



THE TERRACES

AT SAN JOAQUIN GARDENS
MANAGED BY ASHCW

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

RECEIVED
MAY 02 2017
CONTINUING CARE
CONTRACTS BRANCH

April 28, 2017

Ref: Cover Letter to DSS.doc

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

RE: Annual Report – December 31, 2016

Enclosed please find three copies of Terraces at San Joaquin Gardens' December 31, 2016 Annual Report and one additional unbound copy of Section 7.

The Key Financial Indicators will be submitted under separate cover by the due date of May 31, 2017.

If you have any questions or need additional information, please contact Andrew McDonald at 925-924-7196.

Sincerely,

Pamela S. Claassen
CFO

FORM 1-1

<u>Line</u>	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	352
[2]	Number at end of fiscal year	349
[3]	Total Lines 1 and 2	701
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	350.5
All Residents		
[6]	Number at beginning of fiscal year	402
[7]	Number at end of fiscal year	419
[8]	Total Lines 6 and 7	821
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	410.5
[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>	TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only) \$29,843,000
[a]	Depreciation \$6,217,000
[b]	Debt Service (Interest Only) \$4,158,000
[2]	Subtotal (add Line 1a and 1b) \$10,375,000
[3]	Subtract Line 2 from Line 1 and enter result. \$19,468,000
[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) \$16,622,495
[6]	Total Amount Due (multiply Line 5 by .001) x .001 \$16,622

PROVIDER:
COMMUNITY:

Terraces at San Joaquin Gardens



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

April 28, 2017

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

RE: Annual Audit and Reports – December 31, 2016
Financial Statements – December 31, 2016

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

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

Sincerely,

Jessica Lopez
President



PHILADELPHIA INSURANCE COMPANIES

A Member of the Tokio Marine Group

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

01/18/2016

Cornerstone Affiliates
6120 Stoneridge Mall Rd Ste 30
C/O American Baptist Homes of
Pleasanton, CA 94588-3296

Re: PHSD1091324

Dear Valued Customer:

Thank you very much for choosing Philadelphia Indemnity Insurance Company for your insurance needs. Our first class customer service, national presence and A++ (Superior) A.M. Best financial strength rating have made us the selection by over 150,000 policyholders nationwide. I realize you have a choice in insurance companies and truly appreciate your business.

I wish you much success this year and look forward to building a mutually beneficial business partnership which will prosper for years to come. Welcome to PHL Y and please visit PHLY.com to learn more about our Company!

Sincerely,

Robert D. O'Leary Jr.
President & CEO
Philadelphia Insurance Companies

RDO/sm

Enroll Today!

- Receive Invoices Electronically
- Pay Your Bills Online
- Set Up Recurring Payments
- Available 24/7
- Safe and Secure
- NO FEE!
- Environmentally Friendly

Pay Your Bill Online

To pay your bills online you will need a User ID and Password to access our website. If you don't have a User ID please create one by visiting <https://www.PHLY.com/myphly/newuser.aspx>.

If you have a User ID, please login and click on "Online Bill Pay" and enter the necessary information to pay your bills. Philadelphia Insurance Companies accepts electronic checks (a debit from your checking or savings account) as a method of payment. Please allow 2 to 3 business days for your payment to post to your account. This service is offered free of charge. Please note that credit card payments cannot be made online.

Recurring Payment

Customers that receive their bill directly (and not from their agent) can sign up for recurring payment via automatic withdrawals from a checking, savings, or money market account for direct bill policies.

If you do not already have an account on **PHLY.com** you will need to create one by visiting <https://www.PHLY.com/myphly/newuser.aspx>. Once logged in please refer to "Links for You" and click the "Recurring Payment Instructions" to learn how to enroll. You can also click the "Online Bill Pay" tab on the left hand side to enroll in Recurring Payment.

How to Create an Account on PHLY.com

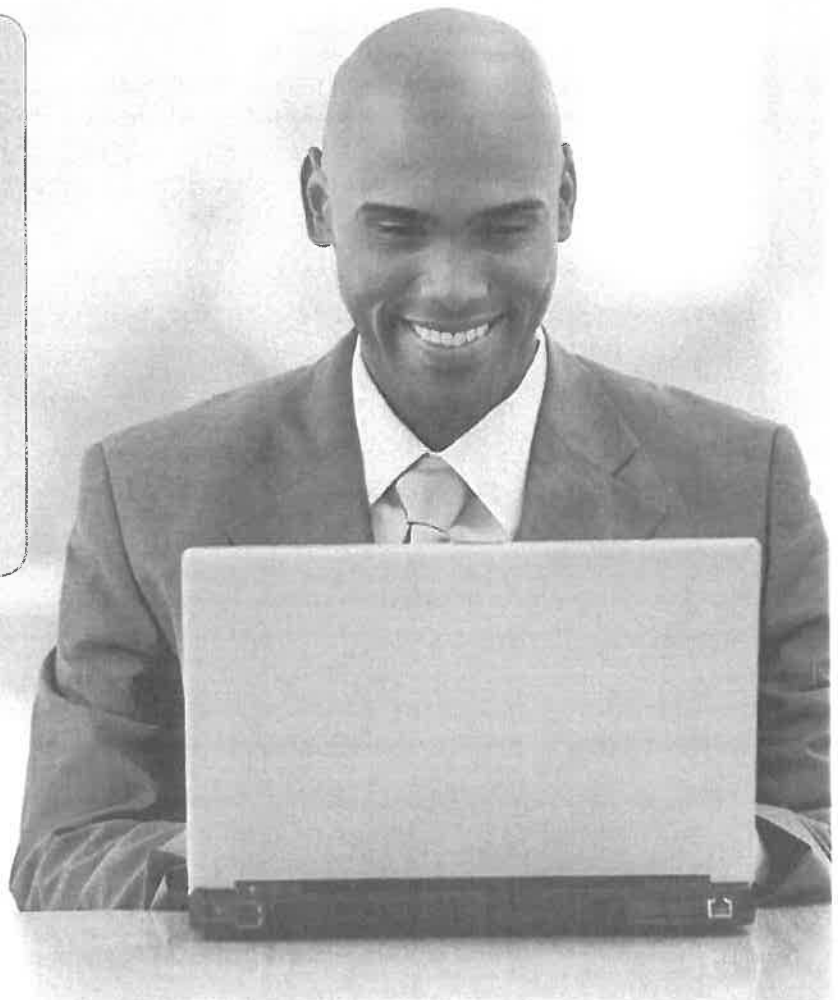
1. Go to <https://www.PHLY.com/myphly/newuser.aspx>
2. Select the applicable BUTTON (insured or producer).
3. Complete the information on the page:
 - You will CREATE your own USER NAME and PASSWORD.
 - The password must be at least 7 characters and contain one number, one lower case letter, and one capital letter.
4. Click CONTINUE when done.
5. On the next page, complete the PASSWORD RESET QUESTION. If you ever forget your password, we will ask you this security question and you will enter the answer you have selected.
6. Once you have received the page that states: "CONTINUE TO MY PHLY," then you have successfully created the account.



PHILADELPHIA
INSURANCE COMPANIES

A Member of the Tokio Marine Group

Focus on the Things that Matter. We'll Handle the Risk!





Making Things Easier for You!

PHLY CUSTOMER SERVICE

Did you know...

- The Loss Assistance Hotline provides Management & Professional Liability policyholders with two FREE HOURS of legal consultation with knowledgeable attorneys on any matter that could potentially result in a claim under a PHLY policy
- You can review billing and payment history online
For example: Payment verifications go to MyPHLY on PHLY.com
- You can pull up and print your invoices and policy documents online
- You can update your profile online
For example: Billing address or contact information changes
- We offer live help within seconds: No complicated phone systems
- 94.4% of our policyholders would refer us to prospective customers*
- We provide 48-hour turnaround time on small business quotes and policy issuance in less than 10 days
- We provide interest-free installments for accounts that generate at least \$2,000 in premium

Frequently Asked Questions

How can I get information about my insurance?

There are 5 different ways to contact Customer Service

- Customer Service 877.438.7459
- Customer Service Fax 866.847.4046
- Customer Service E-mail: cusiserv@phly.com
- Customer Service online chat
- PHLY.com – "Contact Us"

When can I contact Customer Service?

Customer Service is available Monday - Friday from 8:30 a.m. - 8:00 p.m. EST

What forms of payment does PHLY accept?

PHLY accepts 3 forms of payment:

- Check sent to the lock box
- Check by phone payments through our IVR (877.438.7459 – Option 1), website, or contact center representatives
- Credit card payments through our live contact center representatives (Visa, MasterCard, and American Express)

Claims

- Average policyholder first party automobile losses settled in 10 days or less
- Same or next business day acknowledgements of newly reported and opened claims
- Claims representation nationally with Commercial Liability Claims Examiner Niche expertise
- 24/7 claims service. Staff efficiencies with paperless and industry leading systems
- Staff of Subrogation and Recovery Examiners exclusively dedicated to recovery efforts for policyholder paid losses
- Experienced, consistent staff and department structure

Risk Management Services

- National network of in-house risk management professionals providing direct support to policyholders
- Product specific web-based risk management solutions through PHLY.com
- Interactive Driver Training online courses and examination at no additional charge
- Regular e-flyer communications on relevant risk management issues
- Strategic partnerships with best-in-class vendors for discounted MVR checks, abuse training, GPS, and many more

Automatically included on most accounts

PHLY Bell Endorsement - Includes \$50,000 limits each for Business Travel Accident Benefit, Donation Assurance, Emergency Real Estate Consulting Fee, Identity Theft Expense, Image Restoration and Counseling, Key Individual Replacement Expenses, Kidnap Expense, Terrorism Travel Reimbursement, Workplace Violence Counseling \$25,000 limits for each Conference Cancellation, Fundraising Event Blackout, Political Unrest (\$5,000 per employee), Temporary Meeting Space Reimbursement, and \$1,500 Travel Delay Reimbursement.

Honors, Awards, and Ratings

- America's Top 150 Workplaces
- Best Places to Work in Insurance (4th consecutive year)
- Stevie Awards
- ACE Awards
- Top Workplaces in Philadelphia
- Ward's Top 50 (13th consecutive year)
- National Underwriter Top 100 Insurance Groups (Tokio Marine) #29
- National Underwriter Top 100 Insurance Companies #41

A Passion for Service!

Philadelphia Insurance Companies is the marketing name for the insurance companies members of the Philadelphia Casualty and Indemnity Company. Coverage described may not be available in all states and our policies are underwritten and terms, coverages and rates are provided by a specific insurance company. Some coverages may not be available in all states. Please contact your agent for more information. © 2014 Philadelphia Casualty and Indemnity Company. All Rights Reserved.

* All statistics compiled from public sources and are not intended to be used for any other purpose.





Risk Management Services

PHLY RISK MANAGEMENT SERVICES

Welcome to PHLY Risk Management Services Services, PHLY is familiar with the unique Risk Management Services programming needs of you organization and has achieved superior results in this area. We are committed to delivering quality and timely loss prevention services and risk control products to your organization. Customer satisfaction through the delivery of these professional products to achieve measurable risk improvement results is our goal. We know the fulfillment of our Risk Management Services commitment is not complete until we deliver upon our promises.

OUR MISSION: We welcome the opportunity to demonstrate how we can tailor a risk management program suitable to our customer's needs. We are committed to providing our customers with improved communications, quicker implementation of loss control servicing initiatives, and specific benchmarking goals that help us quantify the true value of our services.

OUR MOTTO: "Innovative Services Producing Optimum Results." This mantra reflects our commitment to utilize innovative products and solutions to help our customers achieve measurable results. Customer satisfaction through the delivery of these quality professional products is our goal. We know the fulfillment of our Risk Management Services commitment is not complete until we deliver upon our promises.

In order to gain full access to these resources and others, please take a moment to [register](#) on our [website](#). If you already have an id to PHLY.com, please [login](#) to access Risk Management Services resources.

Risk Management Resources

- IntelliCorp Records, Inc.
- Accountants Resources
- WEMED Loss Assistance Hotline
- in2vate: Web-enabled EPL (employment practices liability insurance) Risk Management Services

Proprietary Risk Management Services

- PHLY Risk Management Services E-flyers
- Responding to Risk Management Services Recommendations

Contact

- For more information please contact: [Customer Service](#)

800.873.4552

IMPORTANT NOTICE: The information and suggestions provided by Philadelphia Insurance Companies are for informational purposes only and do not constitute an offer of insurance. Insurance coverage is subject to underwriting and may not be available in all states. Insurance coverage is subject to underwriting and may not be available in all states. Insurance coverage is subject to underwriting and may not be available in all states. Insurance coverage is subject to underwriting and may not be available in all states.

Philadelphia Insurance Companies is the marketing name for the insurance company, currently either Philadelphia Commercial Insurance Co., a Member of the Tokio Marine Group, and/or Philadelphia Insurance Companies, a Member of the Tokio Marine Group. Insurance coverage is subject to underwriting and may not be available in all states. Insurance coverage is subject to underwriting and may not be available in all states. Insurance coverage is subject to underwriting and may not be available in all states.





**PHILADELPHIA
INSURANCE COMPANIES**

A Member of the Tokio Marine Group

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

Philadelphia Indemnity Insurance Company

Commercial Lines Policy

THIS POLICY CONSISTS OF:

- DECLARATIONS
- COMMON POLICY CONDITIONS
- ONE OR MORE COVERAGE PARTS. A COVERAGE PART CONSISTS OF:
 - ONE OR MORE COVERAGE FORMS
 - APPLICABLE FORMS AND ENDORSEMENTS

IN WITNESS WHEREOF, we have caused this policy to be executed and attested, and, if required by state law, this policy shall not be valid unless signed by our authorized representative.



President & CEO



Secretary

CALIFORNIA PREMIUM REFUND DISCLOSURE NOTICE

In accordance with CAL. INS. CODE § 481.(c), we are notifying you that in the event that the first Named Insured cancels the insurance policy, we shall retain 10% of the unearned premium. The premium refunded to you will therefore be calculated as 90% of the pro rata unearned premium. But if cancellation takes place during the first year of a multiyear prepaid policy, we will return 90% of the pro rata unearned premium for the first year and the full annual premium for the subsequent years.

If you have an Equipment Breakdown policy or your policy contains an Equipment Breakdown Coverage Part, then the following premium refund calculation applies instead of that provided in the preceding paragraph. For the Equipment Breakdown policy premium or for the premium attributable to the Equipment Breakdown Coverage Part, we shall retain 25% of the unearned premium. The premium refunded to you will therefore be calculated as 75% of the pro rata unearned premium. But if cancellation takes place during the first year of a multiyear prepaid policy, we will return 75% of the pro rata unearned premium for the first year and the full annual premium for the subsequent years.

However, the penalties set forth in the preceding paragraphs will not apply under the following circumstances, even if the first Named Insured cancels the policy:

1. The Insured(s) no longer has a financial or insurable interest in the property or business operation that is the subject of insurance;
2. Cancellation takes place after the first year for a prepaid policy written for a term of more than one year; or
3. The policy is rewritten in the same insuring company or company group.

PHILADELPHIA INSURANCE COMPANIES PRIVACY POLICY NOTICE

Philadelphia Indemnity Insurance Company

The Philadelphia Insurance Companies value your privacy and we are committed to protecting personal information that we collect during the course of our business relationship with you. The collection, use and disclosure of certain nonpublic personal information are regulated by law.

This notice is for your information only and requires no action on your part. It will inform you about the types of information that we collect and how it may be used or disclosed. This does not reflect a change in the way we do business or handle your information.

Information We Collect:

We collect personal information about you from the following sources:

- Applications or other forms such as claims forms or underwriting questionnaires completed by you;
- Information about your transactions with us, our affiliates or others; and
- Depending on the type of transaction you are conducting with us, information may be collected from consumer reporting agencies, health care providers, employers and other third parties.

Information We Disclose:

We will only disclose the information described above to our affiliates and non-affiliated third parties, as permitted by law, and when necessary to conduct our normal business activities.

For example, we may make disclosures to the following types of third parties:

- Your agent or broker (producer);
- Parties who perform a business, professional or insurance functions for our company, including our reinsurance companies;
- Independent claims adjusters, investigators, attorneys, other insurers or medical care providers who need information to investigate, defend or settle a claim involving you;
- Regulatory agencies in connection with the regulation of our business; and
- Lienholders, mortgagees, lessors or other persons shown on our records as having a legal or beneficial interest in your policy.

We do not sell your information to others for marketing purposes. We do not disclose the personal information of persons who have ceased to be our customers.

Protection of Information:

The Philadelphia Insurance Companies maintain physical, electronic and procedural safeguards that comply with state and federal regulations to protect the confidentiality of your personal information. We also limit employee access to personally identifiable information to those with a business reason for knowing such information.

Use of Cookies and Opt-Out:

We may place electronic "cookies" in the browser files of your computer when you access our website. Cookies are text files placed on your computer to enable our systems to recognize your browser and so that we may tailor information on our website to your interests. We or our third party service providers or business partners may place cookies on your computer's hard drive to enable us to match personal information that we maintain about you so that we are able to pre-populate on-line forms with your information. We also use cookies to help us analyze traffic on our website to better understand your interests. Although we do not use your non-public personal information for this purpose, you may opt-out of cookies and advertising features through one of the available options including but not limited to Ads Settings in Google.com or the Network Advertising Initiative (NAI) Consumer Opt-out. Opting out does not mean you will no longer receive online advertising. It does mean that companies from which you opted out will no longer customize ads based on your interests and web usage patterns using cookies.

How to Contact Us: Philadelphia Insurance Companies, One Bala Plaza, Suite 100, Bala Cynwyd, PA 19004
Attention: Chief Privacy Officer



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

**Philadelphia Indemnity Insurance Company
COMMON POLICY DECLARATIONS**

Policy Number: PHSD1091324

Named Insured and Mailing Address:

Cornerstone Affiliates
6120 Stoneridge Mall Rd Ste 30
C/O American Baptist Homes of
Pleasanton, CA 94588-3296

Producer: 4941

LOCKTON COMPANIES, LLC (SOUTHERN CAL
725 S. Figueroa
35th Floor
LOS ANGELES, CA 90017

Policy Period From: 11/01/2015 **To:** 11/01/2016

(213)689-0065

at 12:01 A.M. Standard Time at your mailing
address shown above.

Business Description: Non-Profit Organization

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS
POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

**THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS
INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.**

	PREMIUM
Commercial Property Coverage Part	
Commercial General Liability Coverage Part	
Commercial Crime Coverage Part	
Commercial Inland Marine Coverage Part	
Commercial Auto Coverage Part	
Businessowners	
Workers Compensation	
Flexi Plus Five	133,688.00
Crime Protection Plus	6,228.00
Total	\$ 139,916.00

**FORM (S) AND ENDORSEMENT (S) MADE A PART OF THIS POLICY AT THE TIME OF ISSUE
Refer To Forms Schedule**

*Omits applicable Forms and Endorsements if shown in specific Coverage Part/Coverage Form Declarations

CPD- PIIC (06/14)

Secretary

President and CEO

Philadelphia Indemnity Insurance Company

Form Schedule – Policy

Policy Number: PHSD1091324

Forms and Endorsements applying to this Coverage Part and made a part of this policy at time of issue:

Form	Edition	Description
Recurring Payment Flyer	1212	Recurring Payment Flyer
CSNotice-1	1014	Making Things Easier
BJP-190-1	1298	Commercial Lines Policy Jacket
LAH-Notice	0813	Policyholder Notice (Loss Assistance Hotline)
IL N 177	0912	California Premium Refund Disclosure Notice
PP2015	0615	Privacy Policy Notice
CPD-PIIC	0614	Common Policy Declarations
IL0985	0108	Disclosure Pursuant To Terrorism Risk Insurance Act
PI-CANC-CA 1	1013	California Cancellation Amendment



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Bala Cynwyd, Pennsylvania 19004
610.617.7900 Fax 610.617.7940
PHLY.com

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

Philadelphia Indemnity Insurance Company

Policy Number: PHSD1091324

DECLARATIONS

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

Item 1. Parent Organization and Address:
Cornerstone Affiliates
6120 Stoneridge Mall Rd Ste 30
C/O American Baptist Homes of
Pleasanton, CA 94588-3296

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


Item 2. Policy Period: From: 11/01/2015 To: 11/01/2016
(12:01 A.M. local time at the address shown in Item 1.)

