u>145,943</u>
OPERATING EXPENSES					
Salaries and wages	887	1,018	62,931	-	62,931
Employee benefits	283	339	17,994	-	17,994
Supplies	177	243	9,796	-	9,796
Chargeable ancillary services	-	-	7,127	(64)	7,063
Marketing and advertising	-	2	7,475	-	7,475
Repairs and maintenance	88	101	1,626	(956)	670
Purchased services	615	476	7,122	(4,212)	2,910
Leases and rents	1	31	1,341	-	1,341
Utilities	779	552	6,708	-	6,708
Travel and related	32	-	1,594	-	1,594
Corporate allocations	-	-	1,707	(923)	784
Other operating expenses	264	536	4,815	-	4,815
Foundation community distribution	-	-	1,100	(410)	690
Insurance	155	139	1,976	(1,707)	269
Total operating expenses	<u>3,281</u>	<u>3,437</u>	<u>133,312</u>	<u>(8,272)</u>	<u>125,040</u>
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	1,146	359	20,800	103	20,903
OTHER OPERATING INCOME (EXPENSE)					
Decrease in unrealized loss on interest rate swaps and caps	783	-	1,527	-	1,527
Realized gains (losses) on investments - net	(13)	-	1,667	-	1,667
Investment income - net	41	1	2,523	-	2,523
Mortgage interest	(1,712)	(460)	(8,044)	425	(7,619)
Depreciation and amortization	(2,728)	(1,985)	(20,288)	-	(20,288)
INCOME (LOSS) FROM OPERATIONS	(2,483)	(2,085)	(1,815)	528	(1,287)
Change in unrealized gains and losses on investments	(33)	-	3,335	-	3,335
Loss on syndication of Harbor View Manor	-	(37)	(37)	-	(37)
Gain on syndication of Three Rivers Village	-	181	181	462	643
Contribution in aid of construction	19,020	-	19,520	(243)	19,277
Gain from increase in unrecognized pension obligation	-	-	4,299	-	4,299
CHANGE IN UNRESTRICTED NET ASSETS	16,504	(1,941)	25,483	747	26,230
TEMPORARILY RESTRICTED NET ASSETS					
Dividend and interest income	-	-	210	-	210
Change in unrealized gains on restricted investments - net	-	-	364	-	364
Contributions	-	-	1,300	-	1,300
Net assets released from restrictions	-	-	(918)	-	(918)
Contractual payments to beneficiaries	-	-	(494)	-	(494)
Realized gains on investments - net	-	-	18	-	18
Contractual liability adjustments	-	-	354	-	354
Special project fund distribution	-	-	(841)	500	(341)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	-	(7)	500	493
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	15	-	15
INCREASE (DECREASE) IN NET ASSETS	16,504	(1,941)	25,491	1,247	26,738
NET ASSETS (DEFICIT) - Beginning of year	10,027	(6,014)	45,387	5,874	51,261
NET ASSETS (DEFICIT) - End of year	\$ 26,531	\$ (7,955)	\$ 70,878	\$ 7,121	\$ 77,999

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND CHANGES IN
NET ASSETS (DEFICIT) COMMUNITY INFORMATION (ABHOW OBLIGATED GROUP)
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

	Corporate Office	Grand Lake Gardens	Piedmont Gardens	Terraces at Los Altos	Plymouth Village
OPERATING REVENUES					
Residential living	\$ -	\$ 2,261	\$ 6,787	\$ 1,878	\$ 5,835
Assisted living	-	-	2,514	968	1,589
Health center	-	-	10,563	3,878	3,975
Memory support	-	-	1,101	339	556
Other residential services	-	245	114	53	134
Amortization of entrance fees	-	343	2,518	825	1,917
Other operating revenue	3,480	54	197	93	365
Affordable housing fees and rents	2,479	-	-	-	-
Bequests and charitable giving	1	-	3	-	-
Foundation community benefit	51	23	181	59	155
Total operating revenues	<u>6,011</u>	<u>2,926</u>	<u>23,978</u>	<u>8,093</u>	<u>14,526</u>
OPERATING EXPENSES					
Salaries and wages	9,919	1,276	8,933	4,860	5,244
Employee benefits	2,419	315	2,377	1,251	1,460
Supplies	157	329	1,500	670	1,150
Chargeable ancillary services	-	-	1,510	327	709
Marketing and advertising	17	544	858	4	750
Repairs and maintenance	13	41	309	35	80
Purchased services	1,795	161	669	484	553
Leases and rents	742	19	126	36	76
Utilities	218	309	978	500	527
Travel and related	790	27	74	24	111
Corporate allocations	(8,599)	256	1,692	714	1,131
Other operating expenses	1,366	84	524	36	342
Insurance	111	39	236	127	166
Total operating expenses	<u>8,948</u>	<u>3,400</u>	<u>19,786</u>	<u>9,068</u>	<u>12,299</u>
INCOME (LOSS) BEFORE					
OTHER OPERATING INCOME (EXPENSE)	(2,937)	(474)	4,192	(975)	2,227
OTHER OPERATING INCOME (EXPENSE)					
Increase in unrealized loss on interest rate swaps and caps	(18)	-	-	-	-
Realized gains on investments - net	2,958	-	-	-	-
Investment income - net	1,384	-	-	-	-
Mortgage interest	(294)	(120)	(454)	(349)	(352)
Depreciation and amortization	(326)	(512)	(2,474)	(915)	(2,466)
INCOME (LOSS) FROM OPERATIONS	<u>767</u>	<u>(1,106)</u>	<u>1,264</u>	<u>(2,239)</u>	<u>(591)</u>
Change in unrealized gains and losses on investments	67	-	-	(527)	-
Contribution in aid of construction	(3,001)	-	-	-	-
Loss from change in unrecognized pension obligation	(1,165)	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS	<u>(3,332)</u>	<u>(1,106)</u>	<u>1,264</u>	<u>(2,766)</u>	<u>(591)</u>
NET (DEFICIT) ASSET - Beginning of year	<u>(52,952)</u>	<u>(5,515)</u>	<u>27,878</u>	<u>16,377</u>	<u>6,490</u>
NET (DEFICIT) ASSET - End of year	<u>\$ (56,284)</u>	<u>\$ (6,621)</u>	<u>\$ 29,142</u>	<u>\$ 13,611</u>	<u>\$ 5,899</u>

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT) COMMUNITY INFORMATION
(ABHOW OBLIGATED GROUP)
FOR THE YEAR ENDED SEPTEMBER 30, 2014 (continued)
(In Thousands)

	Rosewood	Valle Verde	Terrace of Los Gatos	Total
OPERATING REVENUES				
Residential living	\$ 3,434	\$ 9,503	\$ 8,744	\$ 38,442
Assisted living	1,607	1,686	2,562	10,926
Health center	8,771	8,467	8,055	43,709
Memory support	1,094	1,306	1,235	5,631
Other residential services	100	384	108	1,138
Amortization of entrance fees	412	4,787	5,413	16,215
Other operating revenue	236	686	280	5,391
Affordable housing fees and rents	-	-	-	2,479
Bequests and charitable giving	-	-	-	4
Foundation community benefit	69	300	49	887
Total operating revenues	<u>15,723</u>	<u>27,119</u>	<u>26,446</u>	<u>124,822</u>
OPERATING EXPENSES				
Salaries and wages	6,282	8,899	7,490	52,903
Employee benefits	1,723	2,589	1,903	14,037
Supplies	1,251	1,947	1,453	8,457
Chargeable ancillary services	1,894	1,169	1,069	6,678
Marketing and advertising	805	638	812	4,428
Repairs and maintenance	260	303	186	1,227
Purchased services	462	734	645	5,503
Leases and rents	66	120	87	1,272
Utilities	584	973	954	5,043
Travel and related	55	152	96	1,329
Corporate allocations	1,272	1,903	1,631	-
Other operating expenses	185	496	373	3,406
Insurance	170	211	178	1,238
Total operating expenses	<u>15,009</u>	<u>20,134</u>	<u>16,877</u>	<u>105,521</u>
INCOME (LOSS) BEFORE				
OTHER OPERATING INCOME (EXPENSE)	714	6,985	9,569	19,301
OTHER OPERATING INCOME (EXPENSE)				
Increase in unrealized loss on interest rate swaps and caps	-	-	-	(18)
Realized gains on investments - net	-	-	-	2,958
Investment income - net	-	-	-	1,384
Mortgage interest	(460)	(836)	(2,201)	(5,066)
Depreciation and amortization	(1,362)	(3,060)	(2,717)	(13,832)
INCOME (LOSS) FROM OPERATIONS	<u>(1,108)</u>	<u>3,089</u>	<u>4,651</u>	<u>4,727</u>
Change in unrealized gains and losses on investments	-	-	-	(460)
Contribution in aid of construction	-	-	(13)	(3,014)
Loss from change in unrecognized pension obligation	-	-	-	(1,165)
CHANGE IN UNRESTRICTED NET ASSETS	<u>(1,108)</u>	<u>3,089</u>	<u>4,638</u>	<u>88</u>
NET (DEFICIT) ASSET - Beginning of year	<u>(14,412)</u>	<u>32,934</u>	<u>13,076</u>	<u>23,876</u>
NET ASSETS (DEFICIT) - End of year	<u>\$ (15,520)</u>	<u>\$ 36,023</u>	<u>\$ 17,714</u>	<u>\$ 23,964</u>

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTAL SCHEDULES – STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT) COMMUNITY INFORMATION
(ABHOW OBLIGATED GROUP)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)**

	Corporate Office	Grand Lake Gardens	Piedmont Gardens	Terraces at Los Altos	Plymouth Village
OPERATING REVENUES					
Residential living	\$ -	\$ 2,409	\$ 6,365	\$ 2,173	\$ 5,555
Assisted living	-	-	2,115	1,004	1,449
Health center	-	-	7,707	5,211	4,205
Memory support	-	-	1,170	-	694
Other residential services	-	229	95	10	196
Amortization of entrance fees	-	384	2,614	929	1,869
Other operating revenue	4,202	55	204	88	363
Affordable housing fees and rents	1,920	-	-	-	-
Bequests and charitable giving	8	-	-	-	-
Foundation community benefit	54	23	178	58	149
Total operating revenues	<u>6,184</u>	<u>3,100</u>	<u>20,448</u>	<u>9,473</u>	<u>14,480</u>
OPERATING EXPENSES					
Salaries and wages	8,877	1,260	8,124	4,659	5,271
Employee benefits	2,485	335	2,320	1,299	1,527
Supplies	148	296	1,347	676	1,126
Chargeable ancillary services	-	-	860	509	902
Marketing and advertising	120	468	753	3	690
Repairs and maintenance	15	51	382	24	81
Purchased services	1,678	149	822	415	431
Leases and rents	870	6	54	39	59
Utilities	249	286	913	360	543
Travel and related	708	4	81	32	35
Corporate allocations	(8,131)	247	1,643	748	1,101
Other operating expenses	1,520	72	354	347	316
Insurance	169	45	231	119	181
Total operating expenses	<u>8,708</u>	<u>3,219</u>	<u>17,884</u>	<u>9,230</u>	<u>12,263</u>
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSE)	(2,524)	(119)	2,564	243	2,217
OTHER OPERATING INCOME (EXPENSE)					
Decrease in unrealized loss on interest rate swaps and caps	310	-	-	-	-
Realized gains on investments - net	516	-	-	-	-
Investment income - net	1,526	-	-	-	-
Mortgage interest	(434)	(124)	(461)	(95)	(341)
Depreciation and amortization	(280)	(588)	(2,563)	(514)	(2,392)
INCOME (LOSS) FROM OPERATIONS	(886)	(831)	(460)	(366)	(516)
Change in unrealized gains and losses on investments	2,211	-	-	(840)	-
Contribution in aid of construction	-	-	-	-	-
Gain from change in unrecognized pension obligation	4,299	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS	5,624	(831)	(460)	(1,206)	(516)
NET ASSETS (DEFICIT) - Beginning of year	(58,576)	(4,684)	28,338	17,583	7,006
NET ASSETS (DEFICIT) - End of year	<u>\$ (52,952)</u>	<u>\$ (5,515)</u>	<u>\$ 27,878</u>	<u>\$ 16,377</u>	<u>\$ 6,490</u>

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND CHANGES
IN NET ASSETS (DEFICIT) COMMUNITY INFORMATION
(ABHOW OBLIGATED GROUP)
FOR THE YEAR ENDED SEPTEMBER 30, 2013 (continued)
(In Thousands)

	Rosewood	Valle Verde	Terrace of Los Gatos	Total
OPERATING REVENUES				
Residential living	\$ 3,336	\$ 8,397	\$ 8,639	\$ 36,874
Assisted living	1,493	1,484	1,893	9,438
Health center	8,684	8,248	8,201	42,256
Memory support	886	1,340	48	4,138
Other residential services	51	303	16	900
Amortization of entrance fees	432	3,942	4,883	15,053
Other operating revenue	242	603	256	6,013
Affordable housing fees and rents	-	-	-	1,920
Bequests and charitable giving	-	-	-	8
Foundation community benefit	67	294	48	871
Total operating revenues	<u>15,191</u>	<u>24,611</u>	<u>23,984</u>	<u>117,471</u>
OPERATING EXPENSES				
Salaries and wages	5,795	8,509	6,772	49,267
Employee benefits	1,739	2,674	1,893	14,272
Supplies	1,198	1,824	1,344	7,959
Chargeable ancillary services	1,856	1,146	935	6,208
Marketing and advertising	677	573	574	3,858
Repairs and maintenance	262	306	133	1,254
Purchased services	464	904	484	5,347
Leases and rents	31	90	33	1,182
Utilities	597	853	836	4,637
Travel and related	35	73	51	1,019
Corporate allocations	1,146	1,796	1,450	-
Other operating expenses	371	347	331	3,658
Insurance	172	246	178	1,341
Total operating expenses	<u>14,343</u>	<u>19,341</u>	<u>15,014</u>	<u>100,002</u>
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSE)				
OTHER OPERATING INCOME (EXPENSE)	848	5,270	8,970	17,469
OTHER OPERATING INCOME (EXPENSE)				
Decrease in unrealized loss on interest rate swaps and caps	-	-	-	310
Realized gains on investments - net	-	-	-	516
Investment income - net	-	1	-	1,527
Mortgage interest	(445)	(687)	(2,235)	(4,822)
Depreciation and amortization	(1,322)	(2,691)	(2,590)	(12,940)
INCOME (LOSS) FROM OPERATIONS				
	(919)	1,893	4,145	2,060
Change in unrealized gains and losses on investments	-	-	-	1,371
Contribution in aid of construction	-	-	500	500
Gain from change in unrecognized pension obligation	-	-	-	4,299
CHANGE IN UNRESTRICTED NET ASSETS				
	(919)	1,893	4,645	8,230
NET ASSETS (DEFICIT) - Beginning of year				
	(13,493)	31,041	8,431	15,646
NET ASSETS (DEFICIT) - End of year				
	<u>\$ (14,412)</u>	<u>\$ 32,934</u>	<u>\$ 13,076</u>	<u>\$ 23,876</u>

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEETS INFORMATION
(ABHOW OWNED AFFORDABLE HOUSING)
AS OF SEPTEMBER 30, 2014
(In Thousands)

	Casa de la Vista	Fern Lodge	Oak Knolls Haven	Tahoe Senior Plaza	Judson Terrace Lodge
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 60	\$ 27	\$ 24	\$ 31	\$ 31
RESTRICTED CASH	169	300	224	103	100
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	26	-	-	-	-
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	8	6	-	-	1
OTHER ASSETS	130	-	104	3	-
LAND, BUILDING, AND EQUIPMENT - Net	685	3,653	784	3,058	3,222
INTERCOMPANY	(29)	(23)	(9)	(28)	(8)
TOTAL	\$ 1,049	\$ 3,963	\$ 1,127	\$ 3,167	\$ 3,346
LIABILITIES AND NET (DEFICIT) ASSETS					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 76	\$ 14	\$ 28	\$ 22	\$ 12
DEPOSITS	26	20	16	16	12
ACCRUED INTEREST	15	-	8	-	-
NOTES AND BONDS PAYABLE	3,685	4,889	1,725	4,603	3,911
OTHER LIABILITIES	9	9	10	5	7
Total liabilities	3,811	4,932	1,787	4,646	3,942
COMMITMENTS AND CONTINGENCIES					
NET (DEFICIT) ASSETS					
Unrestricted - Controlling	(2,762)	(969)	(660)	(1,479)	(596)
Total net assets (deficit)	(2,762)	(969)	(660)	(1,479)	(596)
TOTAL	\$ 1,049	\$ 3,963	\$ 1,127	\$ 3,167	\$ 3,346

