

**ANNUAL REPORT
CHECKLIST**
for
FISCAL YEAR ENDED:
2014

PROVIDER: Eskaton
FACILITY(IES): Eskaton Village-Carmichael
CONTACT PERSON: Eduard Boogaard
TELEPHONE NO.: (916) 334-0810

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

- This cover sheet.
- Annual Provider Fee in the amount of: \$ 16,883.00
- Certification by the provider's chief *executive* officer that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required liquid reserve and refund reserve , if applicable.
- Evidence of the provider's fidelity bond.
- The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community.

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CERTIFICATION BY CHIEF EXECUTIVE OFFICER

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

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

Dated: Apr. 20, 2015

Todd Murch

Todd Murch, Chief Executive Officer

**FORM 1-1
RESIDENT POPULATION**

Continuing Care Residents

[1] Number at beginning of fiscal year	398
[2] Number at end of fiscal year	392
[3] Total Lines 1 and 2	790
[4] Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5] Mean number of continuing care residents	395

All Residents

[6] Number at beginning of fiscal year	418
[7] Number at end of fiscal year	415
[8] Total Lines 6 and 7	833
[9] Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10] Mean number of <i>all</i> residents	417

[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 (rounded to two decimal places).	0.95
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**FORM 1-2
ANNUAL PROVIDER FEE**

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service-interest only)	23,058,000
[a] Depreciation	3,390,000
[b] Debt Service (Interest Only)	1,896,000
[2] Subtotal (add Line 1a and 1b)	5,286,000
[3] Subtract Line 2 from Line 1 and enter result	17,772,000
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.95
[5] Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	16,883,000
	x .001
[6] Total Amount Due (multiply Line 5 by .001)	16,883

PROVIDER: Eskaton

COMMUNITY: Eskaton Village - Carmichael

ESKATON
Calculation of Nonresident Reimbursement
December 31, 2014

	Independent	Assisted	Skilled	Total
Contract Residents @ 12/31/13	328	47	23	398
Contract Residents @ 12/31/14	332	40	20	392
Total	660	87	43	790
Mean	330	44	22	395
All Residents @ 12/31/13	328	55	35	418
All Residents @ 12/31/14	332	49	34	415
Total	660	104	69	833
Mean	330	52	35	417
% Contract Residents to Total Residents	100.00%	83.65%	62.32%	94.84%
% Nonresidents to Total Residents	0.00%	16.35%	37.68%	5.16%

2014 OPERATING REVENUES

Assisted Living (Contract Residents)	2,661,000
Assisted Living (Nonresidents)	520,000
Less: Bad Debt Expense	-
Net Assisted Living (Nonresidents)	520,000
Total	3,181,000
Skilled Nursing (Contract Residents)	3,281,000
Skilled Nursing (Nonresidents)	1,983,000
Less: Bad Debt Expense	-
Net Skilled Nursing (Nonresidents)	1,983,000
Total Skilled Nursing (without Bad Debt adj)	5,264,000
Total NonResidents Revenues	<u>2,503,000</u>

BP 1-10-1



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

CONTINUING CARE
INDUSTRIALS BRANCH

FORCEFIELDSM
CRIME INSURANCE POLICY

POLICY NUMBER: **0307-2195**

RENEWAL OF: **0307-2195**

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

DECLARATIONS

ITEM 1. NAMED INSURED: Eskaton

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

ITEM 2. POLICY PERIOD: Inception Date: January 1, 2014 Expiration Date: January 1, 2015
(12:01 a.m. Standard Time at the address stated in Item 1)

ITEM 3.A. LIMITS OF LIABILITY AND DEDUCTIBLES

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

ITEM 3.B. SUBLIMITS OF LIABILITY

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

ITEM 3.C. AGGREGATE LIMIT OF LIABILITY

N/A

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

ITEM 4. ADDRESS OF INSURER FOR NOTICES UNDER THIS POLICY

A. Claim-Related Notices:

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

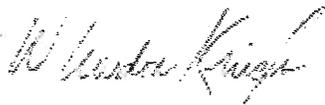
B. All Other Notices:

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

ITEM 5. PREMIUM

\$14,201

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



President



Secretary



AUTHORIZED REPRESENTATIVE

ENDORSEMENT NO. 1

CALIFORNIA AMENDATORY ENDORSEMENT

This Endorsement, effective at 12:01 a.m. on January 1, 2014, forms part of

Policy No. 0307-2195
Issued to Eskaton
Issued by Allied World Assurance Company (U.S.) Inc.

This endorsement modifies insurance coverage provided under the CRIME POLICY.

- A. It is understood and agreed that Clause XXIV. CANCELLATION AND TERMINATION is deleted in its entirety and replaced by the following:

XXIV. CANCELLATION AND TERMINATION

- A. **The Named Insured** may cancel:

- (1) this Policy;
- (2) a specific Insuring Agreement under this Policy; or
- (3) coverage for an **Insured**;

by mailing or delivering written notice of cancellation to the **Insurer**.

- B. **The Insurer** may cancel:

- (1) this Policy;
- (2) a specific Insuring Agreement under this Policy; or
- (3) coverage for an **Insured**;

by mailing or delivering to the **Named Insured** written notice of cancellation at least thirty (30) days before the effective date of cancellation, if the **Insurer** cancels for nonpayment of premium; or sixty (60) days before the effective date of cancellation if the **Insurer** cancels for any other reason.

The **Insurer** will mail or deliver the **Insurer's** notice to the **Named Insured** and to the producer of record at their last known mailing addresses. Notice of cancellation will state the effective date of cancellation and the **Policy Period** will end on such date. If this Policy or an Insuring Agreement is cancelled, the **Insurer** will send the **Named Insured** a premium refund due. If either the **Insurer** or **Insured** cancel this Policy, the refund will be the pro-rata amount of the annualized premium. If notice is mailed, proof of mailing will be sufficient proof of notice.

C. This Policy terminates:

- (1) in its entirety, immediately upon expiration of the **Policy Period**;
- (2) in its entirety, immediately upon exhaustion of the Policy Aggregate Limit of Liability, if applicable; provided, that no Policy termination under this Condition shall be effective with respect to a **Sponsored Plan** covered under Insuring Agreement A. (2);
- (3) in its entirety immediately upon the voluntary liquidation or dissolution of the **Named Insured**; provided, that no Policy termination under this Condition shall be effective with respect to any **Sponsored Plan** covered under Insuring Agreement A. (2); or
- (4) as to any **Subsidiary**, immediately upon a change in the **Management Control** of such **Subsidiary**.

B. It is understood and agreed that the following Clauses are added to the Policy:

NONRENEWAL

If the **Insurer** decides not to renew this Policy, the **Insurer** will mail or deliver written notice of nonrenewal to the **Insured** and the producer of record at their last known addresses at least sixty (60) days, but less than one-hundred-twenty (120) days before the expiration date of the Policy. Proof of mailing of any notice shall be sufficient proof of notice.

BANKRUPTCY

The bankruptcy or insolvency of the **Insured** will not relieve the **Insurer** from liability under this Policy.

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

ENDORSEMENT NO. 2

SPECIFIC PERSONS OR ENTITIES EXCLUSION

This Endorsement, effective at 12:01 a.m. on January 1, 2014, forms part of

Policy No. 0307-2195
Issued to Eskaton
Issued by Allied World Assurance Company (U.S.) Inc.

In consideration of the premium charged, it is hereby agreed that:

No person or entity listed below is an **Insured** and no coverage shall be available under this Policy to the following:

ESKATON VILLAGE PLACERVILLE

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

ENDORSEMENT NO. 3

**AMEND CANCELLATION AND TERMINATION PROVISION
CORRECT PARAGRAPH REFERENCE**

This Endorsement, effective at 12:01 a.m. on January 1, 2014, forms part of

Policy No. 0307-2195
Issued to Eskaton
Issued by Allied World Assurance Company (U.S.) Inc.

In consideration of the premium charged, it is hereby agreed that:

Section XXIV. CANCELLATION AND TERMINATION, Subsection C. is deleted in its entirety and replaced with the following:

- C. This Coverage Section terminates:
- (1) in its entirety, immediately upon expiration of the **Policy Period**;
 - (2) in its entirety, immediately upon exhaustion of the Policy Aggregate Limit of Liability, if applicable; provided, that no Coverage Section termination under this Condition shall be effective with respect to a **Sponsored Plan** covered under Insuring Agreement A(3);
 - (3) in its entirety immediately upon the voluntary liquidation or dissolution of the **Named Insured**; provided, that no Coverage Section termination under this Condition shall be effective with respect to any **Sponsored Plan** covered under Insuring Agreement A(3); or
 - (4) as to any **Subsidiary**, immediately upon a change in the **Management Control** of such **Subsidiary**.

This endorsement should be read together with any existing State Amendatory terms which also amends the cancellation provision referenced above such that the paragraph reference corrected in this endorsement is effective.

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

ENDORSEMENT NO. 4

**AMEND CANCELLATION AND TERMINATION PROVISION
CORRECT PARAGRAPH REFERENCE**

This Endorsement, effective at 12:01 a.m. on January 1, 2014, forms part of

Policy No. 0307-2195
Issued to Eskaton
Issued by Allied World Assurance Company (U.S.) Inc.

In consideration of the premium charged, it is hereby agreed that:

Section XXIV. CANCELLATION AND TERMINATION, Subsection C. is deleted in its entirety and replaced with the following:

- C. This Coverage Section terminates:
- (1) in its entirety, immediately upon expiration of the **Policy Period**;
 - (2) in its entirety, immediately upon exhaustion of the Policy Aggregate Limit of Liability, if applicable; provided, that no Coverage Section termination under this Condition shall be effective with respect to a **Sponsored Plan** covered under Insuring Agreement A(3);
 - (3) in its entirety immediately upon the voluntary liquidation or dissolution of the **Named Insured**; provided, that no Coverage Section termination under this Condition shall be effective with respect to any **Sponsored Plan** covered under Insuring Agreement A(3); or
 - (4) as to any **Subsidiary**, immediately upon a change in the **Management Control** of such Subsidiary.

This endorsement should be read together with any existing State Amendatory terms which also amends the cancellation provision referenced above such that the paragraph reference corrected in this endorsement is effective.

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

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FORCEFIELDSM
Crime Policy

CONTINUING CARE
CONTRACTS BRANCH

In consideration of payment of the premium and in reliance upon the statements made to the **Insurer** by application, including its attachments and the material incorporated therein, which shall be deemed to be attached to, incorporated into, and made part of this Policy, and subject to the Declarations and this Policy, the **Named Insured**, on behalf of all **Insureds**, and ALLIED WORLD ASSURANCE COMPANY (U.S.) INC. ("the **Insurer**") agree as follows:

I. INSURING AGREEMENTS

Coverage is provided under the following Insurance Agreements, if purchased by the **Insured**, and applies only to loss first **Discovered** during the **Policy Period**, or during any extended period to **Discover** loss in accordance with Section XVI. of this Policy.

A. EMPLOYEE AND FIDUCIARY THEFT OR FORGERY COVERAGE

(1) Employee Theft of Company Property

The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss of, or for loss from damage to, **Money, Securities and Property**, resulting directly from **Theft or Forgery** committed by an **Employee**, whether identified or not, acting alone or in collusion with other persons.

(2) Employee Theft of Client Property

The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss of, or for loss from damage to, **Money, Securities and Property** sustained by an **Insured's Client**, resulting directly from **Theft or Forgery** committed by an identified **Employee**.

(3) Fiduciary Theft of Plan Property

The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss of, or for loss from damage to, **Money, Securities and Property** that belongs to a **Sponsored Plan**, resulting directly from **Theft or Forgery** committed by a **Fiduciary**, whether identified or not, acting alone or in collusion with other persons.

B. FORGERY OR ALTERATION

- (1) The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss resulting directly from **Forgery** or alteration of, on or in any written **Financial Instruments**, committed by a **Third Party**.

- (2) If the **Insured** is sued for refusing to pay any **Financial Instrument** covered in Insuring Agreement (B)(1) above, on the basis that it has been forged or altered, and the **Insured** has the **Insurer's** written consent to defend against the suit, the **Insurer** will reimburse the **Insured** for reasonable legal expenses that the **Insured** incurs and pays in that defense, subject to the Sublimit of Liability set forth in Item 3.B. of the Declarations, which is in addition to the Limit of Liability set forth in Item 3.A. of the Declarations.

C. **INSIDE THE PREMISES COVERAGE**

- (1) The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss resulting directly from:

(a) **Robbery, Safe Burglary**, or unlawful taking of **Money** or **Securities**, committed by a **Third Party**; or

(b) actual destruction or disappearance of **Money** or **Securities**;

within the **Premises** or **Banking Premises** of an **Insured**.

- (2) The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss resulting directly from:

(a) loss of or damage to **Property** by **Robbery** or attempted **Robbery** within the **Premises**;

(b) loss of or damage to **Property** contained within any safe which results from **Safe Burglary** or attempted **Safe Burglary** within the **Premises**;

(c) damage to a locked safe, cash drawer, cash box or cash register within the **Premises** by felonious entry or attempted felonious entry or loss by felonious abstraction of such container from within the **Premises**; or

(d) damage to the **Premises** resulting from **Safe Burglary** or **Robbery**;

committed by a **Third Party**.

D. **IN TRANSIT COVERAGE**

- (1) The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss resulting directly from:

(a) **Robbery**; or unlawful taking of **Money** or **Securities**, committed by a **Third Party**; or

(b) actual destruction or disappearance of **Money or Securities**;

while **In Transit**, or while temporarily within the home of an **Employee**.

(2) The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss resulting directly from:

(a) damage to **Property** by **Robbery** while **In Transit**; or

(b) loss by the unlawful taking of **Property** temporarily within the home of an **Employee** or a partner of the **Insured**;

committed by a **Third Party**.

E. **COMPUTER FRAUD**

The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for an **Insured's** loss of, or an **Insured's** loss from damage to, **Money, Securities or Property**, resulting directly from **Computer Fraud** committed by a **Third Party**.

F. **FUNDS TRANSFER FRAUD COVERAGE**

The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss of **Money and Securities** contained in an **Insured's Transfer Account** on deposit at a financial institution resulting directly from **Funds Transfer Fraud** committed by a **Third Party**.

G. **MONEY ORDERS AND COUNTERFEIT CURRENCY FRAUD COVERAGE**

The **Insurer** shall reimburse the **Insured**, subject to the Sublimit of Liability set forth in Item 3.A. of the Declarations, for loss sustained by an **Insured** resulting directly from **Money Orders and Counterfeit Currency Fraud** committed by a **Third Party**.

H. **CREDIT CARD FRAUD COVERAGE**

The **Insurer** shall reimburse the **Insured**, subject to the Limit of Liability set forth in Item 3.A. of the Declarations, for loss sustained by an **Insured** resulting directly from **Credit Card Fraud** committed by a **Third Party**.

II. **RESTORATION EXPENSES**

The **Insurer** shall reimburse the **Insured**, subject to the Sublimit of Liability set forth in Item 3.B. of the Declarations, for **Restoration Expenses** that an **Insured** incurs to **Restore its Computer System** if damaged or destroyed by a **Computer Violation**. Such damage or destruction must be **Discovered** during the **Policy Period** and resulting directly from a **Computer Violation** which occurs as part of a **Single Loss** which is otherwise covered under Insuring Agreements A. or E. of this Policy.

Reimbursement of **Restoration Expenses** will be made to the **Insured** once all processes have been completed to **Restore** the **Insured's Computer System**, and the **Insured** has provided the **Insurer**, in writing, of a description and accounting of all **Restoration Expenses**, together with such detail as the **Insurer** may require.

III. AUTHENTICATION EXPENSES

The **Insurer** shall reimburse the **Insured**, subject to the Sublimit of Liability set forth in Item 3.B. of the Declarations, for **Authentication Expenses**. The amount of covered loss must exceed the **Single Loss Deductible** amount for the Insuring Agreement that is the subject of the claim under this Policy, in order for **Authentication Expenses** to be subject to reimbursement.

Authentication Expenses which are reimbursable under this Policy are part of and not in addition to the Single Loss Limit of Liability for the Insuring Agreement that is the subject of the claim.

Authentication Expenses are payable to the **Insured** at the same time as the payment of the valid and collectible loss under the Insuring Agreement that is the subject of the claim.

IV. DEFINITIONS

- A. "**Authentication Expenses**" means reasonable fees, costs and expenses incurred and paid by the **Insured** to retain outside accountants, attorneys, consultants or experts, retained by the **Insured** to establish the existence and amount of covered loss under any Insuring Agreement of this Policy. **Authentication Expenses** shall not include the **Insured's** internal fees, costs (direct or indirect), obligations or any **Employee's** wages, salaries or benefits.
- B. "**Banking Premises**" means the interior portion of a building occupied by, or the night depository chute or safe maintained by any bank, trust company or similar depository institution.
- C. "**Client**" means a customer of an **Insured** to whom an **Insured** provides goods or services under a written contract or for a fee.
- D. "**Computer Fraud**" means the use of any computer to fraudulently cause a transfer of **Money, Securities or Property**, from inside the **Premises** or **Banking Premises**:
- (1) to a person (other than a **Messenger**) outside the **Premises** or **Banking Premises**; or
 - (2) to a place outside the **Premises** or **Banking Premises**.
- E. "**Computer Program**" means a set of related electronic instructions which direct the operations and functions of a **Computer System**, which enables the **Computer System** to receive, process, store, retrieve, send, create or otherwise act upon **Electronic Data**.

- F. **“Computer System”** means a computer, including all input, output, processing, storage and communication equipment which is connected to such computer, and which the operating system or application software used by the **Insured** are under the direct operational control of the **Insured**. Off-line libraries are deemed to be part of such **Computer System**.
- G. **“Computer Violation”** means an unauthorized:
- (1) entry into or deletion of **Electronic Data** from a **Computer System**;
 - (2) change to data elements or program logic of a **Computer System**, which is kept in machine readable format; or
 - (3) introduction of instructions, programmatic or otherwise, which propagate themselves through a **Computer System**;
- by a natural person and directed against an **Insured**, designed to damage or destroy a **Computer System**.
- H. **“Counterfeit”** means an imitation of **Money** that is intended to deceive and to be taken as genuine.
- I. **“Credit Card Fraud”** means the **Forgery** or alteration of, on or in, any written instrument required in connection with any credit card which is issued to any **Employee** of the **Insured** at the request of the **Insured**, other than a credit card issued by any **Insured**.
- J. **“Data”** means facts or information contained in records, accounts, microfilms, tapes or other records, whether or not contained in a **Computer System**.
- K. **“Discover,” “Discovers,” “Discovery” or “Discovered”** means the point in time at which knowledge is acquired by an **Executive**, which would cause a reasonable person to believe that a covered loss has been sustained or an event has occurred that may subsequently result in a covered loss, even though the exact amount or details of such loss or event are unknown; provided that it shall not include knowledge acquired by an **Executive**, acting alone or in collusion with an **Employee**, who is a participant in the **Theft** or **Forgery**.
- L. **“Electronic Data”** means facts or information converted to a form:
- (1) usable in a **Computer System**;
 - (2) which does not provide instructions or directions to a **Computer System**; and
 - (3) which is stored on electronic processing media for use by a **Computer Program**.

M. **"Employee"** means any:

- (1) natural person regularly performing services for an **Insured** in the ordinary course of such **Insured's** business, who is compensated by the **Insured** directly by salary, wages or commissions, and whose performance is controlled and directed by such **Insured**, including any part-time, seasonal, leased and temporary employee, or volunteer; or
- (2) **Executive**, while performing acts within the scope of the usual duties of an employee of the **Insured**.

An **Employee** shall not include an independent contractor.

N. **"Executive"** means any natural person who is a duly elected or appointed director, officer, general counsel, risk manager, partner, general partner, owner (in the case of a sole proprietorship), member of the board of managers or a management committee member of the **Insured**; or any natural person holding a functionally equivalent position in any **Insured** chartered in any other jurisdiction anywhere in the world.

Executive shall also include any **Employee** designated to represent the **Insured** in obtaining or maintaining insurance coverage.

O. **"Fiduciary"** means any natural person who is a trustee, an officer, or an administrator of any **Sponsored Plan**; and any other natural person, including an **Employee** who is authorized to handle **Money**, **Securities** or **Property** that belongs to a **Sponsored Plan**.

P. **"Financial Instrument"** means checks, drafts or similar written promises, orders or directions to pay a sum certain in **Money**, that are made, drawn by or drawn upon an **Insured** or by anyone acting as an **Insured's** agent, or that are purported to have been so made or drawn.

Q. **"Forgery"** means the signing of the name of another natural person with the intent to deceive, but does not mean a signature that includes one's own name, with or without authority, in any capacity for any purpose. Mechanically or electronically produced or reproduced signatures shall be treated as hand-written signatures.

R. **"Funds Transfer Fraud"** means fraudulent written, electronic, telegraphic, cable, teletype or telephone instructions issued to a financial institution directing such institution to transfer, pay or deliver **Money** or **Securities** from any account maintained by the **Insured** at such institution, without the **Insured's** knowledge or consent. **Funds Transfer Fraud** shall not include a **Forgery**.