Item 3. Limits of Liability:

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

- Item 4. Retention:
- | | | | | |
|-----|-------------------------------|----|---------|------------------------------------------------|
| (A) | Part 1, D&O Liability: | \$ | 100,000 | for each Claim under Insuring Agreement B & C. |
| (B) | Part 2, Employment Practices: | \$ | 100,000 | for each Claim. |
| (C) | Part 3, Fiduciary Liability: | \$ | | for each Claim. |
| (D) | Part 4, Workplace Violence: | \$ | | for each Workplace Violence Act. |
| (E) | Part 5, Internet Liability: | \$ | | for each Claim. |
- Item 5. Prior and Pending Date: Part 1 12/18/1992 Part 2 12/18/1992 Part 3 No Date Applies
Part 4 No Date Applies Part 5 No Date Applies
- Item 6. Premium: Part 1 \$ 67,238.00 Part 2 \$ 66,450.00 Part 3
Part 4 Part 5
- State Surcharge/Tax: Total Premium: \$133,688.00
- Item 7. Endorsements: PER SCHEDULE ATTACHED

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

 _____

Authorized Representative Countersignature Countersignature Date

Philadelphia Indemnity Insurance Company

Form Schedule – Flexi Plus Five

Policy Number: PHSD1091324

Forms and Endorsements applying to this Coverage Part and made a part of this policy at time of issue:

Form	Edition	Description
PI-NPD-1	0102	FlexiPlus Five Declarations Page
PI-BELL-1	1109	Bell Endorsement
PI-CME-1	1009	Crisis Management Enhancement Endorsement
PI-NPD-2	0102	Flexi Plus Five Coverage Form
PI-NPD-5B	0102	For Profit Subsidiary Endorsement (Entity)
PI-NPD-8	0102	Shared Limits Endorsement
PI-NPD-25	0102	Professional Services Exclusion(Supervision Carve-Out)
PI-NPD-27	1011	Sexual Abuse Exclusion
PI-NPD-52	1203	Amendment of Exclusions
PI-NPD-53	1203	Medical Malpractice Exclusion
PI-NPD-54	1203	Anti-Stacking
PI-NPD-82	1012	Pro-Pak Elite Enhancement
PI-NPD-86	1012	Additional Defense Cost Limit Endorsement
PI-MANU-1	0100	CLASS ACTION LIMIT AND RETENTION ENDORSEMENT
PI-MANU-1	0100	DEFINITION OF ORGANIZATION AMENDED
PI-MANU-1	0100	AMENDED NOTICE PROVISION - EQUIVALENT POSITION
PI-MANU-1	0100	DEFINITION OF INDIVIDUAL INSURED AMENDED
PI-MANU-2	0100	ABSOLUTE BI/PD EXCLUSION
PI-NPD-CA-1	0112	California Changes - Cancellation And Nonrenewal
PI-SLD-001	0108	Cap on Losses from Certified Acts of Terrorism



**PHILADELPHIA
INSURANCE COMPANIES**

A Member of the Tokio Marine Group

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

Philadelphia Indemnity Insurance Company

CRIME PROTECTION PLUS DECLARATIONS

Policy Number: PHSD1091324

In return for the payment of the premium, and subject to all the terms of this Policy, we agree with you to provide the insurance stated in this Policy.

DECLARATIONS

ITEM

1. Named Insured: Cornerstone Affiliates
6120 Stoneridge Mall Rd Ste 30
2. Mailing Address: C/O American Baptist Homes of
Pleasanton, CA 94588-3296
3. Policy Period: from 11/01/2015 to 11/01/2016
(12:01 A.M. Standard Time at Your Mailing Address)
4. Coverages, Limits of Insurance and Deductibles:

- Loss Sustained Option Discovery Option
(If no box is checked, the Loss Sustained Option shall apply)

Insuring Agreements, Limit of Insurance and Deductible Amounts shown below are subject to all of the terms of this policy that apply.

Insuring Agreements Forming Part of This Policy	Limit of Insurance	Deductible Amount
A1. EMPLOYEE THEFT AND CLIENT COVERAGE	\$ 1,000,000	\$ 25,000
A2. ERISA FIDELITY	\$ 1,000,000	\$ NIL
B. FORGERY OR ALTERATION, including Credit, Debit, or Charge Card Extension (\$25,000 limit)	\$ 1,000,000	\$ 25,000
C. INSIDE THE PREMISES	\$ 1,000,000	\$ 25,000
D. OUTSIDE THE PREMISES	\$ 1,000,000	\$ 25,000
E. MONEY ORDERS AND COUNTERFEIT PAPER CURRENCY	\$ 1,000,000	\$ 25,000
F. COMPUTER FRAUD AND FUNDS TRANSFER FRAUD	\$ 1,000,000	\$ 25,000

5. Form Numbers of Endorsements Forming Part of This Policy When Issued: SEE SCHEDULE
6. Cancellation of Prior Insurance: By acceptance of this Policy, you give us notice canceling prior policies or bonds numbered: PHSD992173
PHSD992173 the cancellations to be effective at the time this policy becomes effective.

This Policy has been signed by the Company's President and Secretary.

Philadelphia Indemnity Insurance Company

Form Schedule – Crime Protection Plus

Policy Number: PHSD1091324

Forms and Endorsements applying to this Coverage Part and made a part of this policy at time of issue:

Form	Edition	Description
PI-CRP-01	0605	Crime Protection Plus Declarations
PI-BELL-1	1109	Bell Endorsement
PI-CME-1	1009	Crisis Management Enhancement Endorsement
PI-CRP-02	0605	Crime Protection Plus Policy
PI-CRP-13	0605	Policy Bridge - Discovery Replacing Loss Sustained
PI-CRP-14	0605	Loss of Clients Property - Blanket Form w/Conviction
PI-CRP-CA-1	0605	California Changes

THIS ENDORSEMENT IS ATTACHED TO AND MADE PART OF YOUR POLICY IN RESPONSE TO THE DISCLOSURE REQUIREMENTS OF THE TERRORISM RISK INSURANCE ACT. THIS ENDORSEMENT DOES NOT GRANT ANY COVERAGE OR CHANGE THE TERMS AND CONDITIONS OF ANY COVERAGE UNDER THE POLICY.

DISCLOSURE PURSUANT TO TERRORISM RISK INSURANCE ACT

SCHEDULE

Terrorism Premium (Certified Acts) \$ 0

This premium is the total Certified Acts premium attributable to the following Coverage Part(s), Coverage Form(s) and/or Policy(s):

Additional information, if any, concerning the terrorism premium:

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. Disclosure Of Premium

In accordance with the federal Terrorism Risk Insurance Act, we are required to provide you with a notice disclosing the portion of your premium, if any, attributable to coverage for terrorist acts certified under the Terrorism Risk Insurance Act. The portion of your premium attributable to such coverage is shown in the Schedule of this endorsement or in the policy Declarations.

B. Disclosure Of Federal Participation In Payment Of Terrorism Losses

The United States Government, Department of the Treasury, will pay a share of terrorism losses insured under the federal program. The federal share equals 85% of that portion of the amount of such insured losses that exceeds the applicable insurer retention. However, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31), the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion.

C. Cap On Insurer Participation In Payment Of Terrorism Losses

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CALIFORNIA CANCELLATION AMENDMENT

The following provision is added to the Cancellation Policy Condition and supersedes any language to the contrary:

If this policy is cancelled, we will send the first Named Insured any premium refund due.

1. If we cancel, the refund will be pro rata.
2. If the first Named Insured cancels, the refund may be less than pro rata pursuant to a disclosure notice attached to this policy.

The cancellation will be effective even if we have not made or offered a refund.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**BELL ENDORSEMENT**

**PHILADELPHIA
INSURANCE COMPANIES**

A Member of the Tokio Marine Group

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

Unless otherwise stated herein, the terms, conditions, exclusions and other limitations set forth in this endorsement are solely applicable to coverage afforded by this endorsement, and the policy is amended as follows:

I. SCHEDULE OF ADDITIONAL COVERAGES AND LIMITS

The following is a summary of Limits of Liability or Limits of Insurance and/or additional coverages provided by this endorsement. This endorsement is subject to the provisions of the policy to which it is attached.

COVERAGE	LIMITS OF INSURANCE
Business Travel Accident Benefit	\$50,000
Conference Cancellation	\$25,000
Donation Assurance	\$50,000
Emergency Real Estate Consulting Fee	\$50,000
Fundraising Event Blackout	\$25,000
Identity Theft Expense	\$50,000
Image Restoration and Counseling	\$50,000
Key Individual Replacement Expenses	\$50,000
Kidnap Expense	\$50,000
Political Unrest	\$5,000 per employee: \$25,000 policy limit
Temporary Meeting Space Reimbursement	\$25,000
Terrorism Travel Reimbursement	\$50,000
Travel Delay Reimbursement	\$1,500
Workplace Violence Counseling	\$50,000



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610.617.7900 • Fax 610.617.7940 • PHL.Y.com

11/02/2015

Cornerstone Affiliates
6120 Stoneridge Mall Rd Ste 30
C/O American Baptist Homes of
Pleasanton, CA 94588-3296

Re: PHSD1091327

Dear Valued Customer:

Thank you very much for choosing Philadelphia Indemnity Insurance Company for your insurance needs. Our first class customer service, national presence and A++ (Superior) A.M. Best financial strength rating have made us the selection by over 150,000 policyholders nationwide. I realize you have a choice in insurance companies and truly appreciate your business.

I wish you much success this year and look forward to building a mutually beneficial business partnership which will prosper for years to come. Welcome to PHL.Y and please visit PHLY.com to learn more about our Company!

Sincerely,

Robert D. O'Leary Jr.
President & CEO
Philadelphia Insurance Companies

RDO/sm

Enroll Today!

- Receive Invoices Electronically
- Pay Your Bills Online
- Set Up Recurring Payments
- Available 24/7
- Safe and Secure
- NO FEE!
- Environmentally Friendly

Pay Your Bill Online

To pay your bills online you will need a User ID and Password to access our website. If you don't have a User ID please create one by visiting <https://www.PHLY.com/myphly/newuser.aspx>.

If you have a User ID, please login and click on "Online Bill Pay" and enter the necessary information to pay your bills. Philadelphia Insurance Companies accepts electronic checks (a debit from your checking or savings account) as a method of payment. Please allow 2 to 3 business days for your payment to post to your account. This service is offered free of charge. Please note that credit card payments cannot be made online.

Recurring Payment

Customers that receive their bill directly (and not from their agent) can sign up for recurring payment via automatic withdrawals from a checking, savings, or money market account for direct bill policies.

If you do not already have an account on **PHLY.com** you will need to create one by visiting <https://www.PHLY.com/myphly/newuser.aspx>. Once logged in please refer to "Links for You" and click the "Recurring Payment Instructions" to learn how to enroll. You can also click the "Online Bill Pay" tab on the left hand side to enroll in Recurring Payment.

How to Create an Account on PHLY.com

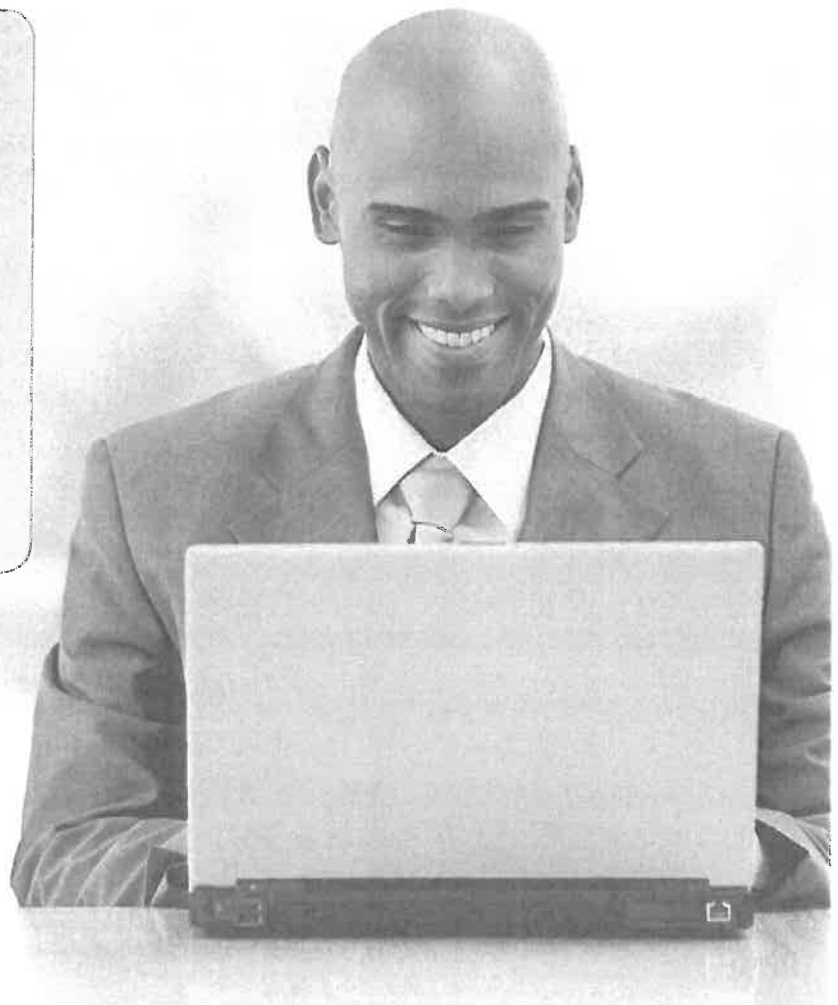
1. Go to <https://www.PHLY.com/myphly/newuser.aspx>
2. Select the applicable BUTTON (insured or producer)
3. Complete the information on the page:
 - You will CREATE your own USER NAME and PASSWORD.
 - The password must be at least 7 characters and contain one number, one lower case letter, and one capital letter.
4. Click CONTINUE when done.
5. On the next page, complete the PASSWORD RESET QUESTION. If you ever forget your password, we will ask you this security question and you will enter the answer you have selected.
6. Once you have received the page that states: "CONTINUE TO MY PHLY," then you have successfully created the account.



PHILADELPHIA
INSURANCE COMPANIES

A Member of the Trizec Marine Group

Focus on the Things that Matter. We'll Handle the Risks!





Making Things Easier for You!

PHLY CUSTOMER SERVICE

Did you know...

- The Loss Assistance Hotline provides Management & Professional Liability policyholders with two FREE HOURS of legal consultation with knowledgeable attorneys on any matter that could potentially result in a claim under a PHLY policy
- You can review billing and payment history online
For example: Payment verifications go to MyPHLY on PHLY.com
- You can pull up and print your invoices and policy documents online
- You can update your profile online
For example: Billing address or contact information changes
- We offer live help within seconds. No complicated phone systems
- 94.4% of our policyholders would refer us to prospective customers*
- We provide 48 hour turnaround time on small business quotes and policy issuance in less than 10 days
- We provide interest free installments for accounts that generate at least \$2,000 in premium

Frequently Asked Questions

How can I get information about my insurance?

There are 5 different ways to contact Customer Service

- Customer Service 877.438.7459
- Customer Service Fax 866.847.4046
- Customer Service e-mail: custserv@phly.com
- Customer Service online chat
- PHLY.com - "Contact Us"

When can I contact Customer Service?

Customer Service is available Monday - Friday from 8:30 a.m. - 8:00 p.m. EST

What forms of payment does PHLY accept?

PHLY accepts 3 forms of payment:

- Check sent to the lock box
- Check by phone payments through our IVR (877.438.7459 - Option 1), website, or contact center representatives
- Credit card payments through our live contact center representatives (Visa, MasterCard, and American Express)

Claims

- Average policyholder first party automobile losses settled in 10 days or less
- Same or next business day acknowledgements of newly reported and opened claims
- Claims representation nationally with Commercial Liability Claims Examiner Niche expertise
- 24/7 claims service. Staff efficiencies with paperless and industry leading systems
- Staff of Subrogation and Recovery Examiners exclusively dedicated to recovery efforts for policyholder paid losses
- Experienced, consistent staff and department structure

Risk Management Services

- National network of in-house risk management professionals providing direct support to policyholders
- Product specific web-based risk management solutions through PHLY.com
- Interactive Driver Training online courses and examination at no additional charge
- Regular e-flyer communications on relevant risk management issues
- Strategic partnerships with best-in-class vendors for discounted MVR checks, abuse training, GPS, and many more

Automatically included on most accounts

PHLY Bell Endorsement - Includes \$50,000 limits each for Business Travel Accident Benefit, Donation Assurance, Emergency Real Estate Consulting Fee, Identity Theft Expense, Image Restoration and Counseling, Key Individual Replacement Expenses, Kidnap Expense, Terrorism Travel Reimbursement, Workplace Violence Counseling, \$25,000 limits for each Conference Cancellation, Fundraising Event Blackout, Political Unrest (\$5,000 per employee), Temporary Meeting Space Reimbursement, and \$1,500 Travel Delay Reimbursement.

Honors, Awards, and Ratings

- America's Top 150 Workplaces
- Best Places to Work in Insurance (4th consecutive year)
- Stevie Awards
- ACE Awards
- Top Workplaces in Philadelphia
- World's Top 50 (13th consecutive year)
- National Underwriter Top 100 Insurance Groups (Tokio Marine) #29
- National Underwriter Top 100 Insurance Companies #41

A Passion for Service!

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*All statistics contained herein were generated out of internal company records of active policyholders.





Bell Endorsement & Crisis Management

PHLY HAS INCREASED LIMITS...

PHLY has increased limits on Bell Endorsement and created a Crisis Management Endorsement that will be attached to our policies.

Bell Endorsement

\$50,000 Identity Theft Expense – coverage which reimburses the expenses of any director or officer who becomes a victim of an incident of identity theft.

\$50,000 Terrorism Travel Reimbursement – which covers any director or officer for emergency travel expenses that he or she incurs in the event of a "certified act of terrorism".

\$50,000 Emergency Real Estate Consulting Fee – coverage for realtor's fee or real estate consultant's fee necessitated by the insured's need to relocate due to the "Unforeseeable destruction" of the insured's principal location.

\$25,000 Temporary Meeting Space Reimbursement – coverage for rental of meeting space which is necessitated by the temporary unavailability of the Insured's primary office space due to the failure of a climate control system, or leakage of a hot water heater.

\$50,000 Workplace Violence Counseling – in the event that a violent incident occurs at any of the insured's premises.

\$50,000 Kidnap Expense – coverage for reasonable fees incurred as a result of the kidnapping of a Director or Officer or their spouse, "domestic partner," parent or child.

\$50,000 Key Individual Replacement Expenses – coverage for the Chief Executive Officer or Executive Director who suffers an "injury" which results in the loss of life. No deductible applies to this coverage.

\$50,000 Image Restoration and Counseling – coverage for image restoration and counseling arising out of "Improper Acts."

\$50,000 Donation Assurance – coverage for "Failed Donation Claim(s)."

\$50,000 Business Travel – coverage for Business Travel Accidental Death Benefit to the Named Insured if a Director or Officer suffers an "injury" while traveling on a common carrier for business.

\$25,000 Conference Cancellation – coverage for any business-related conference expenses, paid by the insured and not otherwise reimbursed, for a canceled conference that an employee was scheduled to attend. The cancellation must be due directly to a "natural catastrophe" or a "communicable disease" outbreak that forces the cancellation of the conference.

\$25,000 Fundraising Event Blackout – coverage for expenses that are incurred due to the cancellation of a fundraising event caused by the lack of electric supply resulting in a power outage, provided the fundraising event is not re-scheduled. The fundraising event must have been planned at least thirty (30) days prior to the power outage.

\$5,000 per employee: \$25,000 policy limit Political Unrest – coverage to reimburse any present director, officer, employee or volunteer of the named insured while traveling outside the United States of America for "emergency evacuation expenses" that are incurred as a result of an incident of "political unrest."

\$1,500 Travel Delay Reimbursement – coverage to reimburse any present director or officer of the named insured for any "non-reimbursable expenses" they incur as a result of the cancellation of any regularly scheduled business travel on a common carrier.

Crisis Management

\$25,000 Crisis Management – coverage for "crisis management emergency response expenses" incurred because of an "incident" giving rise to a "crisis."

Philadelphia Insurance Companies is a participating member of the Insurance Company of the State of New York, a Member of the Tokio Marine Group. The insurance policy is subject to the terms, conditions, coverages, exclusions, limitations, and other provisions of the policy. Coverage is not available in all states. Certain coverages may be subject to additional conditions. All rights reserved. © 2011 Tokio Marine Group. All rights reserved.