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEETS INFORMATION
(ABHOW OWNED AFFORDABLE HOUSING)
AS OF SEPTEMBER 30, 2014 (continued)
(In Thousands)

	Broadmoor Plaza	Hillcrest Gardens	Shepherd's Garden	Salishan Gardens	Total
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 33	\$ 20	\$ 4	\$ 37	\$ 267
RESTRICTED CASH	238	219	163	444	1,960
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	-	-	9	-	35
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	-	-	-	967	982
OTHER ASSETS	-	-	-	33	270
LAND, BUILDING, AND EQUIPMENT - Net	6,776	8,197	8,545	9,433	44,353
INTERCOMPANY	(42)	(14)	(33)	(13)	(199)
TOTAL	<u>\$ 7,005</u>	<u>\$ 8,422</u>	<u>\$ 8,688</u>	<u>\$ 10,901</u>	<u>\$ 47,668</u>
LIABILITIES AND NET (DEFICIT) ASSETS					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 36	\$ 18	\$ 15	\$ 49	\$ 270
DEPOSITS	19	14	10	13	146
ACCRUED INTEREST	908	280	-	-	1,211
NOTES AND BONDS PAYABLE	8,077	10,003	7,540	11,297	55,730
OTHER LIABILITIES	9	8	7	8	72
Total liabilities	<u>9,049</u>	<u>10,323</u>	<u>7,572</u>	<u>11,367</u>	<u>57,429</u>
COMMITMENTS AND CONTINGENCIES					
NET (DEFICIT) ASSETS					
Unrestricted - Controlling	<u>(2,044)</u>	<u>(1,901)</u>	<u>1,116</u>	<u>(466)</u>	<u>(9,761)</u>
Total net assets (deficit)	<u>(2,044)</u>	<u>(1,901)</u>	<u>1,116</u>	<u>(466)</u>	<u>(9,761)</u>
TOTAL	<u>\$ 7,005</u>	<u>\$ 8,422</u>	<u>\$ 8,688</u>	<u>\$ 10,901</u>	<u>\$ 47,668</u>

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEETS INFORMATION
(ABHOW OWNED AFFORDABLE HOUSING)
AS OF SEPTEMBER 30, 2013
(In Thousands)

	Casa de la Vista	Fern Lodge	Oak Knolls Haven	Tahoe Senior Plaza	Judson Terrace Lodge
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 11	\$ 2	\$ -	\$ 24	\$ 1
RESTRICTED CASH	208	289	203	107	109
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	12	5	-	-	2
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	36	20	18	16	12
OTHER ASSETS	134	-	107	3	-
LAND, BUILDING, AND EQUIPMENT - Net	857	3,817	858	3,169	3,326
INTERCOMPANY	(7)	(2)	(2)	(3)	(2)
TOTAL	\$ 1,251	\$ 4,131	\$ 1,184	\$ 3,316	\$ 3,448
LIABILITIES AND NET (DEFICIT) ASSETS					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 18	\$ 25	\$ 11	\$ 14	\$ 7
ACCRUED INTEREST	15	-	8	-	-
NOTES AND BONDS PAYABLE	3,738	4,889	1,749	4,603	3,911
OTHER LIABILITIES	34	27	33	24	22
Total liabilities	3,805	4,941	1,801	4,641	3,940
COMMITMENTS AND CONTINGENCIES					
NET (DEFICIT) ASSETS					
Unrestricted - Controlling	(2,554)	(810)	(617)	(1,325)	(492)
Total net (deficit) assets	(2,554)	(810)	(617)	(1,325)	(492)
TOTAL	\$ 1,251	\$ 4,131	\$ 1,184	\$ 3,316	\$ 3,448

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – BALANCE SHEETS INFORMATION
(ABHOW OWNED AFFORDABLE HOUSING)
AS OF SEPTEMBER 30, 2013 (continued)
(In Thousands)

	Broadmoor Plaza	Hillcrest Gardens	Shepherd's Garden	Salishan Gardens	Total
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 1	\$ 4	\$ 7	\$ 33	\$ 83
RESTRICTED CASH	196	176	129	392	1,809
RESIDENT ACCOUNTS AND OTHER RECEIVABLES - Net	4	1	-	-	24
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	35	16	11	1,003	1,167
OTHER ASSETS	-	-	-	38	282
LAND, BUILDING, AND EQUIPMENT - Net	6,983	8,513	8,814	9,691	46,028
INTERCOMPANY	(7)	1	(7)	(4)	(33)
TOTAL	\$ 7,212	\$ 8,711	\$ 8,954	\$ 11,153	\$ 49,360
LIABILITIES AND NET (DEFICIT) ASSETS					
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 28	\$ 12	\$ 47	\$ 20	\$ 182
ACCRUED INTEREST	835	239	-	-	1,097
NOTES AND BONDS PAYABLE	8,077	10,003	7,540	11,297	55,807
OTHER LIABILITIES	33	21	15	20	229
Total liabilities	8,973	10,275	7,602	11,337	57,315
COMMITMENTS AND CONTINGENCIES					
NET (DEFICIT) ASSETS					
Unrestricted - Controlling	(1,761)	(1,564)	1,352	(184)	(7,955)
Total net (deficit) assets	(1,761)	(1,564)	1,352	(184)	(7,955)
TOTAL	\$ 7,212	\$ 8,711	\$ 8,954	\$ 11,153	\$ 49,360

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT) COMMUNITY INFORMATION
(ABHOW OWNED AFFORDABLE HOUSING)
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)**

UNRESTRICTED NET ASSETS	Casa de la Vista	Fern Lodge	Oak Knolls Haven	Tahoe Senior Plaza	Judson Terrace Lodge
OPERATING REVENUES					
Other operating revenue	\$ 71	\$ 3	\$ 10	\$ 2	\$ 3
Affordable housing fees and rents	797	487	428	336	231
Bequests and charitable giving	6	10	-	2	-
Foundation community benefit	1	1	-	-	-
Total operating revenues	<u>875</u>	<u>501</u>	<u>438</u>	<u>340</u>	<u>234</u>
OPERATING EXPENSES					
Salaries and wages	180	126	76	110	51
Employee benefits	56	43	23	32	18
Supplies	110	45	19	37	15
Marketing and advertising	-	-	-	1	-
Repairs and maintenance	18	17	14	17	19
Purchased services	97	82	77	60	50
Leases and rents	3	2	4	1	2
Utilities	68	64	54	54	52
Travel and related	14	9	4	12	2
Other operating expenses	19	17	14	13	7
Insurance	40	21	18	22	7
Total operating expenses	<u>605</u>	<u>426</u>	<u>303</u>	<u>359</u>	<u>223</u>
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	270	75	135	(19)	11
OTHER OPERATING INCOME (EXPENSE)					
Investment income - net	-	-	-	-	-
Mortgage interest	(180)	-	(102)	-	-
Depreciation and amortization	(298)	(234)	(76)	(135)	(115)
LOSS FROM OPERATIONS	(208)	(159)	(43)	(154)	(104)
DECREASE IN NET ASSETS	(208)	(159)	(43)	(154)	(104)
NET ASSETS (DEFICIT) - Beginning of year	<u>(2,554)</u>	<u>(810)</u>	<u>(617)</u>	<u>(1,325)</u>	<u>(492)</u>
NET ASSETS (DEFICIT) - End of year	<u>\$ (2,762)</u>	<u>\$ (969)</u>	<u>\$ (660)</u>	<u>\$ (1,479)</u>	<u>\$ (596)</u>

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT) COMMUNITY INFORMATION
(ABHOW OWNED AFFORDABLE HOUSING)
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)**

UNRESTRICTED NET ASSETS	Broadmoor Plaza	Hillcrest Gardens	Shepherd's Garden	Salishan Gardens	Total
OPERATING REVENUES					
Other operating revenue	\$ 4	\$ 9	\$ 36	\$ 2	\$ 140
Affordable housing fees and rents	439	299	219	333	3,569
Bequests and charitable giving	-	-	-	-	18
Foundation community benefit	-	1	-	-	3
Total operating revenues	443	309	255	335	3,730
OPERATING EXPENSES					
Salaries and wages	140	98	77	91	949
Employee benefits	44	29	26	29	300
Supplies	16	13	7	10	272
Marketing and advertising	-	-	-	-	1
Repairs and maintenance	21	8	5	10	129
Purchased services	82	59	43	52	602
Leases and rents	4	3	4	7	30
Utilities	77	56	36	62	523
Travel and related	4	5	3	4	57
Other operating expenses	40	4	9	60	183
Insurance	18	8	11	15	160
Total operating expenses	446	283	221	340	3,206
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	(3)	26	34	(5)	524
OTHER OPERATING INCOME (EXPENSE)					
Investment income - net	-	-	-	1	1
Mortgage interest	(73)	(41)	-	-	(396)
Depreciation and amortization	(207)	(322)	(270)	(278)	(1,935)
LOSS FROM OPERATIONS	(283)	(337)	(236)	(282)	(1,806)
DECREASE IN NET ASSETS	(283)	(337)	(236)	(282)	(1,806)
NET ASSETS (DEFICIT) - Beginning of year	(1,761)	(1,564)	1,352	(184)	(7,955)
NET ASSETS (DEFICIT) - End of year	<u>\$ (2,044)</u>	<u>\$ (1,901)</u>	<u>\$ 1,116</u>	<u>\$ (466)</u>	<u>\$ (9,761)</u>

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT) COMMUNITY INFORMATION
(ABHOW OWNED AFFORDABLE HOUSING)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(In Thousands)**

UNRESTRICTED NET ASSETS	Casa de la Vista	Fern Lodge	Harbor View Manor	Oak Knolls Haven
OPERATING REVENUES				
Affordable housing fees and rents	\$ 846	\$ 425	\$ -	\$ 434
Total operating revenues	846	425	-	434
OPERATING EXPENSES				
Salaries and wages	198	151	-	86
Employee benefits	67	45	-	29
Supplies	78	35	-	31
Marketing and advertising	-	-	-	-
Repairs and maintenance	9	11	-	5
Purchased services	79	61	-	64
Leases and rents	6	2	-	3
Utilities	68	61	-	58
Other operating expenses	32	27	239	20
Insurance	38	14	-	17
Total operating expenses	575	407	239	313
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	271	18	(239)	121
OTHER OPERATING INCOME (EXPENSE)				
Investment income - net	-	-	-	-
Mortgage interest	(183)	-	-	(104)
Depreciation and amortization	(286)	(226)	-	(76)
LOSS FROM OPERATIONS	(198)	(208)	(239)	(59)
Loss on syndication of Harbor View Manor	-	-	(37)	-
Gain on syndication of Three Rivers Village	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(198)	(208)	(276)	(59)
(DECREASE) INCREASE IN NET ASSETS	(198)	(208)	(276)	(59)
NET ASSETS (DEFICIT) - Beginning of year	(2,356)	(602)	276	(558)
NET ASSETS (DEFICIT) - End of year	\$ (2,554)	\$ (810)	\$ -	\$ (617)

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT) COMMUNITY INFORMATION
(ABHOW OWNED AFFORDABLE HOUSING)
FOR THE YEAR ENDED SEPTEMBER 30, 2013 (continued)
(In Thousands)**

UNRESTRICTED NET ASSETS	Tahoe Senior Plaza	Judson Terrace Lodge	Broadmoor Plaza	Hillcrest Gardens
OPERATING REVENUES				
Affordable housing fees and rents	\$ 323	\$ 234	\$ 411	\$ 282
Total operating revenues	323	234	411	282
OPERATING EXPENSES				
Salaries and wages	95	42	137	83
Employee benefits	33	16	46	29
Supplies	26	10	20	11
Marketing and advertising	-	-	1	-
Repairs and maintenance	9	12	15	6
Purchased services	40	43	62	42
Leases and rents	1	-	4	3
Utilities	53	49	62	58
Other operating expenses	27	16	47	24
Insurance	10	6	16	7
Total operating expenses	294	194	410	263
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	29	40	1	19
OTHER OPERATING INCOME (EXPENSE)				
Investment income - net	-	-	-	-
Mortgage interest	-	-	(73)	(41)
Depreciation and amortization	(130)	(113)	(208)	(321)
LOSS FROM OPERATIONS	(101)	(73)	(280)	(343)
Loss on syndication of Harbor View Manor	-	-	-	-
Gain on syndication of Three Rivers Village	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(101)	(73)	(280)	(343)
(DECREASE) INCREASE IN NET ASSETS	(101)	(73)	(280)	(343)
NET ASSETS (DEFICIT) - Beginning of year	(1,224)	(419)	(1,481)	(1,221)
NET ASSETS (DEFICIT) - End of year	<u>\$ (1,325)</u>	<u>\$ (492)</u>	<u>\$ (1,761)</u>	<u>\$ (1,564)</u>

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (DEFICIT) COMMUNITY INFORMATION
(ABHOW OWNED AFFORDABLE HOUSING)
FOR THE YEAR ENDED SEPTEMBER 30, 2013 (continued)
(In Thousands)**

UNRESTRICTED NET ASSETS	Shepherd's Garden	Salishan Gardens	Three Rivers Village	Total
OPERATING REVENUES				
Affordable housing fees and rents	\$ 219	\$ 336	\$ 286	\$ 3,796
Total operating revenues	219	336	286	3,796
OPERATING EXPENSES				
Salaries and wages	79	90	57	1,018
Employee benefits	26	29	19	339
Supplies	6	15	11	243
Marketing and advertising	-	-	1	2
Repairs and maintenance	5	14	15	101
Purchased services	34	33	18	476
Leases and rents	5	7	-	31
Utilities	57	60	26	552
Other operating expenses	13	62	29	536
Insurance	10	13	8	139
Total operating expenses	235	323	184	3,437
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	(16)	13	102	359
OTHER OPERATING INCOME (EXPENSE)				
Investment income - net	-	1	-	1
Mortgage interest	-	-	(59)	(460)
Depreciation and amortization	(270)	(277)	(78)	(1,985)
LOSS FROM OPERATIONS	(286)	(263)	(35)	(2,085)
Loss on syndication of Harbor View Manor	-	-	-	(37)
Gain on syndication of Three Rivers Village	-	-	181	181
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(286)	(263)	146	(1,941)
(DECREASE) INCREASE IN NET ASSETS	(286)	(263)	146	(1,941)
NET ASSETS (DEFICIT) - Beginning of year	1,638	79	(146)	(6,014)
NET ASSETS (DEFICIT) - End of year	\$ 1,352	\$ (184)	\$ -	\$ (7,955)

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF CASH FLOWS INFORMATION
(ABHOW OBLIGATED GROUP)
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013
(In Thousands)

	2014	2013
OPERATING ACTIVITIES		
Cash received for resident services	\$ 96,737	\$ 91,264
Cash received for entrance fees from reoccupancy	20,848	21,161
Cash received from other operating activities	14,688	17,447
Cash received from bequests and trust maturities	4	8
Cash earnings realized from investments	1,355	1,829
Cash paid for employee salaries	(47,020)	(44,521)
Cash paid for employee benefits	(14,083)	(12,908)
Cash paid for temporary labor and recruitment	(3,987)	(4,111)
Cash paid to vendors	(44,243)	(43,830)
Cash paid for interest, net of amounts capitalized	(5,305)	(5,478)
Net cash provided by operating activities	18,994	20,861
INVESTING ACTIVITIES		
Acquisition of land, buildings, and equipment - CCRCs	(35,679)	(45,048)
Acquisition of land, buildings, and equipment - Affordable Housing	(77)	-
Proceeds from reimbursement of capital expenditures - Affordable Housing	-	743
Change in restricted cash	461	(4,733)
Purchase of unrestricted investments	(26,879)	(16,231)
Proceeds from sale of unrestricted investments	23,743	14,580
Purchase of restricted investments	(109,249)	(144,333)
Cash utilized from restricted investments	129,320	85,126
Net cash used in investing activities	(18,360)	(109,896)
FINANCING ACTIVITIES		
Cash received from initial entrance fees and deposits	24,344	2,628
Refunds of deposits and refundable fees	(2,533)	(2,625)
Net proceeds from issuance of notes and bonds payable - CCRCs	-	93,032
Cash paid for deferred debt issuance costs - CCRCs	-	(1,486)
Principal payments of notes and bonds payable - CCRCs	(3,503)	(2,718)
Cash (paid) received from capital contributions	(3,013)	500
Cash paid for intercompany and interaffiliate transactions	(1,420)	(1,856)
Net cash provided by financing activities	13,875	87,475
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,509	(1,560)
CASH AND CASH EQUIVALENTS - Beginning of year	7,358	8,918
CASH AND CASH EQUIVALENTS - End of year	\$ 21,867	\$ 7,358