S. **"Insured"** means:

- (1) the **Named Insured**;
- (2) any **Subsidiary** of the **Named Insured**; and

(3) solely as it pertains to Insuring Agreement A., a **Sponsored Plan**.

- T. **"In Transit"** means being conveyed outside the **Premises**, from one person or place to another, by the **Insured** within the custody of an **Employee** or a partner of the **Insured**, or a person authorized by the **Insured** to have custody of **Money**, **Securities** or **Property**. **In Transit** ends immediately upon delivery to the designated recipient or its agent.
- U. **"Management Control"** means any person, entity or affiliated group of persons or entities with the right to owning interests representing more than fifty percent (50%) of the voting, appointment or designation power for the selection of a majority of: the Board of Directors of a corporation; the Management Committee members of a joint venture; or the members of the Management Board of a limited liability company.
- V. **"Messenger"** means any **Executive**, or relative thereof, or any **Employee**, duly authorized, while having care and custody of covered property outside the **Premises**.
- W. **"Money"** means currency, coins, bank notes and bullion.
- X. **"Money Orders and Counterfeit Currency Fraud"** means the good faith acceptance:
- (1) in exchange for merchandise, **Money** or services, of any post office or express money order, issued or purporting to have been issued by any post office or express **Insured**, if such money order is not paid upon presentation; or
 - (2) in the regular course of business, of **Counterfeit** United States of America or Canadian paper currency.
- Y. **"Named Insured"** means the entity named in Item 1. of the Declarations.
- Z. **"Policy Period"** means the period from the Inception Date shown in Item 2. of the Declarations to the earlier of the Expiration Date shown in Item 2. of the Declarations or the effective date of cancellation of this Policy.
- AA. **"Premises"** means the interior portion of a building which is occupied by the **Insured** in conducting its business.
- BB. **"Property"** means tangible property, other than **Money** or **Securities**, that has intrinsic value.
- CC. **"Restore"** means to complete the restoration or reproduction of **Computer Programs** and **Electronic Data** within the **Insured's Computer System**, to bring such **Computer System** back to the level of operational capability that existed immediately preceding a **Computer Violation**.
- DD. **"Restoration Expenses"** means reasonable costs incurred by an **Insured** to **Restore** its **Computer System**.

Restoration Expenses do not include:

- (1) the **Insured's** internal corporate costs and expenses, including **Employee** remuneration, and any costs related to any legal action;
- (2) expenses incurred as a result of the reconstruction of **Computer Programs** and **Electronic Data** recorded on media, including but not limited to magnetic or optical media, if there are no analyses files, specifications or backups of **Computer Programs** or **Electronic Data** held outside the **Premises**;
- (3) expenses incurred as a result of the reconstruction of **Computer Programs** and **Electronic Data**, if an **Insured** knowingly used illegal copies of programs;
- (4) expenses incurred to render the **Computer Programs** and **Electronic Data** usable by replacement processing equipment;
- (5) expenses incurred to design, update or improve **Computer Programs** or **Electronic Data** or to perfect their operation or performance;
- (6) expenses incurred as a result of an alteration in **Computer Programs** and **Electronic Data** held on magnetic media due to the effect of magnetic fields, incorrect usage of the **Computer Programs** and **Electronic Data**, or the obsolescence of the **Computer System**;
- (7) lost revenue, sales, interest, income or profits; or
- (8) expenses incurred by any **Client**.

Restoration Expenses from a **Single Loss** shall include those **Restoration Expenses** incurred by an **Insured** between the time an **Insured** initially **Discovers** the damage or destruction and the time the **Insured's Computer System** is **Restored**. Recurrence of the same or a similar **Computer Violation** after an **Insured's Computer System** has been fully **Restored**, shall constitute a separate **Single Loss**.

Reimbursement of **Restoration Expenses** applies only:

- (1) with respect to **Computer Programs** and **Electronic Data** which an **Insured** owns or for which an **Insured** is legally liable; and
- (2) if an **Insured** is unable to reproduce such **Computer Programs** or **Electronic Data**, either from back-up data copies or from some other form of back-up technology.

EE. "**Robbery**" means the unlawful taking of **Money**, **Securities** or **Property** from the custody of an **Employee**, or other person (except a person acting as a watchman, porter or janitor) authorized by the **Insured** to have custody of such **Money**, **Securities** or **Property**, by violence or threat of violence, committed in the presence and cognizance of such person.

FF. **“Safe Burglary”** means the unlawful taking of **Money, Securities or Property** by forcible or violent entry evidenced by visible marks, from a locked vault or safe located within the **Premises**.

GG. **“Securities”** means negotiable and non-negotiable instruments representing either **Money or Property**.

HH. **“Single Loss”** means:

(1) with respect to Insuring Agreement A., all loss resulting from:

- (a) an individual act;
- (b) the combined total of all separate acts, whether or not related; or
- (c) a series of acts whether or not related;

committed by the same **Employee**, or the same **Fiduciary** in the case of Insuring Agreement A.(3), acting alone or in collusion with other persons, and regardless of whether or not such act or acts occurred during or before the **Policy Period**;

(2) with respect to all other Insuring Agreements, all loss resulting from:

- (a) an individual act or event; or
- (b) a series of related acts or events;

committed by the same **Third Party**, acting alone or in collusion with other persons, or in which the same **Third party** is implicated or involved;

whether or not such **Third Party or Third Parties** are identified, and regardless of whether or not such act(s) or event(s) occurred during or before the **Policy Period**; and further

with regard to both paragraphs (1) and (2) above, regardless of the amount or number of losses, the number of **Insureds** incurring loss, or the number of **Financial Instruments** or documents or electronic transactions involved over any period of time.

II. **“Sponsored Plan”** means:

- (1) an employee welfare benefit plan or an employee pension benefit plan as more fully set forth in Title 1, Section 3 of the Employee Retirement Income Security Act of 1974 and any amendments thereto (“ERISA”), and which is solely sponsored by the **Insured**;
- (2) an employee welfare benefit plan or an employee pension benefit plan as more fully set forth in Title 1, Section 3 of ERISA, which is operated solely by the **Insured** or jointly by the **Insured** and a labor organization for the benefit of the **Employees of the Insured**, located anywhere in the

world, and which existed on or before the Inception Date of this Policy or which is created or acquired after the Inception Date of this Policy;

- (3) any other employee benefit plan or program not subject to Title 1 of ERISA, sponsored solely by the **Insured** for the benefit of the **Employees**, including any excess benefit plan located anywhere in the world and which existed on or before the Inception Date of this Policy or which is created or acquired after the Inception Date of this Policy; or
- (4) any other plan, fund, or program specifically included as a **Sponsored Plan** by Endorsement to this Policy.

Sponsored Plan shall not include any multi-employer plan.

JJ. **"Subsidiary"** means:

- (1) any for-profit entity, whose securities are not publicly traded, in which the **Insured** has **Management Control** ("Controlled Entity") before the Inception Date set forth in Item 2 of the Declarations;
- (2) any for-profit entity, whose securities are not publicly traded, of which the **Insured** acquires **Management Control** during the **Policy Period**, either directly or indirectly through one or more Controlled Entities; or
- (3) any not-for-profit entity sponsored exclusively by an **Insured** prior to or during the **Policy Period**.

Coverage afforded under this Policy for loss sustained any **Subsidiary** or any **Subsidiary's Client**, shall only apply to loss sustained after the effective date such entity becomes a **Subsidiary** and prior to the effective date that such entity ceases to be a **Subsidiary**.

KK. **"Theft"** means the unlawful taking of **Money**, **Securities** or **Property** to the deprivation of:

- (1) an **Insured**, solely for the purposes of determining coverage under Insuring under Insuring Agreement A.(1);
- (2) a **Client**, solely for the purposes of determining coverage under Insuring under Insuring Agreement A.(2); or
- (3) a **Sponsored Plan**, solely for the purposes of determining coverage under Insuring Agreement A.(3).

LL. **"Third Party"** means a natural person, other than an **Employee**.

MM. **"Transfer Account"** means an account maintained by an **Insured** at a financial institution from which an **Insured** can initiate the transfer, payment or delivery of **Money** or **Securities**:

- (1) by means of electronic, telegraphic, cable, teletype, computer, telefacsimile or telephone instructions communicated directly through an electronic funds transfer system; or
- (2) by means of written instructions (other than those described in Insuring Agreement B. establishing the conditions under which such transfers are to be initiated by such financial institution through an electronic funds transfer system.

V. EXCLUSIONS

- A. No coverage is afforded under this Policy for loss resulting directly or indirectly from any authorized or unauthorized trading of **Money, Securities or Property**, whether or not in the name of the **Insured** and whether or not in a genuine or fictitious account; provided however, that this Exclusion shall not apply to loss caused by **Theft or Forgery** which results in an improper financial gain to an **Employee**. Such improper financial gain shall not include salary, bonuses, commissions, incentive payments, fees or other compensation, including but not limited to promotions and raises associated with employment, earned time off including vacations, and the costs of any health, welfare, pension or retirement benefits.
- B. No coverage is afforded under this Policy for loss resulting directly or indirectly from any fraudulent, dishonest or criminal action committed by an **Insured**, or by an owner if the **Insured** is a sole-proprietorship, a partner if the **Insured** is a partnership, or by a member or manager if the **Insured** is a limited liability company or corporation, whether acting alone or in collusion with others; provided however, that this Exclusion shall not apply to loss otherwise provided under Insuring Agreement A.(2).
- C. No coverage is afforded under this Policy for loss resulting directly or indirectly from any fraudulent, dishonest or criminal act by any **Employee or Fiduciary**, whether acting alone or in collusion with others, unless otherwise covered under Insuring Agreement A.
- D. No coverage is afforded under this Policy for loss sustained by an **Insured's Client** due to **Theft or Forgery** committed by an **Employee** acting in collusion with the **Client** or the **Client's** employee.
- E. No coverage is afforded under this Policy for loss resulting directly or indirectly from the unauthorized use or disclosure of trade secrets, patents or other intellectual property, confidential processing methods, customer lists, or other confidential information of any kind; provided however, that this Exclusion does not apply to loss otherwise covered under Insuring Agreements A. or E.
- F. No coverage is afforded under this Policy for loss due to **Theft or Forgery** committed by, an owner if the **Insured** is a sole-proprietorship, a partner if the **Insured** is a partnership, or by a member or manager if the **Insured** is a limited liability company or corporation, whether acting alone or in collusion with others.

- G. No coverage is afforded under this Policy for loss resulting directly or indirectly from declared or undeclared war, civil war, insurrection, rebellion or revolution, military, naval or usurped power, governmental intervention, expropriation or nationalization, or any act or condition incident to any of the foregoing.
- H. No coverage is afforded under this Policy for loss of income, whether or not earned or accrued, including interest and dividends, not realized as the result of a loss covered under this Policy.
- I. No coverage is afforded under this Policy for indirect or consequential loss of any kind, provided however, that this Exclusion shall not apply to otherwise covered **Authentication Expenses** under Section III. or **Restoration Expenses** under Section II.
- J. No coverage is afforded under this Policy for fines or penalties, or for multiplied or punitive damages.
- K. No coverage is afforded under this Policy for expenses incurred:
- (1) as a result of the reconstitution of **Data** if the **Insured** knowingly used or uses illegal copies of programs;
 - (2) to render the **Data** usable by replacement processing equipment;
 - (3) to design, update or improve software or programs or to perfect their operation or performance; or
 - (4) as a result of an alteration in **Data** held on magnetic media due to the effect of magnetic fields, their incorrect use or the obsolescence of the **Computer System**.
- L. No coverage is afforded under this Policy for loss caused by an **Employee**, which is sustained by an **Insured** after any other **Employee** with managerial or supervisory responsibility, or an **Executive**, not in collusion with the **Employee** becomes aware of a **Theft, Forgery**, or other fraudulent or dishonest act committed by such **Employee** while employed with the **Insured** or prior to the inception of the **Employee's** employment with the **Insured**, involving **Money, Securities or Property** in an amount in excess of one-thousand dollars (\$1,000).
- M. No coverage is afforded under this Policy for loss resulting directly or indirectly from fire; provided however, that this Exclusion shall not apply to:
- (1) loss of **Money or Securities**; or
 - (2) damage to any safe or vault caused by the application of fire thereto for the purposes of **Safe Burglary**.
- N. No coverage is afforded under this Policy for fees, costs or expenses incurred or paid by the **Insured** in defending or prosecuting any legal proceeding or claim; provided however, that this Exclusion shall not apply to the coverage provided under Insuring Agreement B.(2).

- O. No coverage is afforded under this Policy for loss due to the **Insured** knowingly having given or surrendered **Money, Securities or Property** in any exchange or purchase with a **Third Party** not in collusion with an **Employee**; provided however, that this Exclusion shall not apply to **Money Orders and Counterfeit Currency Fraud**.
- P. No coverage is afforded under this Policy for loss sustained by one **Insured** to the advantage of any other **Insured**, other than a **Sponsored Plan**.
- Q. No coverage is afforded under this Policy for loss of or damage to **Money, Securities or Property** while in the custody of any bank, trust company, similar recognized place of safe deposit, armored motor vehicle company or any person who is duly authorized by the **Insured** to have custody of the property; provided however, that this Exclusion shall not apply to the extent that coverage under this Policy is excess of the amount recovered or received by the **Insured** under:
- (1) the **Insured's** contract, if any, with, or insurance carried by, any of the foregoing; or
 - (2) any other insurance or indemnity in force which would cover the loss in whole or in part.
- R. No coverage is afforded under this Policy for loss due to the unlawful taking of **Money, Securities or Property**, or due to **Computer Fraud** or any other fraudulent, dishonest or criminal act (other than **Robbery or Safe Burglary**), by any representative of the **Insured** other than an **Employee**, provided that such representative is not acting in collusion with any **Employee**.
- S. No coverage is afforded under Insuring Agreement A. for loss resulting directly or indirectly caused by any broker, factor, commission merchant, consignee, contractor, independent contractor or other agent or representative of the same general character, of the **Insured**.
- T. No coverage is afforded under Insuring Agreements C. or D. for:
- (1) loss due to **Forgery, Computer Fraud or Funds Transfer Fraud**; or
 - (2) loss of or damage to **Money, Securities or Property** while in the mail or in the custody of a carrier for hire, other than an armored motor vehicle company.
- U. No coverage is afforded under Insuring Agreements A., D., E. or F. for loss of or damage to **Money, Securities or Property** as a result of a kidnap, ransom or other extortion payment (as distinct from **Robbery**) surrendered to any person as a result of a threat to do bodily harm to any person or a threat to do damage to the **Premises or Property**.
- V. No coverage is afforded under Insuring Agreement B. for loss due to **Forgery** or alteration of:

- (1) any **Financial Instrument** committed by any **Third Party** in collusion with any **Employee**; or
 - (2) any registered or coupon obligations issued or purported to have been issued by the **Insured**, or any coupons whether attached or detached.
- W. No coverage is afforded under Insuring Agreement H. for loss caused by any forgery or alteration of, on or in any written instrument; provided that this Exclusion shall not apply if:
- (1) the provisions, conditions and other terms under which the involved credit card was issued were fully complied with; and
 - (2) the **Insured** is legally liable to the issuer of such credit card for such loss.
- X. No coverage is afforded under this Policy for any loss that the **Insured** is aware of prior to the Inception Date of this Policy.
- Y. No coverage is afforded under this Policy for loss sustained by the **Insured** prior to the termination of this Policy unless such loss is first **Discovered** during the **Policy Period** and the **Insured** provides written notice thereof to the **Insurer** within the time limitations provided in Sections XI. or XVI. of this Policy.
- Z. No coverage is afforded under this Policy for loss, or that portion of any loss, sustained by the **Insured** which results from an unexplained inventory shortage, including loss, the proof of which its existence or amount is dependent upon an inventory computation or a profit and loss computation. Provided however, that if the **Insured** can establish, wholly apart from such computations, that it has sustained a loss, then the **Insured** may offer its inventory records and actual physical count of inventory in support of the amount of loss claimed.

VI. OWNERSHIP

- A. The **Insurer's** liability under this Policy will apply only to the **Money, Securities or Property** owned by the **Insured** or for which the **Insured** is legally liable, or held by the **Insured** in any capacity whether or not the **Insured** is liable; provided that:
- (1) the **Insurer** will not be liable for damage to the **Premises** unless the **Insured** is the owner of the **Premises** or is liable for such damage; or
 - (2) except solely with respect to Insuring Agreement A.(2), the **Insurer's** liability will not apply to **Money, Securities or Property** of a **Client**.
- B. For the purposes of Insuring Agreement A.(2), the **Insurer's** liability under this Policy will apply only to the **Money, Securities or Property** of a **Client**, which is held by the **Insured** in any capacity or for which the **Insured** is legally liable.

VII. SPONSORED PLAN

- A. Solely with respect to any **Sponsored Plan**, payment by the **Insurer** for covered loss to the **Insured** shall be held by the **Insured** for the use and benefit of the **Sponsored Plan** incurring such loss.
- B. The Limit of Liability applicable to any **Sponsored Plan** shall equal either ten percent (10%) of the **Sponsored Plan's** assets as of the beginning of such **Sponsored Plan's** fiscal year, or five-hundred-thousand dollars (\$500,000), whichever is less ("Amended Limit of Liability"); provided, however, that the following additional conditions shall also apply with respect to such coverage:
- (1) Loss Involving One Sponsored Plan:
 - (a) if the applicable Limit of Liability as set forth in Item 3.A. of the Declarations is less than the Amended Limit of Liability, then the applicable Limit of Liability shall be the Amended Limit of Liability; or
 - (b) if the applicable Limit of Liability as set forth in Item 3.A. of the Declarations equals or exceeds the Amended Limit of Liability, then the applicable Limit of Liability shall be the Limit of Liability as set forth in Item 3.A. of the Declarations of this Policy; or
 - (2) Loss Involving More Than One Sponsored Plan:
 - (a) if the applicable Limit of Liability as set forth in Item 3.A. of the Declarations is less than the Amended Limit of Liability as calculated for each **Sponsored Plan**, then the applicable Limit of Liability for each **Sponsored Plan** shall be the Amended Limit of Liability as calculated for each **Sponsored Plan**; or
 - (b) if the applicable Limit of Liability as set forth in Item 3.A. of the Declarations equals or exceeds the Amended Limit of Liability as calculated for all such **Sponsored Plans**, then the applicable Limit of Liability for all such **Sponsored Plans** combined shall be the Limit of Liability as set forth in Item 3.A. of the Declarations.

Solely with respect to loss sustained by a **Sponsored Plan**, no Deductible Amount shall apply to such loss.

VIII. LIMITS OF LIABILITY

- A. The **Insurer's** maximum liability for a **Single Loss** shall not exceed the Limit of Liability applicable to such loss, as set forth in Item 3.A. of the Declarations, regardless of the number of **Insureds** who have incurred loss.

- B. If a **Single Loss** is covered under more than one Insuring Agreement of this Policy, the maximum amount payable under this Policy shall not exceed the largest applicable Limit of Liability of any one such Insuring Agreement.
- C. If a **Single Loss** is covered under both Insuring Agreement E. and Section II, then only one Deductible and one Limit of Liability shall apply, that being the Deductible and Limit of Liability under Insuring Agreement E.
- D. Aggregate Limit of Liability

If Item 3.C. of the Declarations indicates an Aggregate Limit of Liability for this Crime Policy, then the **Insurer's** maximum aggregate liability for all loss under this Policy which is **Discovered** during the **Policy Period**, all **Restoration Expenses**, and all **Authentication Expenses**, shall not exceed such Aggregate Limit of Liability. If the aggregate Limit of Liability is exhausted by the payment of loss, **Restoration Expenses** or **Authentication Expenses** by the **Insurer**, the **Insurer** will have no further liability to make any payments under this Crime Policy.

If Item 3.C. of the Declarations does not indicate an Aggregate Limit of Liability for this Crime Policy, then the payment of loss under any one Insuring Agreement by the **Insurer** shall not reduce or exhaust the Single Loss Limit of Liability under any other Insuring Agreement. However, in no event shall the **Insurer** be liable to reimburse the **Insured**, in total, more than the amount set forth in Item 3.B. of the Declarations for **Restoration Expenses**, under Section II of this Policy.

IX. DEDUCTIBLE

- A. The **Insurer** will not reimburse the **Insured** for loss resulting directly from a **Single Loss** unless the amount of loss exceeds the applicable Deductible shown in Item 3.A. of the Declarations. The **Insurer** will then reimburse the amount of loss in excess of the Deductible, up to the applicable Limit of Liability.
- B. If a **Single Loss** is covered under more than one Insuring Agreement of this Policy, then only the highest **Single Loss** Deductible shall be applied.
- C. If a **Single Loss** is covered under both Insuring Agreement E. and Section II, then only one Deductible and one Limit of Liability shall apply, that being the Deductible and Limit of Liability under Insuring Agreement E.

