

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED:

12 / 31 / 2014

2014

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PROVIDER(S): Southern California Presbyterian Homes, DBA be.group

CCRC(S): Royal Oaks Manor, White Sands of La Jolla, Windsor Manor, Regents Park, Redwood Terrace, Westminster Gardens

CONTINUING CARE
CONTRACTS BRANCH

CONTACT PERSON: David L. Pierce, VP of Finance and CFO

TELEPHONE NO.: (818) 247-0420 ext 708 EMAIL: Dave.Pierce@thebegroup.org

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

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 55,835
 - If applicable, late fee in the amount of: \$ N/A
- Certification by the provider's **Chief Executive Officer** that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for **each** community.
- Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

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



516 BURCHETT ST.
GLENDALE, CA 91203
818 247 0420 F 818 247 3871
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April 30, 2015

Ms. Allison Nakatomi
Continuing Care Contract Branch
California Department of Social Services
744 P Street, M.S. 8-3-90
Sacramento, CA 95814

Dear Allison:

Enclosed please find the requested items on the Annual Report checklist.

If you have any further questions, or need additional information, please do not hesitate to contact me at (818) 844-2708.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Pierce".

David L. Pierce
VP of Finance & CFO



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CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

To the best of my knowledge and belief, I certify that the information included in the Annual Report to the Department of Social Services, included as supplemental schedules to the audited financial statements of Southern California Presbyterian Homes (SCPH), DBA be.group as of April 2015, for the year ended 2014, is correct.

Each continuing Care Contract form in use for new residents of be.group communities has been approved by the Department of Social Services.

I further certify that reserves for Prepaid Continuing Care Contracts and Refund Reserves are not applicable to be.group, and that based on our computations, we are within that statutory reserve requirement. The provider is maintaining the required liquid reserve and refund reserve.



John H. Cochrane, III
President & Chief Executive Officer
be.group

4.29.15

Dated

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	177
[2]	Number at end of fiscal year	140
[3]	Total Lines 1 and 2	317
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	158.5
All Residents		
[6]	Number at beginning of fiscal year	192
[7]	Number at end of fiscal year	206
[8]	Total Lines 6 and 7	398
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	199
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.80

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$12,361,000
[a]	Depreciation	\$1,179,000
[b]	Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$1,179,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$12,182,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	80%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$9,702,749
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$9,703

**PROVIDER SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
COMMUNITY REDWOOD TERRACE**

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	290
[2]	Number at end of fiscal year	296
[3]	Total Lines 1 and 2	586
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	293
All Residents		
[6]	Number at beginning of fiscal year	322
[7]	Number at end of fiscal year	332
[8]	Total Lines 6 and 7	654
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	327
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.90

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$21,193,000
[a]	Depreciation	\$2,365,000
[b]	Debt Service (Interest Only)	\$1,194,000
[2]	Subtotal (add Line 1a and 1b)	\$3,559,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$17,634,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	90%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$15,800,495
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$15,800

PROVIDER: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
COMMUNITY REGENTS POINT

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	221
[2]	Number at end of fiscal year	212
[3]	Total Lines 1 and 2	433
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	216.5
All Residents		
[6]	Number at beginning of fiscal year	239
[7]	Number at end of fiscal year	238
[8]	Total Lines 6 and 7	477
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	238.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.91

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$15,674,000
[a]	Depreciation	\$1,775,000
[b]	Debt Service (Interest Only)	\$1,690,000
[2]	Subtotal (add Line 1a and 1b)	\$3,425,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$12,249,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	91%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$11,119,113
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$11,119

PROVIDER: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
COMMUNITY: ROYAL OAKS MANOR

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	114
[2]	Number at end of fiscal year	124
[3]	Total Lines 1 and 2	238
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	119
All Residents		
[6]	Number at beginning of fiscal year	170
[7]	Number at end of fiscal year	182
[8]	Total Lines 6 and 7	352
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	176
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.68

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$6,259,000
[a]	Depreciation	\$389,000
[b]	Debt Service (Interest Only)	\$381,000
[2]	Subtotal (add Line 1a and 1b)	\$1,270,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$4,989,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	68%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$3,373,244
[6]	Total Amount Due (multiply Line 5 by .001)	\$3,373

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	219
[2]	Number at end of fiscal year	215
[3]	Total Lines 1 and 2	434
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	217
All Residents		
[6]	Number at beginning of fiscal year	243
[7]	Number at end of fiscal year	260
[8]	Total Lines 6 and 7	504
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	252
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.86

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$21,440,000
[a]	Depreciation	\$3,531,000
[b]	Debt Service (Interest Only)	\$3,820,000
[2]	Subtotal (add Line 1a and 1b)	\$7,351,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$14,089,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	86%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$12,132,194
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$12,132

PROVIDER: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
COMMUNITY: WHITE SANDS OF LA JOLLA

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	66
[2]	Number at end of fiscal year	75
[3]	Total Lines 1 and 2	137
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	68.5
All Residents		
[6]	Number at beginning of fiscal year	137
[7]	Number at end of fiscal year	135
[8]	Total Lines 6 and 7	272
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	136
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.50

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$7,968,000
[a]	Depreciation	\$485,000
[b]	Debt Service (Interest Only)	\$122,000
[2]	Subtotal (add Line 1a and 1b)	\$607,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$7,361,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	50%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$3,707,563
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$3,708

PROVIDER: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
COMMUNITY WINDSOR MANOR

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**Southern California
Presbyterian Homes and
Affiliates**
(dba be.group)

Combined Financial Statements as of and
for the Years Ended December 31, 2014 and 2013,
Supplemental Combining Schedules as of and
for the Year Ended December 31, 2014, and
Independent Auditors' Report

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba be.group)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Southern California Presbyterian Homes (dba be.group):

We have audited the accompanying combined financial statements of Southern California Presbyterian Homes and Affiliates (dba be.group) ("be.group"), all of which are under common ownership and common management, which comprise the combined balance sheets as of December 31, 2014 and 2013, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to be.group's preparation and fair presentation of the combined 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 be.group'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of be.group as of December 31, 2014 and 2013, and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Combining Schedules

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental combining schedules as of and for the year ended December 31, 2014, on pages 39–44 are presented for the purpose of additional analysis of the combined financial statements rather than to present the combined financial position, results of operations, changes in net assets, and cash flows of the individual locations, and are not a required part of the combined financial statements. These supplemental combining schedules are the responsibility of be.group's management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements as of and for the year ended December 31, 2014. Such supplemental combining schedules have been subjected to the auditing procedures applied in our audit of the 2014 combined financial statements and certain additional procedures, including comparing and reconciling such supplemental combining schedules directly to the underlying accounting and other records used to prepare the 2014 combined financial statements or to the 2014 combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such supplemental combining schedules are fairly stated, in all material respects, in relation to the 2014 combined financial statements as a whole.