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF CASH FLOWS INFORMATION
(ABHOW OBLIGATED GROUP)
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (continued)
(In Thousands)**

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 88	\$ 8,230
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization of entrance fees	(16,215)	(15,053)
Entrance fees from reoccupancy	20,848	21,161
Amortization of deferred revenue from investment contract	(2,987)	(213)
Depreciation and amortization	13,832	12,940
Change in unrealized gains on investments - net	460	(1,371)
Change in net unrecognized pension obligation	1,165	(4,299)
Contribution in aid of construction	3,014	-
Change in accounts receivable from residents and clients	(8,116)	(2,072)
Change in prepaid expenses and deposits	(67)	(473)
Other changes in operating assets and liabilities - net	<u>6,972</u>	<u>2,011</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 18,994</u>	<u>\$ 20,861</u>
NONCASH DISCLOSURES		
Acquisition of buildings and equipment financed through accounts payable and accrued expenses	<u>\$ 2,392</u>	<u>\$ 4,292</u>

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF CASH FLOWS INFORMATION
(JUDSON PARK)
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013
(In Thousands)

	2014	2013
OPERATING ACTIVITIES		
Cash received for resident services	\$ 15,371	\$ 16,580
Cash received for entrance fees for occupancy	3,362	2,752
Cash received for other operating activities	610	366
Cash received from bequests and trust maturities	-	3
Cash earnings realized from investments	76	64
Cash paid for employee salaries	(7,139)	(6,915)
Cash paid for employee benefits	(2,008)	(2,078)
Cash paid for temporary labor and recruitment	(468)	(584)
Cash paid to vendors	(5,261)	(6,342)
Cash paid for interest, net of amounts capitalized	(835)	(847)
Net cash provided by operating activities	3,708	2,999
INVESTING ACTIVITIES		
Acquisition of land, buildings, and equipment - CCRCs	(1,237)	(476)
Purchase of unrestricted investments	(1,775)	(92)
Proceeds from sale of unrestricted investments	1,699	27
Purchase of restricted investments	-	(118)
Proceeds from sale of restricted investments	3	-
Net cash used in investing activities	(1,310)	(659)
FINANCING ACTIVITIES		
Refunds of deposits and refundable fees	(913)	(1,228)
Principal payments of notes and bonds payable - CCRCs	(944)	(799)
Cash received (paid) from intercompany transactions	291	(30)
Net cash used in financing activities	(1,566)	(2,057)
INCREASE IN CASH AND CASH EQUIVALENTS	832	283
CASH AND CASH EQUIVALENTS - Beginning of year	6,362	6,079
CASH AND CASH EQUIVALENTS - End of year	\$ 7,194	\$ 6,362

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF CASH FLOWS INFORMATION
(JUDSON PARK)
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013 (continued)
(In Thousands)**

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Change in net deficit	\$ (413)	\$ 286
Adjustments to reconcile change in net deficit to net cash provided by operating activities		
Amortization of entrance fees	(1,975)	(2,420)
Entrance fees for occupancy	3,362	2,752
Depreciation and amortization	2,543	2,632
Change in unrealized gains on investments - net	40	96
Change in unrealized loss on interest rate swaps	(233)	(434)
Change in accounts receivable from residents and clients	(1,307)	(40)
Change in prepaid expenses and deposits	(21)	(5)
Other changes in operating assets and liabilities - net	1,712	132
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,708</u>	<u>\$ 2,999</u>

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
(A MEMBER OF CORNERSTONE AFFILIATES)
SUPPLEMENTARY INFORMATION – STATEMENTS OF OPERATIONS AND CHANGES IN
NET ASSETS (DEFICIT) INFORMATION (ABHOW AFFORDABLE HOUSING) - UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(In Thousands)

UNRESTRICTED NET DEFICIT	Affordable Housing Corporate Office	Carmel Senior Housing	ABHOW Owned Affordable Housing	Subtotal	Eliminations	Total
OPERATING REVENUES						
Other operating revenue	\$ 3	\$ 174	\$ 140	\$ 317	\$ -	\$ 317
Affordable housing fees and rents	2,479	4,234	3,569	10,282	(712)	9,570
Bequests and charitable giving	1	13	18	32	-	32
Foundation community benefit	-	16	3	19	-	19
Total operating revenues	<u>2,483</u>	<u>4,437</u>	<u>3,730</u>	<u>10,650</u>	<u>(712)</u>	<u>9,938</u>
OPERATING EXPENSES						
Salaries and wages	1,498	880	949	3,327	-	3,327
Employee benefits	376	278	300	954	-	954
Supplies	53	160	272	485	-	485
Marketing and advertising	-	45	1	46	-	46
Repairs and maintenance	1	101	129	231	-	231
Purchased services	113	572	602	1,287	(739)	548
Leases and rents	129	43	30	202	-	202
Utilities	28	707	523	1,258	-	1,258
Travel and related	380	28	57	465	-	465
Other operating expenses	-	(194)	183	(11)	-	(11)
Insurance	73	129	160	362	-	362
Total operating expenses	<u>2,651</u>	<u>2,749</u>	<u>3,206</u>	<u>8,606</u>	<u>(739)</u>	<u>7,867</u>
INCOME (LOSS) BEFORE OTHER OPERATING INCOME (EXPENSES)	(168)	1,688	524	2,044	27	2,071
OTHER OPERATING INCOME (EXPENSE)						
Increase in unrealized loss on interest rate swaps and caps	-	(179)	-	(179)	-	(179)
Realized gains on investments - net	-	2	-	2	-	2
Investment income - net	-	61	1	62	-	62
Mortgage interest	-	(1,603)	(396)	(1,999)	(470)	(2,469)
Depreciation and amortization	-	(3,104)	(1,935)	(5,039)	-	(5,039)
LOSS FROM OPERATIONS	(168)	(3,135)	(1,806)	(5,109)	(443)	(5,552)
Change in unrealized gains and losses on investments	-	(41)	-	(41)	-	(41)
Contribution in aid of construction	-	8,162	-	8,162	10	8,172
CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT)	\$ (168)	\$ 4,986	\$ (1,806)	\$ 3,012	\$ (433)	\$ 2,579

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CONTINUING CARE
CONTRACTS BRANCH

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

**American Baptist Homes of the West
and Affiliates**

As of and for the year ended September 30, 2014

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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CONTINUING CARE
 CONTRACTS BRANCH

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of American Baptist Homes of the West and Affiliates, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended September 30, 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserve of American Baptist Homes of the West and Affiliates as of and for the year ended September 30, 2014, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

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

Other Matter

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

Restriction on Use

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



San Francisco, California
January 28, 2015

CONTINUING CARE LIQUID RESERVE SCHEDULES

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-1
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
(INCLUDING BALLOON DEBT)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	09/01/06	\$1,855,000	-\$141,440	\$675,000	\$2,388,560
2	10/01/10	\$755,000	\$5,942,540	\$192,792	\$6,890,332
3	01/05/12	\$520,000	\$277,789		\$797,789
4	02/01/13	\$0	\$2,285,214		\$2,285,214
5	02/01/13	\$373,000	\$53,532		\$426,532
6	Certs. Of Part	\$0	\$4,350		\$4,350
7					\$0
8					\$0
TOTAL:			\$8,421,985	\$867,792	\$12,792,777

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

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

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-2
LONG-TERM DEBT INCURRED DURING FISCAL YEAR
(INCLUDING BALLOON DEBT)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1				\$0
2				\$0
3				\$0
4				\$0
5				\$0
6				\$0
TOTAL:		\$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.

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Line	TOTAL
1	\$12,792,777
2	\$0
3	\$1,272,000
4	\$14,064,777

TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES (TERRACES AT LOS ALTOS)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$10,332,000
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$345,122
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$3,878
c.	Depreciation	\$915,000
d.	Amortization	\$0
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$1,411,638
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$2,675,638
4	Net Operating Expenses	\$7,656,362
5	Divide Line 4 by 365 and enter the result.	\$20,976
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$1,573,200

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

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES (GRAND LAKE GARDENS)**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$4,032,000
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$118,953
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$1,047
c.	Depreciation	\$512,000
d.	Amortization	\$0
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$325,821
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$957,821
4	Net Operating Expenses	\$3,074,179
5	Divide Line 4 by 365 and enter the result.	\$8,422
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$631,650
PROVIDER: American Baptist Homes of the West and Affiliates		
COMMUNITY: Grand Lake Gardens		

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES (PIEDMONT GARDENS)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$22,714,000
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$450,024
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$3,976
	c. Depreciation	\$2,474,000
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$3,020,356
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$5,948,356
4	Net Operating Expenses	\$16,765,644
5	Divide Line 4 by 365 and enter the result.	\$45,933
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$3,444,975

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

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES (PLYMOUTH VILLAGE)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$15,117,000
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$348,921
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$3,079
c.	Depreciation	\$2,466,000
d.	Amortization	\$0
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$374,650
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$3,192,650
4	Net Operating Expenses	\$11,924,350
5	Divide Line 4 by 365 and enter the result.	\$32,669
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u>\$2,450,175</u>

PROVIDER: American Baptist Homes of the West and Affiliates

COMMUNITY: Plymouth Village

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES (VALLE VERDE)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$24,030,000
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$822,381
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$13,619
	c. Depreciation	\$3,060,000
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$1,173,474
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$5,069,474
4	Net Operating Expenses	\$18,960,526
5	Divide Line 4 by 365 and enter the result.	\$51,947
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$3,896,025

PROVIDER: American Baptist Homes of the West and Affiliates

COMMUNITY: Valle Verde

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES (ROSEWOOD)**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$16,831,000
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$455,969
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$4,031
c.	Depreciation	\$1,362,000
d.	Amortization	\$0
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$3,956,749
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$5,778,749
4	Net Operating Expenses	\$11,052,251
5	Divide Line 4 by 365 and enter the result.	\$30,280
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$2,271,000

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

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES (TERRACES OF LOS GATOS)**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$21,795,000
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$2,181,729
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$19,271
c.	Depreciation	\$2,717,000
d.	Amortization	\$0
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$2,048,636
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$6,966,636
4	Net Operating Expenses	\$14,828,364
5	Divide Line 4 by 365 and enter the result.	\$40,626
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u>\$3,046,950</u>

PROVIDER: American Baptist Homes of the West and Affiliates

COMMUNITY: Terraces of Los Gatos

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-5
ANNUAL RESERVE CERTIFICATION**

SEPTEMBER 30, 2014

FORM 5-5

Provider Name: American Baptist Homes of the West and Affiliates
 Fiscal Year Ended: 2014

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 9/30/2014 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>\$14,064,777</u>
[2] Operating Expense Reserve Amount	<u>\$17,313,975</u>
[3] Total Liquid Reserve Amount:	<u>\$31,378,752</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>\$22,113,825</u>
[5] Investment Securities	<u>\$75,293,178</u>	<u>\$26,793,839</u>
[6] Equity Securities	<u>\$0</u>	<u>\$65,696,030</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>\$14,198,006</u>	(not applicable)
[10] Other:		
<u>_____</u> (describe qualifying asset)		
Listed for Reserve Obligation: [11]	<u>\$89,491,184</u> [12]	<u>\$114,603,694</u>
Reserve Obligation Amount: [13]	<u>\$14,064,777</u> [14]	<u>\$17,313,975</u>
Surplus/(Deficiency): [15]	<u>\$75,426,407</u> [16]	<u>\$97,289,719</u>

Signature:



(Authorized Representative)

Date: January 28, 2015

SVP Finance/Chief Financial Officer

(Title)

SUPPLEMENTARY SCHEDULES

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
ATTACHMENT I TO FORM 5-1
INTEREST PAID DURING FISCAL YEAR
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Description	ABHOW Obligated Group
Total interest expense, net of amounts capitalized from financial statements	\$ 5,065,642
Subtract:	
Letter of Credit fees	53,343
Loan Fees	139,449
Add:	
Capitalized Interest - Series 2006	84,409
Capitalized Interest - Series 2010 TLA Redevelopment	296,208
Capitalized Interest - Series 2010 VV Redevelopment	673,547
Capitalized Interest - Series 2010 TLA Ziegler Mgt Fees	1,072
Capitalized Interest - Series 2010 VV Ziegler Mgt Fees	2,878
Capitalized Interest - Series 2012 TLA	142,164
Capitalized Interest - Series 2012 VV	31,402
Capitalized Interest - Series 2013	2,285,214
Capitalized Interest - TLA Equipment Loan	32,241
Total interest paid during fiscal year per form 5-1	\$ 8,421,985

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
ATTACHMENT II TO FORM 5-4
OPERATING EXPENSES FROM FINANCIAL STATEMENTS
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Line Description</u>	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos
1 Total operating expenses from financial statements	\$ 9,068,000	\$ 3,400,000	\$ 19,786,000	\$ 12,299,000	\$ 20,134,000	\$ 15,009,000	\$ 16,877,000
Total operating expenses from financial statements as reported	915,000	512,000	2,474,000	2,466,000	3,060,000	1,362,000	2,717,000
Add:	349,000	120,000	454,000	352,000	836,000	460,000	2,201,000
Depreciation and amortization							
Mortgage interest							
Total for Line 1	\$ 10,332,000	\$ 4,032,000	\$ 22,714,000	\$ 15,117,000	\$ 24,030,000	\$ 16,831,000	\$ 21,795,000