X. NON-ACCUMULATION OF LIABILITY

- A. When there is more than one **Insured**, the maximum liability of the **Insurer** for loss sustained by one or all **Insureds** shall not exceed the amount for which the **Insurer** would be liable if all losses were sustained by any one **Insured**.
- B. Regardless of the number of years this Policy remains in effect and the total premium amounts due or paid, neither the Limits of Liability nor the amount the **Insurer** shall reimburse for any loss shall be cumulative from year-to-year or from **Policy Period-to-Policy Period**.

XI. PROOF OF LOSS AND LEGAL PROCEEDINGS

- (A) It is a condition precedent to coverage hereunder that, upon **Discovery**, the **Insured** shall:
- (1) provide written notice to the **Insurer** as soon as practicable and in no event later than ninety (90) days after such **Discovery**;
 - (2) furnish sworn Proof of Loss with full particulars to the **Insurer** within six (6) months of such **Discovery**, including:
 - (a) production of all relevant records and documents as the **Insurer** shall request; and
 - (b) submit to examination under oath at the **Insurer's** request; and
 - (3) cooperate completely with the **Insurer** in all matters pertaining to the claim.
- (B) The **Insured** may offer a comparison between the **Insured's** inventory records and actual physical count of its inventory to prove the amount of loss, but only where the **Insured** establishes wholly apart from such comparison that it has sustained a covered loss, caused by an identified **Employee**.

XII. VALUATION AND FOREIGN CURRENCY

The **Insurer** shall reimburse:

- A. loss of **Money** but only up to and including its face value, and at the **Insured's** option, reimburse for loss of **Money** issued by any country other the United States of America:
- (1) at face value in the **Money** issued by that country; or
 - (2) in the United States of America equivalent determined by the rate of exchange published in the Wall Street Journal on the day the loss was **Discovered**.
- B. loss of **Securities** but only up to and including their value at the close of business on the day the loss was **Discovered**. The **Insurer** may, at the **Insurer's** option:
- (1) reimburse the market value of such **Securities** or replace them in kind, in which event the **Insured** must assign to the **Insurer** all the **Insured's** rights, title and interest in and to those **Securities**; or
 - (2) reimburse the cost of any Lost Securities Bond required in connection with issuing duplicates of the **Securities**. However, the **Insurer** will be liable only for the payment of so much of the cost of the bond as would be charged for a bond having a penalty not exceeding the lesser of the value of the **Securities** at the close of business on the day the loss was **Discovered**.

- C. loss of, or loss from damage to, **Property** or **Premises** including its exterior for the replacement cost without deduction for depreciation; provided the **Insurer** will not reimburse more than the least of the following:
- (1) the cost to replace the lost or damaged **Property** with **Property** of comparable material and quality and used for the same purpose;
 - (2) the amount the **Insured** must actually spend that is necessary to repair or replace the lost or damaged **Property**; or
 - (3) the **Single Loss Limit** of Liability applicable to the lost or damaged **Property**.

The **Insurer** will not reimburse the **Insured** on a replacement cost basis for any loss or damage until such **Property** is actually repaired or replaced, and unless the repairs or replacement are made as soon as reasonably possible after the loss or damage. If the lost or damaged **Property** is not repaired or replaced, the **Insurer** will reimburse the **Insured** the actual cash value of the **Property** on the day the loss was **Discovered**.

XIII. OTHER INSURANCE

If the **Insured** or any other party in interest in any loss covered by this Policy has any bond, indemnity or other insurance which would cover such loss in whole or in part in the absence of this Policy, then this Policy shall be null and void to the extent of the amount recoverable or received under such other bond, indemnity, or insurance; but this Policy shall cover such loss, subject to its exclusions, conditions and other terms, only to the extent of the amount of such loss in excess of the amount recoverable or received under such other bond, indemnity or insurance.

XIV. ORGANIZATIONAL CHANGES

If during the **Policy Period** the **Insured** shall consolidate with, merge into, purchase, or acquire the assets or liabilities of another entity, this Policy will provide coverage for that merged, purchased or acquired entity, subject to all other terms and conditions herein, but only for loss **Discovered** by an **Insured** after the effective date of such merger, purchase, or acquisition; provided that the **Insured** provides written notice of such merger, purchase, or acquisition to the **Insurer** with full particulars of such merger, purchase, or acquisition, within ninety (90) days after the effective date of such merger, purchase, or acquisition. Coverage for the merged, purchased, or acquired entity shall not be afforded following such ninety (90) day period unless the **Insurer** agrees to provide such coverage, subject to any additional terms and conditions and any additional premium that may be required by the **Insurer**. Any **Sponsored Plan** acquired as above shall be included as an **Insured**.

The ninety (90) day notice requirement shall be waived subject to the following:

- A. the assets of the merged, purchased, or acquired entity do not exceed forty percent (40%) of the total assets of the **Insured** as of one (1) day prior to the effective date of the transaction; or

- B. the merger, purchase, or acquisition occurs less than ninety (90) days prior to the end of the **Policy Period**.

The **Insured** must notify the **Insurer** of a change in **Management Control** during the **Policy Period**, with written notice to the **Insurer** within ninety (90) days of the effective date of the change in **Management Control**, but notice must be made to the **Insurer** no later than the last date of the **Policy Period** on the Declarations Page.

XV. **TERRITORY**

This Policy extends to acts taking place anywhere in the world, to the extent permitted by law.

XVI. **EXTENDED PERIOD TO DISCOVER LOSS**

The **Insurer** will reimburse the **Insured** for loss that the **Insured** sustained prior to the effective date of the cancellation or termination of this Policy, which is **Discovered** by the **Insured**:

- A. No later than ninety (90) days from the date of that cancellation or termination, with regard to all loss except loss sustained by a **Sponsored Plan**; or
- B. No later than one (1) year from the date of that cancellation or termination, with regard to loss sustained by a **Sponsored Plan**.

However, this extended period to **Discover** loss terminates immediately upon the effective date of any other insurance obtained by the **Insured** in whole or in part to replace the coverage afforded under this Policy.

XVII. **CONCEALMENT, MISREPRESENTATION OR FRAUD**

This Policy is void in any case of fraud by the **Insured** as it relates to this Policy at any time. This Policy is also void if the **Named Insured** or any other **Insured**, or any person authorized to act on its behalf, at any time intentionally conceals or misrepresents a material fact concerning:

- A. this Policy, in the Application for this Policy or in any materials submitted therewith;
- B. **Money, Securities or Property**;
- C. the **Insured's** interest in **Money, Securities or Property**; or
- D. a claim under this Policy.

XVIII. **TRANSFER OF RIGHTS AND DUTIES UNDER THIS COVERAGE SECTION**

The **Insured's** rights and duties under this Policy may not be assigned or transferred without the **Insurer's** written consent except in the case of death of a natural person **Insured**. If the natural person **Insured** dies, the **Insured's** rights and duties will be transferred to the **Insured's** legal representative but only while acting within the scope of

duties as the deceased **Insured's** legal representative. Until a legal representative is appointed, anyone having proper temporary custody of the decedent's property will have all rights and duties but only with respect to that property.

XIX. RECORDS

The **Insured** must keep records of all **Money, Securities, and Property** under this Policy so the **Insurer** can verify the amount of any loss.

XX. RECOVERIES

A. All recoveries for payments made under this Policy, whether made by the **Insurer** or the **Insured**, shall be applied net of the expense of such recovery:

- (1) first, to the **Insured** in satisfaction of the **Insured's** covered loss in excess of the amount paid under this Policy;
- (2) second, to the **Insurer** in satisfaction of amounts paid in settlement of the **Insured's** claim;
- (3) third, to the **Insured** in satisfaction of any Deductible; and
- (4) fourth, to the **Insured** in satisfaction of any loss not covered under this Policy.

B. Recoveries do not include any recovery:

- (1) for insurance, suretyship, reinsurance, security or indemnity taken for the **Insurer's** benefit; or
- (2) of original **Securities** after duplicates of them have been issued.

XXI. TRANSFER OF INSURED'S RIGHTS OF RECOVERY AGAINST OTHERS TO INSURER

The **Insured** must transfer to the **Insurer** all the **Insured's** rights of recovery against any person or organization for any loss the **Insured** sustained and for which the **Insurer** has paid or settled. The **Insured** must also do everything necessary to secure those rights and do nothing after the loss to impair them.

XXII. ACTION AGAINST INSURER

A. The **Insured** may not bring any legal action against the **Insurer** involving loss:

- (1) unless the **Insured** has complied with all the terms of this Policy;
- (2) until ninety (90) days after the **Insured** has filed Proof of Loss with the **Insurer**; and
- (3) unless brought within two (2) years from the date the **Insured** **Discovered** the loss.

- B. The **Insured** may not bring any legal action against the **Insurer** to recover a judgment or settlement against it or its bank resulting from **Forgery** or related legal expenses as set forth in Insuring Agreement B.(2), unless brought within two (2) years from the date upon which such judgment shall become final or upon which such settlement was entered into.

If any limitation in this Condition is deemed to be inconsistent with the state law, such limitation is amended so as to equal the minimum period of limitation provided by such law.

XXIII. LIBERALIZATION

In the event the **Insurer** introduces a new Crime Policy during the **Policy Period**, then the **Named Insured** shall have the right to any broader coverage available under such new Policy, if allowed by law, as of the date that such new Policy is made available to all insureds, but only with respect to loss **Discovered** and/or claims reported to the **Insurer** after such date.

XXIV. CANCELLATION AND TERMINATION

- A. The **Named Insured** may cancel:

- (1) this Policy;
- (2) a specific Insuring Agreement under this Policy; or
- (3) coverage for an **Insured**;

by mailing or delivering written notice of cancellation to the **Insurer**.

- B. The **Insurer** may cancel:

- (1) this Policy;
- (2) a specific Insuring Agreement under this Policy; or
- (3) coverage for an **Insured**;

by mailing or delivering to the **Named Insured** written notice of cancellation at least twenty (20) days before the effective date of cancellation, if the **Insurer** cancels for nonpayment of premium; or sixty (60) days before the effective date of cancellation if the **Insurer** cancels for any other reason.

The **Insurer** will mail or deliver the **Insurer's** notice to the **Named Insured's** last known mailing address. Notice of cancellation will state the effective date of cancellation and the **Policy Period** will end on such date. If this Policy or an Insuring Agreement is cancelled, the **Insurer** will send the **Named Insured** a premium refund due. If either the **Insurer** or **Insured** cancel this Policy, the refund will be the pro-rata amount of the annualized premium. If notice is mailed, proof of mailing will be sufficient proof of notice.

C. This Policy terminates:

- (1) in its entirety, immediately upon expiration of the **Policy Period**;
- (2) in its entirety, immediately upon exhaustion of the Policy Aggregate Limit of Liability, if applicable; provided, that no Policy termination under this Condition shall be effective with respect to a **Sponsored Plan** covered under Insuring Agreement A.(2);
- (3) in its entirety immediately upon the voluntary liquidation or dissolution of the **Named Insured**; provided, that no Policy termination under this Condition shall be effective with respect to any **Sponsored Plan** covered under Insuring Agreement A.(2); or
- (4) as to any **Subsidiary**, immediately upon a change in the **Management Control** of such **Subsidiary**.

XXV. CHANGES

This Policy contains all the agreements between the **Insured** and the **Insurer** concerning the insurance afforded. The **Named Insured** shown on the Declarations is authorized to make changes to the terms of this Policy with the **Insurer's** consent. This Policy's terms can be amended or waived only by endorsement issued by the **Insurer** and made a part of this Policy.

XXVI. HEADINGS

The descriptions in the headings and any subheading of this Policy, including any titles given to any endorsement attached hereto, are inserted solely for convenience and do not constitute any part of this Policy's terms or conditions.

RECEIVED
APR 29 2015

CONTINUING CARE
CONTRACTS BRANCH

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Eskaton and Subsidiaries

December 31, 2014 and 2013

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Eskaton and Subsidiaries

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eskaton and Subsidiaries (the "Organization"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations and changes in net assets (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eskaton and Subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules as of and for the year ended December 31, 2014, for Eskaton and Subsidiaries, Eskaton Properties, Inc., and Eskaton, presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The supplementary information – social responsibility for the years ended December 31, 2014 and 2013, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



San Francisco, California
April 24, 2015

CONSOLIDATED FINANCIAL STATEMENTS

ESKATON AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2014 and 2013
(in thousands)

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,696	\$ 10,055
Assets limited as to use, required for current liabilities	2,645	4,818
Investments	52,187	49,717
Accounts receivable, net of allowance for uncollectible accounts of \$305 in 2014 and \$259 in 2013	7,920	8,362
Other receivables	3,122	4,171
Inventories	176	180
Deposits and prepaid expenses	1,124	781
Total current assets	<u>76,870</u>	<u>78,084</u>
Assets limited as to use, net of amount required for current liabilities	9,787	9,236
Investments	1,302	1,268
Property and equipment, net	112,983	115,403
Other assets:		
Land available for sale	1,050	1,050
Due from liability insurer	993	1,679
Deferred financing costs, net of accumulated amortization of \$509 in 2014 and \$246 in 2013	2,668	2,835
Associate member/resident/patient deposits	3,187	4,094
Other	1,481	1,465
Total other assets	<u>9,379</u>	<u>11,123</u>
Total assets	<u>\$ 210,321</u>	<u>\$ 215,114</u>

See accompanying notes.

ESKATON AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
December 31, 2014 and 2013
(in thousands)

	2014	2013
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 4,433	\$ 4,449
Current portion of deferred revenue from unamortized CCRC membership fees	2,132	2,132
Refundable CCRC membership contracts	1,859	1,016
Deposits on unoccupied CCRC units	333	365
Accounts payable	2,095	1,843
Accrued liabilities:		
Payroll and payroll taxes	2,240	2,465
Vacation	1,753	1,673
Current portion of self-insured workers' compensation	2,785	2,690
Self-insured employee health plan	1,160	1,372
Interest	713	735
Other	1,115	988
Total current liabilities	20,618	19,728
Other liabilities:		
Self-insured workers' compensation, net of current portion	8,195	6,476
Interest rate swap agreements	7,756	5,306
Unfunded pension obligation	2,351	2,045
Professional liability	2,329	3,014
Associate member/resident/patient deposits	3,187	4,094
Other	356	285
	24,174	21,220
Long-term debt, net of current maturities	149,393	153,845
Deferred revenue from unamortized CCRC membership fees, net of current portion	10,273	12,860
Total liabilities	204,458	207,653
Net assets:		
Unrestricted net assets	3,944	5,925
Temporarily restricted net assets	1,376	1,003
Permanently restricted net assets	543	533
Total net assets	5,863	7,461
Total liabilities and net assets	\$ 210,321	\$ 215,114

See accompanying notes.

ESKATON AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
Years Ended December 31, 2014 and 2013
(in thousands)

	<u>2014</u>	<u>2013</u>
Unrestricted net assets (deficit):		
Revenues, gains, and other support:		
Net patient service revenue	\$ 48,339	\$ 47,991
Resident service revenue, including amortization of CCRC membership fees of \$1,765 in 2014 and \$1,567 in 2013	61,265	58,402
Other, net	8,420	7,961
Total revenues, gains, and other support	<u>118,024</u>	<u>114,354</u>
Expenses:		
Salaries and wages	51,547	49,333
Employee benefits	17,453	16,831
Professional fees	1,473	1,189
Supplies	5,347	5,132
Purchased services	7,404	7,256
Ancillary costs	3,472	3,211
Utilities	4,417	4,188
Insurance and other	8,327	7,457
Depreciation	9,243	9,022
Interest and amortization	5,724	5,174
Provision for uncollectible accounts	354	420
Total operating expenses	<u>114,761</u>	<u>109,213</u>
Income from operations	<u>3,263</u>	<u>5,141</u>
Nonoperating revenue (expenses):		
Investment income	2,285	5,724
Interest rate swap activities	(3,754)	1,780
Loss on early repayment of debt	-	(172)
Other	(175)	(190)
Total nonoperating revenue (expenses), net	<u>(1,644)</u>	<u>7,142</u>
Excess of revenues, gains, and other support over expenses	<u>1,619</u>	<u>12,283</u>

See accompanying notes.

ESKATON AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (Continued)
Years Ended December 31, 2014 and 2013
(in thousands)

	<u>2014</u>	<u>2013</u>
Excess of revenues, gains, and other support over expenses (page 5)	\$ 1,619	\$ 12,283
Pension related changes other than net periodic pension cost	(3,511)	3,386
Transfer to temporarily restricted net assets	(89)	-
Change in unrestricted net assets (deficit)	(1,981)	15,669
Unrestricted net assets (deficit), beginning of year	5,925	(9,744)
Unrestricted net assets, end of year	<u>\$ 3,944</u>	<u>\$ 5,925</u>
Temporarily restricted net assets:		
Contributions	\$ 427	\$ 354
Investment income	69	135
Other	5	-
Transfer from unrestricted net assets	89	-
Net assets released from restriction used for operations	(217)	(339)
Change in temporarily restricted net assets	373	150
Temporarily restricted net assets, beginning of year	1,003	853
Temporarily restricted net assets, end of year	<u>\$ 1,376</u>	<u>\$ 1,003</u>
Permanently restricted net assets:		
Contributions of endowments	\$ 11	\$ 5
Change in assets held in trust by others	(1)	1
Change in permanently restricted net assets	10	6
Permanently restricted net assets, beginning of year	533	527
Permanently restricted net assets, end of year	<u>\$ 543</u>	<u>\$ 533</u>
Change in net assets	\$ (1,598)	\$ 15,825
Net assets (deficit), beginning of year	7,461	(8,364)
Net assets, end of year	<u>\$ 5,863</u>	<u>\$ 7,461</u>

See accompanying notes.

ESKATON AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013
(in thousands)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,598)	\$ 15,825
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,243	9,022
Amortization of deferred financing costs	263	331
Amortization of CCRC membership fees	(1,765)	(1,567)
Net realized and unrealized (gains) losses on assets limited as to use	(41)	69
Net realized and unrealized (gains) on investments	(2,042)	(5,603)
Pension related changes other than net periodic pension cost	3,511	(3,386)
Change in fair value of interest rate swap agreements	2,450	(3,712)
Provision for uncollectible accounts	354	420
Proceeds from permanently restricted contributions	(11)	(5)
Loss on early repayment of debt	-	172
CCRC resales of nonrefundable contracts	5,300	5,464
CCRC sales of refundable contracts	1,232	799
Loss on disposal of property and equipment	163	155
Changes in operating assets and liabilities:		
Change in receivables	1,137	(641)
Change in inventories	4	37
Change in deposits and prepaid expenses	(343)	363
Change in other assets	1,577	381
Change in accounts payable	252	242
Change in accrued liabilities	1,562	2,219
Change in unfunded pension obligation	(3,205)	(1,050)
Change in other liabilities	(1,521)	(409)
Net cash provided by operating activities	<u>16,522</u>	<u>19,126</u>
Cash flows from investing activities:		
Purchases of assets limited as to use	(63,323)	(89,198)
Proceeds from sales of assets limited as to use	64,986	90,412
Purchases of investments	(28,516)	(33,150)
Proceeds from sales of investments	28,054	35,368
Expenditures for property and equipment	(6,986)	(10,201)
Net cash used in investing activities	<u>(5,785)</u>	<u>(6,769)</u>

See accompanying notes.

ESKATON AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2014 and 2013
(in thousands)

	<u>2014</u>	<u>2013</u>
Cash flows from financing activities:		
CCRC resale disbursements of nonrefundable contracts	\$ (5,228)	\$ (5,392)
CCRC resale disbursements - conversions to refundable contracts	(1,212)	(799)
CCRC contracts refunded	(71)	(84)
Change in deposits on unoccupied CCRC units	(32)	123
Proceeds from permanently restricted contributions	11	5
Proceeds from long-term borrowing	-	66,839
Principal payments on long-term debt	(4,468)	(59,573)
Debt issuance costs	(96)	(1,408)
Payments on settlement of terminated swaps	-	(9,716)
Net cash used in financing activities	<u>(11,096)</u>	<u>(10,005)</u>
Net (decrease) increase in cash and cash equivalents	(359)	2,352
Cash and cash equivalents, beginning of year	10,055	7,703
Cash and cash equivalents, end of year	<u>\$ 9,696</u>	<u>\$ 10,055</u>
Supplemental disclosure:		
Cash paid for interest	\$ 5,483	\$ 4,957

See accompanying notes.

ESKATON AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements of Eskaton and Subsidiaries include the following:

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

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

EGRL – EGRL is a not-for-profit 501(c)(3) California corporation that operates a 95-apartment assisted living community in Gold River, California.

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

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

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

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

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

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

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

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

EPI, EGRL, EVGv, and EVR are members of the Eskaton Properties Incorporated Obligated Group (the Obligated Group) according to a Master Indenture of Trust dated July 1, 1999, and various Supplemental Master Indentures dated subsequent to July 1, 1999 (together, the Master Indenture). Under the terms of the Master Indenture, members of the Obligated Group are jointly and severally liable for bonds issued pursuant to the Master Indenture.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

ESKATON AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of December 31, 2014 and 2013, land available for sale was recorded in the consolidated balance sheets at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*. The fair value estimate was performed by a third-party specialist using unobservable inputs that are supported by little or no market activity and were therefore classified within Level 3 of the valuation hierarchy.