Deloitte & Touche LLP

April 29, 2015

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba be.group)

COMBINED BALANCE SHEETS
AS OF DECEMBER 31, 2014 AND 2013
(in thousands)

	2014	2013
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 6,324	\$ 4,085
INVESTMENTS (Notes 5 and 10)	87,277	76,660
INVESTMENTS DESIGNATED FOR THE HOMESHIP FUND (Notes 5 and 10)	1,307	1,507
ACCOUNTS RECEIVABLE—Net of estimated allowances for doubtful accounts of \$167 and \$188 as of December 31, 2014 and 2013, respectively (Notes 11 and 12)	7,000	4,823
PREPAID EXPENSES	1,748	1,961
ASSETS WHOSE USE IS LIMITED (Notes 5, 6, and 10)	26,558	18,584
INVESTMENTS HELD FOR RESTRICTED PURPOSES (Notes 5 and 10)	16,449	14,670
FACILITIES—Net (Note 7)	194,238	177,449
ADVANCES TO AFFORDABLE HOUSING PROJECTS (Note 12)	1,073	1,580
PREPAID BOND INSURANCE AND ISSUANCE COSTS (Note 8)	2,632	2,666
OTHER ASSETS (Note 15)	<u>3,213</u>	<u>2,884</u>
TOTAL	<u>\$ 347,819</u>	<u>\$ 306,869</u>

(Continued)

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba be.group)

COMBINED BALANCE SHEETS
AS OF DECEMBER 31, 2014 AND 2013
(In thousands)

LIABILITIES AND NET ASSETS	2014	2013
LIABILITIES:		
Accounts payable	\$ 4,874	\$ 4,192
Accrued expenses	7,982	6,777
Deposits from applicants for residency	654	824
Accrued liabilities (Note 11)	6,281	6,173
Accrued pension liabilities (Note 9)	13,945	5,780
Deferred revenue from entrance fees subject to refund (Note 3)	66,300	59,363
Deferred revenue from entrance fees (Note 3)	46,860	46,392
Long-term debt (Notes 8 and 10)	161,762	144,955
Long-term debt related to discontinued operations (Notes 3, 8 and 10)		1,990
Life income obligations to beneficiaries under charitable trust agreements	<u>759</u>	<u>1,083</u>
Total liabilities	<u>309,417</u>	<u>277,529</u>
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Note 4):		
Unrestricted	5,686	11,806
Unrestricted—noncontrolling interest (Note 13)	16,159	2,079
Temporarily restricted	11,858	10,761
Permanently restricted	<u>4,699</u>	<u>4,694</u>
Total net assets	<u>38,402</u>	<u>29,340</u>
TOTAL	<u>\$ 347,819</u>	<u>\$ 306,869</u>

See notes to combined financial statements.

(Concluded)

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba be.group)

COMBINED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
REVENUES AND OTHER SUPPORT:		
Resident services fees	\$ 78,777	\$ 73,389
Amortization of entrance fees (Note 3)	14,774	13,917
Management fees (Note 12)	1,387	1,543
Net assets released from restrictions	<u>940</u>	<u>1,004</u>
Total revenues and other support	<u>95,878</u>	<u>89,853</u>
EXPENSES (Note 14):		
Medical services	22,880	21,534
Dietary	14,048	13,323
Plant	10,366	9,202
Housekeeping	3,916	3,879
Resident activities	3,805	3,695
Marketing	5,299	5,247
General and administrative	15,186	15,145
Depreciation and amortization	11,677	10,999
Leases and rentals	363	341
Interest—operations (Note 8)	8,261	8,178
Insurance	<u>1,842</u>	<u>1,249</u>
Total expenses	<u>97,643</u>	<u>92,792</u>
LOSS FROM OPERATIONS	<u>(1,765)</u>	<u>(2,939)</u>
OTHER GAINS (LOSSES):		
Unrestricted contributions		60
Investment income (Note 5)	3,421	3,308
Change in unrealized gain on trading securities—net	(121)	2,527
Other income	<u>290</u>	<u>462</u>
Total other gains (losses)—net	<u>3,590</u>	<u>6,357</u>
EXCESS OF REVENUES AND OTHER SUPPORT OVER EXPENSES AND OTHER GAINS	<u>1,825</u>	<u>3,418</u>
DISCONTINUED OPERATIONS (Note 3):		
Loss from discontinued operations	(1,077)	(866)
Gain from sale of discontinued operations		<u>1,061</u>
Total (loss) gain from discontinued operations—net	<u>(1,077)</u>	<u>195</u>
EXCESS OF REVENUES AND OTHER SUPPORT OVER EXPENSES, OTHER GAINS, AND DISCONTINUED OPERATIONS	<u>\$ 748</u>	<u>\$ 3,613</u>

See notes to combined financial statements.

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba be.group)

COMBINED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
UNRESTRICTED NET ASSETS:		
Excess of revenues and other support over expenses, other gains, and discontinued operations	\$ 748	\$ 3,613
Net assets released from restrictions—acquisition of facilities	212	191
Pension related changes other than net periodic pension cost (Note 9)	(7,407)	9,547
Deficiency of revenues and other support over expenses, other gains, and discontinued operations attributable to noncontrolling interest	1,560	672
Effect of combination with tax credit projects (Note 13)	<u>(1,233)</u>	<u>1,082</u>
(Decrease) increase in unrestricted net assets	<u>(6,120)</u>	<u>15,105</u>
UNRESTRICTED NET ASSETS—NONCONTROLLING INTEREST:		
Deficiency of revenues and other support over expenses, other gains, and discontinued operations attributable to noncontrolling interest	(1,560)	(672)
Equity contribution (Note 13)	<u>15,640</u>	<u>2,751</u>
Increase in unrestricted net assets—noncontrolling interest	<u>14,080</u>	<u>2,079</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Gifts and bequests	1,399	1,012
Investment income (Note 5)	1,097	1,138
Unrealized gain—marketable securities—net	35	543
Change in value of split-interest agreements	(188)	313
Net assets distributed to donors under trust agreements	(91)	(102)
Net assets distributed to other foundations		(77)
Net assets released for acquisition of facilities	(212)	(191)
Net assets released for other specific purposes	(796)	(854)
Net assets released for benevolence	<u>(147)</u>	<u>(193)</u>
Increase in temporarily restricted net assets	<u>1,097</u>	<u>1,589</u>
PERMANENTLY RESTRICTED NET ASSETS—Other	<u>5</u>	<u>(66)</u>
INCREASE IN NET ASSETS	9,062	18,707
NET ASSETS—Beginning of year	<u>29,340</u>	<u>10,633</u>
NET ASSETS—End of year	<u>\$ 38,402</u>	<u>\$ 29,340</u>

See notes to combined financial statements.