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610.617.7900 Fax 610.617.7940
PHLY.com

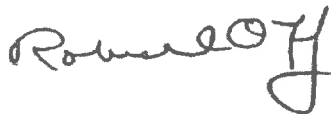
Philadelphia Indemnity Insurance Company

Commercial Lines Policy

THIS POLICY CONSISTS OF:

- DECLARATIONS
- COMMON POLICY CONDITIONS
- ONE OR MORE COVERAGE PARTS. A COVERAGE PART CONSISTS OF:
 - ONE OR MORE COVERAGE FORMS
 - APPLICABLE FORMS AND ENDORSEMENTS

IN WITNESS WHEREOF, we have caused this policy to be executed and attested, and, if required by state law, this policy shall not be valid unless signed by our authorized representative.



President & CEO



Secretary

CALIFORNIA PREMIUM REFUND DISCLOSURE NOTICE

In accordance with CAL. INS. CODE § 481.(c), we are notifying you that in the event that the first Named Insured cancels the insurance policy, we shall retain 10% of the unearned premium. The premium refunded to you will therefore be calculated as 90% of the pro rata unearned premium. But if cancellation takes place during the first year of a multiyear prepaid policy, we will return 90% of the pro rata unearned premium for the first year and the full annual premium for the subsequent years.

If you have an Equipment Breakdown policy or your policy contains an Equipment Breakdown Coverage Part, then the following premium refund calculation applies instead of that provided in the preceding paragraph. For the Equipment Breakdown policy premium or for the premium attributable to the Equipment Breakdown Coverage Part, we shall retain 25% of the unearned premium. The premium refunded to you will therefore be calculated as 75% of the pro rata unearned premium. But if cancellation takes place during the first year of a multiyear prepaid policy, we will return 75% of the pro rata unearned premium for the first year and the full annual premium for the subsequent years.

However, the penalties set forth in the preceding paragraphs will not apply under the following circumstances, even if the first Named Insured cancels the policy:

1. The Insured(s) no longer has a financial or insurable interest in the property or business operation that is the subject of insurance;
2. Cancellation takes place after the first year for a prepaid policy written for a term of more than one year; or
3. The policy is rewritten in the same insuring company or company group.

PHILADELPHIA INSURANCE COMPANIES PRIVACY POLICY NOTICE

Philadelphia Indemnity Insurance Company

The Philadelphia Insurance Companies value your privacy and we are committed to protecting personal information that we collect during the course of our business relationship with you. The collection, use and disclosure of certain nonpublic personal information are regulated by law.

This notice is for your information only and requires no action on your part. It will inform you about the types of information that we collect and how it may be used or disclosed. This does not reflect a change in the way we do business or handle your information.

Information We Collect:

We collect personal information about you from the following sources:

- Applications or other forms such as claims forms or underwriting questionnaires completed by you;
- Information about your transactions with us, our affiliates or others; and
- Depending on the type of transaction you are conducting with us, information may be collected from consumer reporting agencies, health care providers, employers and other third parties.

Information We Disclose:

We will only disclose the information described above to our affiliates and non-affiliated third parties, as permitted by law, and when necessary to conduct our normal business activities.

For example, we may make disclosures to the following types of third parties:

- Your agent or broker (producer);
- Parties who perform a business, professional or insurance functions for our company, including our reinsurance companies;
- Independent claims adjusters, investigators, attorneys, other insurers or medical care providers who need information to investigate, defend or settle a claim involving you;
- Regulatory agencies in connection with the regulation of our business; and
- Lienholders, mortgagees, lessors or other persons shown on our records as having a legal or beneficial interest in your policy.

We do not sell your information to others for marketing purposes. We do not disclose the personal information of persons who have ceased to be our customers.

Protection of Information:

The Philadelphia Insurance Companies maintain physical, electronic and procedural safeguards that comply with state and federal regulations to protect the confidentiality of your personal information. We also limit employee access to personally identifiable information to those with a business reason for knowing such information.

Use of Cookies and Opt-Out:

We may place electronic "cookies" in the browser files of your computer when you access our website. Cookies are text files placed on your computer to enable our systems to recognize your browser and so that we may tailor information on our website to your interests. We or our third party service providers or business partners may place cookies on your computer's hard drive to enable us to match personal information that we maintain about you so that we are able to pre-populate on-line forms with your information. We also use cookies to help us analyze traffic on our website to better understand your interests. Although we do not use your non-public personal information for this purpose, you may opt-out of cookies and advertising features through one of the available options including but not limited to Ads Settings in Google.com or the Network Advertising Initiative (NAI) Consumer Opt-out. Opting out does not mean you will no longer receive online advertising. It does mean that companies from which you opted out will no longer customize ads based on your interests and web usage patterns using cookies.

How to Contact Us: Philadelphia Insurance Companies, One Bala Plaza, Suite 100, Bala Cynwyd, PA 19004
Attention: Chief Privacy Officer



PHILADELPHIA INSURANCE COMPANIES

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

Philadelphia Indemnity Insurance Company COMMON POLICY DECLARATIONS

Policy Number: PHSD1091327

Named Insured and Mailing Address:

Cornerstone Affiliates
6120 Stoneridge Mall Rd Ste 30
C/O American Baptist Homes of
Pleasanton, CA 94588-3296

Producer: 4941

LOCKTON COMPANIES, LLC (SOUTHERN CAL
725 S. Figueroa
35th Floor
LOS ANGELES, CA 90017

Policy Period From: 11/01/2015 **To:** 11/01/2016

(213)689-0065

at 12:01 A.M. Standard Time at your mailing
address shown above.

Business Description: Non Profit Organization

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS
POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS
INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.

	PREMIUM
Commercial Property Coverage Part	
Commercial General Liability Coverage Part	
Commercial Crime Coverage Part	
Commercial Inland Marine Coverage Part	
Commercial Auto Coverage Part	
Businessowners	
Workers Compensation	
Private Company Protection	11,012.00
Total	\$ 11,012.00

FORM (S) AND ENDORSEMENT (S) MADE A PART OF THIS POLICY AT THE TIME OF ISSUE
Refer To Forms Schedule

*Omits applicable Forms and Endorsements if shown in specific Coverage Part/Coverage Form Declarations

CPD- PIIC (06/14)

Secretary

President and CEO

Philadelphia Indemnity Insurance Company

Form Schedule – Policy

Policy Number: PHSD1091327

Forms and Endorsements applying to this Coverage Part and made a part of this policy at time of issue:

Form	Edition	Description
Recurring Payment Flyer	1212	Recurring Payment Flyer
CSNotice-1	1014	Making Things Easier
BJP-190-1	1298	Commercial Lines Policy Jacket
LAH-Notice	0813	Policyholder Notice (Loss Assistance Hotline)
IL N 177	0912	California Premium Refund Disclosure Notice
PP2015	0615	Privacy Policy Notice
CPD-PIIC	0614	Common Policy Declarations
IL0985	0108	Disclosure Pursuant To Terrorism Risk Insurance Act
PI-CANC-CA 1	1013	California Cancellation Amendment



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Private Company Protection Plus

DIRECTORS AND OFFICERS & PRIVATE COMPANY LIABILITY
 EMPLOYMENT PRACTICES LIABILITY INSURANCE
 FIDUCIARY LIABILITY INSURANCE

Philadelphia Indemnity Insurance Company

Policy Number: PHSD1091327

DECLARATIONS

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

Item 1. Private Company Name and Address:
 Cornerstone Affiliates
 6120 Stoneridge Mall Rd Ste 30
 C/O American Baptist Homes of
 Pleasanton, CA 94588-3296

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

Item 2. Policy Period: From: 11/01/2015 To: 11/01/2016
 (12:01 A.M. local time at the address shown in Item 1.)

Item 3. Limits of Liability:
 (A) Part 1, D&O Liability: \$ each Policy Period.
 (B) Part 2, Employment Practices: \$ each Policy Period.
 (C) Part 3, Fiduciary Liability: \$ 3,000,000 each Policy Period.
 (D) Aggregate, All Parts: \$ 3,000,000 each Policy Period.

Item 4. Retention:
 (A) Part 1, D&O Liability: \$ for each Claim under Insuring Agreement B & C.
 Private Offering: \$ for each Claim under Insuring Agreement B & C.
 (B) Part 2, Employment Practices: \$ for each Claim.
 (C) Part 3, Fiduciary Liability: \$ 0 for each Claim.

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

Item 6. Premium: Part 1 Part 2 Part 3 \$ 11,012.00
 Total Premium: \$ 11,012.00

Item 7. Endorsements: SEE SCHEDULE

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



Authorized Representative

Countersignature

Countersignature Date

Philadelphia Indemnity Insurance Company

Form Schedule – Private Company Protection Plan

Policy Number: PHSD1091327

Forms and Endorsements applying to this Coverage Part and made a part of this policy at time of issue:

Form	Edition	Description
PI-PRD-New App	1002	Private Company Protection Plus (New Application)
PI-PRD-1	0902	Private Company Protection Plus Declarations
PI-BELL-1	1109	Bell Endorsement
PI-CME-1	1009	Crisis Management Enhancement Endorsement
PI-PRD-2	0902	Private Company Protection Plus Policy
PI-PRD-70	0803	Health Insurance Portability and Accountability Act
PI-PL-CA	0198	California Amendatory Endorsement

THIS ENDORSEMENT IS ATTACHED TO AND MADE PART OF YOUR POLICY IN RESPONSE TO THE DISCLOSURE REQUIREMENTS OF THE TERRORISM RISK INSURANCE ACT. THIS ENDORSEMENT DOES NOT GRANT ANY COVERAGE OR CHANGE THE TERMS AND CONDITIONS OF ANY COVERAGE UNDER THE POLICY.

DISCLOSURE PURSUANT TO TERRORISM RISK INSURANCE ACT

SCHEDULE

Terrorism Premium (Certified Acts) \$ 0

This premium is the total Certified Acts premium attributable to the following Coverage Part(s), Coverage Form(s) and/or Policy(s):

Additional information, if any, concerning the terrorism premium:

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. Disclosure Of Premium

In accordance with the federal Terrorism Risk Insurance Act, we are required to provide you with a notice disclosing the portion of your premium, if any, attributable to coverage for terrorist acts certified under the Terrorism Risk Insurance Act. The portion of your premium attributable to such coverage is shown in the Schedule of this endorsement or in the policy Declarations.

B. Disclosure Of Federal Participation In Payment Of Terrorism Losses

The United States Government, Department of the Treasury, will pay a share of terrorism losses insured under the federal program. The federal share equals 85% of that portion of the amount of such insured losses that exceeds the applicable insurer retention. However, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31), the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion.

C. Cap On Insurer Participation In Payment Of Terrorism Losses

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CALIFORNIA CANCELLATION AMENDMENT

The following provision is added to the Cancellation Policy Condition and supersedes any language to the contrary:

If this policy is cancelled, we will send the first Named Insured any premium refund due.

1. If we cancel, the refund will be pro rata.
2. If the first Named Insured cancels, the refund may be less than pro rata pursuant to a disclosure notice attached to this policy.

The cancellation will be effective even if we have not made or offered a refund.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**BELL ENDORSEMENT****PHILADELPHIA
INSURANCE COMPANIES**

A Member of the Tokio Marine Group

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Bala Cynwyd, Pennsylvania 19004
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PHLY.com

Unless otherwise stated herein, the terms, conditions, exclusions and other limitations set forth in this endorsement are solely applicable to coverage afforded by this endorsement, and the policy is amended as follows:

I. SCHEDULE OF ADDITIONAL COVERAGES AND LIMITS

The following is a summary of Limits of Liability or Limits of Insurance and/or additional coverages provided by this endorsement. This endorsement is subject to the provisions of the policy to which it is attached.

COVERAGE	LIMITS OF INSURANCE
Business Travel Accident Benefit	\$50,000
Conference Cancellation	\$25,000
Donation Assurance	\$50,000
Emergency Real Estate Consulting Fee	\$50,000
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Image Restoration and Counseling	\$50,000
Key Individual Replacement Expenses	\$50,000
Kidnap Expense	\$50,000
Political Unrest	\$5,000 per employee: \$25,000 policy limit
Temporary Meeting Space Reimbursement	\$25,000
Terrorism Travel Reimbursement	\$50,000
Travel Delay Reimbursement	\$1,500
Workplace Violence Counseling	\$50,000



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10/31/2016

California Life Plan Communities
6120 Stoneridge Mall Rd Ste 30
C/O American Baptist Homes of
Pleasanton, CA 94588-3296

Re: PHSD1192572

Dear Valued Customer:

Thank you very much for choosing Philadelphia Indemnity Insurance Company for your insurance needs. Our first class customer service, national presence and A++ (Superior) A. M. Best financial strength rating have made us the selection by over 550,000 policyholders nationwide. I realize you have a choice in insurance companies and truly appreciate your business.

I wish you much success this year and look forward to building a mutually beneficial business partnership which will prosper for years to come. Welcome to PHL.Y and please visit PHL.Y.com to learn more about our Company!

Sincerely,

Robert D. O'Leary Jr.
President & CEO
Philadelphia Insurance Companies

RDO/sm

Enroll Today!

- Receive Invoices Electronically
- Pay Your Bills Online
- Set Up Recurring Payments
- Available 24/7
- Safe and Secure
- NO FEE!
- Environmentally Friendly

Pay Your Bill Online

To pay your bills online you will need a User ID and Password to access our website. If you don't have a User ID please create one by visiting <https://www.PHLY.com/myphly/newuser.aspx>.

If you have a User ID, please login and click on "Online Bill Pay" and enter the necessary information to pay your bills. Philadelphia Insurance Companies accepts electronic checks (a debit from your checking or savings account) as a method of payment. Please allow 2 to 3 business days for your payment to post to your account. This service is offered free of charge. Please note that credit card payments cannot be made online.

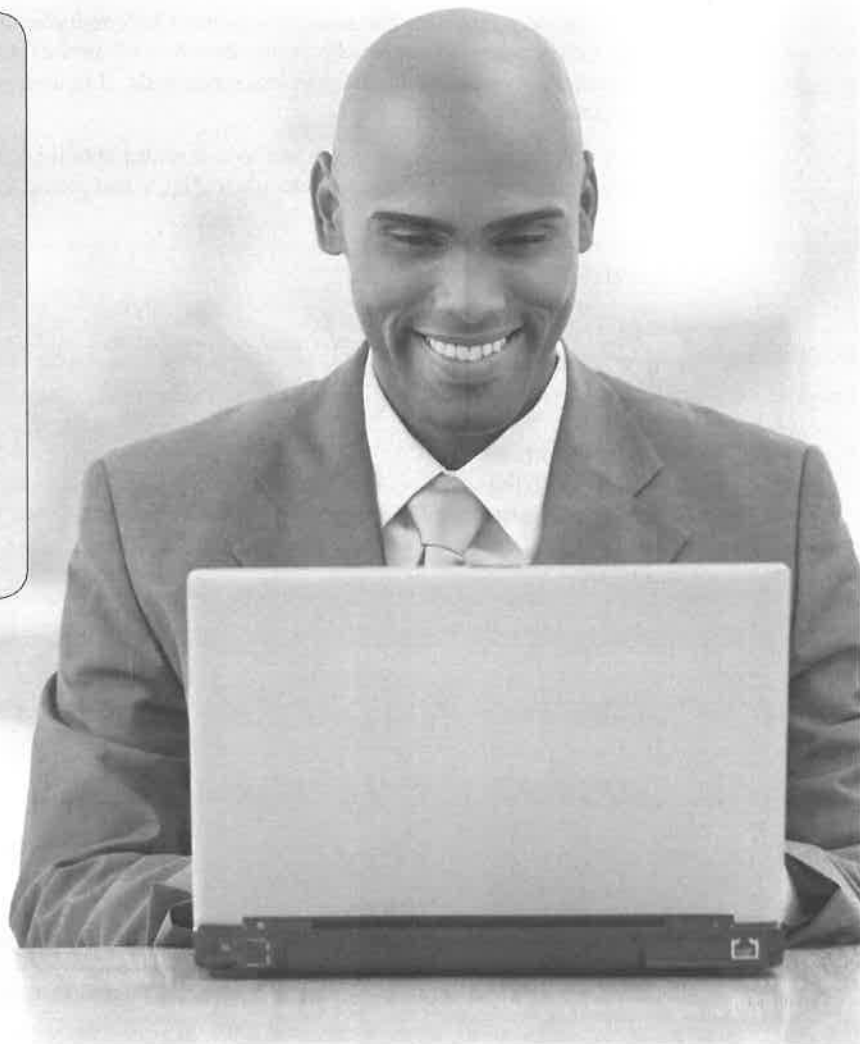
Recurring Payment

Customers that receive their bill directly (and not from their agent) can sign up for recurring payment via automatic withdrawals from a checking, savings, or money market account for direct bill policies.

If you do not already have an account on **PHLY.com** you will need to create one by visiting <https://www.PHLY.com/myphly/newuser.aspx>. Once logged in please refer to "Links for You" and click the "Recurring Payment Instructions" to learn how to enroll. You can also click the "Online Bill Pay" tab on the left hand side to enroll in Recurring Payment.

How to Create an Account on PHLY.com

1. Go to <https://www.PHLY.com/myphly/newuser.aspx>
2. Select the applicable BUTTON (insured or producer).
3. Complete the information on the page:
 - You will CREATE your own USER NAME and PASSWORD.
 - The password must be at least 7 characters and contain one number, one lower case letter, and one capital letter.
4. Click CONTINUE when done.
5. On the next page, complete the PASSWORD RESET QUESTION. If you ever forget your password, we will ask you this security question and you will enter the answer you have selected.
6. Once you have received the page that states: "CONTINUE TO MY PHLY," then you have successfully created the account.



PHILADELPHIA
INSURANCE COMPANIES

A Member of the Tokio Marine Group

Focus on the Things that Matter, We'll Handle the Risk!®



Making Things Easier for You!

PHLY CUSTOMER SERVICE

Did you know...

- The Loss Assistance Hotline provides Management & Professional Liability policyholders with two FREE HOURS of legal consultation with knowledgeable attorneys on any matter that could potentially result in a claim under a PHLY policy
- You can review billing and payment history online
For example: Payment verifications go to MyPHLY on PHLY.com
- You can pull up and print your invoices and policy documents online
- You can update your profile online
For example: Billing address or contact information changes
- We offer live help within seconds: No complicated phone systems
- 94.4% of our policyholders would refer us to prospective customers*
- We provide 48 hour turnaround time on small business quotes and policy issuance in less than 10 days
- We provide interest free installments for accounts that generate at least \$2,000 in premium

Frequently Asked Questions

How can I get information about my insurance?

There are 5 different ways to contact Customer Service

- Customer Service 877.438.7459
- Customer Service Fax 866.847.4046
- Customer Service E-mail: custserv@phly.com
- Customer Service online chat
- PHLY.com – "Contact Us"

When can I contact Customer Service?

Customer Service is available Monday - Friday from 8:30 a.m. - 8:00 p.m. EST

What forms of payment does PHLY accept?

PHLY accepts 3 forms of payment:

- Check sent to the lock box
- Check by phone payments through our IVR (877.438.7459 – Option 1), website, or contact center representatives
- Credit card payments through our live contact center representatives (Visa, MasterCard, and American Express)

Claims

- Average policyholder first party automobile losses settled in 10 days or less
- Same or next business day acknowledgements of newly reported and opened claims
- Claims representation nationally with Commercial Liability Claims Examiner Niche expertise
- 24/7 claims service. Staff efficiencies with paperless and industry leading systems
- Staff of Subrogation and Recovery Examiners exclusively dedicated to recovery efforts for policyholder paid losses
- Experienced, consistent staff and department structure

Risk Management Services

- National network of in-house risk management professionals providing direct support to policyholders
- Product specific web-based risk management solutions through PHLY.com
- Interactive Driver Training online courses and examination at no additional charge
- Regular e-flyer communications on relevant risk management issues
- Strategic partnerships with best-in-class vendors for discounted MVR checks, abuse training, GPS, and many more

Automatically included on most accounts

PHLY Bell Endorsement - Includes \$50,000 limits each for Business Travel Accident Benefit, Donation Assurance, Emergency Real Estate Consulting Fee, Identity Theft Expense, Image Restoration and Counseling, Key Individual Replacement Expenses, Kidnap Expense, Terrorism Travel Reimbursement, Workplace Violence Counseling, \$25,000 limits for each Conference Cancellation, Fundraising Event Blackout, Political Unrest (\$5,000 per employee), Temporary Meeting Space Reimbursement, and \$1,500 Travel Delay Reimbursement.