Continuing Care Retirement Community (CCRC) membership fees – Eskaton owns and operates a CCRC known as Eskaton Village Carmichael (EVC) located on 37 acres in Carmichael, California. EVC membership fees, which were paid by the initial resident of each housing unit upon entering into a resalable continuing care contract, were recorded as deferred revenue. Such deferred revenue is amortized to income using the straight-line method over the estimated remaining life of the facility. Eskaton's share of appreciation in excess of the original membership fee amount earned upon the resale of a membership from one resident to another qualified individual is recorded as deferred revenue and is amortized to income using the straight-line method over the estimated remaining life of the facility. Transfer fees earned upon the resale of a membership are recorded as revenue in the period earned.

In 2012, Eskaton subsequently introduced membership contracts with refundable membership fees that are amortized on a straight-line basis over the five-year refundable period. Unamortized refundable membership fees totaled \$1,859,000 and \$1,016,000 as of December 31, 2014 and 2013, respectively.

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

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

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

ESKATON AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Obligation to provide future services – Management annually calculates the present value of the net cost (difference between cost to operate and maintenance fees charged) of future services and use of the CCRC to be provided to current residents and compares the amount with the balance of deferred revenue from unamortized CCRC membership fees. If the present value of the net cost of future services and use of the CCRC exceeds the deferred revenue from unamortized CCRC membership fees, a liability is recorded with the corresponding charge to income. No liability was recorded at December 31, 2014 or 2013.

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

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

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

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

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

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

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

Advertising – Advertising costs are expensed as incurred and included in purchased services expenses. Advertising expense was \$660,000 and \$846,000 for the years ended December 31, 2014 and 2013, respectively.

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

ESKATON AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Recognition of a tax position is determined when it is more likely than not that a tax position will be sustained on examination by the taxing authorities, including resolution of any related appeals or litigation processes. A tax position that meets the more likely than not recognition threshold is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority. Eskaton recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2014 and 2013, there were no such uncertain tax positions.

Eskaton files United States federal and California tax returns. Eskaton is no longer subject to federal tax examinations before fiscal year 2011 or California tax examination before fiscal year 2010.

Use of management's estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounting estimates include fair value measurements of investments, contractual and uncollectible accounts receivables, useful lives of fixed assets, deferred revenue from unamortized CCRC membership fees, future service benefit obligations, self-insured workers' compensation, self-insured employee health costs, interest rate swap liability, unfunded pension obligation, and professional liability.

Fair value measurements – FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, prescribes fair value measurements and disclosures for financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements. FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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

Reclassifications – Certain reclassifications have been made to the 2013 consolidated financial statements to conform to the 2014 presentation and had no impact on net income or net assets as previously reported.

NOTE 3 – THIRD-PARTY PAYORS

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

- **Medicare** – Skilled nursing services and home health visits provided to Medicare program beneficiaries are reimbursed under the Prospective Payment System (PPS). Eskaton is reimbursed under the PPS system for skilled nursing services on a per diem rate depending on each patient category, which is determined by the Resource Utilization Groups (RUG) system. Eskaton is reimbursed under the PPS system for home health visits on a per 60-day case rate depending on each patient category, which is determined by the Home Health Resource Groups (HHRG) system.
- **Medi-Cal** – Skilled nursing services and home health visits rendered to Medi-Cal program beneficiaries are reimbursed under prospectively determined per diem or per visit rates.
- **Other** – Eskaton has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to Eskaton under these agreements includes prospectively determined daily rates and discounts from established charges.

ESKATON AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – ASSETS LIMITED AS TO USE AND INVESTMENTS

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

	<u>2014</u>	<u>2013</u>
Required under bond indenture and HUD regulatory agreements for escrow, principal, interest, reserves, and insurance, held by trustee:		
Cash and short-term investments	\$ 3,040	\$ 5,276
U.S. Treasury notes, government securities, and other corporate debt securities	7,846	7,369
	<u>10,886</u>	<u>12,645</u>
Resident assistance and program funds restricted by donors:		
Cash and short-term investments	74	34
Equity securities	367	-
Mutual funds	1,105	1,375
	<u>1,546</u>	<u>1,409</u>
	12,432	14,054
Less current portion	<u>2,645</u>	<u>4,818</u>
	<u>\$ 9,787</u>	<u>\$ 9,236</u>

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

	<u>2014</u>	<u>2013</u>
Corporate reserves for capital replacement, liquidity, and growth:		
Cash and short-term investments	\$ 1,883	\$ 1,927
U.S. Treasury notes, government securities, and other corporate debt securities	2,622	3,412
Equity securities	24,884	22,218
Mutual funds	14,382	14,652
Alternative investments	8,416	7,508
	<u>52,187</u>	<u>49,717</u>
Corporate reserves for resident assistance and charitable gift annuities:		
Cash and short-term investments	103	39
U.S. Treasury notes, government securities, and other corporate debt securities	35	56
Equity securities	304	24
Mutual funds	860	1,149
	<u>1,302</u>	<u>1,268</u>
	53,489	50,985
Less current portion	<u>52,187</u>	<u>49,717</u>
	<u>\$ 1,302</u>	<u>\$ 1,268</u>

ESKATON AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

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

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

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

The fair values of the financial instruments as of December 31, 2014 and 2013, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

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

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

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

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

Investments by level at December 31, 2014 and 2013, are as follows (in thousands):

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

ESKATON AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Fair value measurements at reporting date using			
	December 31, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments (including assets limited as to use):				
Cash and cash equivalents	\$ 799	\$ 799	\$ -	\$ -
Certificates of deposit	318	-	318	-
Money market funds	6,159	6,159	-	-
Common stocks	22,242	22,242	-	-
Mutual funds	17,176	17,176	-	-
U.S. Government securities	7,146	7,146	-	-
U.S. Government bonds	2,309	2,309	-	-
Corporate bonds	1,382	1,382	-	-
Alternative investments	7,508	-	-	7,508
Total	<u>\$ 65,039</u>	<u>\$ 57,213</u>	<u>\$ 318</u>	<u>\$ 7,508</u>

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

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

The following table presents Eskaton's alternative investments measured at estimated fair value as of December 31, 2014 (in thousands):

Description	Balance as of December 31, 2014	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds (i)	\$ 6,207	\$ -	Quarterly	95 days
Hedge funds (ii)	2,209	-	Annually	60 days
Total	<u>\$ 8,416</u>	<u>\$ -</u>		

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

ESKATON AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	<u>Hedge Funds (i)</u>	<u>Hedge Funds (ii)</u>
Balance, January 1, 2013	\$ 2,437	\$ 1,937
Total realized and unrealized gains and losses		
Included in excess of revenues, gains, and other support over expenses	268	166
Included in changes in unrestricted net assets (deficit)	-	-
Purchases	2,625	75
Sales	-	-
Transfers in and/or out of Level 3	-	-
Balance, December 31, 2013	<u>\$ 5,330</u>	<u>\$ 2,178</u>

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

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

ESKATON AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December 31, 2013		
	Obligated Group	Nonobligated	Total
Investment income:			
Interest and dividend income	\$ 1,192	\$ 50	\$ 1,242
Realized gains on sales of securities	2,300	90	2,390
Unrealized gains on trading securities and alternative investments	2,536	166	2,702
	6,028	306	6,334
Less investment expenses	458	17	475
Total investment income	5,570	289	5,859
Less temporarily restricted investment income	-	135	135
Unrestricted investment income	<u>\$ 5,570</u>	<u>\$ 154</u>	<u>\$ 5,724</u>

NOTE 5 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

Termination risk is the risk that a swap will be terminated by the swap counterparty before maturity and Eskaton, due to adverse market conditions, will be forced to make a cash termination payment to the counterparty. The termination risk associated with swaps is managed by establishing and monitoring parameters that limit the market value sensitivity Eskaton is willing to accept. Termination risk is also mitigated by allowing only Eskaton to have voluntary termination rights and allowing the swap counterparty to terminate, only under specific ratings downgrade triggers of Eskaton. See Note 16 for potential termination of certain swap by Eskaton subsequent to December 31, 2014.

The estimated fair values of derivative instruments have been determined using Level 2 inputs including available market information and valuation methodologies. At December 31, 2014 and 2013, the fair values of these derivatives were recorded in the consolidated balance sheets at net liabilities of \$7.8 million and \$5.3 million, respectively. The credit risk assumption, as required under FASB ASC Topic 820, reduced Eskaton's interest rate swap liability by \$1.0 million and \$0.3 million in 2014 and 2013, respectively.

Interest rate swap agreements for variable-rate debt - Eskaton has issued variable-rate debt to refinance various debt issuances and finance capital improvements. The variable-rate debt obligations expose Eskaton to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps effectively changed the variable-rate cash flow exposure on the debt obligations to fixed-rate cash flows. Under the terms of the swaps, Eskaton makes fixed interest rate payments and receives variable interest rate payments, thereby creating the equivalent of fixed-rate debt. As of December 31, 2014 and 2013, Eskaton was party to swap agreements with an aggregate notional principal amount of \$31.1 million and \$31.7 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Terminated interest rate swap agreement – In June 2013, Eskaton voluntarily terminated the swap agreement associated with the Series 2008B Bonds. In accordance with the terms of the swap termination agreement, Eskaton made a termination payment of approximately \$9.7 million to the swap counterparty. Eskaton recognized a loss on settlement of approximately \$133,000, which is included in interest rate swap activities in the consolidated statements of operations and changes in net assets (deficit) for the year ended December 31, 2013.

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

	<u>2014</u>	<u>2013</u>
Unrealized (loss) gain on interest rate swap agreements for variable-rate debt	\$ (2,450)	\$ 3,845
Loss on settlement of terminated swaps	-	(133)
Net (loss) gain on interest rate swap agreements (including terminated swaps)	(2,450)	3,712
Net payments on interest rate swap agreements	(1,304)	(1,932)
Total interest rate swap activities (including terminated swaps)	<u>\$ (3,754)</u>	<u>\$ 1,780</u>

NOTE 6 – PROPERTY AND EQUIPMENT

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

	<u>2014</u>	<u>2013</u>
Land	\$ 16,395	\$ 16,347
Land improvements	17,615	17,154
Buildings and improvements	184,373	176,344
Equipment	28,257	25,620
	246,640	235,465
Accumulated depreciation	(133,991)	(124,756)
	112,649	110,709
Construction in progress	334	4,694
Property and equipment, net	<u>\$ 112,983</u>	<u>\$ 115,403</u>

Interest costs of \$0 and \$320,000 were capitalized during the years ended December 31, 2014 and 2013, respectively.

ESKATON AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT

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

	<u>2014</u>	<u>2013</u>
Obligated group:		
Series 2013 Tax-Exempt Fixed-Rate Revenue Bonds (Series 2013 Bonds) due 2035, principal due in annual installments and fixed interest of 2.00% to 5.00% due semi-annually; secured by deeds of trust.	\$ 49,025	\$ 50,175
Series 2012 Tax-Exempt Fixed-Rate Revenue Bonds (Series 2012 Bonds) due 2034, principal due in annual installments and fixed interest of 2.00% to 5.25% due semi-annually; secured by deeds of trust.	35,855	36,950
Series 2008A Tax-Exempt Variable-Rate Demand Revenue Refunding Bonds (Series 2008A Bonds) due 2029, principal due in annual installments and variable interest due monthly (1.56% and 1.57% at December 31, 2014 and 2013, respectively); held under a bank direct placement agreement; secured by deeds of trust.	18,450	19,200
Series 2006 Tax-Exempt Variable-Rate Demand Revenue Bonds (Series 2006 Bonds) due 2037, principal due in annual installments and variable interest due monthly (1.35% and 1.36% at December 31, 2014 and 2013, respectively); held under a bank direct placement agreement; secured by deeds of trust.	18,575	19,015
Note payable to Bank of America, N.A., due 2016, principal due in annual installments and variable interest due monthly (1.21% and 1.21% at December 31, 2014 and 2013, respectively); secured by deeds of trust.	11,060	11,270
Other notes, due through 2021	2,595	2,845
Nonobligated:		
Note payable to Red Mortgage Capital, LLC due 2047, principal and interest of 2.45% due in monthly installments of \$32; insured by U.S. Department of Housing and Urban Development under Section 232, pursuant to Section 223(f); secured by deed of trust.	8,644	8,812
Other notes, due through 2017	5,126	5,313
	<u>149,330</u>	<u>153,580</u>
Unamortized premiums	4,496	4,714
	<u>153,826</u>	<u>158,294</u>
Less current maturities	4,433	4,449
	<u>\$ 149,393</u>	<u>\$ 153,845</u>

Eskaton refinanced the Series 2008B Bonds on June 6, 2013, with uninsured fixed rate debt (the Series 2013 Bonds). Eskaton refinanced the Series 2007 Granite Bay Bonds on December 19, 2013, with a three-year bank note from Bank of America, N.A.

ESKATON AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

<u>Year Ending December 31:</u>	
2015	\$ 4,433
2016	15,182
2017	26,107
2018	3,895
2019	4,034
Thereafter	100,175
	\$ 153,826

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

The total amount of long-term debt supported by direct placement agreements at December 31, 2014, was approximately \$37 million. Eskaton pays fees on each direct placement facility, which range from 1.25% to 1.45% per annum and are included in interest and amortization expense in the consolidated statements of operations and changes in net assets (deficit).

Interest expense related to long-term debt for the years ended December 31, 2014 and 2013, net of amounts capitalized of \$320,000 in 2013 comprises the following (in thousands):

	2014	2013
Obligated Group:		
Interest on bonds and notes	\$ 4,858	\$ 3,374
Letter of credit and other financing fees	47	862
Amortization of debt issuance costs	250	306
Nonobligated:		
Interest on bonds and notes	556	601
Letter of credit and other financing fees	-	6
Amortization of debt issuance costs	13	25
	\$ 5,724	\$ 5,174

The Series 2013 Bonds, Series 2012 Bonds, Series 2008A Bonds, Series 2006 Bonds, and the note payable to Bank of America, N.A. are subject to restrictive covenants contained in the Master Indenture of Trust. The Series 2008A Bonds and Series 2006 Bonds are also subject to additional covenants contained in the direct placement agreements with U.S. Bank, N.A. and Compass Mortgage Corporation, respectively. Under the Master Indenture of Trust, Eskaton is required to maintain certain deposits with a trustee that are included in assets limited as to use. The Master Indenture of Trust and related direct placement agreements also, among other things, require Eskaton to maintain specified debt service coverage ratios and days cash on hand, place limits on Eskaton on the incurrence of additional long-term debt, and require Eskaton to report material adverse changes. Management believes that Eskaton was in compliance with the various covenants as of and for the year ended December 31, 2014.

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

The Series 2006 Bonds are held by Compass Mortgage Corporation under a direct placement agreement expiring June 28, 2017. The Series 2008A Bonds are held by U.S. Bank, N.A. under a direct placement agreement expiring September 1, 2020.

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Long-term debt is carried at amortized cost. The fair value of Eskaton's long-term debt is estimated to approximate its carrying value based on Level 2 inputs, such as the quoted market prices for the same or similar issues or on the current rates offered to Eskaton for debt of the same remaining maturities. The following table presents Eskaton's estimated fair values of the long-term debt in accordance with FASB ASC Topic 825, *Financial Instruments*, at December 31, 2014 and 2013 (in thousands):

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 153,826	\$ 157,529	\$ 158,294	\$ 150,383

NOTE 8 – PENSION PLANS

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

Eskaton is party to an irrevocable standby letter of credit totaling \$3,509,000 and \$3,840,000 at December 31, 2014 and 2013, respectively, with the Eskaton Retirement Plan named as beneficiary. The standby letter of credit supports restricted distributions (amounts distributed as lump sums in excess of amounts that would have been distributed as annuity payments) to 5 of the top 25 retirees of the Plan. The stand-by letter of credit would only be called upon in the event that Eskaton terminated the Plan and assets were insufficient to meet the Plan liabilities. Management has no plans to terminate the Plan and thus performance is not expected to be required. Management is therefore of the opinion that the fair value of this instrument is zero.

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

The following table sets forth the plan's benefit obligations, fair value of assets, and funded status at December 31, 2014 and 2013 (in thousands):

	Eskaton Retirement Plan		SERP	
	2014	2013	2014	2013
Benefit obligation	\$ 27,192	\$ 24,291	\$ 1,151	\$ 385
Fair value of assets	25,992	22,631	-	-
Funded status at end of year (liabilities recognized in unfunded pension obligations in the consolidated balance sheets)	\$ (1,200)	\$ (1,660)	\$ (1,151)	\$ (385)

ESKATON AND SUBSIDIARIES
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The accumulated benefit obligation for the pension plan was \$26,885,000 and \$24,025,000 at December 31, 2014 and 2013, respectively. Net periodic benefit cost recognized and other changes in plan assets and benefit obligations is excluded from excess of revenues over expenses in 2014 and 2013 and were as follows (in thousands):

	Eskaton Retirement Plan		SERP	
	2014	2013	2014	2013
Net periodic benefit cost recognized	\$ 758	\$ 1,839	\$ 23	\$ 22
Other changes in plan assets and benefit obligations recognized in accumulated unrestricted net assets (deficit):				
Net actuarial gain (loss)	2,891	(3,375)	744	83
Prior service cost	(124)	(94)	-	-
Total recognized in accumulated unrestricted net assets (deficit)	2,767	(3,469)	744	83
Total recognized in net periodic benefit cost and accumulated unrestricted net assets (deficit)	<u>\$ 3,525</u>	<u>\$ (1,630)</u>	<u>\$ 767</u>	<u>\$ 105</u>

The net loss and prior service cost for the Eskaton Retirement Plan that will be amortized from unrestricted net assets (deficit) into net periodic benefit cost over the next fiscal year is \$1,121,000 and \$462,000, respectively. The net gain for the SERP that will be amortized from unrestricted net assets (deficit) into net periodic benefit cost over the next fiscal year is \$26,000 and \$14,000, respectively.

Weighted average assumptions used are as follows:

	Eskaton Retirement Plan		SERP	
	2014	2013	2014	2013
Discount rate - benefit obligation	3.70%	4.40%	3.70%	4.40%
Discount rate - benefit cost	4.40%	3.70%	4.40%	3.70%
Expected rate of return on plan assets	7.00%	7.00%	n/a	n/a
Rate of compensation increase	3.00%	3.00%	4.00%	4.00%

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

The following table summarizes benefit costs, employer contributions, settlement payments, and benefits paid during 2014 and 2013 (in thousands):

	Eskaton Retirement Plan		SERP	
	2014	2013	2014	2013
Benefit cost	\$ 758	\$ 1,839	\$ 23	\$ 22
Employer contribution	\$ 3,986	\$ 2,912	\$ -	\$ -
Settlement	\$ -	\$ -	\$ -	\$ -
Benefits paid	\$ (1,607)	\$ (1,696)	\$ -	\$ -

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

Cash flows - Eskaton expects to contribute \$2,107,000 to the Eskaton Retirement Plan and \$166,000 to the SERP during the year ending December 31, 2015.

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

<u>Year Ending December 31.</u>	<u>Eskaton Retirement Plan</u>	<u>SERP</u>
2015	\$ 2,512	\$ -
2016	2,282	-
2017	2,258	-
2018	2,238	-
2019	2,076	-
2020 - 2023	9,189	-

The expected benefits are based on the same assumptions used to measure Eskaton's benefit obligation at December 31, 2014 and include estimated future employee service.

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

The objectives of the account are expected to be pursued as a long-term goal designed to maximize the returns without exposure to undue risk. Each investment manager's greatest concern is expected to be long-term appreciation of the assets and consistency of total portfolio returns. Recognizing that short-term market fluctuations may cause variations in the account performance, management expects the account to achieve the following objectives over a three-year rolling time period:

- The account's total return will exceed the increase in the Consumer Price Index by 3.0% annually.
- The total return will exceed 8.4% annually, net of fees.

Target Asset Mix Table
Overall Portfolio

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

ESKATON AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

The asset allocations of plan assets at December 31, 2013, are as follows (in thousands):

Asset category	December 31, 2013			
	Total	Plan assets		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash	\$ 230	\$ 230	\$ -	\$ -
Money market funds	328	328	-	-
Common stocks	9,946	9,946	-	-
Mutual funds	6,785	6,785	-	-
U.S. government securities	294	294	-	-
U.S. government bonds	700	700	-	-
Corporate bonds	525	525	-	-
Guaranteed investment account	477	-	477	-
Pooled separate account	94	-	94	-
Alternative investments	3,252	-	-	3,252
Total pension assets	<u>\$ 22,631</u>	<u>\$ 18,808</u>	<u>\$ 571</u>	<u>\$ 3,252</u>

ESKATON AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>Hedge funds</u>
Balance, January 1, 2014	\$ 3,252
Actual return on plan assets	163
Purchases	177
Sales	-
Transfers in and/or out of Level 3	-
Balance, December 31, 2014	<u>\$ 3,592</u>
	<u>Hedge funds</u>
Balance, January 1, 2013	\$ 1,610
Actual return on plan assets	142
Purchases	1,500
Sales	-
Transfers in and/or out of Level 3	-
Balance, December 31, 2013	<u>\$ 3,252</u>

There were no significant transfers between plan assets with inputs with quoted prices in active markets for identical assets (Level 1) and assets with inputs with significant other observable inputs (Level 2) during the years ended December 31, 2014 and 2013.