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba be.group)

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from residents and third-party payors	\$ 77,035	\$ 77,156
Proceeds from entrance fees	27,162	30,958
Other receipts from operations	1,690	2,076
Unrestricted contributions		60
Investment income	3,424	3,308
Proceeds from temporarily restricted contributions:		
Investment income	1,097	1,138
Gifts and bequests	1,211	1,325
Cash paid to employees and suppliers	(77,435)	(78,410)
Interest paid—net of bond amortization	<u>(8,415)</u>	<u>(8,117)</u>
Net cash provided by operating activities	<u>25,769</u>	<u>29,494</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of facilities	(21,011)	(15,369)
Proceeds from sale of discontinued facility		3,500
Purchase of assets whose use is limited	(6,190)	(5,804)
Sale of assets whose use is limited	12,267	6,119
Purchase of investments	(41,508)	(116,122)
Sale of investments	28,879	97,414
Cash received in combination with tax credit projects	7,798	6,607
Advances to Affordable Housing projects	<u>507</u>	<u>276</u>
Net cash used in investing activities	<u>(19,258)</u>	<u>(23,379)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash refunds of entrance fees and deposits	(4,983)	(3,931)
Contributions restricted for long-term investment	5	(66)
Proceeds from issuance of long-term debt	9,766	9,049
Payments of long-term debt	(24,098)	(12,681)
Cash paid under charitable remainder trust agreements	(91)	(102)
Payment of deferred loan costs	(514)	(437)
Equity contribution	<u>15,643</u>	<u>2,751</u>
Net cash used in financing activities	<u>(4,272)</u>	<u>(5,417)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,239	698
CASH AND CASH EQUIVALENTS—Beginning of year	<u>4,085</u>	<u>3,387</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 6,324</u>	<u>\$ 4,085</u>

(Continued)

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba be.group)

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 9,062	\$ 18,707
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Proceeds from entrance fees	27,162	30,958
Amortization of entrance fees	(14,774)	(13,917)
Contributions restricted for long-term investment	(5)	66
Amounts distributed to donors under trust agreements	91	102
Change in value of split-interest agreements	188	313
Change in value of obligation to beneficiaries	(324)	(332)
Unrealized losses (gains) on investments	84	(3,070)
Depreciation and amortization	11,677	11,148
Gain on sale of discontinued operations		(1,061)
Pension related changes other than net periodic pension cost	7,407	(9,547)
Equity contribution	(15,643)	(2,751)
Effect of combination with tax credit projects	1,233	(1,082)
Change in:		
Accounts receivable	(1,924)	1,559
Prepaid expenses and other assets	323	(756)
Accounts payable	(518)	(293)
Accrued expenses	1,730	(550)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 25,769</u>	<u>\$ 29,494</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Facilities acquisitions in accounts payable	<u>\$ 1,681</u>	<u>\$ 1,389</u>
Transfer of assets held for sale to other assets	<u>\$ -</u>	<u>\$ 904</u>

See notes to combined financial statements.

(Concluded)

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES **(dba be.group)**

NOTES TO COMBINED FINANCIAL STATEMENTS **AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

1. MISSION STATEMENT

Southern California Presbyterian Homes and Affiliates (dba be.group) (“be.group”) is dedicated to providing quality housing, health, and support services to its residents, primarily older adults of all faiths, that enrich the physical, social, and spiritual dimensions of their lives. be.group is also committed to acting as a resource for the communities in which it operates.

A part of be.group’s mission is to provide resources to the broader community. This mission is fulfilled by providing information and referral services for elder care, family support groups, training and mentoring of college interns, community education seminars, meeting space and refreshments for community organizations, financial and staff support in community fairs, and polling sites in facilities for elections. In addition to other activities for the greater community benefit, be.group’s staff members donate their time and services to several community organizations that promote be.group’s mission.

2. OPERATIONS

Southern California Presbyterian Homes, a California nonprofit public-benefit corporation, including four continuing care retirement communities of Royal Oaks Manor, White Sands, Windsor Manor, and Regents Point (collectively, “Southern California Presbyterian Homes”), together with its controlled affiliates, Redwood Senior Homes and Services (RSHS), Kirkwood Assisted Living Residence at Orange (“Kirkwood Orange”), Redding Assisted Living Corporation (“Kirkwood Redding”), Presbyterian Homes and Services of the West (PHW), Community Care for Adults (CCA), Twelve Oaks Lodge, Westminster Gardens, and Palmer House LP (“Palmer House”), owns and operates retirement communities, freestanding assisted living communities, and adult day centers, primarily in Southern California. Residents of the retirement communities receive residence, service, and care in exchange for an entrance fee and a monthly fee, which is redetermined annually. In addition, residents of the skilled nursing facilities are charged for the costs of medical services provided. The communities include approximately 848 residential units, 268 personal care beds, and 232 skilled nursing beds. be.group also provides a range of long-term care services that are affordable to low- and moderate-income seniors. These services include adult day social care, adult day health care, and on-site outpatient therapy.

Effective December 18, 2013, be.group signed an agreement to sell its Kirkwood Redding community to an unrelated party (see Note 3).

Effective November 1, 2013, be.group closed its Twelve Oaks Lodge community (see Note 3).

Southern California Presbyterian Homes Foundation (the “Foundation”) is a not-for-profit organization that is committed to building financial support from gifts for be.group. The resources received and managed by the Foundation are directed to be.group to provide housing and support service that will enhance the physical, social, and spiritual well-being of the residents who reside within the communities.

be.group has a home care service (“Home Care”) that offers assistance with shopping, transportation, and various other customer needs. Home Care customers are charged an hourly rate. be.group provides

management services to 1,480 units of subsidized housing under Housing and Urban Development (HUD) agreements. These facilities are not included in these combined financial statements (see Note 12).

Southern California Presbyterian Homes has entered into various agreements with established partners to acquire, develop, construct, and maintain low-income housing tax credit projects. As a result, Casa de la Paloma consisting of Casa de la Paloma, L.P., Casa de la Paloma, Inc., and Casa de la Paloma, L.L.C.; Andres Duarte Terrace II consisting of Andres Duarte Terrace II, L.P. and Andres Duarte Terrace II, L.L.C.; Covenant Manor consisting of Covenant Manor, L.P., Sycamore Terrace, Inc., and Covenant Manor, L.L.C.; and Royal Vista Terrace Apartments consisting of Royal Vista Terrace Apartments, L.P., Sycamore Terrace, Inc., and Royal Vista Terrace Apartments, L.L.C. are included in be.group's combined financial statements (see Notes 8 and 13).