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
ATTACHMENT III TO FORM 5-4: DEDUCTIONS FROM OPERATING EXPENSE
OPERATING EXPENSES FROM FINANCIAL STATEMENTS
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Line	Description	Terraces at Los Altos	Grand Lake Gardens	Piedmont Gardens	Plymouth Village	Valle Verde	Rosewood	Terraces of Los Gatos	ABHOW Obligated Group
2e	Total Revenues received during the fiscal year for services to resident who did not have a continuing care contract								
40201	Monthly Fees – Private (Non-Contract)	\$ 1,358,558	\$ 315,009	\$ 3,008,049	\$ 365,227	\$ 1,141,606	\$ 3,872,968	\$ 1,997,769	\$ 12,059,186
40221	Second Person Fee - PP	-	10,812	-	97	-	33,436	-	44,345
41001	Monthly Fees - Wellness - Private (Non-Contract)	191	-	-	-	25	32,499	840	33,555
43101	Laboratory – Private (Non-Contract)	-	-	-	-	-	66	29	95
43201	Physical Therapy – Private (Non-Contract)	-	-	2,305	425	-	2,192	21,041	25,963
43211	Occupational Therapy – Private (Non-Contract)	-	-	80	690	7,100	(102)	997	8,765
43221	Speech Therapy – Private (Non-Contract)	-	-	1,640	-	1,260	-	300	3,200
43301	Chargeable Supplies – Private (Non-Contract)	46,066	-	7,355	8,211	21,759	14,343	23,995	121,729
43321	Drugs – Private (Non-Contract)	6,823	-	971	-	-	1,347	1,125	10,266
43331	Oxygen – Private (Non-Contract)	-	-	(44)	-	1,724	-	2,540	4,220
	Total for Line 2e	\$ 1,411,638	\$ 325,821	\$ 3,020,356	\$ 374,650	\$ 1,173,474	\$ 3,956,749	\$ 2,048,636	\$ 12,311,324
	Residential Living Fees Reconciliations								
40201	Monthly Fees – Private (Non-Contract)	\$ -	\$ 315,009	\$ -	\$ 5,541	\$ -	\$ 1,512,209	\$ -	\$ 1,832,759
40221	Second Person Fee - PP	-	10,812	-	97	-	24,703	-	35,612
43321	Drugs - Private (Non-Contract)	-	-	-	-	-	49	-	49
	Total (Non-Contract)	1,878,409	325,821	6,786,664	5,638	9,502,701	1,536,961	8,743,957	1,868,420
	Contract	968,000	1,935,413	6,786,664	5,829,676	1,585,847	1,897,900	2,412,683	36,574,720
	Total Resident Fees	\$ 1,878,409	\$ 2,261,234	\$ 6,786,664	\$ 5,835,314	\$ 9,502,701	\$ 3,434,861	\$ 8,743,957	\$ 38,443,140
	Assisted Living Fees Reconciliation								
40201	Monthly Fees – Private (Non-Contract)	\$ -	\$ -	\$ 875,907	\$ -	\$ -	\$ 1,049,614	\$ 149,215	\$ 2,074,736
40221	Second Person Fee - PP	-	-	-	-	-	8,733	-	8,733
41001	Monthly Fees - Wellness - Private (Non-Contract)	-	-	-	-	-	30,779	-	30,779
43301	Chargeable Supplies - Private (Non-Contract)	-	-	-	-	-	3	-	3
44321	Drugs - Private (Non-Contract)	-	-	-	-	-	-	70	70
	Total (Non-Contract)	-	-	875,907	-	-	1,089,129	149,285	2,114,321
	Contract	968,000	-	1,638,168	1,588,675	1,585,847	518,282	2,412,683	8,811,655
	Total Assisted Living Fees	\$ 968,000	\$ -	\$ 2,514,075	\$ 1,588,675	\$ 1,585,847	\$ 1,607,411	\$ 2,561,968	\$ 10,925,976
	Health Center Fees Reconciliation								
40201	Monthly Fees – Private (Non-Contract)	\$ 1,246,486	\$ -	\$ 1,708,118	\$ 359,686	\$ 1,074,031	\$ 680,888	\$ 1,414,601	\$ 6,483,810
43101	Laboratory – Private (Non-Contract)	-	-	-	-	-	66	29	95
43201	Physical Therapy – Private (Non-Contract)	-	-	2,305	425	-	2,192	21,041	25,963
43211	Occupational Therapy – Private (Non-Contract)	-	-	80	690	7,100	(102)	997	8,765
43221	Speech Therapy – Private (Non-Contract)	-	-	1,640	-	1,260	-	300	3,200
43301	Chargeable Supplies – Private (Non-Contract)	46,066	-	7,355	8,211	21,759	14,340	23,995	121,726
43321	Drugs – Private (Non-Contract)	6,823	-	971	-	-	1,298	915	10,607
43331	Oxygen – Private (Non-Contract)	-	-	(44)	-	1,724	-	2,540	4,220
	Total (Non-Contract)	1,299,375	-	1,720,425	369,012	1,105,874	698,682	1,464,418	6,657,786
	Contract	2,578,879	-	8,841,829	3,605,852	7,360,660	8,072,608	6,591,008	37,050,836
	Total Health Center Fees Reconciliation	\$ 3,878,254	\$ -	\$ 10,562,254	\$ 3,974,864	\$ 8,466,534	\$ 8,771,290	\$ 8,055,426	\$ 43,708,622
	Memory Support Reconciliation								
40201	Monthly Fees – Private (Non-Contract)	\$ 112,072	\$ -	\$ 424,023	\$ -	\$ 64,212	\$ 630,257	\$ 433,954	\$ 1,664,518
41001	Monthly Fees - Wellness - Private (Non-Contract)	191	-	-	-	-	-	-	191
43321	Drugs - Private (Non-Contract)	-	-	-	-	-	-	140	140
	Total (Non-Contract)	112,072	-	424,023	-	64,212	630,257	433,954	1,664,518
	Contract	226,422	-	677,312	556,000	1,242,369	464,678	800,777	3,967,558
	Total Memory Support Fees	\$ 338,494	\$ -	\$ 1,101,335	\$ 556,000	\$ 1,306,581	\$ 1,094,935	\$ 1,234,731	\$ 5,632,076
	Other Resident Svc. Reconciliation								
41001	Monthly Fees - Wellness - Private (Non-Contract)	\$ -	\$ -	\$ -	\$ -	\$ 25	\$ 1,720	\$ 840	\$ 2,585
	Total (Non-Contract)	-	-	-	-	25	1,720	840	2,585
	Contract	52,814	245,456	114,491	134,129	384,000	97,467	106,973	1,135,330
	Total Other Revenue	\$ 52,814	\$ 245,456	\$ 114,491	\$ 134,129	\$ 384,025	\$ 99,187	\$ 107,813	\$ 1,137,915

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
ATTACHMENT IV TO FORM 5-5: SCHEDULE OF QUALIFYING ASSETS –
INVESTMENTS AND DEBT SERVICE RESERVE
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Line Description

Total cash and cash equivalents from financial statements		
	Cash and cash equivalents, ABHOW obligated Group	\$ 21,867,000
	Cash and cash equivalents, Foundation	247,000
4	Total operating reserve, cash and cash equivalents	<u>\$ 22,114,000</u>
Total investments from financial statements		
	Investments, ABHOW obligated Group	\$ 58,411,000
	Investments, Foundation	38,389,000
	Subtract:	
	Securities collateral required to back letters of credit as disclosed in Note 10	<u>4,309,864</u>
	Total investments from financial statements	\$ 92,490,136
Total Investments securities and equity securities from Form 5-5		
5	Investment securities	\$ 26,793,839
6	Equity securities	65,696,030
	Subtract:	
	Difference due to rounding	<u>267</u>
	Difference between form 5-5 and financial statements	<u>\$ -</u>
Debt service reserve reconciliation		
5	Investment securities Form 5-5	\$ 75,293,178
9	Debt service reserve Form 5-5	<u>14,198,006</u>
11	Total listed for reserve obligation	\$ 89,491,184
	ABHOW obligated group - restricted investments from financial statements	\$ 89,491,000
	Subtract:	
	Difference due to rounding	<u>184</u>
	Difference between form 5-5 and financial statements	<u>\$ -</u>

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-5
SUPPLEMENTARY SCHEDULE – DESCRIPTION OF RESERVES UNDER SB 1212**

Description of Reserves under SB 1212

Total Qualifying Assets as Filed:

Cash and Cash Equivalents	\$ 22,113,825
Unrestricted Investment Securities	96,798,733
Subtotal Cash and Unrestricted Investment Securities	<u>118,913,558</u>
Reserved for Workers Compensation	<u>(4,309,864)</u>
Total Qualifying Assets as Filed:	<u>114,603,694</u>

Comments in Consistency with Tax Exempt Status Under AB 1169

Reservations and Designations:

Reserved for Refundable Entrance Fees - Terraces of Los Gatos

	155,395
--	---------

Refundable entrance fees received during 1990's on this campus and subject to refund provisions under Section 1792.6 of CC Statutes.

Designated for Endowment

	38,070,000
--	------------

Foundation unrestricted endowment funds that qualify for liquid reserves but are not available for operations. The Foundation does provide a guarantee for debt service as described in Note 7 to the audited financial statements. Earnings from the endowment funds are distributed to the communities for assistance with benevolence needs of residents.

Designated for 457(f)

	5,654,000
--	-----------

Assets included in non-qualified retirement plan that is subject to the claims of creditors as discussed in Note 9 to the audited financial statements.

Designated for Claims

	1,330,000
--	-----------

Claims and legal actions in the ordinary course of business as described in Note 14 to the audited financial statements.

Designated for Corporate Reserves

	13,622,000
--	------------

Per Executive Limitation #5 of the Board, a minimum of 45 days cash on hand must be maintained for working capital.

Designated for Guarantees

	2,000,000
--	-----------

As discussed in Note 14 to the audited financial statements, ABHOW has provided temporary guarantees for a number of affordable housing communities as provided for in its master trust indenture. While ABHOW does not anticipate having to fund the guarantees, a designation of 20% of the maximum \$30,000,000 is reflected as an estimate. Expanding affordable housing is consistent with ABHOW's mission statement and the Board's strategic objectives.

Designated for Commitments and Contingencies

	10,000,000
--	------------

Two of ABHOW's campuses (Terraces at Los Altos and Valle Verde) have been embarking on major redevelopment for the benefit of current and future residents.

Designated for Campus Redevelopment
Total Reservations and Designations

	<u>5,000,000</u>
	<u>75,831,395</u>

While certain borrowings have been restricted for this purpose, it is anticipated that unrestricted cash will likely have to be utilized for a portion of the developments to help manage the aggregate financing costs.

Remaining Liquid Reserves

	<u>\$ 38,772,299</u>
--	----------------------

Reserves needed for general liquidity consistent with maintaining a credit rating of BBB with a positive effect on aggregate capital costs.

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
 SUPPLEMENTAL SCHEDULE: RECONCILIATION OF RESERVES UNDER SB 1212
 STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Line Description

Total qualifying assets as filed	
Cash and cash equivalents, ABHOW obligated Group	\$ 21,867,000
Cash and cash equivalents, Foundation	247,000
Investments, ABHOW obligated group	58,411,000
Investments, Foundation	38,389,000
Subtract:	
Securities collateral required to back letters of credit as disclosed in Note 10	3,678,000
Subtract:	
Adjustments not included on Form 5-5	<u>632,306</u>
Total qualifying assets as filed	<u><u>\$ 114,603,694</u></u>
Reservations and designations	
Reserved for Refundable Entrance Fees - Terraces of Los Gatos	\$ 155,395
Designated for Endowment - Note 15	38,070,000
Designated for 457(f) plan - Note 15	5,654,000
Designated for claims - Note 15	1,330,000
Designated for corporate reserves - Note 15	13,622,000
Designated for affordable housing guarantees - Note 15	2,000,000
Designated for commitments and contingencies - Note 15	10,000,000
Designated for campus redevelopment - Note 15	<u>5,000,000</u>
Remaining liquid reserves	<u><u>\$ 38,772,299</u></u>

AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-5
SUPPLEMENTARY SCHEDULE – PER CAPITA COST OF OPERATIONS

Per Capita Cost of Operations

Operating Expenses (Form 5-4 line 1)	\$ 114,851,000
Mean Number of CCRC Residents (Form 1-1 line 10)	1,721
Per Capita Cost of Operations	\$ 66,735

**AMERICAN BAPTIST HOMES OF THE WEST AND AFFILIATES
FORM 5-5
NOTE TO RESERVE REPORTS**

NOTE 1 – BASIS OF ACCOUNTING

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period:	<u>\$ 1,966 – 3,484</u>	<u>NA</u>	<u>NA</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.90%</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.)

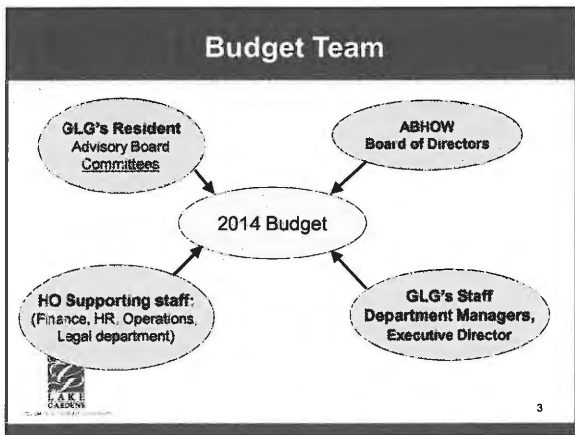
[3] Indicate the date the fee increase was implemented: December 01, 2013
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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



Occupancy Assumptions

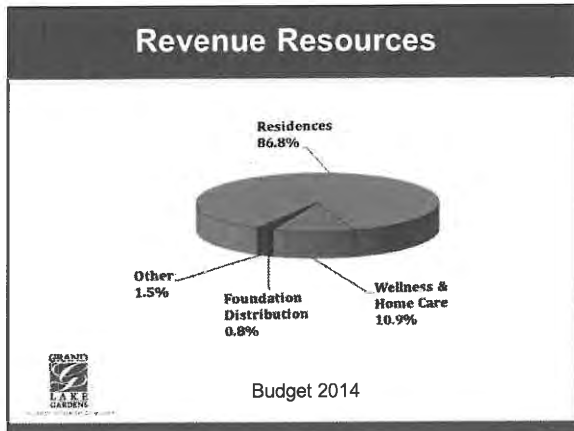
The Residences = 79.1% 72/91

Capital Expense Budget 2014

Emergency Generator replacement	\$ 75,000
1 st -5 th Floor Hall public restrooms	43,754
1 st , 2 nd , 4 th & 5 th Floor Halls	70,679
Replace 3 rd Floor drainpipes by retaining wall	15,000
Total Capital Expense Budget	\$ 204,433

Operating Revenue (\$000s)

(in \$000)	2014 Budget	2013 Budget	Variance
The Residences	2,614	2,586	28
Wellness & Home Care	329	253	76
Other Operating Revenue	47	48	(1)
Foundation Distributions	23	23	0
Operating Revenue	\$ 3,013	\$ 2,910	\$ 103

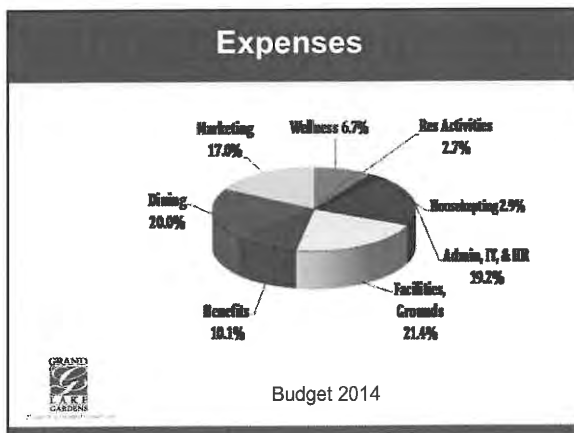


- ### Key Expense Assumptions
- Wage increases – 3.0%
 - Fringe benefit cost – 31.9%
 - Includes FICA, Health, Dental, Vision, Workers Comp, Unemployment, Retirement, etc.
 - Average wage rate - \$20.66

- ### Factors Affecting Cost Increases
- Salaries and Benefits decrease by \$59,000
 - Salaries/wages are budgeted to increase by 3.0%
 - Supplies increase by \$14,000
 - Food supplies increase by \$12,000
 - Marketing expenses increasing by \$82,000
 - Marketing expense of \$542,000 is 18.0% of Operating Revenue (ABHOW average is 4.6%)

Operating Expenses

(in \$000)	2014 Budget	2013 Budget	Variance
Employee Cost	1,457	1,516	59
Supplies	279	265	(14)
Purchased Services	128	147	19
Sales & Marketing	542	460	(82)
Utilities	316	303	(13)
Repair & Maintenance	28	28	0
Rentals and Leases	14	15	1
Insurance	38	45	7
Other Operating Expenses	374	365	(9)
Operating Expenses	\$ 3,176	\$ 3,144	(\$ 32)



Operating Margin

(in \$000)	2014 Budget	2013 Budget	Variance
Operating Revenue	\$ 3,013	\$ 2,910	\$ 103
Operating Expense	<u>(3,176)</u>	<u>(3,144)</u>	<u>(32)</u>
Operating Margin	(163)	(234)	71
Interest Expense on Debt	(116)	(118)	2
Cash Operating Margin	(279)	(352)	73

Rate Increase

Effective December 1, 2013

- The Residences: 4.90 %
- In addition, non-contract monthly fee will increase from \$560/month to \$1,086/month




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Recent Fee Increase History (%)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Residences	4.90	5.00	3.95	3.50	4.75	2.90	4.50	4.90	4.00	4.90


10 Year Average Rate Increase The Residences	5 Year Average Rate Increase The Residences
4.33%	4.24%



14

Thank you for your time and attention

Questions and Answers



15

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	\$ 3,279 – 3,389 <hr/> \$285	\$ 4,631– 11,128 <hr/>	\$ 259 – 404 per day <hr/>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.50% <hr/>	3.50% <hr/>	3.50 % <hr/>

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.)