NOTE 9 – ESKATON VILLAGE CARMICHAEL

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

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

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

The refundable membership requires an entrance fee which is deferred and amortized on a straight-line basis over the five-year refundable period. Refundable membership fees, net of amortization, totaled \$1,859,000 and \$1,016,000 as of December 31, 2014 and 2013, respectively.

Eskaton is obligated to provide future services and the use of the EVC community to the residents. Residents are charged monthly maintenance fees, which are used to pay routine operating expenses of EVC. Management has determined that the deferred revenue from unamortized EVC membership fees and future monthly fees exceeds the present value of the net cost of future services and use of the EVC community to be provided to residents as of December 31, 2014 and 2013, discounted at 3.5% and 6%, respectively. Accordingly, Eskaton has not recorded a liability to provide future services as of December 31, 2014 and 2013.

ESKATON AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Eskaton is self-insured for employee health and workers' compensation up to \$150,000 and \$1,500,000 per claim, respectively. Eskaton maintains stop-loss insurance policies for employee health and workers' compensation with limits of \$0 and \$25,000,000 per claim, respectively. Accruals have been made for estimated liabilities, including estimates for incurred but not reported claims. Eskaton has recorded a liability of \$1,160,000 and \$1,372,000 at December 31, 2014 and 2013, respectively, in relation to employee health. Eskaton has recorded a liability of \$10,980,000 and \$9,166,000 at December 31, 2014 and 2013, respectively, in relation to workers' compensation. Eskaton is required to participate as a member in the State of California Self-Insurers' Security Fund, a not-for-profit mutual benefit corporation, to secure its liabilities for self-insured workers' compensation. In Eskaton's past experience, no claims have been made against this financial instrument. Management does not expect any material loss to result from this off-balance-sheet instrument because performance is not expected to be required and, therefore, is of the opinion that the fair value of this instrument is zero.

NOTE 11 – PROFESSIONAL LIABILITY INSURANCE

Eskaton maintains claims-made commercial professional liability insurance coverage with California Healthcare Insurance Company covering losses up to \$5,000,000 per claim, annual aggregate of \$15,000,000, with a \$10,000 deductible per claim. Eskaton also purchases excess professional liability insurance coverage of \$10,000,000 per claim and \$10,000,000 aggregate over the primary insurance coverage limits. Eskaton has recorded a liability of \$1,336,000 and \$1,335,000 for the tail exposure at December 31, 2014 and 2013, respectively. In accordance with FASB Topic 954-450, *Health Care Entities: Contingencies*, Eskaton has also recorded a liability of \$993,000 and \$1,679,000 at December 31, 2014 and 2013, respectively, for estimated, claim liabilities insured under its liability policy. Any related insurance recovery receivables are recorded under due from liability insurer in the accompanying consolidated balance sheets.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

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

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

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

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

	<u>2014</u>	<u>2013</u>
Medicare	\$ 1,561	\$ 1,119
Medi-Cal	1,594	1,382
Other third-party payors	3,953	4,771
Patients and residents	1,117	1,349
	<u>\$ 8,225</u>	<u>\$ 8,621</u>

ESKATON AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 – FUNCTIONAL EXPENSES

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

	<u>2014</u>	<u>2013</u>
Health services	\$ 42,524	\$ 41,330
Residential services	58,127	54,085
Community service programs	1,255	1,192
Fund raising	925	897
General and administrative	11,930	11,709
	<u>\$ 114,761</u>	<u>\$ 109,213</u>

NOTE 15 – HEALTH AND SAFETY CODE SECTION 1790(a)(3) DISCLOSURE

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health and Safety Code: no reserves are being accumulated for identified projects or contingencies.

NOTE 16 – SUBSEQUENT EVENTS

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

Eskaton entered into a purchase and sale agreement effective December 19, 2014 to sell the assets associated with the 80-apartment independent living community known as Eskaton Henson Manor. The sale closed on April 15, 2015 for a price of \$3,950,000. Approximately \$1,575,000 of the proceeds from the sale, which represented the allocable portion of 2008A Bonds used to finance Eskaton Henson Manor, were used to make an early redemption of 2008A Bonds in the same amount. The remaining maturity schedule for the 2008A Bonds will remain the same and the \$1,575,000 early redemption will be deducted from the final maturity payment due in 2029.

Eskaton has undertaken a plan to refinance the note payable to Bank of America, N.A. totaling \$11,060,000 with a \$13,613,900 note payable insured by the U.S. Department of Housing and Urban Development under Section 232, pursuant to Section 223(f). The note payable to a bank yet to be determined (the FHA Insured Note) will be due in monthly installments of principal and interest at a fixed rate of interest maturing in 2050. In addition to issuance costs and funding of a replacement reserve, approximately \$1.4 million of the proceeds of the FHA Insured Note will be used to terminate an existing interest rate swap agreement that is being used to manage exposure on the variable rate note payable to Bank of America. The termination payment for the interest rate swap is approximately \$4.4 million and Eskaton will use existing cash to fund the additional \$3.0 million of the termination payment that is in excess of the amount used from the proceeds of the FHA Insured Note. The FHA Insured Note will be secured by a deed of trust. In order to meet the requirements for the FHA Insured Note, EGRL will withdraw from the Obligated Group effective with the closing for the FHA Insured Note in accordance with the terms of Section 5.2 of the Master Indenture of Trust.

Eskaton entered into an option agreement effective September 11, 2014 that grants a potential buyer the exclusive option to purchase a parcel of undeveloped land that is approximately 12 acres in Lincoln, California. If the option is exercised by the buyer the purchase price for the land is set at \$5,100,000. The land is recorded at its last appraised value of \$1,050,000 under other assets in the accompanying consolidated balance sheets. The buyer has deposited funds in escrow and has the ability through additional deposits to escrow to exercise option extensions through November 5, 2015. If the buyer exercises the option to purchase the land, the closing date would be set for 30 days from the expiration of the last option extension, or a notice of exercise of option, if made earlier than November 5, 2015. As of the date of this report the buyer has exercised its first option to extend the option period through July 8, 2015.

Subsequent events have been evaluated through April 24, 2015, which is the date the consolidated financial statements were issued.

SUPPLEMENTARY INFORMATION

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ESKATON AND SUBSIDIARIES
CONSOLIDATING SCHEDULE - BALANCE SHEET (Continued)
December 31, 2014
(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Gold River Lodge	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton FourstarWood Lodge	Leable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Current liabilities:																
Current maturities of long-term debt	\$ 2,590	\$ 665	\$ 346	\$ 460	\$ 4,061	\$ -	\$ 4,061	\$ -	\$ -	\$ 172	\$ 200	\$ -	\$ -	\$ 4,433	\$ -	\$ 4,433
Current portion of deferred revenue from unamortized CCRC membership fees	2,132	-	-	-	2,132	-	2,132	-	-	-	-	-	-	2,132	-	2,132
Refundable CCRC membership fees	1,859	11	-	8	1,859	-	1,859	-	-	-	-	-	-	1,859	-	1,859
Deposits on uncompleted CCRC units	314	121	67	68	333	-	333	-	-	-	-	-	-	333	-	333
Accounts payable	1,698	-	-	-	1,698	-	1,698	1	-	72	64	-	4	2,095	-	2,095
Accrued liabilities:																
Payroll and payroll taxes	1,743	96	34	42	1,915	-	1,915	18	14	98	95	-	14	2,240	-	2,240
Vacation	1,382	58	53	50	1,543	-	1,543	30	73	46	43	-	-	1,753	-	1,753
Current portion of self-insured workers' compensation	2,785	-	-	-	2,785	-	2,785	-	-	-	-	-	-	2,785	-	2,785
Self-insured employee health plan	1,160	-	-	-	1,160	-	1,160	-	-	-	-	-	-	1,160	-	1,160
Other	374	147	77	81	679	-	679	9	-	142	16	-	-	837	(124)	713
Due to related parties	140	34	-	27	1,060	114	1,060	9	28	47	290	6	59	1,172	(57)	1,115
Total current liabilities	17,157	1,152	596	622	19,507	114	19,621	58	217	1,794	758	13	77	22,448	(1,830)	20,618
Other liabilities:																
Self-insured workers' compensation	8,195	-	-	-	8,195	-	8,195	-	-	-	-	-	-	8,195	-	8,195
Interest rate swap agreement	3,478	-	-	4,278	2,851	-	2,851	-	-	-	-	-	-	7,756	-	7,756
Unfunded pension obligation	2,351	-	-	-	2,351	-	2,351	-	-	-	-	-	-	2,351	-	2,351
Professional liability	2,379	-	-	-	2,379	-	2,379	-	-	-	-	-	-	2,379	-	2,379
Associate member/resident/patient deposits	3,172	-	-	-	3,100	-	3,100	-	-	7	1	-	71	3,107	-	3,107
Other	107	15	3	134	259	-	259	3	-	22	3,100	-	-	356	-	356
Due to related parties, net of current portion	19,632	15	11	4,412	24,070	-	24,070	3	-	791	3,188	-	71	28,123	(3,949)	24,174
Long-term debt, net of current maturities	79,310	25,369	13,201	18,115	135,995	-	135,995	-	-	8,472	4,926	-	-	149,393	-	149,393
Deferred revenue from unamortized CCRC membership fees, net of current portion	10,273	-	-	-	10,273	-	10,273	-	-	-	-	-	-	10,273	-	10,273
Total liabilities	126,372	26,516	13,808	23,149	189,845	114	189,959	61	217	10,967	8,872	13	148	210,237	(5,770)	204,467
Net assets (deficit):																
Unamortized net assets (deficit)	20,342	(14,668)	(3,832)	(4,376)	(2,554)	(159)	(2,693)	2,318	-	2,953	229	716	1,446	5,169	(1,225)	3,944
Temporarily restricted net assets	6	-	-	-	6	-	6	-	-	-	-	-	-	3,176	-	3,176
Permanently restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	-	543	-	543
Total net assets (deficit)	20,348	(14,668)	(3,832)	(4,376)	(2,528)	(159)	(2,682)	2,318	-	2,953	229	716	1,446	7,888	(1,225)	5,663
Total liabilities and net assets (deficit)	\$ 146,720	\$ 11,848	\$ 9,976	\$ 18,773	\$ 187,317	\$ (45)	\$ 187,272	\$ 2,319	\$ 217	\$ 13,920	\$ 9,101	\$ 729	\$ 3,707	\$ 217,935	\$ (7,004)	\$ 210,931

ESKATON AND SUBSIDIARIES
CONSOLIDATING SCHEDULE - OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
Year Ended December 31, 2014
(in thousands)

	Eskaton Properties Inc.	Eskaton Village Grass Valley	Eskaton Gold River Lodge	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	Colleges Healthcare Consultants	Eskaton Village Placerville	Eskaton Penwood Lodge	Libable Design	Eskaton Foundation	Total	Eliminations	Consolidated
Unrestricted net assets (deficit):																
At beginning of year:	\$ 47,599	\$ 5,955	\$ 5,211	\$ 5,935	\$ 47,599	\$ -	\$ 47,599	\$ 740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,339	\$ -	\$ 48,339
Net patient service revenue:	36,319	5,955	5,211	5,935	53,420	(1,154)	53,420	55	2,919	4,375	3,570	-	488	61,265	(384)	61,265
Resident service revenue, including amortization of CCR membership fees:	5,837	297	5,201	552	6,776	(1,154)	6,776	56	2,919	267	52	-	488	9,824	(384)	9,824
Other net:	89,755	6,282	5,201	6,487	107,795	(1,154)	106,641	796	2,919	4,542	3,622	-	488	113,008	(384)	113,008
Total revenues, gains, and other support:	130,500	12,439	15,623	18,877	174,911	(3,458)	171,453	1,601	5,837	9,164	7,244	-	1,024	194,169	(768)	194,169
Salaries and wages:	39,195	1,773	1,889	2,191	45,042	-	45,042	696	2,180	1,583	1,671	-	375	51,547	-	51,547
Benefits:	10,050	622	691	740	15,113	-	15,113	251	788	542	665	-	134	17,453	-	17,453
Professional fees:	1,465	1	1	1	4,038	-	4,038	4	12	12	23	-	68	1,473	-	1,473
Supplies:	3,527	476	337	385	4,725	-	4,725	4	12	12	23	-	68	5,406	-	5,406
Purchased services:	5,715	852	657	765	7,929	(1,154)	6,775	122	486	486	317	-	49	8,006	(59)	7,947
Utilities:	3,265	30	26	82	3,403	-	3,403	2	2	45	22	-	71	3,472	(671)	2,801
Depreciation and amortization:	3,209	384	222	263	3,968	-	3,968	10	205	205	230	-	2	4,417	-	4,417
Interest and other:	5,938	338	246	271	7,480	-	7,480	273	1	231	192	-	399	8,581	(254)	8,327
Provision for uncollectible accounts:	314	3	8	5	330	(10)	320	17	924	552	609	-	16	2,448	(124)	2,324
Total operating expenses:	84,946	6,574	5,276	5,714	102,512	(1,164)	101,348	1,488	2,919	4,304	4,692	-	1,114	115,869	(1,108)	114,761
Income (loss) from operations:	4,899	(322)	25	771	5,203	10	5,293	(62)	2,919	238	(1,070)	(34)	(626)	3,139	124	3,263
Nonoperating revenue (expenses):	2,274	46	24	14	2,347	-	2,347	-	-	-	5	-	57	2,409	(124)	2,285
Investment income:	(1,706)	-	-	(2,048)	(3,754)	-	(3,754)	-	-	-	-	-	-	(3,754)	-	(3,754)
Interest rate swap activities:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other:	(161)	(1)	-	(26)	(188)	-	(188)	-	-	-	-	-	-	(188)	-	(188)
Total nonoperating revenue (expenses), net:	607	44	24	(207)	(3,593)	-	(3,593)	-	-	-	4	-	71	(3,520)	(124)	(3,644)
Excess (deficiency) of revenues, gains and other support over expenses:	5,216	(278)	49	(1,259)	3,688	10	3,698	(62)	2,919	238	(1,065)	(34)	(555)	1,619	124	1,743

ESKATON AND SUBSIDIARIES
CONSOLIDATING SCHEDULE – OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (Continued)
Year Ended December 31, 2014
(In thousands)

	Eskaton Properties Inc.	Eskaton Grass Valley	Eskaton Gold River Lodge	Eskaton Village Reservoir	Eskaton Obligated Total	Eskaton Obligated Adjustments	Eskaton Obligated Combined	Eskaton Healthcare Contributions	Eskaton Village Pacerville	Eskaton Fountainwood Lodge	Liable Design	Eskaton Foundations	Total	Eliminations	Consolidated
Excess (deficiency) of revenues, gains, and other support over expenses (page 30)	\$ 5,216	\$ (279)	\$ 49	\$ (1,299)	\$ 3,688	\$ 10	\$ 3,698	\$ (662)	\$ 238	\$ (1,066)	\$ (34)	\$ (555)	\$ 1,619	\$ -	\$ 1,619
Provision for bad debt (page 31)	(8,511)	-	-	-	(3,511)	-	(3,511)	-	-	-	-	-	(8,511)	-	(8,511)
Transfer to temporarily restricted net assets	(89)	-	-	-	(89)	-	(89)	-	-	-	-	-	(89)	-	(89)
Transfer between related entities	(1,706)	360	25	(1)	(1,322)	-	(1,322)	670	-	-	-	651	(89)	-	(89)
Change in unrestricted net assets (deficit)	(90)	82	74	(1,300)	(1,234)	10	(1,224)	8	239	(1,066)	(34)	96	(1,981)	-	(1,981)
Unrestricted net assets (deficit), beginning of year	20,432	(14,750)	(3,206)	(3,076)	(1,300)	(169)	(1,469)	2,310	2,714	1,295	750	1,550	7,150	(1,225)	5,925
Unrestricted net assets (deficit), end of year	20,342	(14,668)	(3,132)	(4,376)	(2,534)	(159)	(2,693)	2,318	2,953	229	716	1,646	5,169	(1,225)	3,944
Temporarily restricted net assets:															
Contributions	2	-	-	-	2	-	2	-	-	-	-	-	2	-	2
Interests in real estate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from unrestricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restriction used for operations	(4)	-	-	-	(4)	-	(4)	-	-	-	-	-	-	-	-
Change in temporarily restricted net assets	(2)	-	-	-	(2)	-	(2)	-	-	-	-	-	-	-	-
Temporarily restricted net assets, beginning of year	8	-	-	-	8	-	8	-	-	-	-	-	8	-	8
Temporarily restricted net assets, end of year	6	-	-	-	6	-	6	-	-	-	-	-	6	-	6
Permanently restricted net assets:															
Change in assets held in trust by others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in permanently restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Permanently restricted net assets, beginning of year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Permanently restricted net assets, end of year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in net assets (deficit)	(92)	82	74	(1,300)	(1,236)	10	(1,226)	8	239	(1,066)	(34)	481	(1,590)	-	(1,590)
Net assets (deficit), beginning of year	20,440	(14,750)	(3,206)	(3,076)	(1,292)	(169)	(1,461)	2,310	2,714	1,295	750	1,550	6,686	(1,225)	7,461
Net assets (deficit), end of year	20,348	(14,668)	(3,132)	(4,376)	(2,520)	(159)	(2,679)	2,318	2,953	229	716	1,646	5,088	(1,225)	3,863

ESKATON AND SUBSIDIARIES
CONSOLIDATING SCHEDULE - CASH FLOWS
Year Ended December 31, 2014
(in thousands)

	Eskaton Properties Inc.	Eskaton Village Green Valley	Eskaton Gold River Lodge	Eskaton Village Roseville	Eskaton Obligated Group Total	Eskaton Obligated Group Adjustments	Eskaton Obligated Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Placerville	Eskaton Ponderosa Lodge	Uxalee Drisage	Eskaton Foundation	Total	Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash flows from operating activities:																
Change in net assets (deficit)	(92)	82	74	(1,300)	(1,269)	10	(1,256)	8		239	(1,066)	(34)	481	(1,596)		(1,996)
In net assets (deficit) on net cash provided by (used in) operating activities:																
Depreciation and amortization	5,693	898	606	898	6,095	(10)	6,085	17		552	609	24	16	9,243		9,243
Amortization of deferred financing costs	162	21	11	36	178		178			10	3			263		263
Amortization of CRR membership fees	(1,765)				(1,765)									(1,765)		(1,765)
Net realized and unrealized (gains) losses on securities limited as to sale	6	9	4		19		19							(41)		(41)
Net realized and unrealized gains on investments	(1,998)				(1,998)									(44)		(44)
Provision related changes other than net periodic pension cost	3,511				3,511		3,511							3,511		3,511
Change in fair value of interest rate derivatives	1,121				1,121		1,121									
Provision for uncollectible accounts	314				314		314									
Transfers between related entities	1,795	(360)	8	1	1,441		1,441	1		(1)	22		(740)		2,450	2,450
Proceeds from permanently restricted contributions																354
Proceeds from CRR sale of refundable contracts	5,540				5,540		5,540							(11)		(11)
Proceeds from CRR sale of refundable contracts	1,822				1,822		1,822							5,300		5,300
Loss on disposal of property and equipment	161	1			162		162				1			163		163
Changes in operating assets and liabilities:																
Change in receivables	872		(22)	189	978		978		(51)	40	156		(45)	1,080	57	1,137
Change in inventories	12				12		12							4		4
Change in deposits and prepaid expenses	(282)		(24)	(93)	(377)		(377)			(2)	(1)		(3)	(449)	(449)	
Change in other assets	1,576		1		1,577		1,577			9	(1)			1,575		1,575
Change in accounts payable	240		9	(93)	246		246			27	19		(3)	252		252
Change in other liabilities	(2,405)		(46)	(92)	(2,493)		(2,493)		6	181	58	1	(1)	1,743	(181)	1,562
Change in unfunded pension obligation	(1,537)		(3)	6	(1,534)		(1,534)			6	(2)			(3,205)		(3,205)
Net cash provided by (used in) operating activities	14,739	616	590	1,007	16,952		16,952	(680)	(65)	1,050	(224)	(8)	(399)	16,466	(123)	16,343
Cash flows from investing activities:																
Purchase of assets limited as to use	(36,900)	(16,644)	(8,661)		(62,205)		(62,205)			(393)				(63,321)		(63,321)
Proceeds from sale of assets limited as to use	39,078	16,588	6,632		62,298		62,298			29				64,886		64,886
Net cash provided by (used in) investing activities	(7,822)	(10,056)	(2,029)	(4)	(27,635)		(27,635)				19			(20,519)		(20,519)
Changes in financing activities:																
Proceeds from CRR sale of refundable contracts	5,629		(326)	(77)	(6,032)		(6,032)	(3)		(30)	(643)	2	(20)	(6,980)		(6,980)
Net cash provided by (used in) financing activities	(4,017)	(312)	(355)	(81)	(4,765)		(4,765)	(3)		(32)	(644)	2	(87)	(5,795)		(5,795)
Net change in cash and cash equivalents	(6,228)	131	173	(1,212)	(6,228)		(6,228)							(5,229)		(5,229)
Net increase (decrease) in cash and cash equivalents	(1,212)	131	173	(1,212)	(1,212)		(1,212)							(1,212)		(1,212)
Supplemental disclosures:																
Proceeds from permanently restricted contributions	(17)			(20)	(32)		(32)							(71)		(71)
Principal payments on long-term debt	(2,400)	(653)	(319)	(440)	(4,112)		(4,112)			(168)			11	11		11
Debt issuance costs	(96)				(96)		(96)							(96)		(96)
Net change in due to/from related entities	(3,160)	366	25	(114)	(2,889)		(2,889)	704	23	368	946	7	717	(124)	124	
Net cash provided by (used in) financing activities	(12,464)	(289)	(314)	(574)	(13,641)		(13,641)	704	23	200	758	7	728	(11,210)	124	(11,086)
Net increase (decrease) in cash and cash equivalents	(1,742)	16	(79)	352	(1,463)		(1,463)	(35)	(22)	918	(10)		243	(859)		(859)
Cash and cash equivalents beginning of year	5,070	131	173	1,820	7,194		7,194	83	22	1,290	341		525	10,055		10,055
Cash and cash equivalents end of year	3,328	147	94	2,172	6,341		6,341	48		2,208	331		768	9,196		9,196
Supplemental disclosures:																
Cash paid for interest	2,959	1,117	501	267	4,924		4,924			258	301			5,483		5,483