Southern California Presbyterian Homes, the Foundation, RSHS, Kirkwood Orange, Kirkwood Redding, PHW, CCA, Twelve Oaks Lodge, Westminster Gardens, Casa de la Paloma, Inc., and Sycamore Terrace, Inc. are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes pursuant to Section 501(a) of the IRC. All members of Palmer House, Casa de la Paloma, L.L.C., Andres Duarte Terrace, L.L.C., Covenant Manor, L.L.C., and Royal Vista Terrace Apartments, L.L.C. are not-for-profit corporations as described in Section 501(c)(3) of the IRC and are exempt from federal income taxes pursuant to Section 501(a) of the IRC. Accordingly, no provision for federal income tax has been recorded in the accompanying combined financial statements. All entities have received favorable determination letters from the Internal Revenue Service indicating that they qualify for tax-exempt status. They are also exempt from California franchise taxes and real and personal property taxes, exclusive of special assessments and voter-approved assessments.

Casa de la Paloma, L.P., Andres Duarte Terrace II, L.P., Covenant Manor, L.P., and Royal Vista Terrace Apartments, L.P., have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Accordingly, these combined financial statements do not reflect a provision for income taxes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The combined financial statements include the accounts of Southern California Presbyterian Homes and its controlled affiliates, the Foundation, RSHS, Kirkwood Orange, Kirkwood Redding, PHW, CCA, Twelve Oaks Lodge, Westminster Gardens, Palmer House, Casa de la Paloma, Andres Duarte Terrace II, Covenant Manor, and Royal Vista Terrace Apartments. All significant intercompany balances and transactions have been eliminated in combination.

Discontinued Operations—Effective December 18, 2013, be.group sold its Kirkwood Redding community, with a net book value of \$2,398,000, to an unrelated party with no significant continuing involvement, for \$3,500,000, exclusive of selling costs, for a gain of \$1,061,000. In January 2014, be.group made a final principal payment of \$1,990,000 on the long-term debt associated with the Kirkwood Redding 2001 serial bonds. This payment was included in assets whose use is limited in the combined balance sheets as of December 31, 2013.

In 2013, be.group made the decision to close its Twelve Oaks Lodge community and effective November 1, 2013, operations were terminated.

Effective December 28, 2012, be.group sold its Redwood Town Court community, with a net book value of \$4,500,000, to an unrelated party with no significant continuing involvement, for \$13,685,000, exclusive of selling costs, for a gain of \$8,269,000.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 205-20, *Presentation of Financial Statements—Discontinued Operations*, current and prior period results of operations for Kirkwood Redding, Twelve Oaks Lodge, and Redwood Town Court are reported separately in discontinued operations in the combined statements of operations. Prior-period long-term debt related to Kirkwood Redding is reported separately as long-term debt related to discontinued operations in the combined balance sheets. Unless otherwise indicated, all disclosures and amounts in the combined financial statements and notes to the combined financial statements relate to be.group's continuing operations, with the exception of the combined statements of changes in net assets and statements of cash flows.

Summary balance sheet and statement of operations information for Kirkwood Redding, Twelve Oaks Lodge, and Redwood Town Court as of and for the years ended December 31, 2014 and 2013, is included in the following table (in thousands):

	Kirkwood Redding		Twelve Oaks		Redwood Town Court	
	2014	2013	2014	2013	2014	2013
Balance sheets:						
Total assets:						
Assets whose use is limited	\$ -	\$ 2,196	\$ -	\$ -	\$ -	\$ -
Other miscellaneous assets		24	1,103	1,002		
Intercompany	(1,788)	(1,815)	(2,038)	(1,485)	7,971	8,018
Total assets	<u>\$(1,788)</u>	<u>\$ 405</u>	<u>\$ (935)</u>	<u>\$ (483)</u>	<u>\$7,971</u>	<u>\$8,018</u>
Total liabilities and unrestricted net assets:						
Long-term debt related to discontinued operations	\$ -	\$ 1,990	\$ -	\$ -	\$ -	\$ -
Other miscellaneous liabilities	(318)	(173)	727	160	152	199
Unrestricted net (deficit) assets	(1,470)	(1,412)	(1,662)	(643)	7,819	7,819
Total liabilities and unrestricted net (deficit) assets	<u>\$(1,788)</u>	<u>\$ 405</u>	<u>\$ (935)</u>	<u>\$ (483)</u>	<u>\$7,971</u>	<u>\$8,018</u>
Statements of operations:						
Total revenues and other support	\$ -	\$ 1,700	\$ -	\$ 1,307	\$ -	\$ 20
Total expenses	58	2,123	455	1,792		48
Total other (loss) gains—net			(564)	30		47
(Deficiency) excess of revenues and other support over expenses and other gains	<u>\$ (58)</u>	<u>\$ (423)</u>	<u>\$(1,019)</u>	<u>\$ (455)</u>	<u>\$ -</u>	<u>\$ 19</u>

Use of Estimates—The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Performance Indicator—be.group considers the excess of revenues and other support over expenses, and other gains to be its performance indicator. Excess of revenues and other support over expenses and other gains includes all changes in unrestricted net assets, except for results of discontinued operations, net assets released from restrictions for acquisition of facilities, pension related changes other than net periodic pension cost, effects of combination with tax credit projects, and tax credit project equity contributions.

Cash and Cash Equivalents—be.group considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash and cash equivalents.

Investments—Investments consist principally of investments purchased by be.group, various donated investments, and charitable remainder trusts for which be.group has been designated as trustee. Investments are carried at fair value, which approximates current trading value, in the combined balance sheets. The cost of securities sold is based on the specific identification method. Investment income (including realized gains and losses on investments, interest, and dividends) and unrealized gains and losses on investments are included in nonoperating income, unless restricted by donor or law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts in the combined financial statements.

Split-Interest Agreements—The following instruments are recorded as income or net assets at the present value of be.group's beneficiary interest:

Charitable Remainder Trusts—be.group has been designated as trustee for several charitable remainder trusts. The Foundation administers these trusts. The trust agreements generally require be.group to make payments to beneficiaries based on stipulated interest rates, which ranged from 6.5% to 9% in both 2014 and 2013, applied to the fair market value of the trust assets determined annually or at inception of the trust. Assets are invested in government securities, certificates of deposit, mutual funds, stocks, and bonds. Upon the death of the beneficiaries, or other termination of the trusts as defined in the trust agreement, the remaining trust assets become contributions to be.group, as stipulated in the trust agreements. All charitable remainder trust assets are included at fair value in the accompanying combined balance sheets under investments held for restricted purposes and are considered to be temporarily restricted. The assets are recorded at their fair value when received and a liability is recorded for the present value of the estimated future payments. The difference between the fair value of the assets and the present value of the estimated future payments is recorded as temporarily restricted contributions at the date of the agreement. Subsequent changes to the fair value of the trust assets and the liability for the present value of the estimated future payments are reported in the combined statements of changes in net assets.