Honors, Awards, and Ratings

- America's Top 150 Workplaces
- Best Places to Work in Insurance (4th consecutive year)
- Stevie Awards
- ACE Awards
- Top Workplaces in Philadelphia
- Ward's Top 50 (13th consecutive year)
- National Underwriter Top 100 Insurance Groups (Tokio Marine) #29
- National Underwriter Top 100 Insurance Companies #41

A Passion for Service!

Philadelphia Insurance Companies is the marketing name for the insurance company subsidiaries of the Philadelphia Consolidated Holding Corp., a Member of the Tokio Marine Group. Coverage(s) described may not be available in all states and are subject to Underwriting and certain coverage(s) may be provided by a surplus lines insurer. Surplus lines insurers do not generally participate in state guaranty funds and insureds are therefore not protected by such funds. © 2014 Philadelphia Consolidated Holding Corp., All Rights Reserved. *All statistics contained herein were generated via an internal company survey of active policy holders.





Risk Management Services

PHLY RISK MANAGEMENT SERVICES

Welcome to PHLY Risk Management Services. PHLY is familiar with the unique Risk Management Services programming needs of your organization and has achieved superior results in this area. We are committed to delivering quality and timely loss prevention services and risk control products to your organization. Customer satisfaction through the delivery of these professional products to achieve measurable risk improvement results is our goal. We know the fulfillment of our Risk Management Services commitment is not complete until we deliver upon our promises.

OUR MISSION: We welcome the opportunity to demonstrate how we can tailor a risk management program suitable to our customer's needs. We are committed to providing our customers with improved communications, quicker implementation of loss control servicing initiatives, and specific benchmarking goals that help us quantify the true value of our services.

OUR MOTTO: "Innovative Services Producing Optimum Results." This mantra reflects our commitment to utilize innovative products and solutions to help our customers achieve measurable results. Customer satisfaction through the delivery of these quality professional products is our goal. We know the fulfillment of our Risk Management Services commitment is not complete until we deliver upon our promises.

In order to gain full access to these resources and others, please take a moment to [register](#) on our [website](#). If you already have an id to PHLY.com, please [login](#) to access Risk Management Services resources.

Risk Management Resources

- IntelliCorp Records, Inc.
- Accountants Resources
- WEMED Loss Assistance Hotline
- in2vate: Web-enabled EPLI (employment practices liability insurance) Risk Management Services

Proprietary Risk Management Services

- PHLY Risk Management Services E-flyers
- Responding to Risk Management Services Recommendations

Contact

- For more information please contact: [Customer Service](#)

800.873.4552

IMPORTANT NOTICE: The information and suggestions presented by Philadelphia Indemnity Insurance Company in this e-brochure is for your consideration in your loss prevention efforts. They are not intended to be complete or definitive in identifying all hazards associated with your business, preventing workplace accidents, or complying with any safety related, or other, laws or regulations. You are encouraged to alter them to fit the specific hazards of your business and to have your legal counsel review all of your plans and company policies.

Philadelphia Insurance Companies is the marketing name for the insurance company subsidiaries of the Philadelphia Consolidated Holding Corp., a Member of the Tokio Marine Group. Your insurance policy, and not the information contained in this document, forms the contract between you and your insurance company. If there is a discrepancy or conflict between the information contained herein and your policy, your policy takes precedence. All coverages are not available in all states due to state insurance regulations. Certain coverage(s) may be provided by a surplus lines broker. Surplus lines insurers do not generally participate in state guaranty funds and insureds are therefore not protected by such funds. © 2013 Philadelphia Consolidated Holding Corp., All Rights Reserved.





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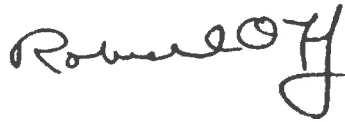
Philadelphia Indemnity Insurance Company

Commercial Lines Policy

THIS POLICY CONSISTS OF:

- DECLARATIONS
- COMMON POLICY CONDITIONS
- ONE OR MORE COVERAGE PARTS. A COVERAGE PART CONSISTS OF:
 - ONE OR MORE COVERAGE FORMS
 - APPLICABLE FORMS AND ENDORSEMENTS

IN WITNESS WHEREOF, we have caused this policy to be executed and attested, and, if required by state law, this policy shall not be valid unless signed by our authorized representative.



President & CEO



Secretary



PHILADELPHIA
INSURANCE COMPANIES

A Member of the Tokio Marine Group

Risk Management Services

POLICYHOLDER NOTICE (LOSS ASSISTANCE HOTLINE)

As a free service benefit to its policyholders, PHLI has partnered with nationally recognized law firm Wilson, Elser, Moskowitz, Edelman & Dicker LLP (WEMED), to offer a toll-free Loss Assistance Hotline. The telephone number is 877.742.2201 or you can contact a WEMED attorney online at: apps.wilsonelser.com/pic/. This hotline provides you with 2 free hours of legal consultation with a knowledgeable attorney on any matter that you feel could result in a Claim under your professional or management liability policy. The Loss Assistance Hotline is NOT a Claim reporting service. To report a Claim, follow the Claim reporting instructions in your policy and also notify your insurance agent. If you have any questions concerning the Loss Assistance Hotline, please contact us at 800.759.4961 x2967.



800.873.4552

Philadelphia Insurance Companies is the marketing services affiliate and company subsidiaries of the Philadelphia Group/Global Holding Corp., a Member of the Tokio Marine Group. Your insurance policy, and not the information contained in this document, forms the contract between you and your insurance company. If there is a discrepancy or conflict between the information contained herein and your policy, your policy takes precedence. All coverages are not available in all states due to state insurance regulations. Certain coverage(s) may be provided by a surplus line insurer. Surplus line insurers do not generally participate in state guaranty funds and insureds can therefore not be protected by such funds. | © 2013 Philadelphia Insurance Companies. All Rights Reserved.



CALIFORNIA PREMIUM REFUND DISCLOSURE NOTICE

In accordance with CAL. INS. CODE § 481.(c), we are notifying you that in the event that the first Named Insured cancels the insurance policy, we shall retain 10% of the unearned premium. The premium refunded to you will therefore be calculated as 90% of the pro rata unearned premium. But if cancellation takes place during the first year of a multiyear prepaid policy, we will return 90% of the pro rata unearned premium for the first year and the full annual premium for the subsequent years.

If you have an Equipment Breakdown policy or your policy contains an Equipment Breakdown Coverage Part, then the following premium refund calculation applies instead of that provided in the preceding paragraph. For the Equipment Breakdown policy premium or for the premium attributable to the Equipment Breakdown Coverage Part, we shall retain 25% of the unearned premium. The premium refunded to you will therefore be calculated as 75% of the pro rata unearned premium. But if cancellation takes place during the first year of a multiyear prepaid policy, we will return 75% of the pro rata unearned premium for the first year and the full annual premium for the subsequent years.

However, the penalties set forth in the preceding paragraphs will not apply under the following circumstances, even if the first Named Insured cancels the policy:

1. The Insured(s) no longer has a financial or insurable interest in the property or business operation that is the subject of insurance;
2. Cancellation takes place after the first year for a prepaid policy written for a term of more than one year; or
3. The policy is rewritten in the same insuring company or company group.

PHILADELPHIA INSURANCE COMPANIES PRIVACY POLICY NOTICE

Philadelphia Indemnity Insurance Company

The Philadelphia Insurance Companies value your privacy and we are committed to protecting personal information that we collect during the course of our business relationship with you. The collection, use and disclosure of certain nonpublic personal information are regulated by law.

This notice is for your information only and requires no action on your part. It will inform you about the types of information that we collect and how it may be used or disclosed. This does not reflect a change in the way we do business or handle your information.

Information We Collect:

We collect personal information about you from the following sources:

- Applications or other forms such as claims forms or underwriting questionnaires completed by you;
- Information about your transactions with us, our affiliates or others; and
- Depending on the type of transaction you are conducting with us, information may be collected from consumer reporting agencies, health care providers, employers and other third parties.

Information We Disclose:

We will only disclose the information described above to our affiliates and non-affiliated third parties, as permitted by law, and when necessary to conduct our normal business activities.

For example, we may make disclosures to the following types of third parties:

- Your agent or broker (producer);
- Parties who perform a business, professional or insurance functions for our company, including our reinsurance companies;
- Independent claims adjusters, investigators, attorneys, other insurers or medical care providers who need information to investigate, defend or settle a claim involving you;
- Regulatory agencies in connection with the regulation of our business; and
- Lienholders, mortgagees, lessors or other persons shown on our records as having a legal or beneficial interest in your policy.

We do not sell your information to others for marketing purposes. We do not disclose the personal information of persons who have ceased to be our customers.

Protection of Information:

The Philadelphia Insurance Companies maintain physical, electronic and procedural safeguards that comply with state and federal regulations to protect the confidentiality of your personal information. We also limit employee access to personally identifiable information to those with a business reason for knowing such information.

Use of Cookies and Opt-Out:

We may place electronic "cookies" in the browser files of your computer when you access our website. Cookies are text files placed on your computer to enable our systems to recognize your browser and so that we may tailor information on our website to your interests. We or our third party service providers or business partners may place cookies on your computer's hard drive to enable us to match personal information that we maintain about you so that we are able to pre-populate on-line forms with your information. We also use cookies to help us analyze traffic on our website to better understand your interests. Although we do not use your non-public personal information for this purpose, you may opt-out of cookies and advertising features through one of the available options including but not limited to Ads Settings in Google.com or the Network Advertising Initiative (NAI) Consumer Opt-out. Opting out does not mean you will no longer receive online advertising. It does mean that companies from which you opted out will no longer customize ads based on your interests and web usage patterns using cookies.

How to Contact Us: Philadelphia Insurance Companies, One Bala Plaza, Suite 100, Bala Cynwyd, PA 19004
Attention: Chief Privacy Officer



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610.617.7900 Fax 610.617.7940
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Philadelphia Indemnity Insurance Company COMMON POLICY DECLARATIONS

Policy Number: PHSD1192572

Named Insured and Mailing Address:

California Life Plan Communities
6120 Stoneridge Mall Rd Ste 30
C/O American Baptist Homes of
Pleasanton, CA 94588-3296

Producer: 4941

Lockton Companies, LLC - Pacific Series
725 S. Figueroa
35th Floor
LOS ANGELES, CA 90017

Policy Period From: 11/01/2016 **To:** 11/01/2017

(213) 689-0065

at 12:01 A.M. Standard Time at your mailing
address shown above.

Business Description: Non-Profit Organization

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS
POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS
INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.

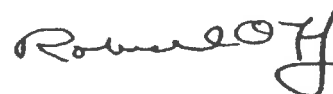
	PREMIUM
Commercial Property Coverage Part	
Commercial General Liability Coverage Part	
Commercial Crime Coverage Part	
Commercial Inland Marine Coverage Part	
Commercial Auto Coverage Part	
Businessowners	
Workers Compensation	
Flexi Plus Five	151,252.00
Crime Protection Plus	8,768.00
Total	\$ 160,020.00

FORM (S) AND ENDORSEMENT (S) MADE A PART OF THIS POLICY AT THE TIME OF ISSUE
Refer To Forms Schedule

*Omits applicable Forms and Endorsements if shown in specific Coverage Part/Coverage Form Declarations

CPD- PIIC (06/14)


Secretary


President and CEO

Philadelphia Indemnity Insurance Company

Form Schedule – Policy

Policy Number: PHSD1192572

Forms and Endorsements applying to this Coverage Part and made a part of this policy at time of issue:

Form	Edition	Description
Recurring Payment Flyer	1212	Recurring Payment Flyer
CSNotice-1	1014	Making Things Easier
BJP-190-1	1298	Commercial Lines Policy Jacket
LAH-Notice	0813	Policyholder Notice (Loss Assistance Hotline)
IL N 177	0912	California Premium Refund Disclosure Notice
PP2015	0615	Privacy Policy Notice
CPD-PIIC	0614	Common Policy Declarations
IL0985	0115	Disclosure Pursuant To Terrorism Risk Insurance Act
PI-CANC-CA 1	1013	California Cancellation Amendment



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

Philadelphia Indemnity Insurance Company

Policy Number: PHSD1192572

DECLARATIONS

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

Item 1. Parent Organization and Address:
California Life Plan Communities
6120 Stoneridge Mall Rd Ste 30
C/O American Baptist Homes of
Pleasanton, CA 94588-3296

Internet Address: www.abhow.com

Item 2. Policy Period: From: 11/01/2016 To: 11/01/2017
(12:01 A.M. local time at the address shown in Item 1.)

Item 3. Limits of Liability:

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

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

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

Item 6. Premium: Part 1 \$ 82,301.00 Part 2 \$ 68,951.00 Part 3
Part 4 Part 5
State Surcharge/Tax: Total Premium: \$151,252.00

Item 7. Endorsements: PER SCHEDULE ATTACHED

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



Authorized Representative

Countersignature

Countersignature Date

Philadelphia Indemnity Insurance Company

Form Schedule – Flexi Plus Five

Policy Number: PHSD1192572

Forms and Endorsements applying to this Coverage Part and made a part of this policy at time of issue:

Form	Edition	Description
PI-NPD-1	0102	FlexiPlus Five Declarations Page
PI-BELL-1	1109	Bell Endorsement
PI-CME-1	1009	Crisis Management Enhancement Endorsement
PI-NPD-2	0102	Flexi Plus Five Coverage Form
PI-NPD-5B	0102	For Profit Subsidiary Endorsement (Entity)
PI-NPD-8	0102	Shared Limits Endorsement
PI-NPD-25	0102	Professional Services Exclusion(Supervision Carve-Out)
PI-NPD-27	1011	Sexual Abuse Exclusion
PI-NPD-52	1203	Amendment of Exclusions
PI-NPD-53	1203	Medical Malpractice Exclusion
PI-NPD-54	1203	Anti-Stacking
PI-NPD-82	1012	Pro-Pak Elite Enhancement
PI-NPD-86	1012	Additional Defense Cost Limit Endorsement
PI-MANU-1	0100	Class Action Limit and Retention Endorsement
PI-MANU-1	0100	Definition of Organization Amended
PI-MANU-1	0100	Amended Notice Provision - Equivalent Position
PI-MANU-1	0100	Definition of Individual Insured Amended
PI-MANU-2	0100	Absolute Bodily Injury / Property Damage Exclusion
PI-NPD-CA-1	0112	California Changes - Cancellation And Nonrenewal
PI-SLD-001	0108	Cap On Losses From Certified Acts Of Terrorism



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Philadelphia Indemnity Insurance Company

CRIME PROTECTION PLUS DECLARATIONS

Policy Number: PHSD1192572

In return for the payment of the premium, and subject to all the terms of this Policy, we agree with you to provide the insurance stated in this Policy.

DECLARATIONS

ITEM

1. Named Insured: California Life Plan Communities
6120 Stoneridge Mall Rd Ste 30
2. Mailing Address: C/O American Baptist Homes of
Pleasanton, CA 94588-3296

3. Policy Period: from 11/01/2016 to 11/01/2017
(12:01 A.M. Standard Time at Your Mailing Address)

4. Coverages, Limits of Insurance and Deductibles:
 - Loss Sustained Option Discovery Option
 - (If no box is checked, the Loss Sustained Option shall apply)

Insuring Agreements, Limit of Insurance and Deductible Amounts shown below are subject to all of the terms of this policy that apply.

Insuring Agreements Forming Part of This Policy	Limit of Insurance	Deductible Amount
A1. EMPLOYEE THEFT AND CLIENT COVERAGE	\$ 1,000,000	\$ 25,000
A2. ERISA FIDELITY	\$ 1,000,000	NIL
B. FORGERY OR ALTERATION, including Credit, Debit, or Charge Card Extension (\$25,000 limit)	\$ 1,000,000	\$ 25,000
C. INSIDE THE PREMISES	\$ 1,000,000	\$ 25,000
D. OUTSIDE THE PREMISES	\$ 1,000,000	\$ 25,000
E. MONEY ORDERS AND COUNTERFEIT PAPER CURRENCY	\$ 1,000,000	\$ 25,000
F. COMPUTER FRAUD AND FUNDS TRANSFER FRAUD	\$ 1,000,000	\$ 25,000

5. Form Numbers of Endorsements Forming Part of This Policy When Issued: SEE SCHEDULE
6. Cancellation of Prior Insurance: By acceptance of this Policy, you give us notice canceling prior policies or bonds numbered: PHSD1091324
PHSD1091324 the cancellations to be effective at the time this policy becomes effective.

This Policy has been signed by the Company's President and Secretary.

Philadelphia Indemnity Insurance Company

Form Schedule – Crime Protection Plus

Policy Number: PHSD1192572

Forms and Endorsements applying to this Coverage Part and made a part of this policy at time of issue:

Form	Edition	Description
PI-CRP-01	0605	Crime Protection Plus Declarations
PI-BELL-1	1109	Bell Endorsement
PI-CME-1	1009	Crisis Management Enhancement Endorsement
PI-CRP-02	0605	Crime Protection Plus Policy
PI-CRP-12	0605	Joint Loss Payable
PI-CRP-13	0605	Policy Bridge - Discovery Replacing Loss Sustained
PI-CRP-14	0605	Loss of Clients Property - Blanket Form w/Conviction
PI-CRP-CA-1	0605	California Changes

THIS ENDORSEMENT IS ATTACHED TO AND MADE PART OF YOUR POLICY IN RESPONSE TO THE DISCLOSURE REQUIREMENTS OF THE TERRORISM RISK INSURANCE ACT. THIS ENDORSEMENT DOES NOT GRANT ANY COVERAGE OR CHANGE THE TERMS AND CONDITIONS OF ANY COVERAGE UNDER THE POLICY.

DISCLOSURE PURSUANT TO TERRORISM RISK INSURANCE ACT

SCHEDULE

SCHEDULE – PART I	
Terrorism Premium (Certified Acts)	\$ 0
This premium is the total Certified Acts premium attributable to the following Coverage Part(s), Coverage Form(s) and/or Policy(ies):	
Additional information, if any, concerning the terrorism premium:	
SCHEDULE – PART II	
Federal share of terrorism losses	<u>85</u> % Year: 2015 (Refer to Paragraph B. in this endorsement.)
Federal share of terrorism losses	<u>84</u> % Year: 2016 (Refer to Paragraph B. in this endorsement.)
Federal share of terrorism losses	<u>83</u> % Year: 2017 (Refer to Paragraph B. in this endorsement.)
Federal share of terrorism losses	<u>82</u> % Year: 2018 (Refer to Paragraph B. in this endorsement.)
Federal share of terrorism losses	<u>81</u> % Year: 2019 (Refer to Paragraph B. in this endorsement.)
Federal share of terrorism losses	<u>80</u> % Year: 2020 (Refer to Paragraph B. in this endorsement.)
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. Disclosure Of Premium

In accordance with the federal Terrorism Risk Insurance Act, we are required to provide you with a notice disclosing the portion of your premium, if any, attributable to coverage for terrorist acts certified under the Terrorism Risk Insurance Act. The portion of your premium attributable to such coverage is shown in the Schedule of this endorsement or in the policy Declarations.

B. Disclosure Of Federal Participation In Payment Of Terrorism Losses

The United States Government, Department of the Treasury, will pay a share of terrorism losses insured under the federal program. The federal share equals a percentage (as shown in Part II of the Schedule of this endorsement or in the policy Declarations) of that portion of the amount of such insured losses that exceeds the applicable insurer retention. However, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year, the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion.

C. Cap On Insurer Participation In Payment Of Terrorism Losses

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CALIFORNIA CANCELLATION AMENDMENT

The following provision is added to the Cancellation Policy Condition and supersedes any language to the contrary:

If this policy is cancelled, we will send the first Named Insured any premium refund due.

1. If we cancel, the refund will be pro rata.
2. If the first Named Insured cancels, the refund may be less than pro rata pursuant to a disclosure notice attached to this policy.

The cancellation will be effective even if we have not made or offered a refund.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**BELL ENDORSEMENT**

**PHILADELPHIA
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PHLY.com

Unless otherwise stated herein, the terms, conditions, exclusions and other limitations set forth in this endorsement are solely applicable to coverage afforded by this endorsement, and the policy is amended as follows:

I. SCHEDULE OF ADDITIONAL COVERAGES AND LIMITS

The following is a summary of Limits of Liability or Limits of Insurance and/or additional coverages provided by this endorsement. This endorsement is subject to the provisions of the policy to which it is attached.