ESKATON AND SUBSIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE - BALANCE SHEET
December 31, 2014
(in thousands)

Assets	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Heaton Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Current assets:													
Cash and cash equivalents	\$ 3,645	\$ 1	\$ 1	\$ 1	\$ 107	\$ 25	\$ 1	\$ 1	\$ 1	\$ 2	\$ 143	\$ -	\$ 3,928
Assets limited as to use, required for current liabilities	96									2,187			2,283
Investments	41,774									10,110			51,884
Accounts receivable, net	2,177	1,983	2,276	1,912	10		24	12	644	772	9		7,642
Other receivables	45	19	7			2				672			2,808
Inventories	189	68	27	15	2		5	7	7	47			144
Deposits and prepaid expenses	2,692		102	74	28	10	14	54	18	281	74		909
Due from related parties												(1,205)	1,487
Total current assets	50,538	2,071	2,413	1,989	147	37	44	74	670	14,071	226	(1,205)	71,085
Assets limited as to use, net of amount required for current liabilities	1,028									3,710			4,738
Property and equipment, net	1,500	1,340	1,814	2,579	1,958	1,744	2,551	11,626	81	33,873	221		59,287
Other assets:													
Land available for sale	1,050												1,050
Due from liability insurer	993												993
Deferred financing costs, net	222	12	46	54	16	22	34	217		901			1,524
Associate member/resident/patient deposits		3	5	10			2			3,152			3,172
Other	600									322			922
Due from related parties, net of current portion	3,949												3,949
	6,814	15	51	64	16	22	36	217		4,375			11,610
Total assets	\$ 59,880	\$ 3,426	\$ 4,278	\$ 4,642	\$ 2,121	\$ 1,803	\$ 2,631	\$ 11,917	\$ 751	\$ 56,029	\$ 447	\$ (1,205)	\$ 146,720

ESKATON AND SUBSIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE - BALANCE SHEET (Continued)
December 31, 2014
(in thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Benson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Liabilities and Net Assets (Deficit)													
Current liabilities:													
Current maturities of long-term debt	\$ 443	\$ 42	\$ 156	\$ 186	\$ 55	\$ 77	\$ 116	\$ 225	\$ -	\$ 1,290	\$ -	\$ -	\$ 2,590
Current portion of deferred revenue from unamortized CCRC membership fees	-	-	-	-	-	-	-	-	-	2,132	-	-	2,132
Refundable CCRC membership contracts	-	-	-	-	-	-	-	-	-	1,859	-	-	1,859
Deposits on unoccupied CCRC units	439	138	192	180	59	9	21	83	52	314	7	-	314
Accounts payable	680	172	231	232	24	24	22	60	79	518	11	-	1,698
Accrued liabilities:	328	170	234	222	33	11	30	38	76	232	11	-	1,382
Payroll and payroll taxes	2,785	-	-	-	-	-	-	-	-	-	-	-	2,785
Vacation	31,160	-	-	-	-	-	-	-	-	-	-	-	31,160
Current portion of self-insured workers' compensation	74	1	4	5	2	2	3	48	-	235	-	-	374
Self-insured employee health plan	202	70	109	76	112	30	12	34	245	90	-	-	980
Interest	171	-	-	-	-	-	-	-	-	-	-	-	171
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to related parties	-	-	-	-	-	-	-	-	-	-	1,174	(1,205)	140
Total current liabilities	6,282	593	926	901	285	129	204	488	452	6,899	1,203	(1,205)	17,157
Other liabilities:													
Self-insured workers' compensation, net of current portion	8,195	-	-	-	-	-	-	3,478	-	-	-	-	8,195
Interest rate swap agreements	-	-	-	-	-	-	-	-	-	-	-	-	3,478
Unfunded pension obligation	2,351	-	-	-	-	-	-	-	-	-	-	-	2,351
Professional liability	2,329	-	-	-	-	-	-	-	-	-	-	-	2,329
Associate member/resident/patient deposits	-	3	5	10	-	-	2	-	-	3,152	-	-	3,172
Other	1	16	16	24	3	-	-	-	4	43	-	-	107
Total other liabilities	12,876	19	21	34	3	-	2	3,478	4	3,195	-	-	19,632
Long-term debt, net of current maturities	15,663	829	3,040	3,627	1,081	1,495	2,258	10,835	-	40,482	-	-	79,310
Deferred revenue from unamortized CCRC membership fees, net of current portion	34,821	1,441	3,987	4,562	1,369	1,624	2,464	14,801	456	10,273	1,203	(1,205)	126,372
Net assets (deficit):													
Unrestricted net assets (deficit)	25,059	1,985	291	80	752	179	167	(2,884)	295	(4,826)	(756)	-	20,342
Temporarily restricted net assets	-	-	-	-	-	-	-	-	-	6	6	-	6
Total net assets (deficit)	25,059	1,985	291	80	752	179	167	(2,884)	295	(4,820)	(750)	-	20,348
Total liabilities and net assets (deficit)	\$ 59,880	\$ 3,426	\$ 4,278	\$ 4,642	\$ 2,121	\$ 1,803	\$ 2,631	\$ 11,917	\$ 751	\$ 56,029	\$ 447	\$ (1,205)	\$ 146,720

ESKATON AND SUBSIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE - OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
Year Ended December 31, 2014
(in thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Unrestricted net assets (deficit):	\$ 9,278	\$ 10,541	\$ 16,725	\$ 16,143	\$ 3,018	\$ 561	\$ 2,077	\$ 8,817	\$ 4,190	\$ 25,148	\$ -	\$ -	\$ 47,599
Net patient service revenue	9,278	10,642	16,750	16,176	3,159	576	2,100	5,642	4,191	25,148	181	(5,204)	36,519
Resident service revenue, including amortization of CCHC membership fees	6,424	5,240	7,388	7,281	780	73	941	1,727	2,329	6,461	551	-	39,195
Other, net	1,719	1,910	2,556	2,510	2,667	25	322	590	675	2,256	220	-	13,050
Expenses:	335	231	84	73	319	11	2	422	14	199	4	-	1,443
Salaries and wages	784	885	1,210	1,210	366	12	165	558	219	526	19	-	3,527
Employee benefits	777	777	839	1,020	366	71	268	45	219	526	82	-	5,715
Professional fees	156	250	284	230	252	115	117	246	29	1,524	-	-	3,465
Supplies	834	862	1,419	1,400	170	36	120	260	226	1,666	12	-	3,209
Purchased services	306	191	343	304	235	123	211	564	13	3,369	127	-	6,630
Ancillary costs	700	17	61	72	22	30	45	203	13	1,955	16	-	5,693
Utilities	158	158	75	60	1	2	-	-	4	1,744	-	-	3,105
Insurance and other	11,895	11,022	15,047	14,899	2,412	498	2,197	4,609	3,548	23,058	1,031	(5,204)	84,946
Depreciation	(2,617)	(380)	1,703	1,337	747	78	(91)	1,033	643	3,208	(852)	-	4,809
Interest and amortization	2,174	-	-	-	-	-	-	-	-	100	-	-	2,274
Provision for uncollectible accounts	(51)	-	-	-	-	-	-	(1,706)	-	-	-	-	(1,706)
Total operating expenses	2,123	(380)	1,703	1,337	747	78	(91)	(1,708)	643	3,208	(108)	-	407
Income (loss) from operations	(494)	(380)	1,703	1,337	747	78	(91)	(675)	643	3,308	(960)	-	5,216
Nonoperating revenue (expenses):	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest rate swap activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on early repayment of debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total nonoperating revenue (expenses), net	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues, gains, and other support over expenses	(494)	(380)	1,703	1,337	747	78	(91)	(675)	643	3,308	(960)	-	5,216

ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE - OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (Continued)
Year Ended December 31, 2014
(in thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
Excess (deficiency) of revenues, gains, and other support over expenses (Page 35)	\$ (494)	\$ (380)	\$ 1,703	\$ 1,337	\$ 747	\$ 78	\$ (91)	\$ (675)	\$ 643	\$ 3,308	\$ (960)	\$ -	\$ 5,216
Pension related changes other than net periodic pension cost	(3,511)	-	-	-	-	-	-	-	-	-	-	-	(3,511)
Transfer to temporarily restricted net assets	(89)	-	-	-	-	-	-	-	-	-	-	-	(89)
Transfers between related entities	4,578	384	(2,026)	(1,320)	(540)	(80)	74	(620)	(654)	(1,502)	-	-	(1,706)
Change in unrestricted net assets (deficit)	484	4	(323)	17	207	(2)	(17)	(1,295)	(11)	1,806	(960)	-	(90)
Unrestricted net assets (deficit), beginning of year	24,575	1,981	614	63	545	181	184	(1,589)	306	(6,632)	204	-	20,432
Unrestricted net assets (deficit), end of year	\$ 25,059	\$ 1,985	\$ 291	\$ 80	\$ 752	\$ 179	\$ 167	\$ (2,884)	\$ 295	\$ (4,826)	\$ (756)	\$ -	\$ 20,342
Temporarily restricted net assets:													
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ 2
Net assets released from restriction used for operations	-	-	-	-	-	-	-	-	-	(4)	-	-	(4)
Change in temporarily restricted net assets	-	-	-	-	-	-	-	-	-	(2)	-	-	(2)
Temporarily restricted net assets, beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	8	\$ -	\$ -	8
Temporarily restricted net assets, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6	\$ -	\$ -	6
Change in net assets (deficit)	484	4	(323)	17	207	(2)	(17)	(1,295)	(11)	1,804	(960)	\$ -	(92)
Net assets (deficit), beginning of year	24,575	1,981	614	63	545	181	184	(1,589)	306	(6,624)	204	-	20,440
Net assets (deficit), end of year	\$ 25,059	\$ 1,985	\$ 291	\$ 80	\$ 752	\$ 179	\$ 167	\$ (2,884)	\$ 295	\$ (4,820)	\$ (756)	\$ -	\$ 20,348

ESKATON AND SUBSIDIARIES
ESKATON PROPERTIES, INC. CONSOLIDATING SCHEDULE - CASH FLOWS
Year Ended December 31, 2014
(In thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Monroe Lodge	Eskaton Henson Manor	Eskaton Lodge Cameron Park	Eskaton Lodge Granite Bay	Eskaton Home Healthcare	Eskaton Village Carmichael	Live Well at Home	Eliminations	Eskaton Properties Inc. Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash flows from operating activities:													
Change in net assets (deficit) by (used in) operating activities:	484	4	(323)	17	207	(2)	(17)	(1,295)	(11)	1,804	(960)	-	(92)
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:													
Depreciation	306	191	343	304	235	123	211	561	13	3,390	16	-	5,693
Amortization of deferred financing costs	12	2	8	9	3	4	6	64	-	54	-	-	162
Amortization of CCRC membership fees										(1,765)	-	-	(1,765)
Net realized and unrealized losses on assets limited as to use	4	-	-	-	-	-	-	-	-	2	-	-	6
on investments	(1,700)	-	-	-	-	-	-	-	-	(298)	-	-	(1,998)
Pension related changes other than net periodic pension costs	3,511	-	-	-	-	-	-	-	-	-	-	-	3,511
Change in fair value of interest rate swap agreements	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision for uncollectible accounts	-	158	75	60	1	2	-	1,121	-	14	-	-	1,121
Transfers between related entities	(4,489)	(384)	2,026	1,320	540	80	(74)	620	654	1,502	-	-	314
CCRC sales of real estate contracts	-	-	-	-	-	-	-	-	-	5,300	-	-	1,795
Loss on disposal of property, equipment	51	-	-	-	-	-	-	-	-	1,232	-	-	5,300
Change in operating assets and liabilities:													
Change in receivables	59	(70)	201	(136)	4	(4)	(28)	(2)	(26)	858	5	-	872
Change in inventories	8	1	(4)	6	(18)	(10)	(6)	(38)	(7)	(116)	(69)	-	13
Change in deposits and prepaid expenses	133	(14)	(67)	(20)	2	2	2	-	(1)	(232)	(33)	-	(232)
Change in other assets	686	-	-	1	3	5	6	35	48	(105)	(33)	-	1,576
Change in accounts payable	134	5	11	25	1	8	(6)	24	45	49	20	-	240
Change in accrued liabilities	1,318	35	37	29	13	8	(6)	24	45	49	20	-	4,572
Change in unfunded pension obligation	(3,206)	-	-	-	-	-	-	-	-	(688)	-	-	(3,205)
Change in other liabilities	(685)	15	12	19	(2)	-	(2)	-	4	-	-	-	(1,537)
Net cash provided by (used in) operating activities	(3,374)	(37)	2,321	1,647	(96)	206	95	1,092	723	11,943	(843)	-	14,739
Cash flows from investing activities:													
Purchases of assets limited as to use	(8,237)	-	-	-	-	-	-	-	-	(28,743)	-	-	(36,980)
Proceeds from sales of assets limited as to use	8,210	-	-	-	-	-	-	-	-	8,668	-	-	39,078
Purchases of investments	(19,045)	-	-	-	-	-	-	-	-	(8,559)	-	-	(27,604)
Proceeds from sales of investments	19,583	-	-	-	-	-	-	-	-	7,562	-	-	27,145
Expenditures for property and equipment	(540)	(292)	(165)	(172)	(294)	(37)	(73)	(166)	(68)	(3,668)	(154)	-	(5,623)
Net cash used in investing activities	(29)	(292)	(165)	(172)	(294)	(37)	(73)	(166)	(68)	(2,567)	(154)	-	(4,017)
Cash flows from financing activities:													
CCRC resale disbursements of non-refundable contracts	-	-	-	-	-	-	-	-	-	(5,228)	-	-	(5,228)
CCRC resale disbursements - conversions to refundable contracts	-	-	-	-	-	-	-	-	-	(1,212)	-	-	(1,212)
Check amounts refunded	-	-	-	-	-	-	-	-	-	(71)	-	-	(71)
Check amounts applied on unoccupied CCRC units	-	-	-	-	-	-	-	-	-	(17)	-	-	(17)
Principal payments on long-term debt	(598)	(35)	(130)	(155)	(46)	(64)	(94)	(210)	-	(1,346)	-	-	(2,680)
Debt issuance costs	1,985	384	(2,026)	(1,320)	(340)	(80)	(74)	(620)	(654)	(1,502)	1,139	-	(96)
Net change in due to/due from related entities	-	-	-	-	-	-	-	-	-	(9,376)	-	-	(9,376)
Net cash provided by (used in) financing activities	1,387	349	(2,156)	(1,475)	(586)	(144)	(22)	(926)	(654)	(9,376)	1,139	-	(12,464)
Net (decrease) increase in cash and cash equivalents	(2,016)	-	106	-	106	25	-	-	1	-	142	-	(1,742)
Cash and cash equivalents, beginning of year	5,661	1	1	1	1	1	1	1	1	1	1	1	5,670
Cash and cash equivalents, end of year	3,645	1	1	1	107	25	1	1	1	2	143	-	3,928
Supplemental disclosure:													
Cash paid for interest	689	15	53	63	19	26	39	145	-	1,910	-	-	2,959

ESKATON AND SUBSIDIARIES
ESKATON CONSOLIDATING SCHEDULE - BALANCE SHEET
December 31, 2014
(in thousands)

	<u>Parent</u>	<u>Carmichael Adult Day Health Care</u>	<u>Eskaton Combined</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 22	\$ 26	\$ 48
Accounts receivable, net	-	92	92
Other receivables	9	3	12
Deposits and prepaid expenses	3	15	18
Due from related parties	1	-	1
Total current assets	<u>35</u>	<u>136</u>	<u>171</u>
Property and equipment, net	829	95	924
Other assets	1,284	-	1,284
	<u>2,113</u>	<u>95</u>	<u>2,208</u>
Total assets	<u>\$ 2,148</u>	<u>\$ 231</u>	<u>\$ 2,379</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ -	\$ 1	\$ 1
Accrued liabilities:			
Payroll and payroll taxes	6	12	18
Vacation	10	20	30
Other	-	9	9
Total current liabilities	<u>16</u>	<u>42</u>	<u>58</u>
Other liabilities:			
Other liabilities	3	-	3
Total liabilities	<u>3</u>	<u>-</u>	<u>3</u>
	<u>19</u>	<u>42</u>	<u>61</u>
Net assets:			
Unrestricted net assets	2,129	189	2,318
Total net assets	<u>2,129</u>	<u>189</u>	<u>2,318</u>
Total liabilities and net assets	<u>\$ 2,148</u>	<u>\$ 231</u>	<u>\$ 2,379</u>

ESKATON AND SUBSIDIARIES
ESKATON CONSOLIDATING SCHEDULE - OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
Year Ended December 31, 2014
(in thousands)

	<u>Parent</u>	<u>Carmichael Adult Day Health Care</u>	<u>Eskaton Combined</u>
Unrestricted net assets:			
Revenues, gains, and other support:			
Net patient services revenue	\$ -	\$ 740	\$ 740
Other, net	-	56	56
Total revenues, gains, and other support	<u>-</u>	<u>796</u>	<u>796</u>
Expenses:			
Salaries and wages	148	548	696
Employee benefits	49	212	261
Professional fees	-	4	4
Supplies	5	67	72
Purchased services	15	107	122
Ancillary costs	-	2	2
Utilities	9	1	10
Insurance and other	41	232	273
Depreciation	3	14	17
Provision for uncollectible accounts	-	1	1
Total operating expenses	<u>270</u>	<u>1,188</u>	<u>1,458</u>
Loss from operations	<u>(270)</u>	<u>(392)</u>	<u>(662)</u>
Nonoperating revenue (expenses):			
Investment income	-	-	-
Total nonoperating revenue	<u>-</u>	<u>-</u>	<u>-</u>
Deficiency of revenues, gains, and other support over expenses	<u>\$ (270)</u>	<u>\$ (392)</u>	<u>\$ (662)</u>

ESKATON AND SUBSIDIARIES
ESKATON CONSOLIDATING SCHEDULE - OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (Continued)
Year Ended December 31, 2014
(in thousands)

	<u>Parent</u>	<u>Carmichael Adult Day Health Care</u>	<u>Eskaton Combined</u>
Deficiency of revenues, gains, and other support over expenses (page 39)	\$ (270)	\$ (392)	\$ (662)
Transfers between related entities	258	412	670
Change in unrestricted net assets	(12)	20	8
Unrestricted net assets, beginning of year	<u>2,141</u>	<u>169</u>	<u>2,310</u>
Unrestricted net assets, end of year	<u>2,129</u>	<u>189</u>	<u>2,318</u>
Change in net assets	\$ (12)	\$ 20	\$ 8
Net assets, beginning of year	<u>2,141</u>	<u>169</u>	<u>2,310</u>
Net assets, end of year	<u><u>\$ 2,129</u></u>	<u><u>\$ 189</u></u>	<u><u>\$ 2,318</u></u>

ESKATON AND SUBSIDIARIES
ESKATON CONSOLIDATING SCHEDULE - CASH FLOWS
Year Ended December 31, 2014
(in thousands)

	<u>Parent</u>	<u>Carmichael Adult Day Health Care</u>	<u>Eskaton Combined</u>
Cash flows from operating activities:			
Change in net assets	\$ (12)	\$ 20	\$ 8
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation	3	14	17
Provision for uncollectible accounts	-	1	1
Transfers between related entities	(258)	(412)	(670)
Change in operating assets and liabilities:			
Change in receivables	33	(33)	-
Change in deposits and prepaid expenses	-	7	7
Change in accounts payable	(35)	(2)	(37)
Change in accrued liabilities	(3)	(3)	(6)
Net cash used in operating activities	<u>(272)</u>	<u>(408)</u>	<u>(680)</u>
Cash flows from investing activities:			
Expenditures for property and equipment	<u>(48)</u>	<u>(11)</u>	<u>(59)</u>
Net cash used in investing activities	<u>(48)</u>	<u>(11)</u>	<u>(59)</u>
Cash flows from financing activities:			
Net change in due to/from related entities	<u>292</u>	<u>412</u>	<u>704</u>
Net cash provided by financing activities	<u>292</u>	<u>412</u>	<u>704</u>
Net decrease in cash and cash equivalents	(28)	(7)	(35)
Cash and cash equivalents, beginning of year	<u>50</u>	<u>33</u>	<u>83</u>
Cash and cash equivalents, end of year	<u>\$ 22</u>	<u>\$ 26</u>	<u>\$ 48</u>

ESKATON AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION – SOCIAL RESPONSIBILITY (unaudited)
Years Ended December 31, and

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

Eskaton Demonstration Home – Eskaton constructed a national demonstration home in Roseville, California (Eskaton Demonstration Home), that presents innovative solutions in home design and technology that will enable older adults to maximize their independence and remain in their own homes longer. Eskaton provides educational guided tours of the Eskaton Demonstration Home to the public for free. The Eskaton Demonstration Home can also be viewed in a virtual tour available through a link on Eskaton's website.