Charitable Gift Annuities—Donors have contributed assets to be.group in exchange for a promise by be.group to pay a fixed amount for a specified period of time to the donor or to individuals or organizations designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by, and the annual liability is an obligation of, be.group. Discount rates ranged from 2% to 2.4% and 1% to 2.4% in 2014 and 2013, respectively, and the liability is based upon the 2014 and 2013 Internal Revenue Service group annuity tables.

Trusts Held by a Third Party—be.group is named as beneficiary and, in certain instances, receives income from trusts administered by organizations other than be.group. Under the terms of the trust agreements, be.group has the irrevocable right to receive all or a portion of the income earned on the trust assets, either in perpetuity or for the life of the trust. be.group does not control the assets held by an outside trust. be.group recognizes its interest in the trusts at fair value as either a temporarily or permanently restricted long-term receivable and a contribution. Subsequent changes in the fair value of be.group's beneficial interests in the trusts are reported in the combined statements of changes in net assets.

Assets Whose Use Is Limited—Assets are segregated and limited as to use by outside third parties, other than a donor or a grantor. These assets primarily represent debt reserve funds of the various bond issues as well as deposit and trust account funds and other required reserves related to the various tax credit projects. Assets whose use is limited primarily consist of cash deposits and investments in mutual funds and corporate and US government debt obligations with maturities of generally less than five years and are reported at fair value.

Facilities—Facilities are stated at cost, net of accumulated depreciation. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. Depreciation is computed using a straight-line method based on the following estimated useful lives:

Land improvements	10–15 years
Buildings and improvements	7–40 years
Vehicles, furniture, and equipment	5–20 years

Other Assets—In 2012, be.group’s Board of Directors (the “Board”) approved a resolution to sell an operating community to unrelated parties. Management evaluated the accounting treatment of the land and building based on FASB ASC Topic 360, *Property, Plant, and Equipment*, and classified the land and buildings as held for sale effective December 31, 2012. In 2013, due to a change in circumstances, the asset was no longer held for sale. As such, the asset was moved from assets held for sale to other assets in the combined balance sheets as it is a non-operating property as of December 31, 2013 and 2014. Subsequent to December 31, 2014, management entered into settlement discussions regarding Twelve Oaks litigation. Accordingly, accrued settlement loss of \$564,000 is included as loss from discontinued operations in the combined statements of operation pertaining to this property.

Long-Lived Assets—In accordance with FASB ASC Topic 360, long-lived assets are evaluated for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The evaluation includes comparing the estimated future net cash flows associated with the assets to the assets’ carrying amount to determine whether impairment has occurred. If such assets are deemed impaired, an impairment loss equal to the amount by which the carrying amount exceeds the estimated fair value of the assets is recognized. If quoted market prices for the assets are not available, the fair value is calculated using the present value of estimated expected future net cash flows. The cash flow calculations are based on management’s best estimates, using appropriate assumptions and projections at the date of the combined financial statements. No impairment losses were recorded for the years ended December 31, 2014 and 2013.

Prepaid Bond Insurance and Issuance Costs—Costs incurred upon the funding of the various bond issues are being amortized over the terms of the bonds using the effective interest method.

Entrance Fees—Entrance fees are paid by a resident upon entering into a continuing care retirement community contract. Entrance fees, net of entrance fees subject to refund, are recorded as deferred revenue from entrance fees and are amortized to income using a straight-line method over the estimated remaining life expectancy of the resident.

Under the classic resident contracts, a portion of the entrance fee is refundable for up to five years. Under the repayable resident contracts, 75% of the entrance fee is refundable for the life of the contract. The aggregate amount of entrance fees subject to refund as of December 31, 2014 and 2013, is approximately \$66,300,000 and \$59,363,000, respectively.

Entrance fees subject to refund and actual refunds disbursed as of December 31, 2014, are as follows (in thousands):

Years Ended December 31	Entrance Fees Subject to Refund as of December 31	Actual Refunds Disbursed for Years Ended December 31
2014	\$ 66,300	\$ 4,982
2013	59,363	3,932
2012	46,245	3,506
2011	45,447	2,104
2010	47,150	2,703
2009	47,329	4,034

The change in entrance fees for the years ended December 31, 2014 and 2013, is as follows (in thousands):

	2014	2013
Entrance fees—January 1:		
Refundable fees	\$ 59,363	\$ 46,245
Deferred revenue	<u>46,392</u>	<u>46,804</u>
Subtotal	105,755	93,049
Add—new entrance fees	27,161	30,555
Less:		
Amortization	(11,141)	(10,713)
Termination	(3,633)	(3,204)
Refunds	<u>(4,982)</u>	<u>(3,932)</u>
Total	<u>\$ 113,160</u>	<u>\$ 105,755</u>
Entrance fees—December 31:		
Refundable fees	\$ 66,300	\$ 59,363
Deferred revenue	<u>46,860</u>	<u>46,392</u>
Total	<u>\$ 113,160</u>	<u>\$ 105,755</u>

Resident Service Fees—Resident service fees are recorded net of the provision for contractual allowances. The contractual allowance represents the difference between established rates and per diem reimbursement. On a basis of historical experience, a significant portion of uninsured residents are able to pay for the services rendered. Thus, a significant provision for bad debts related to uninsured residents in the period the services are provided is not recorded. Management, on a quarterly basis, reviews related accounts aged over 30 days to determine if accounts are collectible or should be further evaluated.

Obligation to Provide Future Services—be.group calculates the present value of the net cost of future services and use of facilities to be provided to current residents (the “estimated obligation”) and compares that amount with the balance of deferred revenue from entrance fees. If the estimated

obligation exceeds the deferred revenue from entrance fees, a liability is recorded with a corresponding charge to income. As of December 31, 2014 and 2013, the estimated obligation was less than the balance of deferred revenue from entrance fees and, therefore, no obligation to provide future services was recorded. The obligation was calculated assuming 4% inflation rate and a discount rate of 6% at December 31, 2014 and 2013.

Donor-Restricted Contributions—Unconditional promises to give cash and other assets to be.group are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the conditions have been met. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying combined financial statements. Temporarily restricted net assets are composed of be.group's interest in various charitable remainder trusts and unexpended restricted contributions. All such assets are included in the combined balance sheets under investments or other assets.

Recent Accounting Pronouncements—In July 2012, the FASB issued Accounting Standards Update (ASU) Statement No. 2012-01, *Health Care Entities (Topic 954): Continuing Care Retirement Communities—Refundable Advance Fees*. The objective of this update is to clarify the reporting for refundable advance fees received by continuing care retirement communities. The update clarifies that an entity should classify an advance fees as deferred revenue when a continuing care retirement community has a resident contract that provides for payment of the refundable advance fees upon reoccupancy by a subsequent resident, which is limited to the proceeds of reoccupancy. Refundable advance fees that are contingent upon reoccupancy by a subsequent resident, but are not limited to the proceeds of reoccupancy, should be accounted for and reported as a liability. The provisions of FASB ASU Statement No. 2012-01 were applicable for be.group effective January 1, 2014 and did not have a material impact on be.group's combined financial statements. Refundable advance fees for units not resold as of December 31, 2014, are included in accrued expenses in the combined balance sheets.