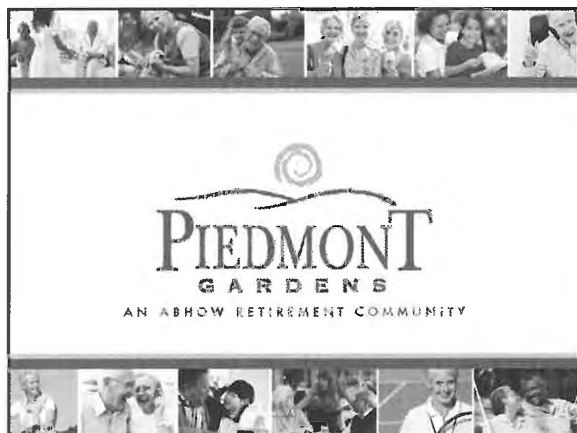
[3] Indicate the date the fee increase was implemented: December 1, 2013
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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


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

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




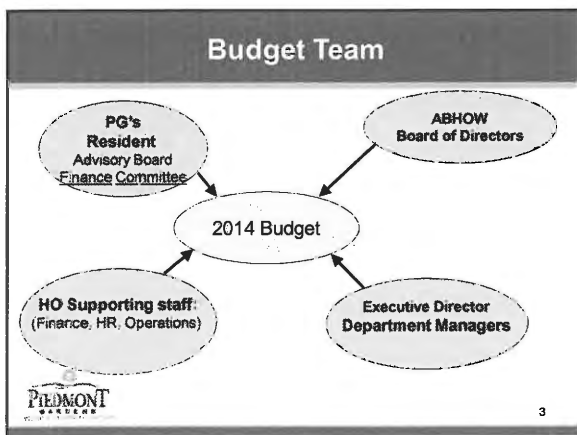
Occupancy Assumptions

The Residences =	92.0%	160/174
The Lodge =	55.8%	33.5/60
The Grove =	93.8%	15/16
The Village =	77.0%	72/94





Capital Expense Budget 2014

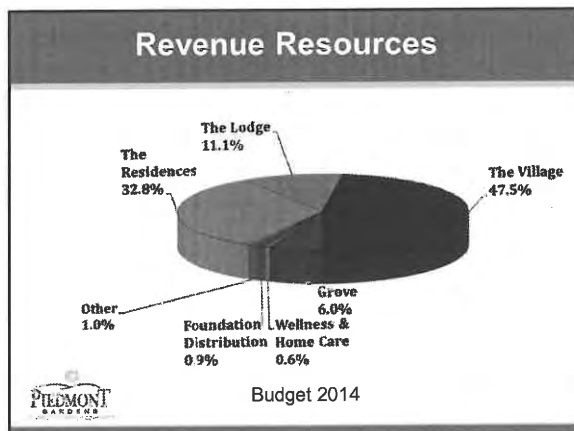
Building improvements	\$ 236,886
Main dining room remodel	70,000
3 rd floor movie theatre	27,500
6 th floor chairs	5,600
Lodge respite apartments	12,500
Sound system/cordless and acoustic	22,000
Village flat screen TV	<u>33,600</u>
Total Capital Expense Budget	\$ 408,086

Operating Revenue (\$000s)

(in \$000)	2014 Budget	2013 Budget	Variance
The Residences	\$ 6,551	\$ 6,114	\$ 437
The Lodge	2,221	2,189	32
The Grove	1,201	1,189	12
The Village	9,475	9,364	111
Other Resident Services	121	118	3
Other Operating Revenue	197	176	21
Foundation Distributions	<u>181</u>	<u>178</u>	<u>3</u>
Operating Revenue	\$ 19,947	\$ 19,328	\$ 619

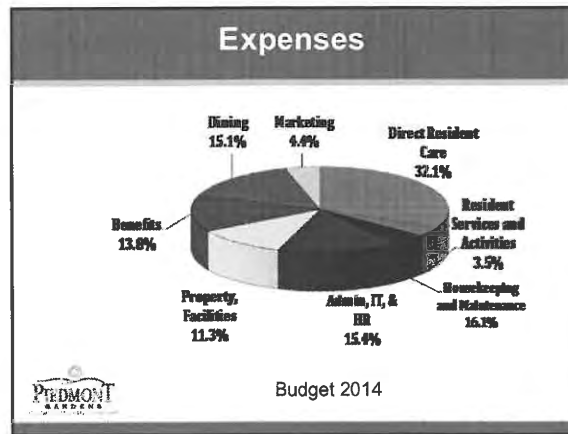




Operating Expenses

(in \$000)	2014 Budget	2013 Budget	Variance
Employee Cost	11,137	10,825	(312)
Supplies	1,438	1,309	(129)
Therapy & Pharmacy Services	1,184	1,217	33
Purchased Services	620	668	48
Sales & Marketing	861	732	(129)
Repair & Maintenance	219	275	56
Utilities	894	878	(16)
Rentals & Leases	107	92	(15)
Other Operating Expenses	2,052	1,999	(53)
Insurance	231	231	0
Operating Expenses	18,743	18,226	(517)

- ### Key Expense Assumptions
- Wage increases – 3.0%
 - Fringe benefit cost – 33.7 %
 - Includes FICA, Health, Dental, Vision, Workers Comp, Unemployment, Retirement, etc.
 - Average wage rate - \$22.29
 - Nursing Hours per Patient Day – 3.76



- ### Factors Affecting Cost Increases
- Salaries and Benefits increase by \$312,000 (2.9%)
 - Salaries/wages are budgeted to increase by 3.0%
 - Supplies increase by \$129,000
 - Food supplies increase by \$80,000
 - Marketing expenses increasing by \$129,000
 - Marketing expense of \$861,000 is 4.3% of Operating Revenue (ABHOW average is 4.6%)

Operating Margin

(in \$000)	2014 Budget	2013 Budget	Variance
Operating Revenue	\$ 19,947	\$ 19,328	\$ 619
Operating Expense	<u>18,743</u>	<u>18,226</u>	<u>(517)</u>
Operating Margin	1,204	1,102	102
Interest Expense on Debt *	447	455	8
Cash Operating Margin	757	647	110

Rate Increase

Effective December 1, 2013


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



13

Thank you for your time and attention

Questions and Answers




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Recent Fee Increase History (%)


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Residences	4.90	5.00	4.50	3.85	3.85	2.90	3.00	4.90	4.00	3.50
Lodge	4.90	5.00	5.00	4.50	3.95	3.50	3.00	4.90	3.50	3.50
Village	4.90	9.50	5.00	3.75	3.95	3.50	3.00	4.00	3.50	3.50
Grove								4.90	3.50	3.50

10 Year Average Rate Increase The Residences	5 Year Average Rate Increase The Residences
4.04%	3.66%



14

This budget is achievable and Piedmont Gardens expects to meet or exceed its budget for 2014. The fee increases for FY 2014 are prudent and congruent with its financial goals.



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>\$2,700</u> <u>\$1,239</u>	<u>\$4,825 -</u> <u>\$6,458</u>	<u>\$243 - \$314</u> <u>per day</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.50%</u>	<u>3.00%</u>	<u>2.75%</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.)

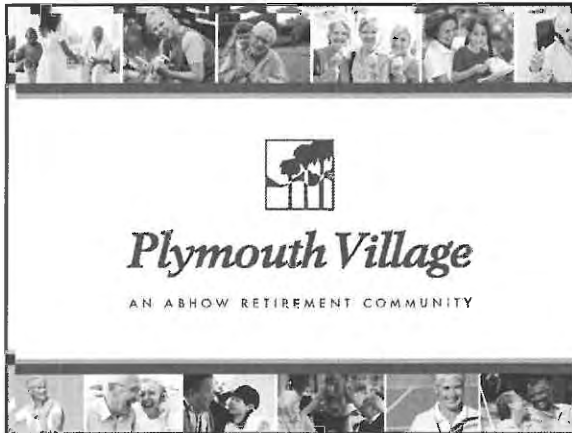
[3] Indicate the date the fee increase was implemented: Residential Living on January 1, 2014; all others on October 1, 2013
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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



Assumptions

Budgeted Occupancy Assumptions

The Residences	= 88.1%	163/185
The Lodge	= 93.3%	28/30
The Village	= 83.3%	40/48
The Grove	= 72.7%	8/11

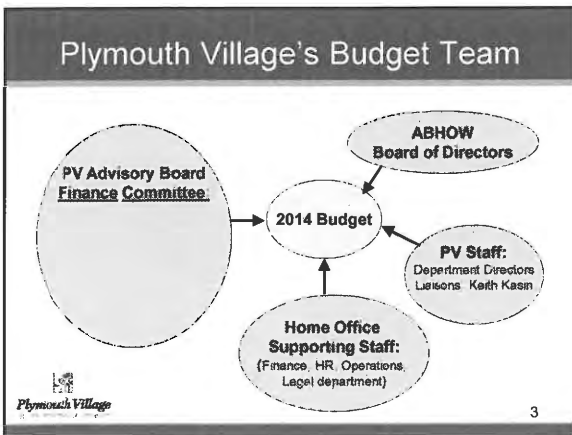
Plymouth Village



Capital Expense Budget 2014

Project Title	Budget
Staff Golf Carts / Cargo Bings	\$35,000
Health Center Automatic doors	\$40,000
Kendall House	\$80,000
Chiller for the main Kitchen	\$58,000
Activities Area	\$50,000
Mini Shelters	\$30,000
Total Capital Expense Budget	\$293,000
Apartment Remodels	Share of \$6,000,000 pool
Village Furniture, Fixtures, & Equip.	Share of \$750,000 pool

Plymouth Village



Operating Margins (\$000s)

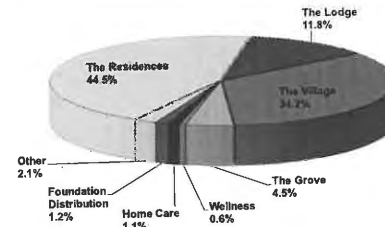
	2014 Budget	2013 Budget	Change
Operating Revenues	13,307	12,947	360
Operating Expenses	12,912	12,657	255
Operating Margin	395	290	105
Less interest on debt:			
Interest Expense	339	341	(2)
Cash Operating Margin	56	(51)	107

Plymouth Village

Key Expense Assumptions

- Wage Increases – 3.0%
- Fringe Benefit Cost – 30.4%
 - Includes FICA, Health, Dental, Vision, Workers Comp, Unemployment, Retirement, etc.
- Average Wage Rate - \$17.31
- Nursing Hours per Patient Day - 3.91
 - CA minimum =3.2

Revenue Resources



Budget 2014

Factors Affecting Cost Increases

- Employee Costs - \$363,000 increase
 - Wage increases budgeted at 3%
- Marketing Expense – budget has been increased by \$43,000 to generate more occupancy.
 - Marketing expense of \$745K is 5.6% of Operating Revenue (ABHOW average is 4.6%)
- Utilities - \$22,900 increase

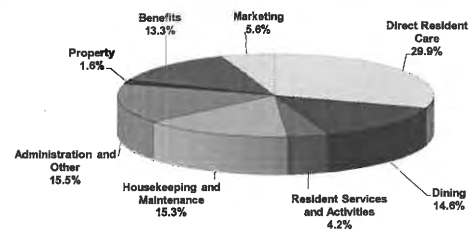
Operating Expenses (\$000s)

	2014 Budget	2013 Budget	Variance
Direct Resident Care	3,848	3,802	(46)
Dining Services	1,891	1,863	(28)
Resident Services & Activities	545	577	32
Housekeeping & Maintenance	1,982	1,945	(37)
Sales & Marketing	726	683	(43)
Administration & Other	1,995	1,937	(58)
Property	212	231	19
Employee Benefits	1,713	1,619	(94)
Operating Expenses	12,912	12,657	(255)

Operating Revenue (\$000s)

	2014 Budget	2013 Budget	Variance
The Residences	5,924	5,663	261
The Lodge	1,577	1,609	-32
The Village	4,553	4,415	138
The Grove	603	591	12
Other Resident Services	216	210	6
Other Operating Revenue	279	310	-31
Foundation Distribution	155	149	6
Operating Revenue	13,307	12,947	360

Expenses



Budget 2014

Rate Increase

Effective October 1, 2013

- The Lodge: 3.0%
- The Village: 2.75%
- The Grove: 2.0%

Effective January 1, 2014

- The Residences: 3.5%

Thank you for your time and attention

Questions and Answers

Recent Fee Increase History (%)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
RL	3.85	4.85	4.68	4.95	5.10	2.90	3.75	4.90	3.50	3.50
AL	3.85	4.85	4.95	4.95	5.10	3.50	3.60	4.90	2.00	3.00
HC	3.90	4.50	6.00	6.00	6.00	3.50	3.50	4.00	2.00	2.75

Ten Year Average Rate Increase The Residences	Five Year Average Rate Increase The Residences
4.20%	3.71%

This budget is achievable and Plymouth Village expects to meet or exceed its budget for 2014. The fee increases for FY 2014 are prudent and congruent with its financial goals.

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	\$1,813 - \$3,085 <hr/> \$508	\$3,564 - \$5,980 <hr/>	\$298 - \$305 per day <hr/>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.50% <hr/>	3.50% <hr/>	3.50% <hr/>

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

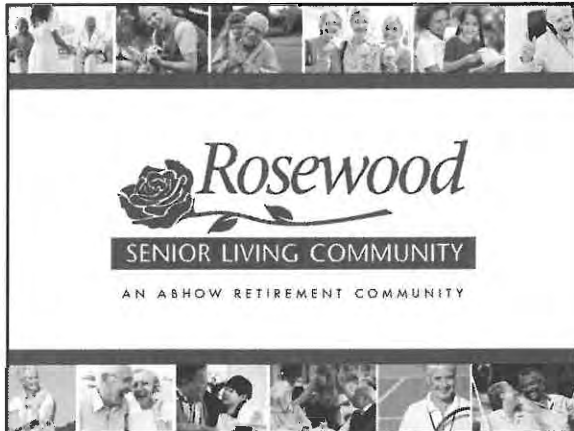
[3] Indicate the date the fee increase was implemented: January 1, 2014
(If more than 1 increase was implemented, indicate the dates for each increase.)

[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.


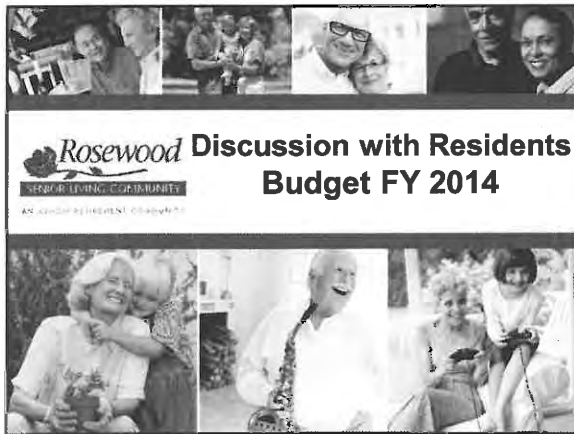
[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: American Baptist Homes of the West
COMMUNITY: Rosewood




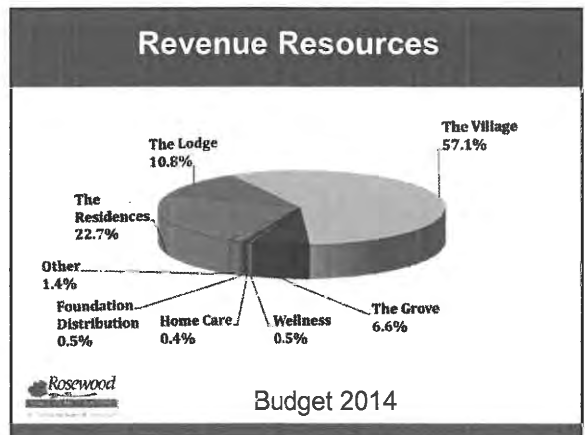
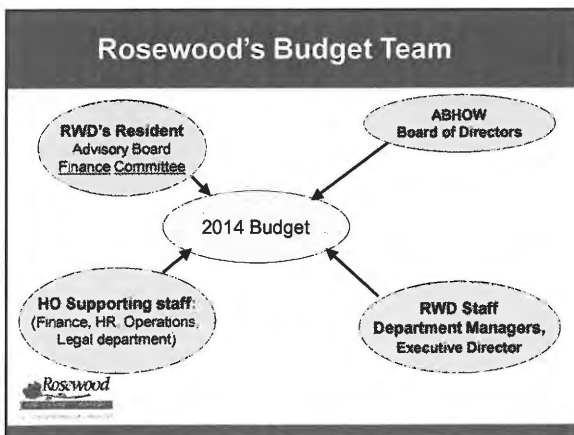
Budgeted Occupancy Assumptions

The Residences	94.3 %	100/106
The Lodge	90.3 %	28/31
The Grove	88.9 %	16/18
The Village	91.9 %	68/74

Capital Expense Budget 2014

Health Center Dining Room Remodel	\$20,000
High Rise & SNF Roof Replacement	208,000
Main Lobby Restrooms & 2 nd Floor Remodel	71,280
Plumbing stack re-piping	175,000
Front Lawn Walking Access	36,000
GPS Nurse Call System – campus	80,000
Total Capital Expense Budget	\$ 590,280

Operating Revenue

(In \$000)	2014 Budget	2013 Budget	Change
The Residences	\$3,429	\$3,156	\$273
The Lodge	1,626	1,584	42
The Village	8,649	7,342	1,307
The Grove	1,000	991	9
Wellness & Home Care	140	53	87
Other Operating Revenue	208	248	-40
Foundation Distributions	69	67	2
Operating Revenue	\$15,121	\$13,440	\$1,680

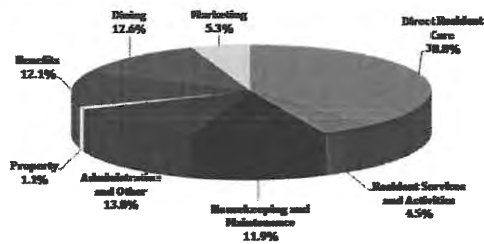


Key Expense Assumptions

- Salaries and Benefits increase by \$ 727,000
 - Wage increase budgeted at - 3.0%
 - Fringe Benefit Cost - 30.92%
 - Includes: FICA, Health, Dental, Vision, Worker's Comp., Unemployment, Retirement, etc.
- Average wage rate - \$17.13
- Nursing Hours per Patient Day - 3.94
- Sales & Marketing expenses increasing by \$124,000
- Therapy & Pharmacy Services increasing by \$370,000



Expenses



Budget 2014



Rate Increase

Effective January 1, 2014

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



Operating Expenses

(In \$000)	2014 Budget	2013 Budget	Change
Employee Cost	\$7,950	\$7,223	\$727
Supplies	1,144	1,054	90
Therapy & Pharmacy Services	1,836	1,466	370
Marketing	803	680	123
Repair & Maintenance	265	271	-6
Purchase Services	521	469	52
Rental and Leases	70	76	-6
Utilities	583	576	7
Other Operating Expenses	1,713	1,575	138
Operating Expenses	\$14,885	\$13,390	\$1,494



Operating Margins

(in \$000)	2014 Budget	2013 Budget	Variance
Operating Revenues	\$15,121	\$13,440	\$1,681
Operating Expenses	(14,884)	(13,390)	(1,494)
Operating Margin	237	50	187
<i>Less interest on debt:</i>			
Interest Expense	(439)	(447)	8
Cash Operating Margin	(202)	(397)	195



Rosewood Ten Year Fee Increase History (%)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Res.	3.25	3.00	3.90	3.90	4.00	2.90	3.30	4.90	4.00	3.50
Lodge	3.25	3.00	3.90	4.50	4.50	3.50	3.00	4.90	4.00	3.50
Village	3.90	3.90	5.00	5.50	5.00	3.50	3.50	4.90	4.00	3.50
Grove	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.00	3.50

Ten Year Average Rate Increase The Residences	Five Year Average Rate Increase The Residences
3.67%	3.72 %



This budget is achievable and Rosewood expects to meet or exceed its budget for 2014. The fee increases for FY 2014 are prudent and congruent with its financial goals.