Transportation Plus – Eskaton owns passenger cars and provides maintenance, fuel, insurance and other miscellaneous costs, and contracts with a transportation service for drivers to provide free and subsidized rides to low-income older adults.

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

Information and Referral Assistance Program – Eskaton operates a toll free phone number that provides older adults and their family members with information about community resources, assistance in selecting the appropriate level and source of care, educational courses, placement referrals, legal consultation services, case management, transportation services, and other services. These services are provided free or at nominal cost to the clients.

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

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

ESKATON AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION - SOCIAL RESPONSIBILITY (unaudited)
Years Ended December 31, and

Social responsibility costs - The actual costs of community education and health fairs, community and aging services sponsorships, and maintaining the Eskaton Demonstration Home; and the difference between the cost and reimbursement of providing community service programs are all considered to be social responsibility. The level of social responsibility provided for the years ended December 31 is measured as follows (dollar amounts in thousands):

	<u>2014</u>	<u>2013</u>
Eskaton Demonstration Home	\$ 35	\$ 47
Transportation Plus	112	32
Resident Assistance Funds	143	78
Community sponsorships	22	20
Aging services sponsorships	11	22
Community service program cost in excess of reimbursement:		
Information and Referral Assistance Program	104	117
Telephone Reassurance Program	166	210
ADHC	391	426
Total	<u>\$ 984</u>	<u>\$ 952</u>
Community service program operating statistics:		
Eskaton Demonstration Home		
People toured	-	83
Virtual tours	1,096	210
Transportation Plus subsidized rides	1,619	861
Resident Assistance Funds		
Months of assistance	83	51
Residents assisted	10	9
Information and Referral Assistance calls	2,103	1,809
Telephone Reassurance Program:		
Telephone calls	73,938	80,556
Home visits	2,561	2,388
ADHC client days	9,339	8,450

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CONTINUING CARE
CONTRACTS BRANCH

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

Eskaton and Subsidiaries

December 31, 2014

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Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Eskaton and Subsidiaries.

We have audited the accompanying financial statements of Eskaton and Subsidiaries, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended December 31, 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of Eskaton and Subsidiaries as of and for the year ended December 31, 2014, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying Statement of Cash Flows - Direct Method; Supplementary Form 5-1 & Form 5-2, Reconciliation to Audit Report; Supplementary Form 5-4, Reconciliation to Audit Report; Supplementary Form 5-4, Calculation of Net Operating Expenses; Supplementary Form 5-5, Description of Reserves under SB 1212; and Supplementary Form 5-5, ALATU - Composition of Assets; presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Eskaton and Subsidiaries and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.



San Francisco, California
April 24, 2015

CONTINUING CARE LIQUID RESERVE SCHEDULES

ESKATON AND SUBSIDIARIES
FORM 5-1
LONG-TERM DEBT INCURRED IN PRIOR FISCAL YEAR

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year See attachment	(c) Interest Paid During Fiscal Year to Form 5-1	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1					
2					
3					
4					
5					
6					
7					
8					
TOTAL:		\$ 4,468,000	\$ 5,436,000	\$ -	\$ 9,904,000

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

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

PROVIDER: Eskaton

ESKATON AND SUBSIDIARIES
ATTACHMENT TO FORM 5-1
LONG-TERM DEBT INCURRED IN PRIOR FISCAL YEAR

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	3/29/2002	\$ 250,000	\$ 126,000		\$ 376,000
2	12/21/2006	440,000	258,000		698,000
3	12/19/2013	210,000	143,000		353,000
4	4/1/2008	750,000	297,000		1,047,000
5	3/31/2011	188,000	300,000		488,000
6	11/29/2012	168,000	258,000		426,000
7	5/22/2012	1,148,000	1,818,000		2,966,000
8	6/6/2013	1,314,000	2,236,000		3,550,000
9					
10					
11					
12					
13					
14					
TOTAL:		\$ 4,468,000	\$ 5,436,000	\$ -	\$ 9,904,000

PROVIDER: Eskaton

ESKATON AND SUBSIDIARIES
FORM 5-2
LONG-TERM DEBT INCURRED DURING FISCAL YEAR

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

	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
Long-Term Debt Obligation					
1					
2					
3					
4					
5					
6					
7					
8					
TOTAL:		\$ -	\$ -	\$ -	\$ -

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

NOTE:

PROVIDER: Eskaton

ESKATON AND SUBSIDIARIES
FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$ 9,904,000
2	Total from Form 5-2 bottom of Column (e)	\$ -
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$ -
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$ 9,904,000

PROVIDER: Eskaton

ESKATON AND SUBSIDIARIES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$ 23,058,000
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$ 1,896,000
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$ -
c.	Depreciation	\$ 3,390,000
d.	Amortization	\$ 54,000
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 2,704,000
f.	Extraordinary expenses approved by the Department	\$ -
3	Total Deductions	\$ 8,044,000
4	Net Operating Expenses	\$ 15,014,000
5	Divide Line 4 by 365 and enter the result.	\$ 42,000
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve	\$ 3,150,000

PROVIDER: Eskaton

COMMUNITY: Eskaton Village - Carmichael

ESKATON AND SUBSIDIARIES
FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Eskaton
 Fiscal Year Ended: December 31, 2014

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2014 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$ <u>9,904,000</u>
[2] Operating Expense Reserve Amount	\$ <u>3,150,000</u>
[3] Total Liquid Reserve Amount:	\$ <u>13,054,000</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>1,883,000</u>	\$ <u>9,696,000</u>
[5] Investment Securities	\$ <u>-</u>	\$ <u>2,622,000</u>
[6] Equity Securities	\$ <u>-</u>	\$ <u>39,266,000</u>
[7] Unused/Available Lines of Credit	\$ <u>-</u>	\$ <u>-</u>
[8] Unused/Available Letters of Credit	\$ <u>-</u>	\$ <u>-</u>
[9] Debt Service Reserve	\$ <u>8,289,000</u>	(not applicable)
[10] Other:		\$ <u>8,416,000</u>
<u>(describe qualifying asset)</u>		
Total Amount of Qualifying Assets	\$ <u>10,172,000</u> [12]	\$ <u>60,000,000</u>
Reserve Obligation Amount: [13]	\$ <u>9,904,000</u> [14]	\$ <u>3,150,000</u>
Surplus/(Deficiency): [15]	\$ <u>268,000</u> [16]	\$ <u>56,850,000</u>

Signature: 

 (Authorized Representative)

Date: April 24, 2015

Chief Executive Officer

 (Title)

SUPPLEMENTARY SCHEDULES

ESKATON VILLAGE CARMICHAEL
STATEMENT OF CASH FLOWS - DIRECT METHOD
December 31, 2014
(IN THOUSANDS)

Cash flows from operating activities:	
Cash received from independent residents	\$ 15,165
Cash received from ALU contract residents	2,697
Cash received from SNF contract residents	3,325
Cash received from non-contract residents	2,538
Cash received from guest services	201
Cash received from other revenue	7,520
Cash received from other investment income	253
Cash paid to suppliers and employees	<u>(19,756)</u>
Net cash provided by operating activities	11,943
Cash flows from investing activities:	
Purchases of assets limited as to use	(28,743)
Proceeds from sale of assets limited as to use	30,868
Purchases of investments	(8,586)
Proceeds from sale of investments	7,562
Expenditures for capital maintenance	<u>(3,668)</u>
Net cash used in investing activities	(2,567)
Cash flows from financing activities:	
Proceeds from appreciation on resold CCRC memberships	(6,511)
Change in deposits on unoccupied CCRC units	(17)
Principal payments on long-term debt	(1,346)
Change in due from related party - current year cash flow	<u>(1,502)</u>
Net cash provided by financing activities	<u>(9,376)</u>
Net change in cash	-
Cash and cash equivalents at December 31, 2013	<u>2</u>
Cash and cash equivalents at December 31, 2014	<u><u>\$ 2</u></u>
Supplemental Disclosures:	
Cash paid for interest (net of financing fees)	<u><u>\$ 1,910</u></u>

ESKATON AND SUBSIDIARIES
SUPPLEMENTARY FORM 5-1 & FORM 5-2
RECONCILIATION TO AUDIT REPORT
December 31, 2014

Interest paid during fiscal year (per consolidated financial schedules)	\$ 5,483,000
Less:	
Finance fees - 2006 bonds	10,000
Finance fees - 2007 ELGB bonds	2,000
Finance fees - 2008A bonds	8,000
Finance fees - 2012 bonds	13,000
Finance fees - 2013 bonds	14,000
	<u>47,000</u>
Total long-term interest paid during the year ended December 31, 2014	<u><u>\$ 5,436,000</u></u>
 Form 5-1	
Total column (c) interest paid during fiscal year	\$ 5,436,000
 Form 5-2	
Total column (b) interest paid during fiscal year	-
Total long-term interest paid during the year ended December 31, 2014	<u><u>\$ 5,436,000</u></u>

**ESKATON VILLAGE CARMICHAEL
SUPPLEMENTARY FORM 5-4
RECONCILIATION TO AUDIT REPORT
December 31, 2014**

Interest paid during fiscal year (per consolidating financial schedules)		\$ 1,910,000
Less:		
Finance fees - 2008A Bonds	2,000	
Finance fees - 2012 Bonds	13,000	
		<u>15,000</u>
Total long-term interest paid during the year ended December 31, 2014		<u><u>\$ 1,895,000</u></u>

ESKATON VILLAGE CARMICHAEL
SUPPLEMENTARY FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
December 31, 2014

Total Resident Revenue	. \$ 25,148,000
Less: Reimbursements for services to residents	22,444,000
Reimbursements for services to non-residents	<u>\$ 2,704,000</u>
Assisted Living services to non-residents	\$ 520,000
Skilled Nursing services to non-residents	1,983,000
Guest Meals	154,000
Guest Room Meals	47,000
Reimbursements for services to non-residents	<u>\$ 2,704,000</u>

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

Total Qualifying Assets as Filed:	
Cash and cash equivalents	\$ 9,696,000
Equity securities	39,266,000
Fixed income securities	2,622,000
Alternative investments	<u>8,416,000</u>
Total qualifying assets as filed for operating reserve	60,000,000
Cash and cash equivalents for debt service reserve	<u>1,883,000</u>
Total qualifying assets as filed	<u>61,883,000</u>
Reservations and designations:	
Workers' compensation	10,980,000
Deposits	333,000
Tail exposure - professional liability insurance	1,336,000
Eskaton health plan	1,160,000
Unfunded pension obligation	2,351,000
Refundable CCRC, entrance fees	<u>1,859,000</u>
Remaining liquid reserves	<u>\$ 43,864,000</u>
	Cash and short-term investments
	Equity securities and mutual funds
	Government securities and corporate debt
	Other
	Cash and short-term investments
	Self-insured Workers' Compensation Plan
	Refundable deposits
	Claims-made professional liability insurance
	Self-insured Employee Health Plan
	Defined benefit cash balance pension plan
	Refundable CCRC Entrance Fees

ESKATON AND SUBSIDIARIES
SUPPLEMENTARY FORM 5-5
ALATU - COMPOSITION OF ASSETS
December 31, 2014

	Total	Cash and ST Investments	U.S. Treasury Government Security and Corporate Debt	Equity Sec's	Mutual Funds
2012 Bonds	\$ 3,710,000	\$ 428,000	\$ 3,282,000	\$ -	\$ -
2013 Bonds	4,579,000	410,000	4,169,000	-	-
TOTAL DEBT SERVICE RESERVE	8,289,000	838,000	7,451,000	-	-
Restricted FHA Loan Reserves	410,000	410,000	-	-	-
EVC Project Fund	2,187,000	1,792,000	395,000	-	-
TOTAL RESERVES AND COLLATERAL IN ALATU	\$ 10,886,000	\$ 3,040,000	\$ 7,846,000	\$ -	\$ -
TOTAL DEBT SERVICE RESERVE	\$ 8,289,000				
TOTAL CASH AND CASH EQUIVALENTS FOR DEBT SERVICE RESERVE	1,883,000				
TOTAL AMOUNT OF QUALIFYING ASSETS FOR DEBT SERVICE RESERVE	\$ 10,172,000				

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	3,297 – 5,057	4,459 – 7,804	9,540 – 11,370
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	2.90%	2.90%	2.90%

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

[3] Indicate the date the fee increase was implemented: 01/01/14
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

PROVIDER: Eskaton
COMMUNITY: Eskaton Village-Carmichael

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

Monthly service fees were increased in 2014 by 2.90% to offset expected increases in costs for labor, food, supplies, contractor support, etc.. There were also higher expected increases in the cost of workers' compensation.

PROVIDER NAME: Eskaton
COMMUNITY NAME: Eskaton Village - Carmichael

ESKATON VILLAGE CARMICHAEL ASSISTED LIVING - FY 2014 BUDGET

ROUTINE REVENUE - ASSISTED LIVING

Account Number	31 Jan	28 Feb	31 Mar	30 Apr	31 May	30 Jun	31 Jul	31 Aug	30 Sep	31 Oct	30 Nov	31 Dec	365 Total
Number of Units Available													
One Bedroom	7	7	7	7	7	7	7	7	7	7	7	7	7
Studio	31	31	31	31	31	31	31	31	31	31	31	31	31
Total Units Available	38	38	38	38	38	38	38	38	38	38	38	38	38
Number of Units Occupied													
One Bedroom	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Studio	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2
Total Units Occupied	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0
Percent Occupancy	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%	97.4%
Resident Day Payor Type Percentage													
Private Pay	72.97%	72.97%	72.97%	72.97%	72.97%	72.97%	72.97%	72.97%	72.97%	72.97%	72.97%	72.97%	72.97%
Met Life	27.03%	27.03%	27.03%	27.03%	27.03%	27.03%	27.03%	27.03%	27.03%	27.03%	27.03%	27.03%	27.03%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Resident Day By Payor Type													
Private Pay	837	756	837	810	837	810	837	837	810	837	810	837	8,855
Met Life - Standard Option	248	224	248	240	248	240	248	248	240	248	240	248	2,920
Met Life - High Option	62	56	62	60	62	60	62	62	60	62	60	62	730
Extra days due to Respite	-	-	-	-	-	-	-	-	-	-	-	-	-
Extra days due to Flexible Respite	-	-	-	-	-	-	-	-	-	-	-	-	-
	36	37.0	1,147	1,110	1,147	1,110	1,147	1,147	1,110	1,147	1,110	1,147	13,505
Room Rates													
One Bedroom	\$ 5,327	\$ 5,327	\$ 5,327	\$ 5,327	\$ 5,327	\$ 5,327	\$ 5,327	\$ 5,327	\$ 5,327	\$ 5,327	\$ 5,327	\$ 5,327	\$ 5,327
Studio	\$ 4,459	\$ 4,459	\$ 4,459	\$ 4,459	\$ 4,459	\$ 4,459	\$ 4,459	\$ 4,459	\$ 4,459	\$ 4,459	\$ 4,459	\$ 4,459	\$ 4,459
Average Monthly Unit Rate	\$ 4,619	\$ 4,619	\$ 4,619	\$ 4,619	\$ 4,619	\$ 4,619	\$ 4,619	\$ 4,619	\$ 4,619	\$ 4,619	\$ 4,619	\$ 4,619	\$ 4,619
Daily Rates													
Respite	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220
Flexible Respite	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Revenue by Payor Type													
Private Pay	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(1,911,348)
Met Life - Standard Option	(9,296)	(9,296)	(9,296)	(9,296)	(9,296)	(9,296)	(9,296)	(9,296)	(9,296)	(9,296)	(9,296)	(9,296)	(111,552)
Met Life - High Option	(2,324)	(2,324)	(2,324)	(2,324)	(2,324)	(2,324)	(2,324)	(2,324)	(2,324)	(2,324)	(2,324)	(2,324)	(27,888)
Total Gross Revenue	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(2,050,788)
Combined Routine Revenues													
02-3001-000 Monthly Service Fees	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(159,279)	(1,911,348)
02-3001-010 Respite Care	-	-	-	-	-	-	-	-	-	-	-	-	-
02-3001-020 Flexible Respite	(11,620)	(11,620)	(11,620)	(11,620)	(11,620)	(11,620)	(11,620)	(11,620)	(11,620)	(11,620)	(11,620)	(11,620)	(139,440)
02-3001-030 Met Life Revenue	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(170,899)	(2,050,788)
Total Routine Revenues	(341,798)	(341,798)	(341,798)	(341,798)	(341,798)	(341,798)	(341,798)	(341,798)	(341,798)	(341,798)	(341,798)	(341,798)	(4,039,376)

ESKATON VILLAGE CARMICHAEL MEMORY CARE - FY 2014 BUDGET

ROUTINE REVENUE - MEMORY CARE

Account Number	31 Jan	28 Feb	31 Mar	30 Apr	31 May	30 Jun	31 Jul	31 Aug	30 Sep	31 Oct	30 Nov	31 Dec	365 Total
Number of Units Available	20	20	20	20	20	20	20	20	20	20	20	20	20
Number of Units Occupied	14	14.0	14.0	15.0	15.0	15.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Private Pay	3	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Met Life	11	17.0	17.0	18.0	18.0	18.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Percent Occupancy	85.0%	85.0%	85.0%	90.0%	90.0%	90.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Care Level Mix Percentage													
Level 1	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Level 2	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%	52.00%
Level 3	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%	36.00%
Level 4	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Average Level of Care	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
Resident Days by Care Level													
Level 1	-	-	-	-	-	-	-	-	-	-	-	-	-
Level 2	226	204	226	234	242	234	258	258	250	258	250	258	2,898
Level 3	156	141	156	162	167	162	179	179	173	179	173	179	2,006
Level 4	52	47	52	54	56	54	60	60	58	60	58	60	671
Met Life	93	84	93	90	93	90	93	93	90	93	90	93	1,095
Extra days due to Respite	-	-	-	-	-	-	-	-	-	-	-	-	-
Extra days due to Flexible Respite	-	-	-	-	-	-	-	-	-	-	-	-	-
	527	476	527	540	558	540	590	590	571	590	571	590	6,670
2013 Monthly Rent by Care Level													
Level 1	\$ 5,879	\$ 6,049	\$ 6,049	\$ 6,049	\$ 6,049	\$ 6,049	\$ 6,049	\$ 6,049	\$ 6,049	\$ 6,049	\$ 6,049	\$ 6,049	\$ 6,049
Level 2	\$ 6,444	\$ 6,631	\$ 6,631	\$ 6,631	\$ 6,631	\$ 6,631	\$ 6,631	\$ 6,631	\$ 6,631	\$ 6,631	\$ 6,631	\$ 6,631	\$ 6,631
Level 3	\$ 7,014	\$ 7,217	\$ 7,217	\$ 7,217	\$ 7,217	\$ 7,217	\$ 7,217	\$ 7,217	\$ 7,217	\$ 7,217	\$ 7,217	\$ 7,217	\$ 7,217
Level 4	\$ 7,584	\$ 7,804	\$ 7,804	\$ 7,804	\$ 7,804	\$ 7,804	\$ 7,804	\$ 7,804	\$ 7,804	\$ 7,804	\$ 7,804	\$ 7,804	\$ 7,804
2013 Daily Rates													
Respite	\$ 327	\$ 327	\$ 327	\$ 327	\$ 327	\$ 327	\$ 327	\$ 327	\$ 327	\$ 327	\$ 327	\$ 327	\$ 327
Flexible Respite	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Met Life	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20
Private Revenue by Care Level													
Level 1	(56,805)	(56,805)	(56,805)	(60,253)	(60,253)	(60,253)	(63,701)	(63,701)	(63,701)	(63,701)	(63,701)	(63,701)	(733,380)
Level 2	(42,913)	(42,913)	(42,913)	(45,511)	(45,511)	(45,511)	(48,109)	(48,109)	(48,109)	(48,109)	(48,109)	(48,109)	(553,926)
Level 3	(15,502)	(15,501)	(15,502)	(16,439)	(16,439)	(16,439)	(17,375)	(17,375)	(17,375)	(17,375)	(17,375)	(17,375)	(200,072)
Level 4	(115,220)	(115,219)	(115,220)	(122,203)	(122,203)	(122,203)	(129,185)	(129,185)	(129,185)	(129,185)	(129,185)	(129,185)	(1,487,378)
Total Private Revenue	(115,220)	(115,219)	(115,220)	(122,203)	(122,203)	(122,203)	(129,185)	(129,185)	(129,185)	(129,185)	(129,185)	(129,185)	(1,487,378)
Combined Routine Revenues													
Monthly Service Fees	(115,220)	(115,219)	(115,220)	(122,203)	(122,203)	(122,203)	(129,185)	(129,185)	(129,185)	(129,185)	(129,185)	(129,185)	(1,487,378)
Respite Care	-	-	-	-	-	-	-	-	-	-	-	-	-
Flexible Respite	(3,486)	(3,486)	(3,486)	(3,486)	(3,486)	(3,486)	(3,486)	(3,486)	(3,486)	(3,486)	(3,486)	(3,486)	(41,832)
Met Life Revenue	(118,706)	(118,705)	(118,706)	(125,689)	(125,689)	(125,689)	(132,671)	(132,671)	(132,671)	(132,671)	(132,671)	(132,671)	(1,529,210)
Total Routine Revenues	(118,706)	(118,705)	(118,706)	(125,689)	(125,689)	(125,689)	(132,671)	(132,671)	(132,671)	(132,671)	(132,671)	(132,671)	(1,529,210)