COVERAGE	LIMITS OF INSURANCE
Business Travel Accident Benefit	\$50,000
Conference Cancellation	\$25,000
Donation Assurance	\$50,000
Emergency Real Estate Consulting Fee	\$50,000
Fundraising Event Blackout	\$25,000
Identity Theft Expense	\$50,000
Image Restoration and Counseling	\$50,000
Key Individual Replacement Expenses	\$50,000
Kidnap Expense	\$50,000
Political Unrest	\$5,000 per employee: \$25,000 policy limit
Temporary Meeting Space Reimbursement	\$25,000
Terrorism Travel Reimbursement	\$50,000
Travel Delay Reimbursement	\$1,500
Workplace Violence Counseling	\$50,000

Terraces at San Joaquin Gardens

	12 Months Ended 12/31/2016
OPERATING ACTIVITIES	
Cash received for resident services	\$ 20,577
Cash received for entrance fees from reoccupancy	5,806
Cash received from other operating activities	511
Cash received from bequests & trust maturities	-
Cash earnings realized from investments	15
Cash paid for employee salaries	(7,456)
Cash paid for employee benefits	(2,059)
Cash paid for temporary labor	(373)
Cash paid to vendors	(8,475)
Cash paid for interest, net of amounts capitalized	(2,835)
Direct Entries to Equity Accts	-
Net cash provided by operating activities	<u>5,711</u>
INVESTING ACTIVITIES	
Acquisition of land, buildings and equipment	(1,266)
Change in restricted cash	-
Purchase of restricted investments	(3,132)
Proceeds from sale of restricted investments	-
cash utilized from restricted investments	<u>2,940</u>
Net cash provided by investing activities	<u>(1,458)</u>
FINANCING ACTIVITIES	
Payments of notes and bonds payable	3,078
Cash received from initial entrance fees and deposits	(2,936)
Refunds of deposits and refundable fees	191
Cash paid for deferred debt issuance costs	59
Cash received from inter-company transactions	(1,334)
Cash received from capital contributions	-
Principal payments on notes and bonds payable	-
Change in payable to affiliates	<u>-</u>
Net cash used in financing activities	<u>(942)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	3,311
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>13,840</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 17,151</u>

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

Date Amended 11/25/15
RECEIVED
MAY 02 2017

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

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>0</u>	ASSISTED LIVING <u>58</u>
APARTMENTS - 1 BDRM	<u>105</u>	SKILLED NURSING <u>54</u>
APARTMENTS - 2 BDRM	<u>157</u>	SPECIAL CARE <u>28</u>
COTTAGES/HOUSES	_____	DESCRIBE SPECIAL CARE: <u>Memory Support</u>
% OCCUPANCY AT YEAR END	<u>78.2%</u>	

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY: CCAC
FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL

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

RANGE OF ENTRANCE FEES: \$80,000 TO \$554,448 **LONG-TERM CARE INSURANCE REQUIRED?** Y N

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

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

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	X	X	HOUSEKEEPING TIMES/MONTH	<u>2-4</u>	_____
BILLIARD ROOM	X	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>1</u>	_____
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>	_____
CARD ROOMS	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/BISTRO	X	X	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	X
PUTTING GREEN	<input type="checkbox"/>	<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	X	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 _____	<input type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	X	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OTHER - SAUNA	X	<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: _____ Terraces at San Joaquin Gardens _____

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

MULTI-LEVEL RETIREMENT COMMUNITIES		

FREE-STANDING SKILLED NURSING		

SUBSIDIZED SENIOR HOUSING		

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: _____

	2013	2014	2015	2016
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$17,292,000	\$17,752,000	\$19,435,000	\$21,567,000
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	<u>16,690,000</u>	<u>17,714,000</u>	<u>18,226,000</u>	<u>19,468,000</u>
	602,000	38,000	1,209,000	2,099,000
NET INCOME FROM OPERATIONS	1,146,000	3,200,000	4,271,000	4,158,000
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)		19,000	22,000	12,000
	<u>-544,000</u>	<u>-3,143,000</u>	<u>-3,040,000</u>	<u>-2,047,000</u>
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION				
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>6,176,000</u>	<u>4,743,528</u>	<u>2,989,107</u>	<u>3,256,000</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 2012	\$47,685,000		09/26/12		
Series A Subnote 2006	\$23,336,000		09/01/12		
Series B Subnote 2010	\$6,438,000		09/01/12		

FINANCIAL RATIOS (see next page for ratio formulas)

	2001 CCAC Medians 50 th Percentile (optional)	2014	2015	2016
DEBT TO ASSET RATIO		65.68%	62.93%	63.32%
OPERATING RATIO		117.01%	112.77%	121.19%
DEBT SERVICE COVERAGE RATIO		3.64	2.42	0.79
DAYS CASH-ON-HAND RATIO		197.17	220.38	264.98

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

	2013		2014		2015		2016	
STUDIO								
ONE BEDROOM	2,253	3.00%	2,444	4.00%	2,609	4.00%	2,681	
TWO BEDROOM	3,090	3.00%	3,409	4.00%	3,585	4.00%	3,745	
COTTAGE/HOUSE								
ASSISTED LIVING	4,927	2.00%	4,944	2.75%	5,574	3.00%	5,632	
SKILLED NURSING	262/day	3.00%	293/day	3.00%	302/day	3.00%	312/day	
SPECIAL CARE	6,414	2.00%	7,092	3.00%	7,092	3.00%	7,007	

COMMENTS FROM PROVIDER: _____

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

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

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.

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	\$2,302– 4,754 \$928	\$2,887- \$9,610	\$281 - \$328
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.00%	2.75%	3.00%

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

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

[4] Check each of the appropriate boxes:

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

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

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

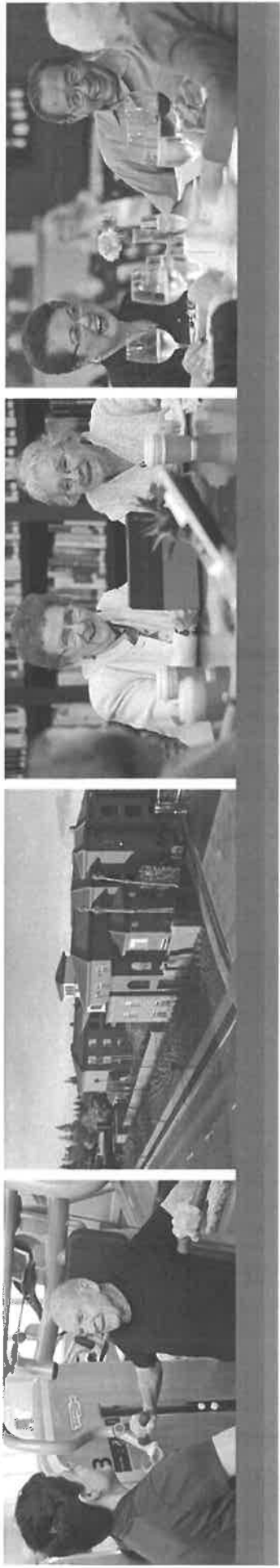


THE TERRACES

AT SAN JOAQUIN GARDENS

—MANAGED BY ABHOW—

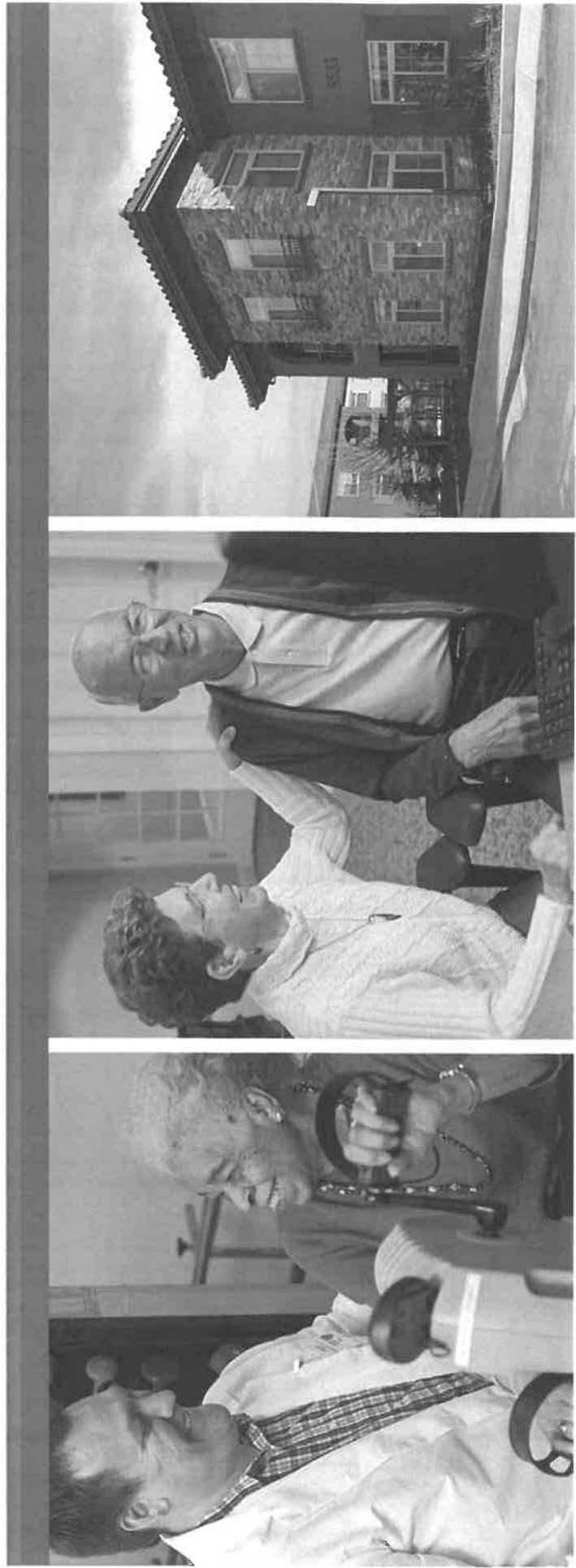




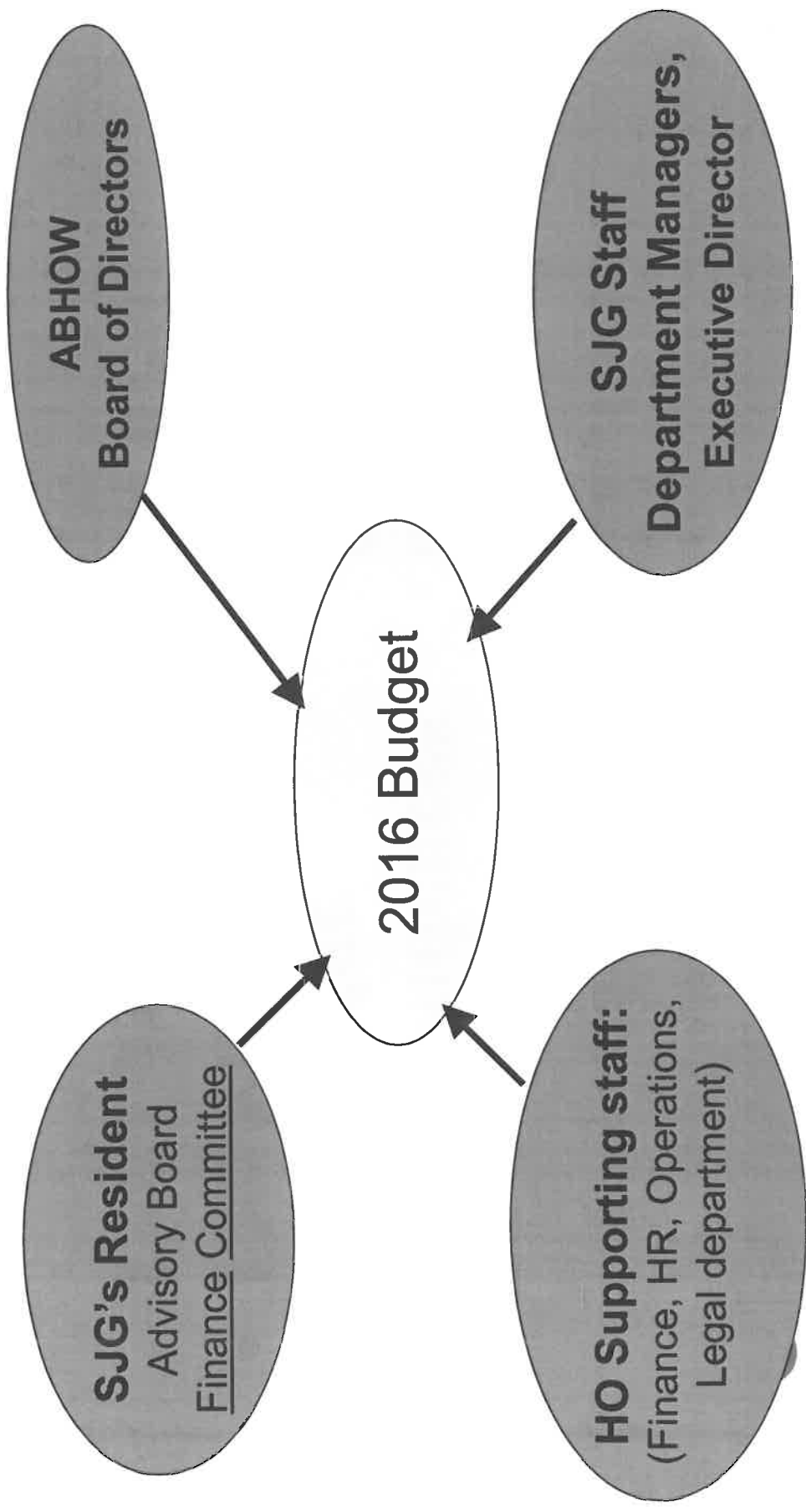
THE TERRACES

AT SAN JOAQUIN GARDENS
—MANAGED BY ABHOW—

Discussion with Residents Budget FY 2016



Terraces at San Joaquin Gardens' Budget Team



THE TERRACES

AT SAN JOAQUIN GARDENS
MANAGED BY ABHOW

Assumptions

Budgeted Occupancy Assumptions

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

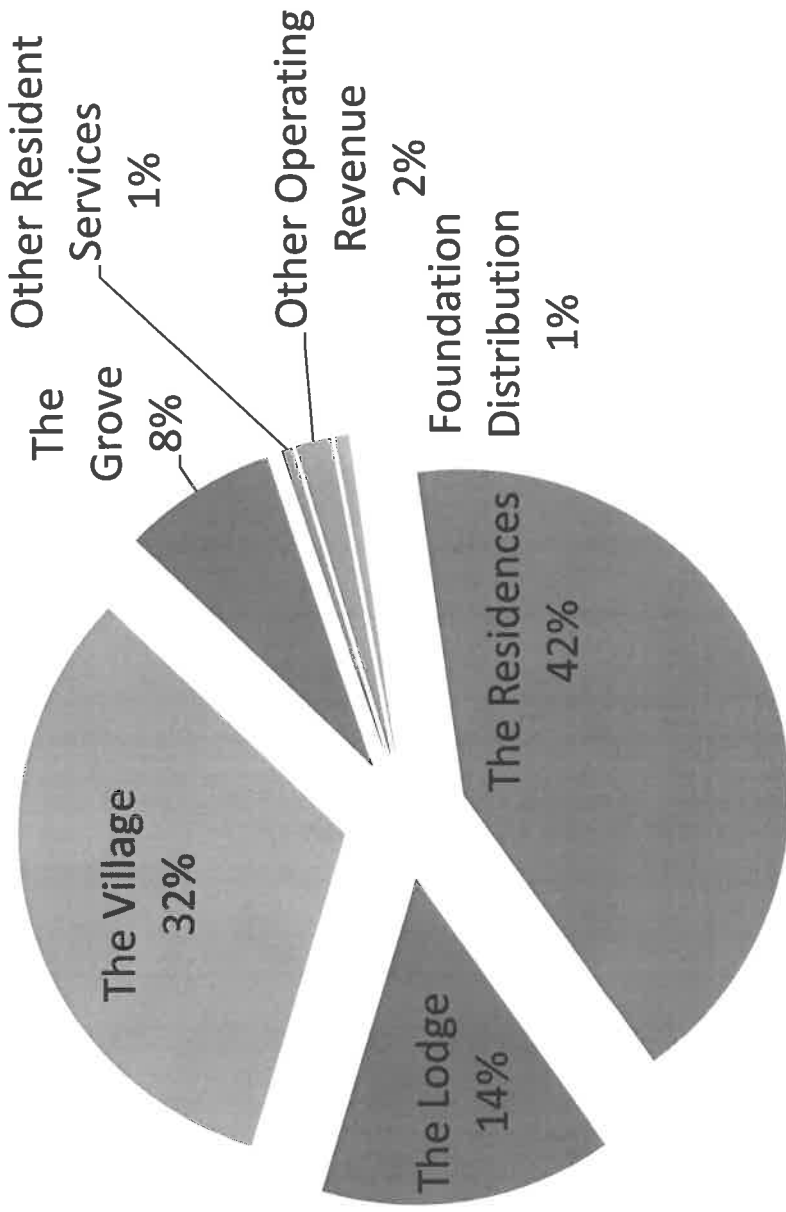


THE TERRACES

AT SAN JOAQUIN GARDENS
—MANAGED BY ARROW—

Revenue Sources

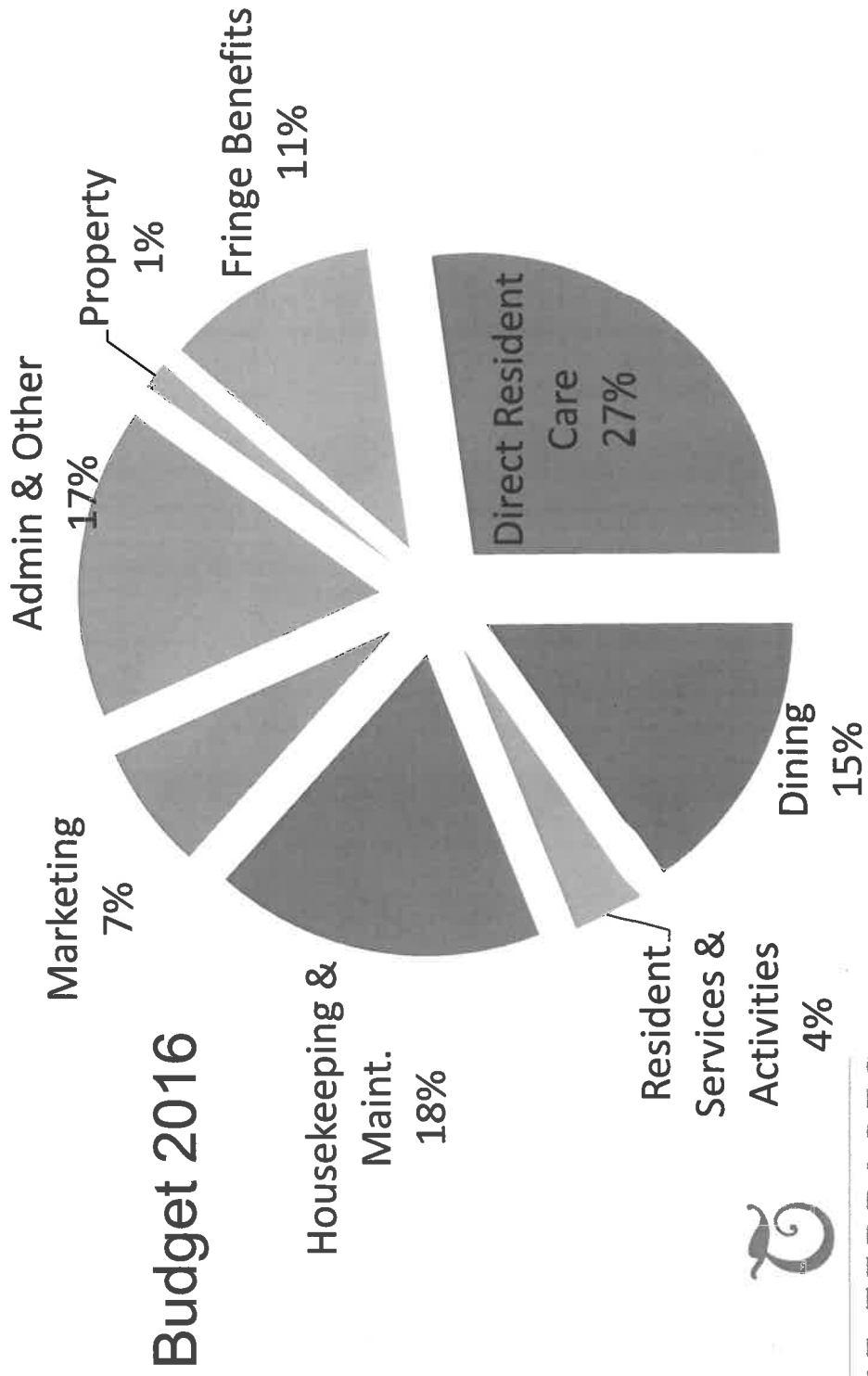
Budget 2016



THE TERRACES

AT SAN JOAQUIN GARDENS
MANAGED BY ACHOW

Expenses



THE TERRACES

AT SAN JOAQUIN GARDENS
MANAGED BY ARROW

Operating Revenue

	2016 Budget	2015 Budget	Change
The Residences	\$ 9,087	\$ 8,252	\$ 835
The Lodge	3,115	2,656	459
The Village	6,966	6,332	634
The Grove	1,634	1,611	23
Other Resident Services	116	161	-45
Other Operating Revenue	369	364	5
Foundation Distributions	<u>148</u>	<u>128</u>	<u>20</u>
Operating Revenue	\$ 21,435	\$ 19,504	\$1,931



THE TERRACES

AT SAN JOAQUIN GARDENS
MANAGED BY ARROW

Operating Expenses

	2016 Budget	2015 Budget	Change
Direct Resident Care	\$ 5,218	\$ 4,572	\$ 646
Dining Services	2,975	2,972	3
Resident Services & Activities	689	693	(4)
Housekeeping & Maintenance	3,405	3,233	172
Sales & Marketing	1,291	1,283	8
Administration & Other	3,206	+3,045	161
Property	273	226	47
Employee Benefits	<u>2,191</u>	<u>2,057</u>	<u>134</u>
Operating Expenses	\$ 19,248	\$ 18,081	\$ 1,167



THE TERRACES

AT SAN JOAQUIN GARDENS
MANAGED BY ARROW

Operating Margins

	2016 Budget	2015 Budget	Change
Operating Revenues	\$ 21,435	\$ 19,504	\$1,931
Operating Expenses	19,248	18,081	1,167
Operating Margin	2,187	1,423	764
<i>Less interest on debt:</i>			
Interest Expense	4,148	4,301	(153)
Cash Operating Margin	(\$ 1,961)	(\$ 2,878)	\$ 917



THE TERRACES

AT SAN JOAQUIN GARDENS
—MANAGED BY AHOW—

Factors Affecting Cost Increase

- **Expenses**
 - **Employee Costs** - \$606k increase from Budget 2015
 - Wage increases budgeted at 2.5%
 - Fringe Benefit Cost = 30.3%
 - Staffing increases in the Lodge due to opening of the Antonella building
 - **Grove expenses** – 3.75% increase from last year
 - **Utilities expense** was increased in FY2015 in anticipation of impact of newer Milano and Village Health Care Center but 2016 budget remained flat to 2015.