Thank you for your time and attention

Questions and Answers



FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: 2 nd Person Fee	\$4,084 – 4,936 <hr/> \$292	\$4,852 - \$6,928	\$ 345 - \$450 per day
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.50% <hr/>	3.50% <hr/>	3.50% <hr/>

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

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

[4] Check each of the appropriate boxes:

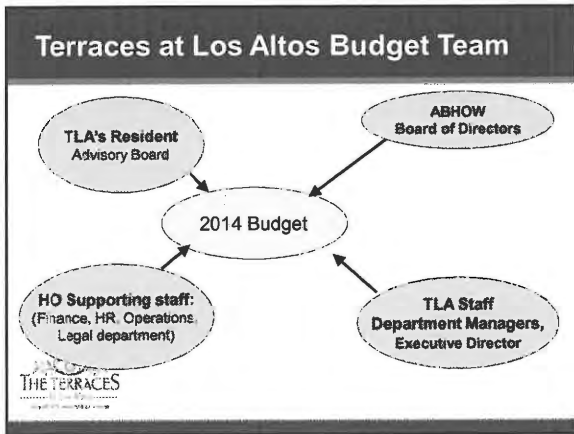
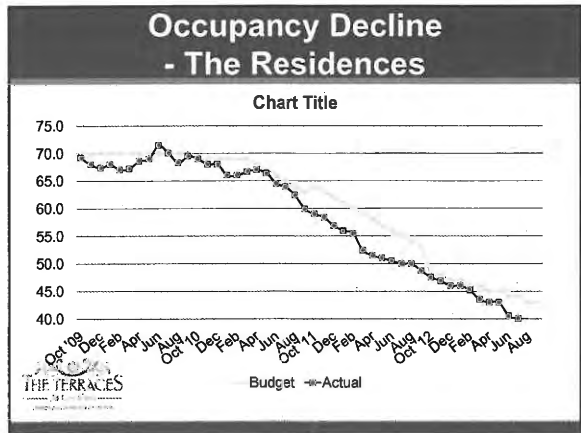
- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, 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 Los Altos

THE TERRACES
At Los Altos

**The Terraces at Los Altos
Budget FY2014**



- ### Factors Affecting Operating Margin
- **Revenue**
 - Occupancy reduced in The Residences from average 45.5 in 2013 to average 35.6 in 2014
 - Occupancy reduced in The Village from average 38.1 in 2013 to average 29 in 2014
 - Opening of Grove – new revenue
 - Opening of new Lodge – additional revenue
 - Affect of construction delays
- THE TERRACES

Assumptions

Budgeted Occupancy Assumptions

The Residences = 62.4 %
(Based on capacity of 73 apartments)

The Lodge = 67.9 %
(New Lodge opening 6/14 w/ some residential apartments)

The Village = 96.7 %

The Grove = 79.7 %

THE TERRACES

- ### Factors Affecting Operating Margin
- **Expenses**
 - Reduced staffing in new Village
 - New staffing in Grove
 - Expense Management
 - Fringe Benefits Cost - \$44,000 increase
 - Benefit burden rate = 17.0%
 - Worker's Compensation ↑5.0%
 - Health Insurance ↑3.2%
 - Retirement ↑15.0%
- THE TERRACES

Operating Margins (\$000s)

	2014 Budget	2013 Budget	Change
Operating Revenues	\$ 8,403	\$ 8,798	-\$395
Operating Expenses	\$ 9,004	9,297	-294
Operating Margin	-600	-500	-100
<i>Less interest on debt:</i>			
Interest Expense	102	104	2
Cash Operating Margin	-702	-604	-1,034

THE TERRACES
COMMUNITY ASSOCIATION

Rate Increase

Effective January 1, 2014

- The Residences: 3.50 %
- The Lodge: 3.50 %
- The Village: 3.50 %
- The Grove: 0.00%

THE TERRACES
COMMUNITY ASSOCIATION

Operating Revenue (\$000s)

	2014 Budget	2013 Budget	Change
The Residences	\$ 1,896	\$ 2,213	-\$317
The Lodge	1,019	934	85
The Villages (net of ancillary exp.)	4,079	5,081	-1,002
The Grove	1,163	309	854
Other Resident Services	111	109	2
Other Operating Revenue	77	94	-17
Foundation Distributions	58	58	0
Operating Revenue	\$ 8,403	\$ 8,798	-\$395

THE TERRACES
COMMUNITY ASSOCIATION

Recent Fee Increase History (%)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Res.	3.00	5.00	3.50	5.00	2.90	3.00	4.90	4.00	3.50
Lodge	4.00	5.00	4.50	5.00	3.50	3.00	4.90	4.00	3.50
Villages	4.00	6.00	4.50	5.00	3.00	3.00	4.00	4.00	3.50
Grove									0.0

Nine Year Average Rate Increase The Residences	Five Year Average Rate Increase The Residences
3.86%	3.66%

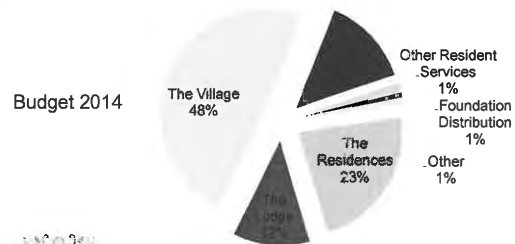
THE TERRACES
COMMUNITY ASSOCIATION

Operating Expenses (\$000s)

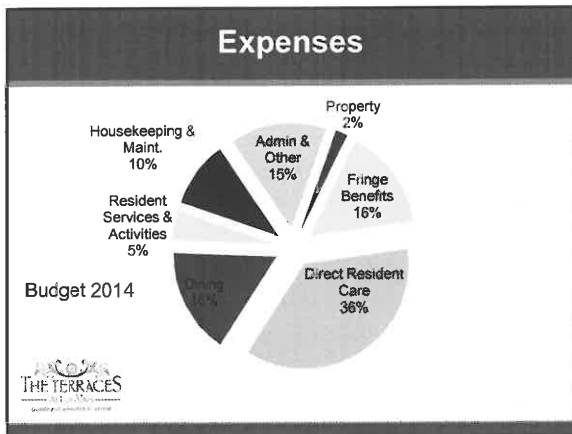
	2014 Budget	2013 Budget	Change
Direct Resident Care	\$ 3,278	\$ 3,650	-\$ 372
Dining Services	1,475	1,473	2
Resident Services & Activities	411	390	21
Housekeeping & Maintenance	931	980	-49
Sales & Marketing	2	0	2
Administration & Other	1,344	1,292	52
Property	169	163	6
Employee Benefits	1,394	1,350	44
Operating Expenses	\$ 9,004	\$ 9,297	-\$ 294

THE TERRACES
COMMUNITY ASSOCIATION

Revenue Sources



THE TERRACES
COMMUNITY ASSOCIATION



This budget is achievable and The Terraces at Los Altos expects to meet or exceed its budget for 2014. The fee increases for FY 2014 are prudent and congruent with its financial goals.

Thank you for your time and attention

Questions and Answers

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: 2 nd person fee	\$3,035 – 5,919 <hr/> \$781	\$4,257- 8,858 <hr/>	\$294 - \$398 per day <hr/>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.00% <hr/>	3.00% <hr/>	3.00% <hr/>

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

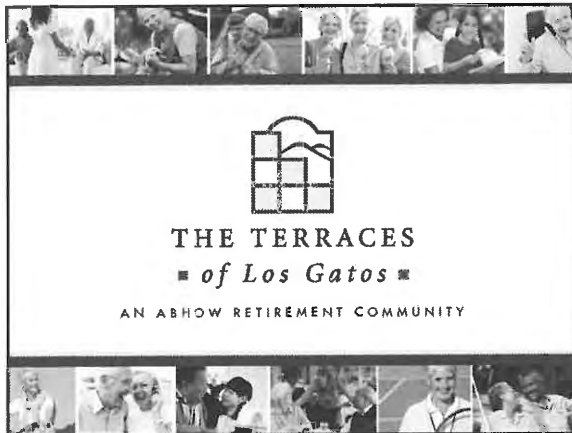
[3] Indicate the date the fee increase was implemented: Skilled Nursing on October 1, 2013; all others on January 1, 2014
(If more than 1 increase was implemented, indicate the dates for each increase.)

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

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

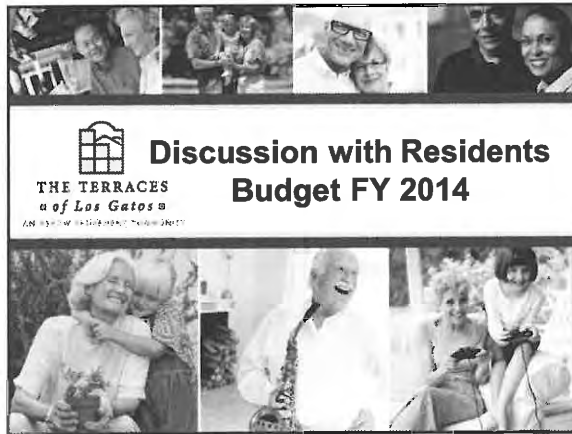


Assumptions

Budgeted Occupancy Assumptions

The Residences	= 95.2%	167/175
The Lodge	= 84.6%	38/45
The Grove *	= 83.3%	13/16
The Village	= 90.8%	54/59

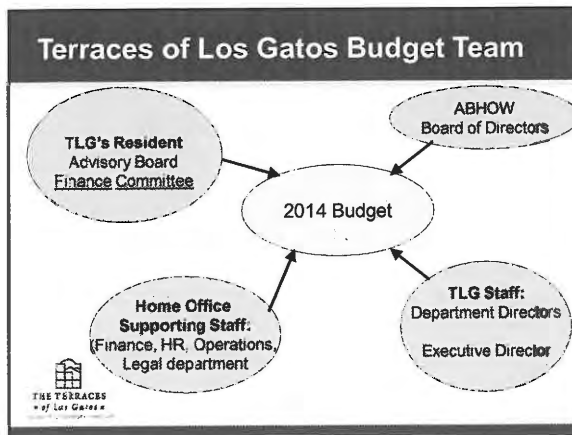
THE TERRACES of Los Gatos
The Grove opened in August 2013 – 45 new units to be added
The Lodge added 10 additional units



Capital Expense Budget 2014

Dining Related: Bistro Construction and Dishwasher main kitchen, portable tables	\$260,750
Land Improvements: Campus Wide replacement lifted/cracked sidewalks & renovation of pool area	69,000
Renovation of Conference Room, GRA, PT Room & Wellness	72,750
Hospitality Suite remodel & painting of Bldg L&P	164,650
Rubberize treads/matting on all RL stairwells	57,000
On-demand hot water circulation pumps & water softener	25,000
LED fixtures for interior and exterior light units	58,500
Total Capital Expense Budget	\$ 707,650

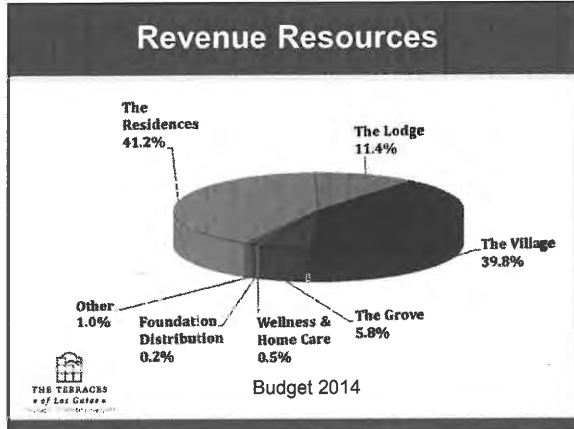
THE TERRACES of Los Gatos



Operating Revenue (\$000s)

(in \$000)	2014 Budget	2013 Budget	Change
The Residences	8,802	8,479	323
The Lodge	2,446	1,947	499
The Grove	1,233	0	1,233
The Village	8,514	8,313	201
Wellness	113	67	46
Other Operating Revenue	211	204	7
Foundation Distributions	49	48	1
Operating Revenue	21,368	19,058	2,310

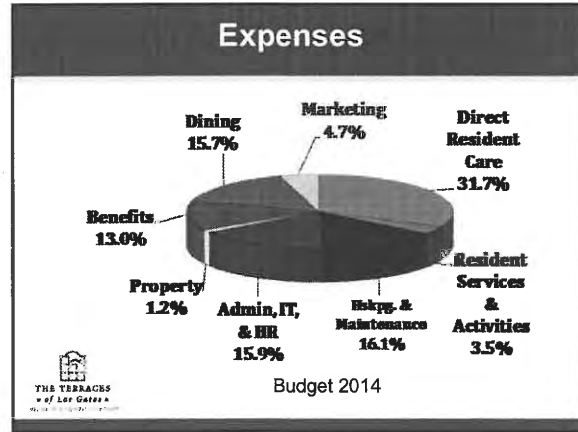
THE TERRACES of Los Gatos



Operating Expenses

(in \$000)	2014 Budget	2013 Budget	Change
Employee Cost	10,131	8,624	1,507
Supplies	1,474	1,351	123
Therapy & Pharmacy Services	928	1,162	-234
Sales & Marketing	822	555	267
Repair & Maintenance	146	128	18
Purchased Services	517	463	54
Rentals & Leases	128	119	9
Utilities	808	821	-13
Other Operating Expenses	2,215	2,036	179
Operating Expenses	\$ 17,169	\$ 15,259	\$ 1,910

- ### Key Expense Assumptions
- Wage increases – 3.0%
 - Fringe Benefit Cost – 30.26%
 - Includes FICA, Health, Dental, Vision, Workers Comp, Unemployment, Retirement, etc.
 - Average wage rate - \$21.14
 - Nursing Hours per Patient Day – 3.72
 - CA minimum = 3.2



- ### Factors Affecting Cost Increases
- By Categories:
 - Salaries and Benefits increase by \$1,507,000
 - Salaries/wages are budgeted to increase by 3.0%
 - 30 additional team members are budgeted due to the addition of new Grove and the increase in 10 Lodge apartments
 - Supplies increase by \$123,000
 - Food supplies and cleaning supplies increase by \$165,000
 - Marketing expenses increasing by \$267,000
 - To maintain occupancy and to fill new apartments

Operating Margin

(in \$000)	2014 Budget	2013 Budget	Change
Operating Revenue	\$ 21,368	\$ 19,058	\$ 2,310
Operating Expense	(17,169)	(15,259)	(1,910)
Operating Margin	4,199	3,799	400
Interest Expense on Debt	(2,260)	(2,278)	18
Cash Operating Margin	1,939	1,521	418

Rate Increases

Effective January 1, 2014

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

Effective October 1, 2013

- The Village: 3.00%



Thank you for your time and attention

Questions and Answers



Terraces of Los Gatos Recent Fee Increase History (%)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Res.	3.25	3.00	3.50	3.50	4.25	2.90	2.0	3.5	3.0	3.0
Lodge	3.25	3.00	4.00	4.00	4.75	3.60	2.5	4.0	3.0	3.0
Grove										
Village	3.75	3.00	4.95	5.00	4.75	3.60	4.0	2.8	2.5	3.0

Ten Year Average Rate Increase The Residences	Five Year Average Rate Increase The Residences
3.19%	2.88%



This budget is achievable and Terraces of Los Gatos expects to meet or exceed its budget for 2014. The fee increases for FY 2014 are prudent and congruent with its financial goals.