FINAL

MONTHLY MAINTENANCE FEE SCHEDULE (W/O METLIFE)

2014 Budget

5.7% Increase
7.4% Increase
11.3% Increase
6.7% Increase
8.7% Increase
6.5% Increase
2.0% Increase
2.0% Increase
5.00% Increase
5.00% Increase
5.00% Increase
4.25% Increase
4.50% Increase
4.00% Increase
4.75% Increase
2.80% Increase
3.00% Increase
4.00% Increase
2.90% Increase

Number of Units	Units	1992 & Prior Fee	1993 Monthly Fee	1994 Monthly Fee	1995 Monthly Fee	1996 Monthly Fee	1997 Monthly Fee	1998 Monthly Fee	1999 Monthly Fee	2000 Monthly Fee	2001 Monthly Fee	2002 Monthly Fee	2003 Monthly Fee	2004 Monthly Fee	2005 Monthly Fee	2006 Monthly Fee	2007 Monthly Fee	2008 Monthly Fee	2009 Monthly Fee	2010 Monthly Fee	2011 Monthly Fee	2012 Monthly Fee	2013 Monthly Fee	2014 Monthly Fee	Cumulative 2014 Monthly Fee
5	B One bedroom, one bath	1,138	1,206	1,304	1,456	1,568	1,693	1,806	1,942	1,979	1,987	2,062	2,165	2,273	2,386	2,498	2,600	2,704	2,832	2,910	2,991	3,081	3,204	3,297	16,485
17	BM One bedroom, one bath	1,138	1,206	1,304	1,456	1,568	1,693	1,806	1,942	1,979	1,987	2,062	2,165	2,273	2,386	2,498	2,600	2,704	2,832	2,910	2,991	3,081	3,204	3,297	56,049
1	BN One bedroom, one bath	1,138	1,206	1,304	1,456	1,568	1,693	1,806	1,942	1,979	1,987	2,062	2,165	2,273	2,386	2,498	2,600	2,704	2,832	2,910	2,991	3,081	3,204	3,297	3,297
23	C One bedroom, one bath	1,238	1,311	1,412	1,574	1,682	1,829	1,950	1,989	2,029	2,145	2,226	2,337	2,454	2,577	2,698	2,808	2,920	3,034	3,143	3,231	3,328	3,461	3,561	81,903
8	CM One bedroom, one bath	1,238	1,311	1,412	1,574	1,682	1,829	1,950	1,989	2,029	2,145	2,226	2,337	2,454	2,577	2,698	2,808	2,920	3,034	3,143	3,231	3,328	3,461	3,561	24,927
7	CL One bedroom, den, 1-1/2 baths	1,238	1,311	1,412	1,574	1,682	1,829	1,950	1,989	2,029	2,145	2,226	2,337	2,454	2,577	2,698	2,808	2,920	3,034	3,143	3,231	3,328	3,461	3,561	29,488
24	D One bedroom, two baths	1,338	1,416	1,521	1,694	1,809	1,967	2,095	2,137	2,180	2,305	2,391	2,511	2,637	2,768	2,898	3,016	3,137	3,262	3,376	3,471	3,575	3,718	3,826	91,824
20	E Two bedrooms, two baths	1,438	1,521	1,630	1,814	1,936	2,104	2,240	2,285	2,330	2,464	2,557	2,685	2,819	2,960	3,096	3,225	3,354	3,484	3,610	3,711	3,822	3,975	4,080	81,800
12	EM Two bedrooms, two baths	1,438	1,521	1,630	1,814	1,936	2,104	2,240	2,285	2,330	2,464	2,557	2,685	2,819	2,960	3,096	3,225	3,354	3,484	3,610	3,711	3,822	3,975	4,080	50,544
29	F Two bedrooms, two baths	1,438	1,521	1,630	1,814	1,936	2,104	2,240	2,285	2,330	2,464	2,557	2,685	2,819	2,960	3,096	3,225	3,354	3,484	3,610	3,711	3,822	3,975	4,080	81,800
11	G Two bedrooms, two baths	1,663	1,757	1,878	2,087	2,225	2,416	2,571	2,622	2,675	2,829	2,935	3,081	3,236	3,397	3,542	3,701	3,849	4,002	4,143	4,259	4,367	4,562	4,694	118,810
1	GM Two bedrooms, two baths	1,663	1,757	1,878	2,087	2,225	2,416	2,571	2,622	2,675	2,829	2,935	3,081	3,236	3,397	3,542	3,701	3,849	4,002	4,143	4,259	4,367	4,562	4,694	51,634
13	H Two bedrooms, two baths	1,663	1,757	1,878	2,087	2,225	2,416	2,571	2,622	2,675	2,829	2,935	3,081	3,236	3,397	3,542	3,701	3,849	4,002	4,143	4,259	4,367	4,562	4,694	61,022
14	J Two bedrooms, den, two baths	1,738	1,856	1,977	2,196	2,340	2,541	2,703	2,757	2,812	2,974	3,085	3,240	3,402	3,572	3,724	3,892	4,048	4,208	4,357	4,479	4,613	4,788	4,937	89,118
11	N Two bedroom, den, two baths	1,738	1,856	1,977	2,196	2,340	2,541	2,703	2,757	2,812	2,974	3,085	3,240	3,402	3,572	3,724	3,892	4,048	4,208	4,357	4,479	4,613	4,788	4,937	54,307
1	P Two bedroom, den, two baths	1,438	1,521	1,630	1,814	1,936	2,104	2,240	2,285	2,330	2,464	2,557	2,685	2,819	2,960	3,096	3,225	3,354	3,484	3,610	3,711	3,822	3,975	4,080	4,937
4	P Two bedroom, den, two baths	1,743	1,841	1,977	2,166	2,340	2,541	2,703	2,757	2,812	2,974	3,085	3,240	3,402	3,572	3,724	3,892	4,048	4,208	4,357	4,479	4,613	4,788	4,937	19,748
5	K One bedroom, one bath	1,488	1,573	1,660	1,869	1,994	2,167	2,307	2,353	2,400	2,538	2,633	2,765	2,903	3,048	3,178	3,321	3,454	3,592	3,717	3,821	3,936	4,063	4,212	21,060
49	L Two bedroom, two baths	1,538	1,731	1,858	2,065	2,202	2,391	2,545	2,596	2,648	2,800	2,905	3,050	3,203	3,363	3,506	3,664	3,811	3,962	4,102	4,217	4,344	4,518	4,649	227,901
24	M Three bedroom, two baths	1,788	1,888	2,026	2,250	2,398	2,603	2,769	2,924	2,881	3,047	3,161	3,319	3,485	3,659	3,814	3,967	4,146	4,343	4,462	4,587	4,725	4,914	5,057	121,366
16	MM Three bedroom, two baths	1,788	1,888	2,026	2,250	2,398	2,603	2,769	2,924	2,881	3,047	3,161	3,319	3,485	3,659	3,814	3,967	4,146	4,343	4,462	4,587	4,725	4,914	5,057	80,912
288	Second Person Fee	238	288	288	388	438	497	538	549	550	655	679	713	749	796	820	857	891	933	959	986	1,016	1,016	1,045	302
295																									4,609

Cottages:

Continuing Care Retirement Community Disclosure Worksheet

General Information

RECEIVED

APR 29 2015

FACILITY NAME: Eskaton Village Carmichael

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

FACILITY OWNER: Eskaton FACILITY OPERATOR: Eskaton

RELATED FACILITIES: See attached RELIGIOUS AFFILIATION: N/A

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

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

<p>NUMBER OF UNITS:</p> <p>INDEPENDENT LIVING</p> <p>APARTMENTS – STUDIO <u> 0 </u></p> <p>APARTMENTS – 1 BDRM <u> 85 </u></p> <p>APARTMENTS – 2 BDRM <u> 116 </u></p> <p>COTTAGES/HOUSES <u> 94 </u></p> <p>% OCCUPANCY AT YEAR END <u> 93.2% </u></p>	<p>HEALTHCARE</p> <p>ASSISTED LIVING <u> 38 </u></p> <p>SKILLED NURSING <u> 35 </u></p> <p>MEMORY CARE <u> 20 </u></p> <p>DESCRIBE MEMORY CARE: <u>Secured perimeter unit for care of residents with Alzheimer's or related dementia.</u></p>
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TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT **ACCREDITED:** Y N BY

FORM OF CONTRACT: LIFECARE CONTINUING CARE FEE FOR SERVICE

ASSIGN ASSETS EQUITY ENTRY FEE RENTAL MEMBERSHIP

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

RANGE OF ENTRANCE FEES: \$100,000 TO \$350,000 **LONG-TERM CARE INSURANCE REQUIRED?** Y N

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

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

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

SERVICES AVAILABLE

	AVAILABLE	FEE FOR SERVICE		INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES PER MONTH	<u>4</u>	
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS PER DAY	<u>3</u>	
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>X</u>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24 HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL- INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER - 24 hour security	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER - Painting Studio and Gardening Area	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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

PROVIDER NAME: ESKATON

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

Eskaton has been in business since 1968 and owns or operates 26 communities, 14 of which are low income housing communities in the Northern California area.

* PLEASE INDICATE IF THE FACILITY IS LIFECARE.

**CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE WORKSHEET
ESKATON**

	<u>2012</u>	<u>2013</u>	<u>2014</u>
INCOME FROM ONGOING OPERATIONS			
OPERATING INCOME (excluding amortization of entrance fee income)	111,314	112,787	116,170
LESS OPERATING EXPENSES (excluding depreciation, amortization and interest)	94,720	95,017	99,841
NET INCOME FROM OPERATIONS	16,594	17,770	16,329
LESS INTEREST EXPENSE	3,937	4,843	5,414
PLUS CONTRIBUTIONS			
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	2,134	7,142	(1,644)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	14,791	20,069	9,271
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	-	-	72

See Cash Fl

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2008A ABAG VRDB's	18,450,000	Variable	Apr-08	2029	21 years
Series 2006 ABAG VRDB's	18,575,000	Variable	Dec-06	2037	31 years
Series 2013 ABAG Fixed Rate Bonds	49,025,000	2% - 5%	Jun-13	2035	22 years
Series 2012 CSCDA Fixed Rate Bonds	36,911,000	2% - 5.25%	May-12	2034	22 years
Other (see attached)	27,425,000				

FINANCIAL RATIOS (see next page for ratio formulas)

	2003 CCAC Medians 50th percentile (optional)	2012	2013	2014
DEBT TO ASSET RATIO	41.50%	68.88%	71.52%	71.03%
OPERATING RATIO	102.94%	88.63%	88.54%	90.60%
DEBT SERVICE COVERAGE RATIO	2.64%	2.01	2.57	1.49
DAYS CASH-ON-HAND RATIO	201	199.90	218.48	214.60

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

STUDIO	2012	%	2013	%	2014	%
ONE BEDROOM	N/A		N/A		N/A	
TWO BEDROOM	3,331	3.0%	3,464	4.0%	3,564	2.9%
COTTAGE/HOUSE	4,160	3.2%	4,326	4.0%	4,452	2.9%
ASSISTED LIVING	4,484	3.0%	4,664	4.0%	4,799	2.9%
SKILLED NURSING	4,318	3.0%	4,488	4.0%	4,619	2.9%
SPECIAL CARE	8,910	2.8%	9,270	4.0%	9,540	2.9%
	5,965	3.0%	6,203	4.0%	6,383	2.9%

COMMENTS FROM PROVIDER:

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

Long-Term Debt to Total Assets Ratio

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Long-Term Debt	151,176	152,697	151,028	158,294	153,826
Less: Current Portion	(4,138)	(36,949)	(6,878)	(4,449)	(4,433)
	<u>147,038</u>	<u>115,748</u>	<u>144,150</u>	<u>153,845</u>	<u>149,393</u>
Divided By:					
Total Assets	207,435	210,588	209,290	215,113	210,321
Long-Term Debt to Total Assets Ratios	<u>70.88%</u>	<u>54.96%</u>	<u>68.88%</u>	<u>71.52%</u>	<u>71.03%</u>

Operating Ratio

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Operating Expenses	99,751	104,027	108,259	109,213	114,761
Less: Depreciation & Amortization	(8,592)	(9,149)	(9,602)	(9,353)	(9,506)
	<u>91,159</u>	<u>94,878</u>	<u>98,657</u>	<u>99,860</u>	<u>105,255</u>
Divided By:					
Total Operating Revenues	106,068	108,176	113,446	114,354	117,935
Less: Amortization of Deferred Revenue	(2,129)	(2,132)	(2,132)	(1,567)	(1,765)
	<u>103,939</u>	<u>106,044</u>	<u>111,314</u>	<u>112,787</u>	<u>116,170</u>
Operating Ratio	<u>87.70%</u>	<u>89.47%</u>	<u>88.63%</u>	<u>88.54%</u>	<u>90.60%</u>

Debt Service Coverage Ratio

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Excess of Revenues over Expenses	3,457	(3,030)	7,321	12,283	1,530
Plus: Interest & amortization	3,915	3,606	4,398	5,174	5,724
Depreciation	8,592	9,149	9,141	9,022	9,243
Net Proceeds from Entrance Fees	49	15	-	-	72
	<u>13,884</u>	<u>7,608</u>	<u>18,728</u>	<u>24,912</u>	<u>14,804</u>
Less: Amortization of Deferred Revenue	(2,129)	(2,132)	(2,132)	(1,567)	(1,765)
	<u>11,755</u>	<u>5,476</u>	<u>16,596</u>	<u>23,345</u>	<u>13,039</u>
Divided By:					
Annual Debt Service	3,899	5,284	9,321	9,701	9,904
Debt Service Coverage Ratio	<u>3.56</u>	<u>1.44</u>	<u>2.01</u>	<u>2.57</u>	<u>1.49</u>

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

Statement 4

Days Cash On Hand Ratio

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Cash & Cash Equivalents	16,409	16,819	7,703	10,055	9,696
Investments	42,631	42,116	46,179	49,717	52,187
Unrestricted Cash & Investments	<u>59,040</u>	<u>58,935</u>	<u>53,882</u>	<u>59,772</u>	<u>61,883</u>
Divided By:					
Operating Expenses	99,751	104,027	108,259	109,213	114,761
Less: Depreciation & Amortization	(8,592)	(9,149)	(9,602)	(9,353)	(9,506)
	<u>91,159</u>	<u>94,878</u>	<u>98,657</u>	<u>99,860</u>	<u>105,255</u>
Divided By:	365	365	366	365	365
Operating Expenses per Day	249.75	259.94	269.55	273.58	288.36
Days Cash On Hand Ratio	<u>236</u>	<u>227</u>	<u>200</u>	<u>218</u>	<u>215</u>

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Wells Fargo Bank	2,595,000	4.75%	Oct-08	2021	25 years
Red Mortgage Capital, LLC	8,644,000	2.45%	Nov-12	2047	35 years
Bank of America	11,060,000	Variable	Dec-13	2016	24 years
Five Star Bank	<u>5,126,000</u>	Variable	Mar-11	2017	20 years
Total	27,425,000				

Eskaton
Statement 4 Supporting Calculations
Consolidated \$000's

	2012	2013	2014
Net patient revenues	48,899	47,991	48,339
Net resident revenues	55,630	58,402	61,265
Less amort of entrance fees	(2,132)	(1,567)	(1,765)
Other	8,917	7,961	8,331
Income from ongoing operations	111,314	112,787	116,170
Total expenses	108,259	109,213	114,761
Less depreciation and amortization	(9,602)	(9,353)	(9,506)
Less Interest	(3,937)	(4,843)	(5,414)
Operating expenses	94,720	95,017	99,841
Net income from operations	16,594	17,770	16,329
Interest expense	(3,937)	(4,843)	(5,414)
Non Operating Income	2,134	7,142	(1,644)
NI before entrance fees, depr and amort	14,791	20,069	9,271

**ESKATON
ESKATON VILLAGE – CARMICHAEL
ATTACHMENT TO DISCLOSURE WORKSHEET**

Page 1: **RESIDENT REPRESENTATIVE ON THE BOARD:** The Eskaton Village Carmichael Resident Council (EVC Resident Council) elects a representative to the Eskaton Board of Directors (CCRC Representative) to serve a two year term. The CCRC Representative attends the four quarterly board meetings of Eskaton, including the full agenda of the annual Eskaton Board Retreat. The CCRC Representative is excluded only from executive sessions of the Eskaton Board. The CCRC Representative Reports Eskaton Board actions and discussions back to the EVC Resident Council.

RECEIVED

Date Prepared: 5/20/2015

MAY 28 2015

Please attach an explanatory memo that summarizes significant trends or variations in the following financial indicators.

CONTRACTS BRANCH

KEY INDICATORS REPORT ESKATON, INC.

Bill Rose

Chief Financial Officer Signature

	Forecast							Preferred Trend Indicator			
	2010	2011	2012	2013	2014	2015	2016		2017	2018	2019
OPERATIONAL STATISTICS	See Attached Schedule										
1. Average Annual Occupancy by Site (%)									N/A		
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%) *	28.57%	30.37%	29.24%	29.23%	27.76%	27.48%	27.39%	27.31%	27.22%	27.14%	↑
3. Net Operating Margin - Adjusted (%) *	28.73%	30.41%	29.24%	29.23%	27.97%	27.69%	27.59%	27.50%	27.41%	27.33%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments (\$000)	\$55,566	\$53,986	\$52,155	\$57,359	\$58,395	\$61,420	\$64,445	\$67,470	\$70,495	\$73,520	↑
5. Days Cash on Hand (Unrestricted)	276.70	248.26	218.19	238.45	229.81	235.40	240.61	245.38	249.72	253.65	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees (\$000) *	\$19,704	\$17,587	\$14,995	\$12,860	\$10,273	\$8,580	\$6,887	\$5,194	\$3,501	\$1,808	N/A
7. Net Annual E/F proceeds (\$000) *	\$49	\$14	\$0	\$0	\$72	\$72	\$72	\$72	\$72	\$72	N/A
8. Unrestricted Net Assets (\$000)	-\$11,953	-\$13,037	-\$17,058	-\$1,469	-\$2,693	-\$62	\$2,847	\$6,044	\$9,538	\$13,340	N/A
9. Annual Capital Asset Expenditure (\$000)	\$3,332	\$3,037	\$5,293	\$9,627	\$6,288	\$5,100	\$5,253	\$5,411	\$5,573	\$5,740	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	3.58	2.73	2.26	2.15	1.98	1.60	1.64	1.67	1.71	1.75	↓
11. Annual Debt Service Coverage (x)	3.59	2.73	2.26	2.15	1.99	1.61	1.64	1.68	1.72	1.76	↓
12. Annual Debt Service/Revenue (%)	5.84%	6.05%	7.42%	8.00%	8.19%	9.10%	8.86%	8.62%	8.39%	8.16%	↓
13. Average Annual Effective Interest Rate (%)	2.05%	1.78%	2.54%	2.93%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	49.07%	48.96%	40.11%	40.95%	42.94%	47.03%	51.54%	56.57%	62.23%	68.64%	↑
15. Average Age of Facility (years) *	15.09	15.75	17.36	18.75	17.37	17.86	18.34	18.81	19.26	19.70	↓

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

SOME RATIOS CHANGED DUE TO RESTRUCTURING OF R&E IN 2009 APPLIED TO PAST YEARS.