THE TERRACES

AT SAN JOAQUIN GARDENS
MANAGED BY AEPHW

Rate Increase

Effective December 1, 2015

- The Residences: 4.00 %
- The Lodge: 2.75 %
- The Village: 3.00 %
- The Grove: 3.00%



THE TERRACES

AT SAN JOAQUIN GARDENS
—MANAGED BY ARROW—

Terraces at San Joaquin Gardens Recent Fee Increase History (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Res.	4.5	4.9	3.75	2.8	3	4.9	4	3	4	4
Lodge	4	4.9	3.75	2.8	3	7.6	4	2	3	2.75
Village	5	5.75	3.75	3.5	3	3.5	4	3	3	3
Grove	4	4.9	3.75	2.8	4	4.5	4	2	3	3

Ten Year Average Rate Increase

The Residences

3.89 %

Five Year Average Rate

Increase
The Residences

3.98 %



THE TERRACES

AT SAN JOAQUIN GARDENS
MANAGED BY ARROW

Thank you for your time and attention

Questions and Answers

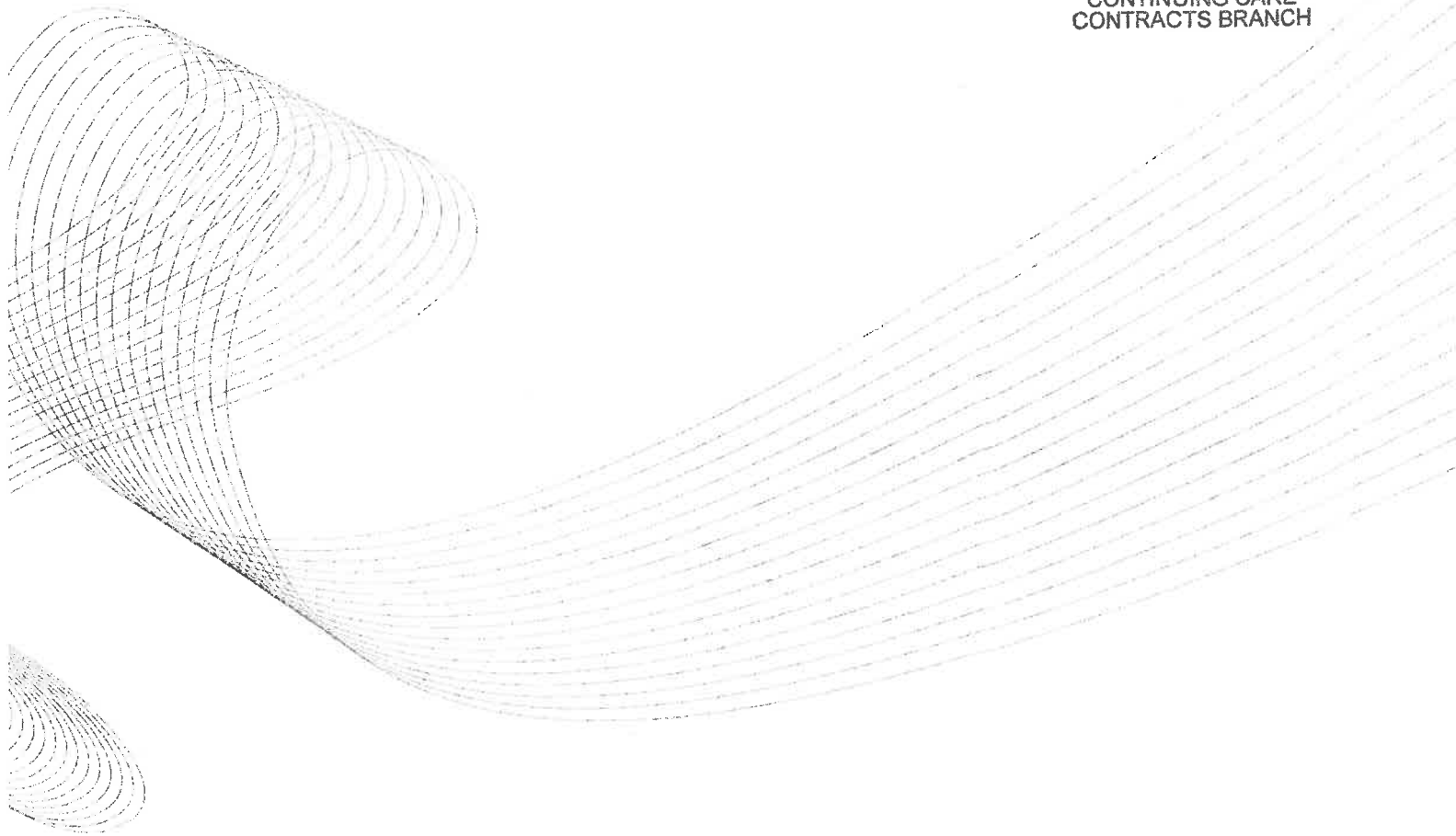


THE TERRACES

AT SAN JOAQUIN GARDENS
—MANAGED BY ABHOW—

RECEIVED
MAY 02 2017

CONTINUING CARE
CONTRACTS BRANCH



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

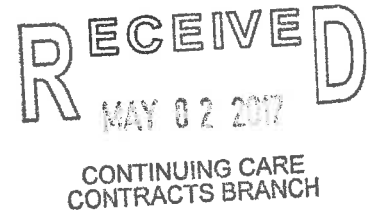
As of and for the year ended December 31, 2016

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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Form 5-2, Long-Term Debt Incurred During Fiscal Year (including Balloon Debt)	4
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REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Directors
 The Terraces at San Joaquin Gardens
 (a member of California Life Plan Communities)

Report on the Financial Statements

We have audited the accompanying financial statements of The Terraces at San Joaquin Gardens (a Member of California Life Plan Communities), which comprise the continuing care liquid reserve schedules, Forms 5-1 through Form 5-5, as of and for the year ended December 31, 2016.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of The Terraces at San Joaquin Gardens as of and for the year ended December 31, 2016, 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 The Terraces at San Joaquin Gardens on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Other Matter

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

Restriction on Use

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

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
April 28, 2017

CONTINUING CARE LIQUID RESERVE SCHEDULES

THE TERRACES AT SAN JOAQUIN GARDENS
FORM 5-1
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
(INCLUDING BALLOON DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	09/26/12	\$0	\$2,787,828		\$2,787,828
2	10/1/2012 SubA	\$0			\$0
3	10/1/2012 SubB	\$0			\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:			\$2,787,828	\$0	\$2,787,828

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

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

THE TERRACES AT SAN JOAQUIN GARDENS
FORM 5-2

LONG-TERM DEBT INCURRED DURING FISCAL YEAR
(INCLUDING BALLOON DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

THE TERRACES AT SAN JOAQUIN GARDENS
FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$2,787,828
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$200,000
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$2,987,828

THE TERRACES AT SAN JOAQUIN GARDENS
 FORM 5-4
 CALCULATION OF NET OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2016

FORM 5-4
 CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$29,843,000
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$2,787,828
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0
c.	Depreciation	\$5,204,388
d.	Amortization	\$1,012,612
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$1,952,370
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$10,957,198
4	Net Operating Expenses	\$18,885,802
5	Divide Line 4 by 365 and enter the result.	\$51,742
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$4,013,475

PROVIDER: The Terraces at San Joaquin Gardens
 COMMUNITY

THE TERRACES AT SAN JOAQUIN GARDENS
FORM 5-5
ANNUAL RESERVE CERTIFICATION
DECEMBER 31, 2016

FORM 5-5

Provider Name: The Terraces at San Joaquin Gardens
 Fiscal Year Ended: 12/31/2016

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2016 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>\$2,987,828</u>
[2] Operating Expense Reserve Amount	<u>\$4,013,475</u>
[3] Total Liquid Reserve Amount:	<u>\$7,001,303</u>

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

<u>Qualifying Asset Description</u>	<u>Amount</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$0</u>	<u>\$17,152,000</u> ✓
[5] Investment Securities	<u>\$0</u>	<u>\$0</u>
[6] Equity Securities	<u>\$0</u>	<u>\$0</u>
[7] Unused/Available Lines of Credit	<u>\$0</u>	<u>\$0</u>
[8] Unused/Available Letters of Credit	<u>\$0</u>	<u>\$0</u>
[9] Debt Service Reserve	<u>\$4,327,852</u>	(not applicable)
[10] Other:	<u> </u>	<u> </u>
(describe qualifying asset)		
Listed for Reserve Obligation: [11]	<u>\$4,327,852</u> [12]	<u>\$17,152,000</u>
Reserve Obligation Amount: [13]	<u>\$2,987,828</u> [14]	<u>\$4,013,475</u>
Surplus/(Deficiency): [15]	<u>\$1,340,024</u> [16]	<u>\$13,138,525</u>

Signature:



(Authorized Representative)

Date: April 27, 2017

SVP Finance/Chief Financial Officer
 (Title)

SUPPLEMENTARY SCHEDULES

**THE TERRACES AT SAN JOAQUIN GARDENS
ATTACHMENT I TO FORM 5-1
INTEREST PAID DURING FISCAL YEAR
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2016**

INTEREST PAID DURING FISCAL YEAR:

77125	Interest expense - TSJG Series 2012	\$	2,787,828	\$	2,787,828
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TOTAL AMOUNT OF INTEREST PAID DURING FISCAL YEAR					2,787,828
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INTEREST EXPENSE RECONCILIATION:

77140	Amortization of loan costs		60,456		
13511	Prepaid finance fees		(14,284)		46,172

TOTAL INTEREST FROM FINANCIAL STATEMENTS AS REPORTED				\$	<u>2,834,000</u>
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THE TERRACES AT SAN JOAQUIN GARDENS
ATTACHMENT II TO FORM 5-4
DEDUCTIONS FROM OPERATING EXPENSES
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Line</u>	<u>Description</u>	<u>The Terraces at San Joaquin Gardens</u>
2e	Total Revenues received during the fiscal year for services to residents who did not have continuing care contracts	
	Monthly Fees – Private (Non-Contract)	\$ 1,906,250 sum of {A}
	Physical Therapy – Private (Non-Contract)	29,181 {B}
	Occupational Therapy – Private (Non-Contract)	380 {C}
	Speech Therapy – Private (Non-Contract)	16,000 {D}
	Chargeable Supplies – Private (Non-Contract)	559 sum of {E}
	Total for Line 2e	\$ 1,952,370
	Residential Living Fees Reconciliations	
	Total (Non-Contract)	\$ 23,059 {A}
	Contract	8,851,538
	Total Residential Fees	\$ 8,874,597
	Assisted Living Fees Reconciliation	
	Total (Non-Contract)	\$ 670,277 {A}
	Chargeable Supplies – Private (Non-Contract)	10 {E}
	Contract	2,257,207
	Total Assisted Living Fees	\$ 2,927,494
	Health Center Fees Reconciliation	
	Monthly Fees – Private (Non-Contract)	\$ 995,335 {A}
	Physical Therapy – Private (Non-Contract)	29,181 {B}
	Occupational Therapy – Private (Non-Contract)	380 {C}
	Speech Therapy – Private (Non-Contract)	16,000 {D}
	Chargeable Supplies – Private (Non-Contract)	480 {E}
	Total (Non-Contract)	1,041,376
	Contract	6,356,618
	Total Health Center Fees	\$ 7,397,994
	Memory Support Fees Reconciliation	
	Monthly Fees – Private (Non-Contract)	\$ 217,579 {A}
	Chargeable Supplies – Private (Non-Contract)	69 {E}
	Total (Non-Contract)	217,648
	Contract	1,577,981
	Total Memory Support Fees	\$ 1,795,629
	Other Resident Svc. Reconciliation	
	Total (Non-Contract)	\$ -
	Contract	421,379
	Total Other Resident Svc. Fees	\$ 421,379

**THE TERRACES AT SAN JOAQUIN GARDENS
ATTACHMENT III TO FORM 5-4
OPERATING EXPENSES FROM FINANCIAL STATEMENTS
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Line	Description		The Terraces at San Joaquin Gardens
1	Total operating expenses from financial statements		
	Total operating expenses from financial statements as reported		\$ 19,468,000
	Add:		
	Depreciation	5,204,388	
	Amortization	1,012,612	6,217,000
	Mortgage interest		4,158,000
	Total for Line 1		\$ 29,843,000

**THE TERRACES AT SAN JOAQUIN GARDENS
ATTACHMENT IV TO FORM 5-5 (QUARTERLY RESERVE CERTIFICATION)
SCHEDULE OF QUALIFYING ASSETS – DEBT SERVICE RESERVE
STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2016**

DEBT SERVICE RESERVE

US Bank #200523009	Cash & cash equivalents	\$	155,733	
	Domestic corporate debt		1,287,260	
	Foreign corporate debt		429,481	
	U.S. government securities		<u>1,607,437</u>	\$ 3,479,911
US Bank #200523002	Cash & cash equivalents		<u>847,941</u>	<u>847,941</u>
TOTAL AMOUNT OF QUALIFYING ASSETS FOR DEBT SERVICE RESERVE				<u>\$ 4,327,852</u>

RESTRICTED INVESTMENTS RECONCILIATION:

14000	DSR funds 2012 A series - USB # 200523009	\$	3,479,911	
14004	Project funds - 2012 Bonds USB #200523016		24,011	
14006	2012 -A SERIES - #200523002		847,941	
14186-14199	Other 2012 SERIES Fund Accounts		<u>137</u>	\$ 4,352,000
TOTAL RESTRICTED INVESTMENTS FROM FINANCIAL STATEMENTS AS REPORTED				<u>\$ 4,352,000</u>

**THE TERRACES AT SAN JOAQUIN GARDENS
SUPPLEMENTAL SCHEDULE – DESCRIPTION OF RESERVES UNDER SB 1212
FOR THE YEAR ENDED DECEMBER 31, 2016**

		Comments in Consistency with Tax Exempt Status Under AB 1169
Total Qualifying Assets as Filed:		
Cash and Cash Equivalents	\$ 17,152,000	
Unrestricted Investment Securities	<u>-</u>	
Subtotal Cash and Unrestricted Investment Securities	17,152,000	
Reserved for Workers' Compensation	<u>-</u>	
Total Qualifying Assets as Filed:	<u>17,152,000</u>	
Reservations and Designations:		
Total Reservations and Designations	13,274,000	All liquid investments are designated for working capital during the completion of construction and fill process for the major redevelopment underway at The Terraces at San Joaquin Gardens.
Remaining Liquid Reserves	<u>\$ 3,878,000</u>	

**THE TERRACES AT SAN JOAQUIN GARDENS
SUPPLEMENTAL SCHEDULE – PER CAPITA COST OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Per Capita Cost of Operations

Operating Expenses (Form 5-4 line 1)	\$ 29,843,000
Mean Number of CCRC Residents (Form 1-1 line 10)	<u>351</u>
Per Capita Cost of Operations	<u><u>\$ 85,144</u></u>

THE TERRACES AT SAN JOAQUIN GARDENS
FORM 5-5
NOTE TO RESERVE REPORTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 The Terraces at San Joaquin Gardens assets, liabilities, revenues, and expenses.