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	\$3,607 - \$4,713 <hr/> \$893	\$4,820- \$7,396 <hr/>	\$273 - \$460 per day <hr/>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.00% <hr/>	3.50% <hr/>	3.50% <hr/>

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.)

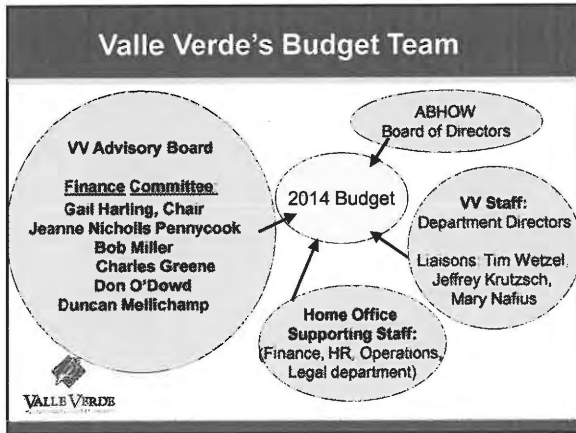
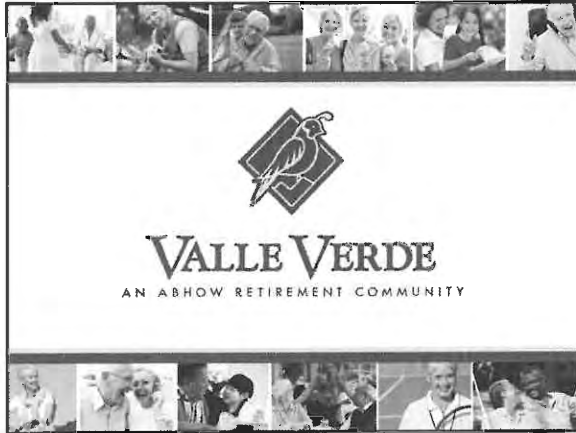
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- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
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[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

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



Assumptions

Budgeted Occupancy Assumptions

The Residences = 92.6% 222/240 *

The Lodge = 96.2% 25/26

The Grove = 94.1% 16/17

The Village = 86.5% 64/74

* 40 new apartments are scheduled to be completed and occupied in 2014

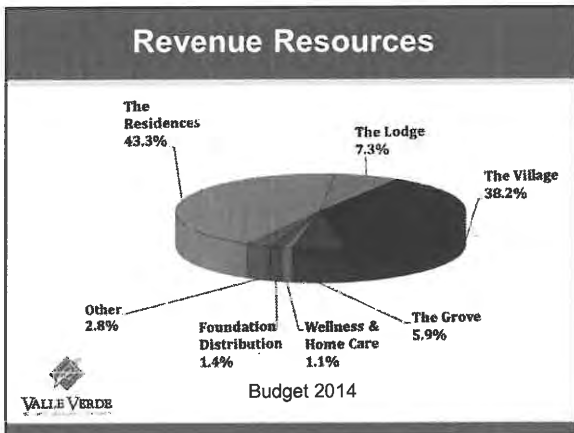
Capital Expense Budget 2014

Main Dining Room	\$ 382,000
Kitchen Equipment & Upgrades	50,000
Laundry Equipment	80,000
Common Area Bathroom	8,000
Other	8,000
Total Capital Expense Budget	\$ 528,000
Apartment Remodels	
Share of \$6,000,000 pool, as needed	
Village Furniture, Fixtures, & Equip.	
Share of \$750,000 pool	

Operating Revenue (\$000s)

(in \$000)	2014 Budget	2013 Budget	Change
The Residences *	\$ 9,692	\$ 8,451	\$1,241
The Lodge	1,644	1,516	128
The Grove	1,323	1,353	(30)
The Village	8,557	8,785	(228)
Other Resident Services	251	140	111
Other Operating Revenue	623	588	35
Foundation Distributions	300	294	6
Operating Revenue	\$ 22,390	\$ 21,127	\$1,263

* Residents are expected to start moving in to new apartments in November



- ### Key Expense Assumptions
- Wage increases – 3.0%
 - Fringe Benefit Cost– 33.7%
 - Includes FICA, Health, Dental, Vision, Workers Comp, Unemployment, Retirement, etc.
 - Average wage rate - \$21.14
 - Nursing Hours per Patient Day – 3.91
 - CA minimum = 3.2
 - Bad Debt Allowance - \$108,000
 - 0.48% of cash operating revenue
 - ABHOW standard of success < 0.5%

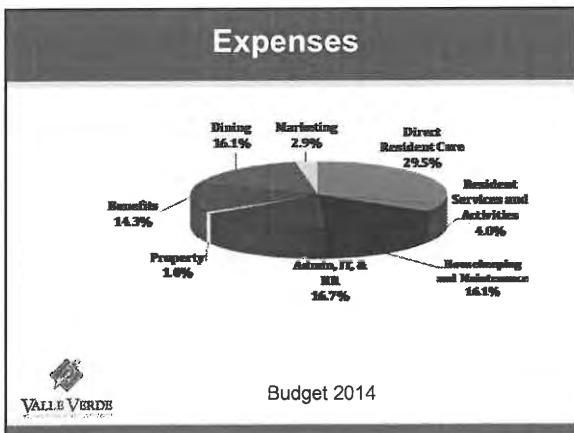
Factors Affecting Cost Increases

Impact of adding 40 more apartments	\$ 336
Impact of Inflation	677
Total Increase in Expenses	\$1,013

- By Categories:
 - Salaries and Benefits increase by \$656,000
 - Salaries/wages are budgeted to increase by 3.0%
 - 10 additional team members are budgeted due to the increase in apartments
 - Supplies increase by \$298,000
 - Food supplies and cleaning supplies increase by \$165,000
 - Utilities increase by \$65,000
 - Marketing expenses increasing by \$50,000
 - To maintain occupancy and to fill 40 new apartments

Operating Expenses

(in \$000)	2014 Budget	2013 Budget	Change
Employee Cost	\$ 11,860	\$ 11,204	\$656
Supplies	1,956	1,658	298
Therapy & Pharmacy Services	1,123	1,253	(130)
Purchased Services	797	797	0
Sales & Marketing	618	569	49
Rentals & Leases	132	124	8
Utilities	948	883	65
Repair & Maintenance	229	269	(40)
Other Operating Expenses	2,527	2,420	107
Operating Expenses	\$ 20,190	\$ 19,177	\$ 1,013



Operating Margin

(in \$000)	2014 Budget	2013 Budget	Variance
Operating Revenue	\$ 22,390	\$ 21,127	\$1,263
Operating Expense	(20,190)	(19,177)	(1,013)
Operating Margin	2,200	1,950	250
Interest Expense on Debt *	(900)	(649)	(251)
Cash Operating Margin	1,300	1,301	(1)

* As new apartments are ready for move in, interest on the funds used for construction becomes an operating cost and no longer a cost of construction

Rate Increases

Effective January 1, 2014

- The Residences: 2.50% *
- The Lodge: 3.50%
- The Grove: 3.50%

Effective October 1, 2013

- The Village: 3.50%



* The Residences: 4.00% base rate increase less 1.5% discount = 2.5%
The 1.5% legacy discount for all existing residents as of July 1, 2014

Monthly Fee Ranges

	From:	To:
Studio & One-Bedroom		
<i>FY2013</i>	\$2,420	\$3,543
<i>FY2014</i>	\$2,517	\$3,684
Two-Bedroom		
<i>FY2013</i>	\$4,006	\$4,871
<i>FY2014</i>	\$4,166	\$5,391*



FY2014 The range includes the new Casas Verdes Units

Monthly Rate Increase Ranges

	From:	To:
Studio & One Bedroom		
<i>FY2014</i>	\$ 97	\$142
Two Bedroom		
<i>FY2014</i>	\$160	\$207



Monthly Legacy Discount Fee Ranges

	From:	To:
Studio & One-Bedroom		
<i>FY2014</i>	-\$38	-\$55
Two-Bedroom		
<i>FY2014</i>	-\$62	-\$81*



* FY2014 The range includes the new Casas Verdes Units

Recent Fee Increase History (%)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Residences	3.50	3.50	3.50	3.50	3.75	2.00	3.00	4.5	3.75	4.0
Lodge	5.75	5.50	4.50	5.00	5.50	2.00	3.00	5.0	4.5	3.5
Grove	5.75	5.50	4.50	5.00	5.50	2.00	3.00	5.0	4.0	3.5
Village	6.50	5.50	5.50	5.00	5.50	2.00	3.00	5.0	4.5	3.5

10 Year Average Rate Increase The Residences	Five Year Average Rate Increase The Residences
3.50%	3.45%



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

This budget is achievable and Valle Verde expects to meet or exceed its budget for 2014. The fee increases for FY 2014 are prudent and congruent with its financial goals.



Thank you for your time and attention

Questions and Answers



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

DATE AMENDED: 01/28/15

FACILITY NAME: Grand Lake Gardens Retirement Community
 ADDRESS: 401 Santa Clara Ave.; Oakland, CA ZIP CODE: 94610 PHONE: 510-893-8897
 PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW
 RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Nonsectarian
 YEAR OPENED: 1966 NO. OF ACRES: 1 MULTI-STORY: X SINGLE STORY: 2 BOTH: 2015
 MILES TO SHOPPING CTR: .5 MILES TO HOSPITAL: 2

CONTINUING CARE
CONTRACTS BRANCH

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>13</u>	ASSISTED LIVING <u>NA</u>
APARTMENTS - 1 BDRM	<u>52</u>	SKILLED NURSING <u>NA</u>
APARTMENTS - 2/3 BDRM	<u>25</u>	SPECIAL CARE <u>NA</u>
COTTAGES/HOUSES	<u> </u>	DESCRIBE SPECIAL CARE: <u> </u>
% OCCUPANCY AT YEAR END	<u>76.7%</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): 90% 75% 50% PRORATED TO 0% OTHER: 80%

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

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: _____

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

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	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</u>	
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY <u>1-2</u>	<u>3</u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE <u>No</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	<input type="checkbox"/>	<input 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 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 type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input 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 type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>
OTHER <u>Movie Theater</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
OTHER <u>Brain Fitness Center</u>	<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.

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

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: _____

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(excluding amortization of entrance fee income)	116,579,000	118,629,000	102,410,000	108,603,000
LESS OPERATING EXPENSES				
(excluding depreciation, amortization, & interest)	<u>108,065,000</u>	<u>110,886,000</u>	<u>100,002,000</u>	<u>105,521,000</u>
NET INCOME FROM OPERATIONS	8,514,000	7,743,000	2,408,000	3,082,000
LESS INTEREST EXPENSE	5,863,000	5,918,000	4,822,000	5,066,000
PLUS CONTRIBUTIONS	10,000	12,000	8,000	4,000
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	1,810,000	1,776,000	1,527,000	1,384,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>4,471,000</u>	<u>3,613,000</u>	<u>-879,000</u>	<u>-596,000</u>
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	<u>17,825,000</u>	<u>19,595,000</u>	<u>18,536,000</u>	<u>20,847,000</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 2006	1,855,000		09/01/2006	2036	
Series 2010	755,000		02/16/2010	2040	
Series 2012	520,000		01/05/2012	2036	
Series 2013	0		02/01/2013	2043	
Series 2013	373,000		02/01/2013	2020	

FINANCIAL RATIOS (see next page for ratio formulas)

	2011 CCAC Medians 50 th Percentile (optional)	2012	2013	2014
DEBT TO ASSET RATIO		47.99%	57.50%	53.39%
OPERATING RATIO		97.00%	100.85%	100.54%
DEBT SERVICE COVERAGE RATIO		3.04	2.58	2.12
DAYS CASH-ON-HAND RATIO		330.29	348.69	392.48

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE

	2011		2012		2013		2014	
STUDIO	2,052	4.90%	2,100	4.00%	2,130	4.90%	2,227	
ONE BEDROOM	2,521	4.90%	2,615	4.00%	2,714	4.90%	2,827	
TWO BEDROOM	2,962	4.90%	3,154	4.00%	3,222	4.90%	3,339	
THREE BEDROOM	3,321	4.90%	3,484	4.00%	3,623	4.90%		
ASSISTED LIVING								
SKILLED NURSING								
SPECIAL CARE								

COMMENTS FROM PROVIDER:

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

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

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

Date Amended: 01/28/15

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



NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>18</u>	ASSISTED LIVING <u>60</u>
APARTMENTS - 1 BDRM	<u>97</u>	SKILLED NURSING <u>90</u>
APARTMENTS - 2/3 BDRM	<u>59</u>	MEMORY CARE <u>16</u>
COTTAGES/HOUSES	<u>0</u>	DESCRIBE SPECIAL CARE: _____
% OCCUPANCY AT YEAR END	<u>87.5%</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): 90% 75% 50% PRORATED TO 0% OTHER: 80%

RANGE OF ENTRANCE FEES: \$ 35,000 TO \$300,000 LONG-TERM CARE INSURANCE REQUIRED? Y N

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

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

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	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</u>	<u>Unltd</u>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY <u>1</u>	<u>2-3</u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE <u>Yes</u>	
CARD ROOMS	<input type="checkbox"/>	<input type="checkbox"/>		
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input 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 type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input 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 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 <u>Medical</u>	<input checked="" type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

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

PROVIDER NAME: American Baptist Homes of the West

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

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

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

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

PROVIDER NAME: _____

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	116,579,000	118,629,000	102,410,000	108,603,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	<u>108,065,000</u>	<u>110,886,000</u>	<u>100,002,000</u>	<u>105,521,000</u>
NET INCOME FROM OPERATIONS	8,514,000	7,743,000	2,408,000	3,082,000
LESS INTEREST EXPENSE	5,863,000	5,918,000	4,822,000	5,066,000
PLUS CONTRIBUTIONS	10,000	12,000	8,000	4,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,810,000	1,776,000	1,527,000	1,384,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>4,471,000</u>	<u>3,613,000</u>	<u>-879,000</u>	<u>-596,000</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>17,825,000</u>	<u>19,595,000</u>	<u>18,536,000</u>	<u>20,847,000</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 2006	1,855,000		09/01/2006	2036	
Series 2010	755,000		02/16/2010	2040	
Series 2012	520,000		01/05/2012	2036	
Series 2013	0		02/01/2013	2043	
Series 2013	373,000		02/01/2013	2020	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50 th Percentile (optional)	2012	2013	2014
DEBT TO ASSET RATIO		47.99%	57.50%	53.39%
OPERATING RATIO		97.00%	100.85%	100.54%
DEBT SERVICE COVERAGE RATIO		3.04	2.58	2.12
DAYS CASH-ON-HAND RATIO		330.29	348.69	392.48

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

	2011		2012		2013		2014	
STUDIO	2,283	4.90%	2,395	4.00%	2,492	3.50%	2,585	
ONE BEDROOM	2,544	4.90%	2,669	4.00%	2,776	3.50%	2,873	
TWO BEDROOM	4,103	4.90%	4,389	4.00%	4,498	3.50%	4,654	
COTTAGE/HOUSE								
ASSISTED LIVING	4,969	4.90%	5,607	3.50%	5,687	3.50%	5,791	
SKILLED NURSING	297/day	4.00%	311/day	3.50%	319/day	3.50%	337/day	
SPECIAL CARE	6,483	4.90%	6,796	3.50%	7,027	3.50%	7,349	

COMMENTS FROM PROVIDER: _____

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

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

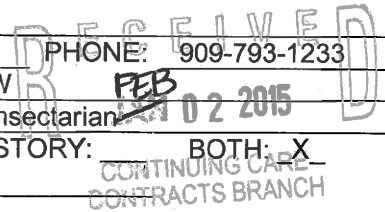
$$\frac{\begin{array}{l} \text{Unrestricted Current Cash} \\ \text{And Investments} \\ \text{+ Unrestricted Non-Current Cash} \\ \text{and Investments} \end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

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.