In April 2014, the FASB issued ASU Statement No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The objective of this update is to clarify the criteria for reporting discontinued operations and states that an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on operations and financial results. It further requires entities to present, for each comparative period, the assets and liabilities of a disposal group separately in the asset and liability sections, respectively, of the statement of financial position. The provisions of FASB ASU Statement No. 2014-08 are applicable for be.group effective January 1, 2016, and are not expected to have a material impact on be.group's combined financial statements.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. The objective of this update is to clarify the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The update clarifies the additional requirements that must be met to qualify as a voting interest entity and reduces the number of consolidation models. The provisions of FASB ASU 2015-02 are applicable for be.group effective January 1, 2017 and are not expected to have a material impact on be.group's combined financial statements.

4. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2014 and 2013, are available for the following purposes (in thousands):

	2014	2013
Donor restrictions (primarily restricted for capital improvements and specific operational activities)	\$ 7,744	\$ 7,204
Resident care—restricted for benevolence activities	2,837	2,006
Charitable remainder trusts	<u>1,277</u>	<u>1,551</u>
Total temporarily restricted net assets	<u>\$ 11,858</u>	<u>\$ 10,761</u>

Benevolence Activities—Under the terms of a majority of the residents’ agreements, be.group is not required to maintain those residents who are unable to pay their entire monthly resident service fees; however, such residents have generally remained in the facilities. Funds to support these residents are derived from benevolence contributions, public aid, and monies designated by the Board. When residents are in need of financial assistance, such funds are provided first through contributions restricted for benevolence and then through the Board-designated benevolence reserve, if available.

Fees paid from donor contributions restricted for benevolence are recorded as a release of temporarily restricted net assets and transferred to unrestricted revenue in the combined statements of operations as they are used. When a community depletes its funds restricted for benevolence, be.group generally provides additional benevolence.

A summary of benevolence activity for the years ended December 31, 2014 and 2013, is as follows (in thousands):

	2014	2013
Beginning balance for funds restricted for resident care	\$ 2,006	\$ 1,838
Benevolence donations	844	53
Interest earned—including unrealized gain or loss	134	308
Funds expended for resident care	<u>(147)</u>	<u>(193)</u>
Ending balance for funds restricted for resident care	<u>\$ 2,837</u>	<u>\$ 2,006</u>

be.group’s endowment consists of approximately eight individual funds established for various purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

be.group has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, be.group classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as

temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, be.group considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of be.group
- The investment policies of be.group

The changes in donor-restricted endowment net assets for the years ended December 31, 2014 and 2013, are as follows (in thousands):

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—January 1, 2013	<u>\$ 1,307</u>	<u>\$ 4,760</u>	<u>\$ 6,067</u>
Investment return:			
Investment income	498		498
Unrealized gain	<u>184</u>	<u> </u>	<u>184</u>
Total net investment return	<u>682</u>	<u>-</u>	<u>682</u>
Disbursements	<u>(281)</u>	<u>(66)</u>	<u>(347)</u>
Endowment net assets—December 31, 2013	<u>1,708</u>	<u>4,694</u>	<u>6,402</u>
Contributions and other	<u> </u>	<u>5</u>	<u>5</u>
Investment return:			
Investment income	267		267
Unrealized gain	<u>20</u>	<u> </u>	<u>20</u>
Total net investment return	<u>287</u>	<u>-</u>	<u>287</u>
Disbursements	<u>(26)</u>	<u> </u>	<u>(26)</u>
Endowment net assets—December 31, 2014	<u>\$ 1,969</u>	<u>\$ 4,699</u>	<u>\$ 6,668</u>

The description of the amounts classified as permanently restricted net assets as of December 31, 2014 and 2013, is as follows (in thousands):

	2014	2013
Permanently restricted net assets—the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	<u>\$ 4,699</u>	<u>\$ 4,694</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 4,699</u>	<u>\$ 4,694</u>
Temporarily restricted net assets—the portion of perpetual endowment funds subject to a time restriction under SPMIFA—with purpose restrictions	<u>\$ 1,969</u>	<u>\$ 1,708</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 1,969</u>	<u>\$ 1,708</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires be group to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2014 and 2013.

be.group has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. be.group expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, be.group relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). be.group targets a diversified asset allocation that places a greater emphasis on fixed-income-based investments to achieve its long-term return objectives within prudent risk constraints.

Over the long term, be.group expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with be.group's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

5. INVESTMENTS

The composition of investments stated at fair market value as of December 31, 2014 and 2013, is as follows (in thousands):

	2014	2013
Investments:		
Cash and cash equivalents	\$ 23,029	\$ 16,795
Mutual funds	23,588	17,023
Government obligations	30,476	28,439
Corporate bonds	20,679	18,490
Equities	33,392	30,521
Other	<u>427</u>	<u>153</u>
Total investments	131,591	111,421
Less:		
Investment designated for Homeship Fund	1,307	1,507
Assets whose use is limited	26,558	18,584
Investments held for restricted purposes	<u>16,449</u>	<u>14,670</u>
Total unrestricted and undesignated investments	<u>\$ 87,277</u>	<u>\$ 76,660</u>

The composition of investment income for the years ended December 31, 2014 and 2013, is as follows (in thousands):

	2014	2013
Interest and dividend income	\$ 3,189	\$ 1,922
Net realized gains	1,822	2,942
Investment expense	<u>(493)</u>	<u>(418)</u>
Investment income	<u>\$ 4,518</u>	<u>\$ 4,446</u>
Unrestricted investment income	\$ 3,421	\$ 3,308
Temporarily restricted investment income	<u>1,097</u>	<u>1,138</u>
Total investment income	<u>\$ 4,518</u>	<u>\$ 4,446</u>

6. ASSETS WHOSE USE IS LIMITED

The composition of assets whose use is limited as of December 31, 2014 and 2013, is as follows (in thousands):

	2014	2013
Cash and cash equivalents	\$ 18,607	\$ 11,613
Investments—primarily government agency and corporate bonds	<u>7,951</u>	<u>6,971</u>
Total assets whose use is limited	<u>\$ 26,558</u>	<u>\$ 18,584</u>

The above funds as of December 31, 2014 and 2013, have been restricted by parties other than donors for the following purposes (in thousands):