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Report of Independent Auditors and
Financial Statements with Supplementary Information

The Terraces at San Joaquin Gardens
(a Member of California Life Plan Communities)

As of December 31, 2016 and September 30, 2015, and for the 15-Months
Ended December 31, 2016 and the 12-Months Ended September 30, 2015

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Directors
The Terraces at San Joaquin Gardens
(a Member of California Life Plan Communities)

Report on the Financial Statements

We have audited the accompanying financial statements of The Terraces at San Joaquin Gardens ("TSJG" or the "Corporation") (a Member of California Life Plan Communities), which comprise the balance sheets as of December 31, 2016 and September 30, 2015, and the related statements of operations and changes in net deficit, and cash flows for the 15-months ended December 31, 2016, and the 12-months ended September 30, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2016 and September 30, 2015, and the results of its operations, changes in net deficit, and its cash flows for the 15-months ended December 31, 2016, and the 12-months ended September 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information displayed on the face of the financial statements, which includes the balance sheet as of September 30, 2016, and the statements of operations and changes in net deficit and of cash flows, each for the 3-months ended December 31, 2016, and 12-months ended September 30, 2016, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 25 and 26, which includes the statements of operations and changes in net deficit, and the cash flows, each for the 12-months ended December 31, 2016, is presented for purpose of additional analysis and is not a required part of the financial statements. This supplementary information is the responsibility of the Corporation's management. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



San Francisco, California
April 28, 2017

FINANCIAL STATEMENTS

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
BALANCE SHEETS AS OF DECEMBER 31, 2016 AND SEPTEMBER 30, 2015
(with comparative information as of September 30, 2016,
presented as supplementary information)
(in thousands)**

	December 31, 2016	Supplementary Information September 30, 2016	September 30, 2015
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 17,152	\$ 17,919	\$ 13,274
RESTRICTED INVESTMENTS	4,352	4,909	6,237
RESIDENT ACCOUNTS AND OTHER RECEIVABLES, LESS ALLOWANCES FOR DOUBTFUL ACCOUNTS OF \$105, \$84 AND \$131, RESPECTIVELY	1,237	975	1,255
PREPAID EXPENSES AND OTHER DEPOSITS	145	103	100
OTHER ASSETS	6,839	7,064	3,426
LAND, BUILDINGS, AND EQUIPMENT, NET	90,556	91,438	99,857
TOTAL ASSETS	<u>\$ 120,281</u>	<u>\$ 122,408</u>	<u>\$ 124,149</u>
LIABILITIES AND NET DEFICIT			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 1,141	\$ 1,441	\$ 1,042
PAYABLE TO AFFILIATES	140	365	66
DEPOSITS	113	75	79
ACCRUED INTEREST	4,941	5,303	4,002
SUBORDINATED MANAGEMENT FEES	3,459	3,230	2,319
REBATABLE ENTRANCE FEES DUE	37,746	37,545	38,210
ENTRANCE FEES SUBJECT TO REFUND	5,980	6,844	4,858
ENTRANCE FEES NON-REFUNDABLE	11,880	11,268	10,050
NOTES AND BONDS PAYABLE, NET	46,386	46,375	47,670
SUBORDINATED NOTES PAYABLE TO ABHOW	29,774	29,774	29,774
OTHER LIABILITIES	54	50	85
TOTAL LIABILITIES	<u>141,614</u>	<u>142,270</u>	<u>138,155</u>
COMMITMENTS AND CONTINGENCIES (NOTE 10)			
NET DEFICIT - UNRESTRICTED	<u>(21,333)</u>	<u>(19,862)</u>	<u>(14,006)</u>
TOTAL LIABILITIES AND NET DEFICIT	<u>\$ 120,281</u>	<u>\$ 122,408</u>	<u>\$ 124,149</u>

THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT
FOR THE 15-MONTHS ENDED DECEMBER 31, 2016,
AND 12-MONTHS ENDED SEPTEMBER 30, 2015
(with comparative information for the 3-months ended December 31, 2016
and 12-months ended September 30, 2016, presented as supplementary information)
(in thousands)

	15-Months Ended December 31, 2016	Supplementary Information		12-Months Ended September 30, 2015
		3-Months Ended December 31, 2016	12-Months Ended September 30, 2016	
OPERATING REVENUES				
Residential living	\$ 10,965	\$ 2,321	\$ 8,644	\$ 7,859
Assisted living	3,586	813	2,773	2,478
Health center	9,235	1,860	7,375	6,812
Memory support	2,252	443	1,809	1,636
Other residential services	59	18	41	97
Amortization of entrance fees	3,092	554	2,538	1,988
Other operating revenue	668	126	542	553
Total operating revenues	<u>29,857</u>	<u>6,135</u>	<u>23,722</u>	<u>21,423</u>
OPERATING EXPENSES				
Salaries and wages	9,757	2,048	7,709	7,236
Employee benefits	2,621	563	2,058	2,086
Loss on pension plan termination	1,010	1,010	-	-
Supplies	2,416	502	1,914	1,833
Chargeable ancillary services	1,769	376	1,393	1,119
Other purchased services	951	192	759	682
Marketing and advertising	1,457	157	1,300	1,284
Repairs and maintenance	535	100	435	307
Utilities	1,660	359	1,301	1,247
Insurance	318	73	245	234
Travel and related	105	16	89	51
Leases and rents	254	46	208	198
Management fees	2,280	458	1,822	1,658
Other operating expenses	283	109	174	291
Total operating expenses	<u>25,416</u>	<u>6,009</u>	<u>19,407</u>	<u>18,226</u>
INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)	4,441	126	4,315	3,197
OTHER OPERATING INCOME (EXPENSE)				
Realized losses on investments, net	(31)	(1)	(30)	(38)
Investment income, net	63	13	50	60
Mortgage interest	(5,199)	(1,039)	(4,160)	(4,271)
Depreciation and amortization	(7,666)	(1,551)	(6,115)	(5,845)
LOSS FROM OPERATIONS	(8,392)	(2,452)	(5,940)	(6,897)
Unrealized gains (losses) on investments	(17)	(29)	12	27
Contribution of pension termination costs for affiliates	1,010	1,010	-	-
Losses from change in unrecognized pension obligation	(165)	(165)	-	-
Contributed capital	237	165	72	-
CHANGE IN NET DEFICIT	(7,327)	(1,471)	(5,856)	(6,870)
NET DEFICIT - Beginning of year	(14,006)	(19,862)	(14,006)	(7,136)
NET DEFICIT - End of year	\$ (21,333)	\$ (21,333)	\$ (19,862)	\$ (14,006)

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
STATEMENTS OF CASH FLOWS
FOR THE 15-MONTHS ENDED DECEMBER 31, 2016
AND 12-MONTHS ENDED SEPTEMBER 30, 2015
(with comparative information for the 3-months ended December 31, 2016
and 12-months ended September 30, 2016, presented as supplementary information)
(in thousands)**

	15-Months Ended December 31, 2016	Supplementary Information		12-Months Ended September 30, 2015
		3-Months Ended December 31, 2016	12-Months Ended September 30, 2016	
OPERATING ACTIVITIES				
Cash received from resident services	\$ 26,202	\$ 5,169	\$ 21,033	\$ 18,290
Cash received from entrance fees from reoccupancy	6,520	582	5,938	2,989
Cash received from other operating activities	653	395	258	565
Cash earnings realized from investments	31	11	20	22
Cash paid for employee salaries	(9,247)	(1,936)	(7,311)	(6,808)
Cash paid for employee benefits	(2,604)	(558)	(2,046)	(2,059)
Cash paid for temporary labor	(490)	(99)	(391)	(392)
Cash paid to vendors	(10,814)	(2,720)	(8,094)	(8,120)
Cash paid for interest, net of amounts capitalized	(4,269)	(1,404)	(2,865)	(3,280)
Net cash provided by (used in) operating activities	<u>5,982</u>	<u>(560)</u>	<u>6,542</u>	<u>1,207</u>
INVESTING ACTIVITIES				
Acquisition of land, buildings, and equipment	(1,710)	(430)	(1,280)	(2,838)
Purchase of restricted investments	(1,528)	(248)	(1,280)	(3,981)
Proceeds from sale of restricted investments	3,396	776	2,620	9,833
Net cash provided by investing activities	<u>158</u>	<u>98</u>	<u>60</u>	<u>3,014</u>
FINANCING ACTIVITIES				
Cash received from initial entrance fees and deposits	1,743	-	1,743	6,799
Refunds of deposits and refundable fees	(2,742)	(305)	(2,437)	(1,204)
Cash received from capital contributions	72	-	72	-
Principal payments on notes and bonds payable	(1,335)	-	(1,335)	(7,839)
Net cash used in financing activities	<u>(2,262)</u>	<u>(305)</u>	<u>(1,957)</u>	<u>(2,244)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,878	(767)	4,645	1,977
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	13,274	17,919	13,274	11,297
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 17,152</u>	<u>\$ 17,152</u>	<u>\$ 17,919</u>	<u>\$ 13,274</u>
OPERATING ACTIVITIES				
Change in unrestricted net deficit	\$ (7,327)	\$ (1,471)	\$ (5,856)	\$ (6,870)
Adjustments to reconcile change in unrestricted net deficit to net cash provided by (used in) operating activities				
Amortization of entrance fees	(3,092)	(554)	(2,538)	(1,988)
Entrance fees from reoccupancy	6,520	582	5,938	2,989
Depreciation and amortization	7,666	1,551	6,115	5,845
Change in unrealized losses (gains) on investments, net	17	29	(12)	(27)
Change in payable to affiliates	74	(225)	299	(73)
Contributed capital	(72)	-	(72)	-
Other changes in operating assets and liabilities, net	2,196	(472)	2,668	1,331
Net cash provided by (used in) operating activities	<u>\$ 5,982</u>	<u>\$ (560)</u>	<u>\$ 6,542</u>	<u>\$ 1,207</u>

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Business and Organization

Parent Organization – California Life Plan Communities (“Parent Organization” or “CLPC”), formerly American Baptist Properties, Inc. (“ABP”), is a California nonprofit public benefit corporation. CLPC is the sole member of The Terraces at San Joaquin Gardens (“TSJG” or the “Corporation”), Cornerstone Affiliates, Southern California Presbyterian Homes (“SCPH” or dba be.group), Redwood Senior Homes and Services (“RSHS”), Westminster Gardens, and American Baptist Homes of the West (“ABHOW”).

Cornerstone Affiliates (“Cornerstone”), a California nonprofit public benefit corporation, is the sole member and exercises its direction and control through the appointment of the Boards of Directors of American Baptist Homes of Washington (dba Judson Park), American Baptist Estates, Inc. (dba The Terraces of Phoenix, “ABE”), Las Ventanas Retirement Community (“Las Ventanas”), Boise Retirement Community (dba The Terraces of Boise “Boise”), Cornerstone Affiliates International, Inc. (“CAI”), and Seniority, Inc. CLPC and Cornerstone’s Boards are composed of the same seven directors.

Cornerstone Related Enterprises

The Terraces at San Joaquin Gardens – The Terraces at San Joaquin Gardens is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Fresno, California through its continuing care retirement community (“CCRC”). Prior to September 26, 2012, the Corporation was one of the eight CCRCs constituting ABHOW’s California Obligated Group. Effective September 26, 2012, by vote of the ABHOW Board of Directors, and consistent with the rights and abilities granted in ABHOW’s Master Trust Indenture, sole corporate membership and control of the Corporation was transferred from ABHOW to Cornerstone. On January 12, 2016, the ABP board of directors voted to amend and restate its by-laws and articles of incorporation, thus changing its name to California Life Plan Communities, as well as voting to accept membership of ABHOW, TSJG, SCPH, and Cornerstone Affiliates.

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

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

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

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Business and Organization (continued)

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

ABHOW continues to manage the Corporation under a multi-year management agreement. The current agreement began on September 26, 2012, and continues for 10 years. Under the management agreement, TSJG is charged a base management fee equal to 8.5% of total budgeted cash revenues. Half of this fee is payable to ABHOW monthly, with the remaining half subordinated to debt service and payable annually if certain occupancy, debt service coverage, and days cash on hand requirements are met. Total management fees for the 15-months ended December 31, 2016 and the 12-months ended September 30, 2015, were \$2,280,000 and \$1,658,000, respectively. \$3,459,000 and \$2,319,000 of management fees have been accrued but not paid and are included in subordinated management fees in the accompanying balance sheets at December 31, 2016 and September 30, 2015, respectively.

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

Boise Retirement Community – Boise Retirement Community is a California nonprofit public benefit tax-exempt corporation that leased, and subsequently purchased, from ABP a site in Boise, Idaho upon which The Terraces of Boise was constructed and began operations in July 2015, with the community fully operational in all levels of care on June 1, 2016.

Southern California Presbyterian Homes and Affiliates – Southern California Presbyterian Homes and Affiliates (dba be.group, "SCPH") is a California nonprofit public benefit tax-exempt corporation that owns, operates, and manages CCRCs, one freestanding assisted living community, and rental housing communities, primarily in Southern California, in which housing, health care, and supportive services are provided for the elderly. SCPH includes four CCRCs (Royal Oaks, White Sands, Windsor, and Regents Point) together with its controlled affiliates, Redwood Senior Homes and Services ("RSHS"), Kirkwood Assisted Living Residence (Orange) ("Kirkwood Orange"), Westminster Gardens, and Palmer House LP ("Palmer House"). Additionally, the operating results of be.group include the operating activities of six low-income housing tax credit communities. The be.group also provides management services to 20 affordable housing communities, whose operating results are not consolidated into the operating results of be.group.

Southern California Presbyterian Homes Foundation ("be.group 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 be.group residents. The be.group Foundation's principal activity is to administer such funds under trust agreements. The be.group is the sole member of the be.group Foundation and, therefore, elects the directors of the be.group Foundation. As a result, the be.group has control over the be.group Foundation, and therefore the be.group Foundation is included in the be.group's consolidated financial statements.

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Business and Organization (continued)

On May 1, 2016, in conjunction with the approval by state regulators of the be.group and ABHOW affiliation, CLPC became the sole member of be.group, and the entire organization moved to a December 31 year end, consistent with the be.group.

Cornerstone Affiliates International, Inc. – Cornerstone Affiliates International, Inc., is a California for-profit corporation wholly owned by Cornerstone. CAI is the holding company for the activities surrounding the development of international senior housing consulting and management business opportunities. During the 15-months ended December 31, 2016, management determined to cease pursuing the business endeavors previously undertaken by CAI, and the business activities of CAI were subsequently concluded, with all remaining working capital returned to ABHOW in exchange for the pay down of outstanding amounts due.

Seniority, Inc. – Seniority, Inc. (“Seniority”) is a California for-profit corporation which was wholly owned by ABHOW from inception in October 1997 through September 2015. Seniority provides sales and operational management and consulting services to Parent Organization’s CCRCs (excluding Las Ventanas) and unrelated third parties. On September 22, 2015, the Cornerstone Board of Directors voted to accept receipt of the stock of Seniority from ABHOW causing a transfer of the ownership of Seniority from ABHOW to Cornerstone. On October 1, 2016, Seniority’s sales and operational management and consulting services agreements with the Parent Organization’s CCRCs were terminated and these sales and marketing functions, along with the Seniority employees supporting them, were transferred to the individual CCRCs. On October 7, 2016, Cornerstone signed a letter of intent to sell all of its outstanding capital stock in Seniority to Senior Quality Lifestyles Corporation, Inc. (“SQLC”).

Seniority Properties – Seniority Properties is a California for-profit corporation that was wholly owned by Cornerstone through September 22, 2015, at which time the Cornerstone Board of Directors voted to transfer its stock ownership of Seniority Properties to Seniority, Inc. Seniority Properties was formed in February 2014 for the purpose of holding equity interests in developed and acquired free-standing assisted living and memory support communities and other similar investments. On February 25, 2017, Seniority transferred its stock ownership of Seniority Properties back to Cornerstone.

Note 2 – Accounting Policies

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

**THE TERRACES AT SAN JOAQUIN GARDENS
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NOTES TO FINANCIAL STATEMENTS**

Note 2 – Accounting Policies (continued)

New Accounting Pronouncements – In August 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40)*. The amendments in this update provide guidance in GAAP about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. In connection with preparing financial statements for each annual and interim reporting, an entity’s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). ASU No. 2014-15 is effective for the Corporation in the 15-months ending December 31, 2016. The adoption did not have a material impact on the Corporation’s financial statements.

In May 2015, FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, a consensus of the Emerging Issues Task Force. Pursuant to ASU No. 2015-07, investments for which fair value is measured at net asset value, or its equivalent, using the practical expedient will no longer be categorized in the fair value hierarchy. Removing such investments from the fair value hierarchy thereby ensures that all investments categorized in the fair value hierarchy are classified using a consistent approach. ASU No. 2015-07 also removes the requirement that makes certain disclosures for all investments that are eligible to be measured at fair value using the net asset value practical expedient. Instead, such disclosures are limited to investments for which the entity has elected to estimate the fair value using that practical expedient. ASU No. 2015-07 is effective in the annual periods beginning after December 15, 2015. The adoption did not have a material impact on the Corporation’s financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU No. 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in net income; simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. ASU No. 2016-01 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. It is not anticipated that ASU No. 2016-01 will have an impact on the Corporation’s financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a liability associated with obligations to make payments under the terms of the arrangement in addition to a right-of-use asset representing the lessee’s right to use, or control the use of, the given asset assumed under the lease. The standard will be effective for nonpublic business entities beginning after December 15, 2019. Early adoption is permitted. The Corporation is currently evaluating this new standard and the impact it will have on its financial statements.

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Accounting Policies (continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes the presentation of financial statements and related disclosures unique to not-for-profits. This includes changes such as combining temporarily and permanently restricted net assets, disclosing amounts and purposes of board-designated funds, requiring the placed-in-service approach for long-lived assets to be used, and the presentation of the statement of cash flows. This standard will be effective for annual financial statements beginning after December 15, 2017, and for interim periods beginning after December 15, 2018. The Corporation is currently evaluating this new standard and the impact it will have on its financial statements.

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

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

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

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

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

**THE TERRACES AT SAN JOAQUIN GARDENS
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NOTES TO FINANCIAL STATEMENTS**

Note 2 – Accounting Policies (continued)

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.

In 2016, management conducted an analysis of fully depreciated assets within the accounting ledger and determined that \$11,928,000 of various TSJG fixed assets were no longer in service and should be removed from the financial ledger. This adjustment had no impact on the statements of operations and changes in net deficit and no impact on the land, buildings and equipment, net line item on the balance sheets (see Note 5).

Asset Impairment – The Corporation periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment was recognized for the 15-months ended December 31, 2016, and 12-months ended September 30, 2015.

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 at the end of the reporting period. See Note 3 for fair value hierarchy disclosures.

Deferred Debt Issuance Costs – Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the interest method. In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU No. 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Prior to the issuance of ASU No. 2015-03, debt issuance costs were required to be presented as deferred charge assets, separate from the related debt liability. ASU No. 2015-03 does not change the recognition and measurement requirements for debt issuance costs. The standard requires retrospective application and represents a change in accounting principle. The Corporation adopted the provisions of ASU No. 2015-03 as of October 1, 2015, and applied its provisions retrospectively. As a result of the retrospective adoption, the Corporation reclassified unamortized deferred debt issuance costs of \$1,764,000 and \$1,833,000 at December 31, 2016 and September 30, 2015, respectively, from other assets to a direct reduction from the carrying amount of the notes and bonds payable in the accompanying balance sheets. Adoption of this standard did not impact results of operations, changes in net deficit, or cash flows in the current or previous reporting periods. Accumulated amortization of deferred debt issuance costs were \$384,000 and \$317,000 at December 31, 2016, and September 30, 2015, respectively.

**THE TERRACES AT SAN JOAQUIN GARDENS
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NOTES TO FINANCIAL STATEMENTS**

Note 2 – Accounting Policies (continued)

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 \$6,839,000 and \$3,426,000 at December 31, 2016 and September 30, 2015, respectively, and are included in other assets in the accompanying balance sheets. Accumulated amortization of deferred marketing costs was \$2,055,000 and \$930,000 at December 31, 2016, and September 30, 2015, respectively.

Obligation to Provide Future Services – If the present value of future outflows to provide future services, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. An evaluation of the future service benefit obligation for residents indicated that a liability was not considered to be necessary at December 31, 2016 and September 30, 2015. The discount rate used to calculate the obligation to provide future services is 6% for 2016 and 2015.

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 due, entrance fees subject to refund, or entrance fees non-refundable. Initial entrance fees, which are the initial fees on new or expanded facilities, are used to provide funds for acquisition and construction of physical facilities, debt retirement, and to defray anticipated deficits in the operations of new homes for a period of time. Entrance fees from reoccupancy in existing homes are used for general purposes, including capital expenditures, support of operations (including benevolence), new development, and funding of reserves.

Refund Policy on Entrance Fees – The Care and Residence Agreement provides the resident with the right to a refund of the entrance fee, less 2% for each month of residency for 44 months after an initial reduction of 12% of the original fee, under certain circumstances. For a majority of contracts, upon the move out of a resident, the unamortized balance of the entrance fee becomes the property of the Corporation and is included in income. The amounts amortized to income relating to these types of contracts were \$3,092,000 and \$1,988,000 for the 15-months ended December 31, 2016, and the 12-months ended September 30, 2015, respectively.

At December 31, 2016 and September 30, 2015, the Corporation had nonrefundable entrance fees of \$11,880,000 and \$10,050,000, respectively, related to entrance fees received that will be recognized as revenue in future years. Additionally, at December 31, 2016 and September 30, 2015, the Corporation had entrance fees subject to refund of \$5,980,000 and \$4,858,000, respectively, that will be recognized as revenue in future years unless refunded.

The Corporation offers contract options whereby 50% to 100% of the entrance fee is rebatable at death or termination of the contract and subsequent reoccupancy of the apartment. The Corporation's redevelopment apartments were sold offering primarily rebatable entrance fee contracts. At December 31, 2016 and September 30, 2015, \$37,746,000 and \$38,210,000, respectively, of the entrance fees related to these types of contracts are contractually rebatable, and reflected as rebatable entrance fees due in the accompanying balance sheets.

**THE TERRACES AT SAN JOAQUIN GARDENS
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NOTES TO FINANCIAL STATEMENTS**

Note 2 – Accounting Policies (continued)

Actual refunds and rebates of entrance fees were \$2,742,000 and \$1,204,000, for the 15-months ended December 31, 2016, and the 12-months ended September 30, 2015, respectively. Based on historical experience, management expects refunds in future years to approximate \$2,500,000 per year.

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

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

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

Temporarily Restricted Net Assets – Temporarily restricted net assets include net assets subject to donor imposed stipulations that may, or will be met, either by actions of the Corporation and/or the passage of time. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net deficit as net assets released from restrictions. At December 31, 2016 and September 30, 2015, the Corporation had no temporarily restricted net assets.