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

Date Amended: 01/28/15

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



NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>0</u>	ASSISTED LIVING <u>30</u>
APARTMENTS - 1 BDRM	<u>36</u>	SKILLED NURSING <u>48</u>
APARTMENTS - 2 BDRM	<u>106</u>	SPECIAL CARE <u>9</u>
COTTAGES/HOUSES	<u>43</u>	DESCRIBE SPECIAL CARE: <u>Dementia</u>
% OCCUPANCY AT YEAR END	<u>94.1%</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): 90% 75% 50% PRORATED TO 0% OTHER: 80%

RANGE OF ENTRANCE FEES: \$30,000 ___ TO \$345,565 ___ LONG-TERM CARE INSURANCE REQUIRED? Y N

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

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

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	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>1-3</u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SOME UTILITIES	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	OTHER_Internet	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER_Concierge	<input checked="" type="checkbox"/>
OTHER Computer Lab	<input checked="" type="checkbox"/>	<input type="checkbox"/>		

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

PROVIDER NAME: American Baptist Homes of the West

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

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

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

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

PROVIDER NAME: _____

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	116,579,000	118,629,000	102,410,000	108,603,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	<u>108,065,000</u>	<u>110,886,000</u>	<u>100,002,000</u>	<u>105,521,000</u>
NET INCOME FROM OPERATIONS	8,514,000	7,743,000	2,408,000	3,082,000
LESS INTEREST EXPENSE	5,863,000	5,918,000	4,822,000	5,066,000
PLUS CONTRIBUTIONS	10,000	12,000	8,000	4,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,810,000	1,776,000	1,527,000	1,384,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>4,471,000</u>	<u>3,613,000</u>	<u>-879,000</u>	<u>-596,000</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>17,825,000</u>	<u>19,595,000</u>	<u>18,536,000</u>	<u>20,847,000</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 2006	1,855,000		09/01/2006	2036	
Series 2010	755,000		02/16/2010	2040	
Series 2012	520,000		01/05/2012	2036	
Series 2013	0		02/01/2013	2043	
Series 2013	373,000		02/01/2013	2020	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50 th Percentile (optional)	2012	2013	2014
DEBT TO ASSET RATIO		47.99%	57.50%	53.39%
OPERATING RATIO		97.00%	100.85%	100.54%
DEBT SERVICE COVERAGE RATIO		3.04	2.58	2.12
DAYS CASH-ON-HAND RATIO		330.29	348.69	392.48

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

	2011		2012		2013		2014	
STUDIO								
ONE BEDROOM	2,202	4.90%	2,310	3.50%	2,391	3.50%	2,475	
TWO BEDROOM	2,392	4.90%	2,515	3.50%	2,605	3.50%	2,699	
COTTAGE/HOUSE	2,650	4.90%	2,779	3.50%	2,857	3.50%	2,952	
ASSISTED LIVING	4,601	4.90%	4,977	2.00%	5,581	3.00%	5,593	
SKILLED NURSING	230/day	4.00%	239/day	2.00%	244/day	2.75%	284/day	
SPECIAL CARE	5,699	4.90%	5,932	1.50%	5,964	2.00%	6,191	

COMMENTS FROM PROVIDER: _____

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

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.

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

Date Amended: 01/28/15

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

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 CONTINUING CARE
 CONTRACTS BRANCH

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE	
APARTMENTS - STUDIO	<u>21</u>	ASSISTED LIVING	<u>16</u>
APARTMENTS - 1 BDRM	<u>28</u>	SKILLED NURSING	<u>30</u>
APARTMENTS - 2 BDRM	<u>22</u>	SPECIAL CARE	<u>16</u>
COTTAGES/HOUSES	_____	DESCRIBE SPECIAL CARE:	<u>Dementia Care</u>
% OCCUPANCY AT YEAR END	<u>46.5%</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): 90% 75% 50% PRORATED TO 0% OTHER: 80%

RANGE OF ENTRANCE FEES: \$50,429_ TO \$861,765_ **LONG-TERM CARE INSURANCE REQUIRED?** Y N

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

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

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	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</u>
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>1 to 3</u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

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

PROVIDER NAME: _____

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	116,579,000	118,629,000	102,410,000	108,603,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	<u>108,065,000</u>	<u>110,886,000</u>	<u>100,002,000</u>	<u>105,521,000</u>
NET INCOME FROM OPERATIONS	8,514,000	7,743,000	2,408,000	3,082,000
LESS INTEREST EXPENSE	5,863,000	5,918,000	4,822,000	5,066,000
PLUS CONTRIBUTIONS	10,000	12,000	8,000	4,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,810,000	1,776,000	1,527,000	1,384,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>4,471,000</u>	<u>3,613,000</u>	<u>-879,000</u>	<u>-596,000</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>17,825,000</u>	<u>19,595,000</u>	<u>18,536,000</u>	<u>20,847,000</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 2006	1,855,000		09/01/2006	2036	
Series 2010	755,000		02/16/2010	2040	
Series 2012	520,000		01/05/2012	2036	
Series 2013	0		02/01/2013	2043	
Series 2013	373,000		02/01/2013	2020	

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50 th Percentile (optional)	2012	2013	2014
DEBT TO ASSET RATIO		47.99%	57.50%	53.39%
OPERATING RATIO		97.00%	100.85%	100.54%
DEBT SERVICE COVERAGE RATIO		3.04	2.58	2.12
DAYS CASH-ON-HAND RATIO		330.29	348.69	392.48

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

	2011		2012		2013		2014
STUDIO	2,745	4.90%	2,880	4.00%	2,996	3.50%	3,094
ONE BEDROOM	3,849	4.90%	4,113	4.00%	4,230	3.50%	4,401
TWO BEDROOM	4,515	4.90%	4,903	4.00%	5,104	3.50%	5,121
COTTAGE/HOUSE							
ASSISTED LIVING	4,558	4.90%	5,781	4.00%	6,182	3.50%	6,242
SKILLED NURSING	282/day	4.00%	305/day	4.00%	312/day	3.50%	433/day
SPECIAL CARE							7,926

COMMENTS FROM PROVIDER:

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

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

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

Date Amended: 01/28/15

FACILITY NAME: The Terraces of Los Gatos Retirement Community
 ADDRESS: 800 Blossom Hill Rd.; Los Gatos, CA ZIP CODE: 95032 PHONE: 408-356-1006
 PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW
 RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Nonsectarian
 YEAR OPENED: 1992 NO. OF ACRES: 9 MULTI-STORY: _____ SINGLE STORY: BOTH: X
 MILES TO SHOPPING CTR: .25 MILES TO HOSPITAL: 1.0 CONTINUING CARE CONTRACTS BRANCH

RECEIVED
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NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>10</u>	ASSISTED LIVING <u>45</u>
APARTMENTS - 1 BDRM	<u>73</u>	SKILLED NURSING <u>59</u>
APARTMENTS - 2 BDRM	<u>82</u>	SPECIAL CARE <u>16</u>
COTTAGES/HOUSES	<u>10</u>	DESCRIBE SPECIAL CARE: <u>PT, OT, ST, aqua therapy</u>
% OCCUPANCY AT YEAR END	<u>99.4%</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): 90% 75% 50% PRORATED TO 0% OTHER: 80%

RANGE OF ENTRANCE FEES: \$173,384- \$991,610 **LONG-TERM CARE INSURANCE REQUIRED?** Y N

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

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

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

FACILITY SERVICES AND AMENITIES

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

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

PROVIDER NAME: American Baptist Homes of the West

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

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

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

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: _____

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	116,579,000	118,629,000	102,410,000	108,603,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	<u>108,065,000</u>	<u>110,886,000</u>	<u>100,002,000</u>	<u>105,521,000</u>
NET INCOME FROM OPERATIONS	8,514,000	7,743,000	2,408,000	3,082,000
LESS INTEREST EXPENSE	5,863,000	5,918,000	4,822,000	5,066,000
PLUS CONTRIBUTIONS	10,000	12,000	8,000	4,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,810,000	1,776,000	1,527,000	1,384,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>4,471,000</u>	<u>3,613,000</u>	<u>-879,000</u>	<u>-596,000</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>17,825,000</u>	<u>19,595,000</u>	<u>18,536,000</u>	<u>20,847,000</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 2006	1,855,000		09/01/2006	2036	
Series 2010	755,000		02/16/2010	2040	
Series 2012	520,000		01/05/2012	2036	
Series 2013	0		02/01/2013	2043	
Series 2013	373,000		02/01/2013	2020	

FINANCIAL RATIOS (see next page for ratio formulas)

	2011 CCAC Medians 50 th Percentile (optional)	2012	2013	2014
DEBT TO ASSET RATIO		47.99%	57.50%	53.39%
OPERATING RATIO		97.00%	100.85%	100.54%
DEBT SERVICE COVERAGE RATIO		3.04	2.58	2.12
DAYS CASH-ON-HAND RATIO		330.29	348.69	392.48

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

	2011		2012		2013		2014	
STUDIO	2,847	3.50%	2,947	3.00%	3,035	3.00%	3,126	
ONE BEDROOM	3,297	3.50%	3,412	3.00%	3,514	3.00%	3,619	
TWO BEDROOM	4,362	3.50%	4,514	3.00%	4,650	3.00%	4,789	
COTTAGE/HOUSE	5,553	3.50%	5,747	3.00%	5,919	3.00%	6,097	
ASSISTED LIVING	4,740	4.00%	4,897	3.00%	5,231	3.00%	5,544	
SKILLED NURSING	292/day	3.25%	299/day	2.50%	308/day	3.00%	318/day	
SPECIAL CARE					9,165	3.00%	8,544	

COMMENTS FROM PROVIDER:

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

PROVIDER NAME: _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

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.

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

Date Amended:01/28/15



FACILITY NAME: Valle Verde Retirement Community
 ADDRESS: 900 Calle de los Amigos; Santa Barbara, CA ZIP CODE: 93105 PHONE: 805-867-1571
 PROVIDER NAME: ABHOW FACILITY OPERATOR: ABHOW
 RELATED FACILITIES: ABHOW RELIGIOUS AFFILIATION: Nonsectarian
 YEAR OPENED: 1966 NO. OF ACRES: 65 MULTI-STORY: SINGLE STORY: X BOTH:
 MILES TO SHOPPING CTR: 2 MILES TO HOSPITAL: 4

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>7</u>	ASSISTED LIVING <u>26</u>
APARTMENTS - 1 BDRM	<u>93</u>	SKILLED NURSING <u>72</u>
APARTMENTS - 2 BDRM	<u>126</u>	SPECIAL CARE <u>17</u>
COTTAGES/HOUSES	<u>25</u>	DESCRIBE SPECIAL CARE: <u>Dementia</u>
% OCCUPANCY AT YEAR END	<u>93.2 %</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): 90% 75% 50% PRORATED TO 0% OTHER: 80%

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

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

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

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

SERVICES AVAILABLE

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

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

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

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

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

PROVIDER NAME: _____

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	116,579,000	118,629,000	102,410,000	108,603,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	<u>108,065,000</u>	<u>110,886,000</u>	<u>100,002,000</u>	<u>105,521,000</u>
NET INCOME FROM OPERATIONS	8,514,000	7,743,000	2,408,000	3,082,000
LESS INTEREST EXPENSE	5,863,000	5,918,000	4,822,000	5,066,000
PLUS CONTRIBUTIONS	10,000	12,000	8,000	4,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,810,000	1,776,000	1,527,000	1,384,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>4,471,000</u>	<u>3,613,000</u>	<u>-879,000</u>	<u>-596,000</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>17,825,000</u>	<u>19,595,000</u>	<u>18,536,000</u>	<u>20,847,000</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 2006	1,855,000		09/01/2006	2036	
Series 2010	755,000		02/16/2010	2040	
Series 2012	520,000		01/05/2012	2036	
Series 2013	0		02/01/2013	2043	
Series 2013	373,000		02/01/2013	2020	

FINANCIAL RATIOS (see next page for ratio formulas)

	2011 CCAC Medians 50 th Percentile (optional)	2012	2013	2014
DEBT TO ASSET RATIO		47.99%	57.50%	53.39%
OPERATING RATIO		97.00%	100.85%	100.54%
DEBT SERVICE COVERAGE RATIO		3.04	2.58	2.12
DAYS CASH-ON-HAND RATIO		330.29	348.69	392.48

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

	2011		2012		2013		2014
STUDIO	2,215	4.50%	2,320	3.75%	2,420	4.00%	2,517
ONE BEDROOM	2,523	4.50%	2,626	3.75%	2,769	4.00%	2,889
TWO BEDROOM	4,051	4.50%	4,241	3.75%	4,407	4.00%	4,670
COTTAGE/HOUSE	4,259	4.50%	4,430	3.75%	4,623	4.00%	4,784
ASSISTED LIVING	4,733	5.00%	5,238	4.50%	5,619	3.50%	6,041
SKILLED NURSING	292/day	5.00%	303/day	4.50%	309/day	3.50%	329/day
SPECIAL CARE	6,905	5.00%	7,252	4.00%	7,540	3.50%	7,805

COMMENTS FROM PROVIDER: _____

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

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

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

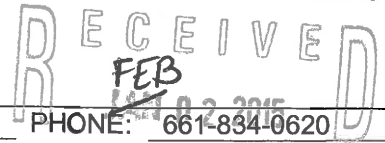
DAYS CASH ON HAND RATIO

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

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.

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

Date Amended: 01/28/15



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

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>20</u>	ASSISTED LIVING <u>31</u>
APARTMENTS - 1 BDRM	<u>55</u>	SKILLED NURSING <u>74</u>
APARTMENTS - 2 BDRM	<u>31</u>	SPECIAL CARE <u>18</u>
COTTAGES/HOUSES	<u>-</u>	DESCRIBE SPECIAL CARE: <u>Memory Support</u>
% OCCUPANCY AT YEAR END	<u>98.0%</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): 90% 75% 50% PRORATED TO 0% OTHER: 80%

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

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

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

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

FACILITY SERVICES AND AMENITIES

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

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

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

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

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

PROVIDER NAME: _____

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	116,579,000	118,629,000	102,410,000	108,603,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	<u>108,065,000</u>	<u>110,886,000</u>	<u>100,002,000</u>	<u>105,521,000</u>
NET INCOME FROM OPERATIONS	8,514,000	7,743,000	2,408,000	3,082,000
LESS INTEREST EXPENSE	5,863,000	5,918,000	4,822,000	5,066,000
PLUS CONTRIBUTIONS	10,000	12,000	8,000	4,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,810,000	1,776,000	1,527,000	1,384,000
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>4,471,000</u>	<u>3,613,000</u>	<u>-879,000</u>	<u>-596,000</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>17,825,000</u>	<u>19,595,000</u>	<u>18,536,000</u>	<u>20,847,000</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 2006	1,855,000		09/01/2006	2036	
Series 2010	755,000		02/16/2010	2040	
Series 2012	520,000		01/05/2012	2036	
Series 2013	0		02/01/2013	2043	
Series 2013	373,000		02/01/2013	2020	

FINANCIAL RATIOS (see next page for ratio formulas)

	2011 CCAC Medians 50 th Percentile (optional)	2012	2013	2014
DEBT TO ASSET RATIO		47.99%	57.50%	53.39%
OPERATING RATIO		97.00%	100.85%	100.54%
DEBT SERVICE COVERAGE RATIO		3.04	2.58	2.12
DAYS CASH-ON-HAND RATIO		330.29	348.69	392.48

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE

	2011		2012		2013		2014
STUDIO	1,861	4.90%	1,947	4.00%	2,027	3.50%	2,075
ONE BEDROOM	2,461	4.90%	2,554	4.00%	2,639	3.50%	2,720
TWO BEDROOM	2,873	4.90%	3,053	4.00%	3,159	3.50%	3,269
COTTAGE/HOUSE							
ASSISTED LIVING	4,213	4.90%	4,082	4.00%	4,463	3.50%	4,493
SKILLED NURSING	255/day	4.90%	268/day	4.00%	281/day	3.50%	284/day
SPECIAL CARE			4,727	3.00%	5,364	3.50%	5,552

COMMENTS FROM PROVIDER:

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

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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