	2014	2013
Debt reserves	\$ 9,532	\$ 10,793
Principal, sinking fund, interest reserves, and others	1,471	3,780
Other cash reserves—tax credit projects (Notes 8 and 13)	<u>15,555</u>	<u>4,011</u>
Total assets whose use is limited	<u>\$ 26,558</u>	<u>\$ 18,584</u>

7. FACILITIES

Facilities as of December 31, 2014 and 2013, consist of the following (in thousands):

	2014	2013
Land and improvements	\$ 23,732	\$ 20,257
Buildings and improvements	263,447	263,349
Vehicles, furniture, and equipment	24,243	33,971
Construction in process	<u>12,131</u>	<u>7,446</u>
Total facilities	323,553	325,023
Accumulated depreciation	<u>(129,315)</u>	<u>(147,574)</u>
Total facilities—net	<u>\$ 194,238</u>	<u>\$ 177,449</u>

8. LONG-TERM DEBT

Long-term debt, including unamortized premiums and discounts, as of December 31, 2014 and 2013, consists of the following (in thousands):

	2014	2013
Fixed rate revenue bonds:		
Series 1999 (Kirkwood Orange)	\$ -	\$ 4,485
Series 2001 (Kirkwood Redding)		1,990
Series 2002 (RSHS)		4,795
Series 2006 (White Sands/Westminster Gardens)	40,490	40,916
Series 2009 (Southern California Presbyterian Homes)	71,729	72,746
Series 2014 tax-exempt loan (Kirkwood Orange)	3,844	
Construction and mortgages payable (Tax Credit Projects):		
Mortgage payable (Casa de la Paloma)	7,955	19,209
Mortgage payable (Andres Duarte Terrace II)	5,626	603
Mortgage payable (Covenant Manor)	12,500	
Mortgage payable (Royal Vista Terrace Apartments)	5,038	
Mortgage loan—other (Covenant Manor)	12,379	
Trust deed notes payable:		
City of Glendale—0% interest through December 2065	1,001	1,001
City of Duarte—0% interest through December 2070	<u>1,200</u>	<u>1,200</u>
Total long-term debt	<u>\$ 161,762</u>	<u>\$ 146,945</u>

The Fixed Rate Revenue Bonds—As of and for the year ended December 31, 2013, Series 1999 (Kirkwood Orange) bonds consisted of \$1,440,000 serial bonds, bearing interest at the rate of 5.40%, and the remaining balance of 3,225,000, bearing interest at the rate of 5.45%, with mandatory sinking fund payments of \$175,000 in 2013 and \$185,000 in 2014, net of unamortized discount of \$5,400 as of December 31, 2013. In December 2014, Series 1999 bonds were repaid in full using proceeds from a Series 2014 tax-exempt loan issued effective December 17, 2014.

As of and for the year ended December 31, 2013, Series 2001 (Kirkwood Redding) bonds consisted of \$1,990,000 of serial bonds, bearing interest at the rate of 5.25%. In January 2014, be.group made payments on the Series 2001 serial bonds for the remaining balance of \$1,990,000 as a result of the sale of the Kirkwood Redding community. As of December 31, 2013, funds and long-term debt are reported as assets whose use is limited and long-term debt related to discontinued operations in the combined balance sheets, respectively.

In January 2013, be.group made additional payments on the Series 2002 (RSHS) serial bonds in the amount of \$4,840,000 as a result of the sale of the Redwood Town Court community. As of December 31, 2013, Series 2002 consisted of \$4,795,000 of serial bonds, bearing interest at the rate of 6%. be.group made additional payments on the Series 2002 serial bonds in the amount of \$6,395,000 during 2013, and paid the remaining balance due of \$4,795,000 in January 2014. As of December 31, 2013, funds paid in January 2014 of \$4,795,000 are held in assets whose use is limited in the combined balance sheets.

Series 2006 (White Sands/Westminster Gardens) consist of \$1,670,000 of serial bonds bearing interest at the rate of 4.50%, payable in 2016, with sinking fund payments ranging from \$395,000 in 2013 and \$410,000 in 2014, to \$440,000 in 2016; \$5,920,000 bearing interest at the rate of 4.75% due in 2026, with sinking fund payments ranging from \$470,000 in 2017 to \$735,000 in 2026; and \$33,430,000 bearing interest at the rate of 4.875%, with sinking fund payments of \$765,000 in 2027 to \$5,620,000 in 2036, plus unamortized premium of \$497,000 and net of unamortized discount of \$221,000 as of December 31, 2014. As of December 31, 2013, the unamortized premium and unamortized discount were \$526,000 and \$235,000, respectively.

In August 2009, be.group issued \$77,805,000 of fixed rate revenue bonds. The fixed rate revenue bonds—Series 2009 (Southern California Presbyterian Homes) consist of \$1,085,000 bearing interest at 5.25% paid in 2014, with a mandatory sinking fund payment of \$1,025,000 in 2013; \$6,455,000 bearing interest at a rate of 6.25% payable in 2019 with mandatory sinking fund payments from \$1,145,000 in 2015 to \$1,445,000 in 2019; \$8,780,000 bearing interest at a rate of 6.625% payable in 2024 with mandatory sinking fund payments ranging from \$1,545,000 in 2020 to \$1,985,000 in 2024; \$12,145,000 bearing interest at the rate of 7% payable in 2029 with mandatory sinking fund payments ranging from \$2,115,000 in 2025 to \$2,765,000 in 2029; and \$45,610,000 bearing interest at a rate of 7.25% payable in 2041 with mandatory sinking fund payments ranging from \$365,000 in 2030 to \$9,370,000 in 2041, net of amortized discount of \$1,261,000 and \$1,329,000 as of December 31, 2014 and 2013, respectively.

Series 2014 Tax-Exempt Loan—In December 2014, be.group entered into a loan agreement with First Republic Bank for \$3,863,000 in tax-exempt loans issued by the California Municipal Finance Authority primarily to refinance existing Series 1999 bonds. The notes consist of a fixed interest rate period at an applicable loan rate of 2.75% through November 30, 2023, and a variable interest rate period at 67% of London InterBank Offered Rate Index, plus 1.50% beginning December 1, 2023, and continuing through the maturity date of May 15, 2028. Annual payments of \$343,323, including principal and interest, are due for Series 2014 during the fixed interest rate period, and are paid monthly to First Republic Bank.