Permanently Restricted Net Assets – Permanently restricted net assets include net assets subject to donor imposed stipulations that they be maintained permanently by the Corporation. At December 31, 2016 and September 30, 2015, the Corporation had no permanently restricted net assets.

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

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

The Corporation provides health care services primarily to its residents. Revenues from the Medicare and Medi-Cal program accounted for approximately 25% and 27% of the Corporation's total operating revenue less amortization of entrance fees for the 15-months ended December 31, 2016, and the 12-months ended September 30, 2015, respectively. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Accounting Policies (continued)

Contributions – The Corporation participates in the American Baptist Homes Foundation of the West (“ABHFOW”) fundraising activity. Gifts and bequests to the Corporation are credited to the Corporation’s fund with ABHFOW. In addition, upon maturity, deferred gifts such as gift annuities and charitable remainder trusts are also credited to the Corporation’s fund. Funds held by ABHFOW that the ABHFOW board has designated for the Corporation amounted to approximately \$28,000 and \$17,000 at December 31, 2016 and September 30, 2015, respectively. ABHFOW retains a legal right to redirect the use of unrestricted endowment funds. Board practice since inception has been to designate earnings distributions on funds for community benevolence needs. The Corporation receives distributions from ABHFOW based upon the market value of the twelve-quarter rolling average of the Corporation’s endowment fund at a current rate of 3.5%. This rate is subject to change based upon the ABHFOW board’s action. Distribution income for the 15-months ended December 31, 2016, and the 12-months ended September 30, 2015, was approximately \$187,000 and \$128,000, respectively, and is reflected in other operating revenue in the accompanying statements of operations and changes in net deficit.

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

The Corporation reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

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 revenues. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue. Benevolence provided as follows (in thousands):

	15-Months Ended December 31, 2016	12-Months Ended September 30, 2015
Benevolence, at cost	\$ 1,024	\$ 797

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 as follows (in thousands):

	15-Months Ended December 31, 2016	12-Months Ended September 30, 2015
Contractual allowances	\$ 3,094	\$ 2,273

Performance Indicator – “Loss from operations” as reflected in the accompanying statements of operations and changes in net deficit is the performance indicator. Loss from operations includes all changes in unrestricted net deficit other than non-cash changes in unrealized gains and losses on investments, loss from change in unrecognized pension obligation, contribution of pension termination costs for affiliates, and contributed capital.

Workers’ Compensation Plan – The Corporation participated in ABHOW’s partially self-insured workers’ compensation program for workers’ compensation claims up to \$200,000 per year under an occurrence form insurance policy for the 15-months ended December 31, 2016, and the 12-months ended September 30, 2015. For claims over \$200,000 in the 2016 and 2015 policy years, there is an additional layer of partial self-insurance, for a total of \$300,000. Beginning October 1, 2016, the policy was revised such that the first \$500,000 of each workers’ compensation claim under an occurrence form insurance policy is self-insured, with no additional layer of partial self-insurance. Claims are accrued under the plan as the incidents that give rise to them occur. The estimate of incurred but not reported claims is based on actuarial projections of the ultimate cost of settlement, including claim settlement expenses, using ABHOW’s historical claim payment experience. The estimated liability is continually monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate payments of self-insured workers’ compensation claims are dependent upon future developments, management is of the opinion that the recorded reserve is adequate. Any related insurance recovery receivables are recorded under resident accounts and other receivables in the accompanying balance sheets.

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Accounting Policies (continued)

Professional Liability Insurance – The Corporation has professional liability insurance through a pooled program provided by ABHOW. ABHOW has secured claims-made policies for malpractice and general liability insurance with a self-insured retention of \$150,000 at December 31, 2016 and September 30, 2015, and for the 15-months ended December 31, 2016, and the 12-months ended September 30, 2015. Management of the Corporation is not aware of any claims outstanding that are in excess of policy limits, and any liability would be included in accounts payable and accrued expenses in the accompanying balance sheets. Any related insurance recovery receivables are recorded under resident accounts and other receivables in the accompanying balance sheets.

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

The Corporation assesses uncertain tax positions in accordance with the provisions of the FASB ASC Topic 740-10, *Income Taxes*. The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2016 and September 30, 2015, there were no such uncertain tax positions.

Note 3 – Fair Value

FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy that 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 financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

Note 3 – Fair Value (continued)

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

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at December 31, 2016 and September 30, 2015 (in thousands):

	Level 1	Level 2	Level 3	Fair value at December 31, 2016
Restricted investments				
Cash and cash equivalents	\$ 1,028	\$ -	\$ -	\$ 1,028
Domestic corporate debt	1,287	-	-	1,287
Foreign corporate debt	429	-	-	429
U.S. government securities	1,608	-	-	1,608
Total	<u>\$ 4,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,352</u>
				Fair value at September 30, 2015
Restricted investments				
Cash and cash equivalents	\$ 3,064	\$ -	\$ -	\$ 3,064
Domestic corporate debt	1,253	-	-	1,253
Foreign corporate debt	380	-	-	380
U.S. government securities	1,540	-	-	1,540
Total	<u>\$ 6,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,237</u>

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

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

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

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

Note 3 – Fair Value (continued)

The following table presents estimated fair values of the Corporation's financial instruments in accordance with FASB ASC Topic 825, *Financial Instruments*, at December 31, 2016 and September 30, 2015, (in thousands):

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents - unrestricted	\$ 17,152	\$ 17,152	\$ 13,274	\$ 13,274
Notes and bonds payable	\$ 77,459	\$ 80,047	\$ 78,794	\$ 80,992

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 at December 31, 2016 and September 30, 2015. Current estimates of fair value may differ significantly from the amounts presented.

Note 4 – Restricted Investments

Restricted investments are held at December 31, 2016 and September 30, 2015, for the following purpose (at fair value) (in thousands):

	December 31, 2016	September 30, 2015
Restricted investments		
Principal, interest, and other reserves held in trust under bond indenture or mortgage agreements	\$ 4,352	\$ 6,237

Investment income is as follows (in thousands):

	15-Months Ended December 31, 2016	12-Months Ended September 30, 2015
Dividend, interest, and other investment income	\$ 63	\$ 60
Net realized loss on investments	(31)	(38)
Total investment income, net	\$ 32	\$ 22
Unrealized (losses) gains on investments	\$ (17)	\$ 27

Investment income is net of investment expenses of \$37,000 and \$38,000 for the 15-months ended December 31, 2016, and the 12-months ended September 30, 2015, respectively.

**THE TERRACES AT SAN JOAQUIN GARDENS
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NOTES TO FINANCIAL STATEMENTS**

Note 5 – Land, Buildings, and Equipment

Land, buildings, and equipment at cost at December 31, 2016 and September 30, 2015, consists of the following (in thousands):

	December 31, 2016	September 30, 2015
Land and improvements	\$ 3,476	\$ 4,128
Buildings and improvements	112,388	125,135
Furnishings and equipment	6,589	8,581
Automotive equipment	172	198
Total	122,625	138,042
Accumulated depreciation	(33,822)	(39,208)
Total	88,803	98,834
Construction in progress	1,753	1,023
Total	<u>\$ 90,556</u>	<u>\$ 99,857</u>

Depreciation expense for the 15-months ended December 31, 2016, and the 12-months ended September 30, 2015, was \$6,542,000 and \$5,399,000, respectively.

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

Note 6 – Notes and Bonds Payable

A summary of the Corporation's bonds payable at December 31, 2016 and September 30, 2015, is as follows (in thousands):

	December 31, 2016	September 30, 2015
Secured		
Series 2012 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated September 26, 2012), Serial certificates, to fund redevelopment spending at TSJG, with annual principal payable commencing on April 1, 2014, in varying amounts depending on initial entrance fee collections through 2016; interest at fixed rates ranging from 4.00% to 6.00%, payable annually on October 1.	\$ 47,685	\$ 49,020
Subordinated		
Series A Subordinated Promissory Note, payable to ABHOW, with principal and interest payments contingent upon the Corporation meeting certain liquidity requirements and coverage ratios. The note bears interest at the rate of 4.22% until October 1, 2014, 4.00% per annum until October 1, 2018, and thereafter bears interest at the average rate per annum on the ABHOW Series 2006 bonds or any bonds refunding those bonds, plus, in any case, credit enhancement and remarketing fees applicable thereto, if any.	23,336	23,336
Series B Subordinated Promissory Note, payable to ABHOW, with principal and interest payments contingent upon the Corporation meeting certain liquidity requirements and coverage ratios. The note bears interest at the rate of 6.20% per annum, or if the ABHOW Series 2010 bonds are refunded, the average interest rate per annum on any such refunding bonds, plus, in any case, credit enhancement and remarketing fees applicable thereto, if any.	6,438	6,438
Total secured and subordinated notes and bonds payable	77,459	78,794
Add: unamortized bond premium	465	483
Less: unamortized bond issuance costs, net	(1,764)	(1,833)
Total bonds and subordinated notes payable	\$ 76,160	\$ 77,444

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

Note 6 – Notes and Bonds Payable (continued)

The Corporation undertook a plan to redevelop portions of its campus (the “Project”). As part of this plan, sole corporate membership and control of the Corporation was transferred from ABHOW to Cornerstone on September 26, 2012. Concurrent with this change in legal structure, the repayment of funds previously provided from the Corporation to ABHOW for corporate purposes were forgiven. As part of the transfer, at closing, \$4,807,000 of the proceeds from the financing discussed below were transferred from the Corporation to ABHOW to reimburse for construction costs advanced by ABHOW in anticipation of the financing. Additionally, the portion of ABHOW’s Series 2006 bonds previously allocated to the Corporation were replaced with a \$23,336,000 variable rate subordinated note, and the portion of ABHOW’s Series 2010 bonds previously allocated to the Corporation were replaced with a \$6,438,000 fixed rate subordinate note. Debt service payments on these subordinate notes are contingent upon the Corporation being compliant with certain performance metrics. Interest expense of \$4,382,000 and \$2,717,000 related to these notes were accrued but not paid at December 31, 2016 and September 30, 2015, respectively, pending achievement of these performance criteria.

To finance the Project, the Corporation issued \$71,035,000 of tax-exempt bonds in September 2012 (“Series 2012 bonds”). ABHOW has no obligation for and does not guarantee the Series 2012 bonds. These bonds were sold at a premium of \$567,000 in order to affect a market rate of interest. The premium is being amortized under the effective interest method. At December 31, 2016 and September 30, 2015, the accumulated amortized premium was \$102,000 and \$84,000, respectively.

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

<u>Year Ending December 31,</u>	
2017	\$ 309
2018	936
2019	987
2020	1,040
2021	1,092
Thereafter	<u>73,095</u>
	<u>\$ 77,459</u>

Note 7 – Compliance with Financial Covenants

The Corporation is subject to financial covenants on its debt that include a debt service coverage ratio and minimum days of cash-on-hand requirement. Management believes that the Corporation was in compliance with each of these debt covenants at December 31, 2016 and September 30, 2015, on its Series 2012 bonds. Performance of the Corporation has not yet been at a level to pay subordinated interest on management fees as discussed in Note 6.

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

Note 8 – Functional Expenses

Management of the Corporation presents operating expenses in its accompanying statements of operations and changes in net deficit by natural class categories. Operating expenses classified by functional categories for the 15-months ended December 31, 2016, and the 12-months ended September 30, 2015, were as follows (in thousands):

	15-Months Ended December 31, 2016	12-Months Ended September 30, 2015
Direct resident care	\$ 8,699	\$ 6,119
Dietary services	3,968	3,243
Housekeeping and laundry services	1,091	850
Property	4,024	2,911
Resident services and activities	959	741
Marketing and advertising	1,632	1,283
Loss on pension plan termination	1,010	-
Administrative and general	4,033	3,079
	<u>\$ 25,416</u>	<u>\$ 18,226</u>
Total operating expenses	<u>\$ 25,416</u>	<u>\$ 18,226</u>

Note 9 – Employee Benefit Plans

Defined Benefit Pension Plan – The Corporation’s employees with service prior to December 31, 2002, were eligible to participate in ABHOW’s 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. ABHOW’s Board of Directors approved the freezing of the plan for all non-union employees effective December 31, 2002, and for union employees effective September 30, 2003. Contributions are intended to provide for benefits attributed to service to the date of freezing. In March 2015, ABHOW provided terminated vested plan participants with a time limited option to terminate their participation in the plan in exchange for a lump sum payout.

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

Note 9 – Employee Benefit Plans (continued)

In late calendar year 2016, the majority of the scheduled plan termination was consummated, with an estimated outstanding pension termination liability of \$2,350,000 remaining at December 31, 2016. Remaining plan assets of \$926,000 at December 31, 2016, plus a final cash contribution from the Corporation will be used to satisfy this liability. As a result of the aforementioned actions taken as part of the plan termination, \$10,584,000 of previously unrecognized net actuarial losses was recognized by ABHOW as part of employee benefits. A summary of how these non-cash losses were allocated by community and impacted the Corporation for the 15-months ending December 31, 2016 is as follows (in thousands):

	15-Months Ended December 31, 2016
Corporate Office	\$ 1,064
Grand Lake Gardens	177
Piedmont Gardens	1,382
Terraces of Los Altos	756
Plymouth Village	700
Rosewood	906
Valle Verde	1,214
Terraces of Los Gatos	1,074
Foundation	52
The Terraces of Pheonix	989
Judson Park	1,083
The Terraces at San Joaquin Gardens	1,010
Seniority, Inc.	177
	<u>\$ 10,584</u>

Note 10 – 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.

Note 11 – Health and Safety Code Section 1790(a)(3) Disclosure

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health & Safety Code. The Corporation has identified certain corporate initiatives and contingencies listed below to which unrestricted assets may be exposed; and, therefore, have designated reserves as a safeguard against such contingencies. Although not restricted in accordance with FASB ASC Topic 958, *Not-for-Profit Entities*, an amount of \$7,842,000 and \$5,036,000 is designated for commitments due to ABHOW at December 31, 2016 and September 30, 2015, respectively, and is accrued in accrued interest and subordinated management fees on the balance sheets.

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
NOTES TO FINANCIAL STATEMENTS**

Note 12 – Subsequent Events

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

On February 24, 2017, at its annual meeting, Cornerstone revealed its new brand identity, HumanGood. As part of this rebranding initiative, on February 27, 2017, CLPC amended and restated its articles of incorporation to change the name of the corporation to HumanGood. This new brand identity becomes effective on June 1, 2017.

The Corporation has evaluated subsequent events through April 28, 2017, which is the date the financial statements are issued.

SUPPLEMENTARY INFORMATION

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIT
FOR THE 12-MONTHS ENDED DECEMBER 31, 2016 (UNAUDITED)**

	12-Months Ended December 31, 2016
OPERATING REVENUES	
Residential living	\$ 8,875
Assisted living	2,927
Health center	7,398
Memory support	1,796
Other residential services	421
Amortization of entrance fees	2,552
Other operating revenue	150
Total operating revenues	<u>24,119</u>
OPERATING EXPENSES	
Salaries and wages	7,868
Employee benefits	2,075
Loss on pension plan termination	1,010
Supplies	1,921
Chargeable ancillary services	1,411
Other purchased services	791
Marketing and advertising	1,135
Repairs and maintenance	391
Utilities	1,331
Insurance	256
Travel and related	68
Leases and rents	200
Management fees	1,834
Other operating expenses	187
Total operating expenses	<u>20,478</u>
INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)	3,641
OTHER OPERATING INCOME (EXPENSE)	
Realized losses on investments, net	(31)
Investment income, net	43
Mortgage interest	(4,158)
Depreciation and amortization	(6,217)
LOSS FROM OPERATIONS	<u>(6,722)</u>
Unrealized gains on investments	5
Contribution of pension termination costs for affiliates	1,010
Losses from change in unrecognized pension obligation	(165)
Contributed capital	237
CHANGE IN NET DEFICIT	<u>(5,635)</u>
NET DEFICIT - Beginning of year	<u>(15,698)</u>
NET DEFICIT - End of year	<u>\$ (21,333)</u>

**THE TERRACES AT SAN JOAQUIN GARDENS
(A MEMBER OF CALIFORNIA LIFE PLAN COMMUNITIES)
STATEMENT OF CASH FLOWS
FOR THE 12-MONTHS ENDED DECEMBER 31, 2016 (UNAUDITED)**

	12-Months Ended December 31, 2016
OPERATING ACTIVITIES	
Cash received from resident services	\$ 20,577
Cash received from entrance fees from reoccupancy	5,807
Cash received from other operating activities	511
Cash received from bequests and trust maturities	(6)
Cash earnings realized from investments	15
Cash paid for employee salaries	(7,456)
Cash paid for employee benefits	(2,059)
Cash paid for temporary labor	(373)
Cash paid to vendors	(8,468)
Cash paid for interest, net of amounts capitalized	(2,834)
Net cash provided by operating activities	5,714
INVESTING ACTIVITIES	
Acquisition of land, buildings, and equipment	(1,334)
Purchase of restricted investments	(1,263)
Proceeds from sale of restricted investments	1,071
Net cash used in investing activities	(1,526)
FINANCING ACTIVITIES	
Cash received from initial entrance fees and deposits	1,549
Refunds of deposits and refundable fees	(2,551)
Cash received from deferred debt issuance costs	54
Cash received from capital contributions	71
Principal payments on notes and bonds payable	-
Net cash used in financing activities	(877)
INCREASE IN CASH AND CASH EQUIVALENTS	3,311
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	13,841
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 17,152
OPERATING ACTIVITIES	
Change in unrestricted net deficit	\$ (5,635)
Adjustments to reconcile change in unrestricted net deficit to net cash provided by operating activities	
Amortization of entrance fees	(2,552)
Entrance fees from reoccupancy	5,807
Depreciation and amortization	6,217
Change in unrealized gains on investments, net	(5)
Contributed capital	(72)
Other changes in operating assets and liabilities, net	1,954
Net cash provided by operating activities	\$ 5,714

KEY INDICATORS REPORT

Terraces at San Joaquin Gardens

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

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Chief Financial Officer Signature

CONTINUING CARE
CONTRACTS BRANCH

	2014	2015	2016	Projected 2017	2018	2019	2020	2021	Trend Indicator
OPERATIONAL STATISTICS									
1. Average Annual Occupancy by Site (%)	77.94%	82.96%	87.29%	89.11%	89.81%	91.38%	92.25%	92.88%	↑
MARGIN (PROFITABILITY) INDICATORS									
2. Net Operating Margin (%)	-1.69%	0.21%	-0.17%	5.69%	8.14%	9.30%	9.81%	10.40%	↑
3. Net Operating Margin - Adjusted (%)	17.94%	51.37%	14.20%	19.78%	25.07%	25.39%	26.12%	26.09%	↑
LIQUIDITY INDICATORS									
4. Unrestricted Cash and Investments (\$000)	\$11,297	\$13,274	\$17,152	\$21,926	\$25,326	\$24,902	\$27,116	\$30,647	↑
5. Days Cash on Hand (Unrestricted)	197.17	220.38	264.98	328.51	374.19	358.20	379.50	417.91	↑
CAPITAL STRUCTURE INDICATORS									
6. Deferred Revenue from Entrance Fees (\$000)	26,479	46,217	53,085	51,339	49,594	47,848	46,102	44,357	N/A
7. Net Annual E/F proceeds (\$000)	\$4,169	\$18,677	\$3,256	\$3,764	\$5,080	\$5,080	\$5,414	\$5,414	N/A
8. Unrestricted Net Assets (\$000)	-\$7,136	-\$14,006	-\$21,333	-\$22,521	-\$23,252	-\$23,659	-\$23,770	-\$23,558	N/A
9. Annual Capital Asset Expenditure (\$000)	\$19,126	\$2,838	\$1,334	\$815	\$520	\$530	\$541	\$552	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	-0.06	0.03	0.01	0.36	0.54	0.65	0.72	0.80	↑
11. Annual Debt Service Coverage (x)	0.75	4.40	0.79	1.27	1.79	1.92	2.08	2.18	↑
12. Annual Debt Service/Revenue (%)	26.25%	21.80%	19.35%	17.45%	16.35%	15.45%	14.70%	13.99%	↓
13. Average Annual Effective Interest Rate (%)	5.72%	5.39%	5.46%	5.35%	5.30%	5.31%	5.32%	5.32%	↓
14. Unrestricted Cash & Investments/Long-Term Debt (%)	12.96%	16.74%	22.52%	28.28%	33.07%	32.93%	36.36%	41.70%	↑
15. Average Age of Facility (years)	8.06	6.71	6.98	8.07	8.86	9.58	10.30	11.02	↓