Construction and Mortgages Payable (Tax Credit Projects)—As of December 31, 2014, Casa de la Paloma, L.P. has a mortgage loan with Citibank, N.A. in the amount of \$8,000,000. As of December 31, 2013, the loan was held as a construction loan in the amount of \$19,500,000, funded on March 1, 2013, with proceeds from the issuance of the California Municipal Finance Authority Multifamily Housing Revenue Note (Casa de la Paloma) 2013 Series A. Payment was made on the construction loan during the year ended December 31, 2014, using capital contributions from the limited partner, and on May 15, 2014, the loan was converted from a construction loan to a mortgage loan. Prior to conversion, the loan incurred interest at a variable rate of the current index, plus 1.95%, which was 2% at December 31, 2013. At conversion and through the maturity date on November 1, 2044, the mortgage bears interest at 4.76%. Proceeds were specifically to pay costs of the acquisition, rehabilitation, and development of the Casa de la Paloma, L.P. construction project. The loan is secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement, and Fixture Filing without recourse. The principal balance of the loan as of December 31, 2014 and 2013 is \$7,955,003 and \$19,209,000, respectively (see Note 13).

Covenant Manor, L.P. has a mortgage with Citibank, N.A. in the original amount of \$12,500,000. The mortgage bears interest at a rate of 5.15% and matures April 1, 2030. Payments of interest only are due monthly beginning May 2014 through April 2016, with monthly payments of principal and interest of \$64,287 commencing May 2016 until maturity. The mortgage is secured by a deed of trust on the property of Covenant Manor L.P. On March 1, 2014, Covenant Manor, L.P. concurrently entered into a loan agreement with the California Municipal Finance Authority in the original amount of \$12,378,500. Proceeds from the issuance of the California Municipal Finance Authority Multifamily Housing Revenue Bonds 2014 Series A were specifically to pay costs of the acquisition, rehabilitation, and development of the project. The loan bears interest at a rate of 0.45% and matures September 1, 2015, at which time all unpaid principal and interest is due. The loan was repaid in March 2015 and as of December 31, 2014, is included in accrued expenses in the combined balance sheets. In accordance with the borrower's certificate, proceeds from the first mortgage is held in a trust account, and is included in assets whose use is limited in the combined balances sheets.

Andres Duarte Terrace II, L.P. and Royal Vista Terrace Apartments, L.P. have construction loans in maximum amounts of \$10,478,631 and \$9,137,748, respectively. Both projects are expected to reach construction completion in 2015. As of December 31, 2014, \$5,626,000 for Andres Duarte Terrace II, L.P. and \$5,038,000 for Royal Vista Terrace Apartments, L.P. is included in long-term debt in the combined balance sheet for these construction loans. During the construction period of the Andres Duarte Terrace II project, the construction loan bears interest at variable rate of the current index, plus 2.10%, which was 2.14% at December 31, 2014. During the construction period of the Royal Vista Terrace Apartments project, the construction loan bears interest at variable rate of the current index, plus 2%, which was 2.04% at December 31, 2014. Payments of interest only are due monthly in accordance with the construction loan agreements. Construction loans will be converted to mortgage loans subsequent to completion of construction projects.

be.group is required to maintain a ratio of income available for debt service, as defined, of at least 1.15 under the 2014 notes, and 1.25 under the Series 2006 and 2009 bonds. be.group is also required to maintain a cash balance of 100 days of unrestricted cash on hand under the Series 2006 bonds, 125 days of unrestricted cash on hand under the Series 2009 bonds, and 150 days of unrestricted cash on hand under the Series 2014 notes.

The aggregate amounts maturing under long-term obligations, including mandatory bond redemptions and construction loan mandatory funding requirements, at December 31, 2014, are as follows (in thousands):

Years Ending December 31	
2015	\$ 19,324
2016	7,703
2017	2,236
2018	2,360
2019	2,485
Thereafter	<u>128,659</u>
Total principal maturities	162,767
Less net unamortized discount	<u>1,005</u>
Total long-term debt	<u>\$ 161,762</u>

9. RETIREMENT PLANS

be.group has a defined benefit retirement plan (the "Plan") which, prior to the Plan being frozen, provided retirement benefits through a noncontributory defined benefit retirement plan for substantially all full-time employees. On October 22, 2009, the Board of be.group froze the Plan, whereby effective October 31, 2009, further accrual of benefits ceased for participants in the Plan. be.group has no immediate plans to terminate the Plan.

Prior to October 31, 2009, the benefits were based upon years of service and the employee's compensation during the years of employment. be.group's funding policy, at a minimum, was to contribute amounts to the Plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, plus additional amounts deemed to be appropriate.

The Plan assets are invested in US government debt obligations, fixed-income investments, and equity securities whose values are subject to fluctuations of the securities markets. Changes in these values attributable to the differences between actual and assumed returns on Plan assets were deferred as unrecognized gains or losses and were included in the determination of the net pension expense over time.

A summary of the components of net periodic pension cost as of the date of the actuarial valuation for the years ended December 31, 2014 and 2013, is as follows (in thousands):

	2014	2013
Changes in projected benefit obligation:		
Projected benefit obligation—January 1	\$ 38,578	\$ 45,081
Service cost		
Interest cost	1,847	1,812
Effect of settlement	(3,468)	(2,076)
Benefits paid	(1,024)	(973)
Actuarial loss (gain)	<u>8,682</u>	<u>(5,266)</u>
Projected benefit obligation—December 31	<u>44,615</u>	<u>38,578</u>
Changes in Plan assets:		
Fair value of Plan assets—January 1	32,798	30,340
Actual return on Plan assets	1,245	3,775
Employer contributions	1,345	1,897
Expenses	(226)	(165)
Effect of settlement	(3,468)	(2,076)
Benefits paid	<u>(1,024)</u>	<u>(973)</u>
Fair value of Plan assets—December 31	<u>30,670</u>	<u>32,798</u>
Funded status	<u>(13,945)</u>	<u>(5,780)</u>
Accrued benefit cost	<u>\$ (13,945)</u>	<u>\$ (5,780)</u>
Accumulated benefit obligation	<u>\$ (44,615)</u>	<u>\$ (38,578)</u>
Amounts recognized in the combined statements of financial position—accrued pension liability	<u>\$ (13,945)</u>	<u>\$ (5,780)</u>
Components of net periodic benefit cost:		
Service cost	\$ -	\$ -
Interest cost	1,847	1,812
Expected return on Plan assets	(2,206)	(2,037)
Net loss amortization	989	2,085
Settlement expense	<u>1,474</u>	<u>623</u>
Net benefit cost	<u>\$ 2,104</u>	<u>\$ 2,483</u>
Net (loss) gain recognized in unrestricted net assets	<u>\$ (7,407)</u>	<u>\$ 9,547</u>
Amounts not yet reflected in net periodic benefit costs and recognized in accumulated unrestricted net assets:		
Prior service cost	\$ -	\$ -
Net actuarial loss	<u>18,973</u>	<u>11,566</u>
Total accumulated charge to unrestricted net assets	<u>\$ 18,973</u>	<u>\$ 11,566</u>

Weighted-average assumptions used to determine benefit obligations as of December 31, 2014 and 2013, are as follows:

	2014	2013
Discount rate	3.91 %	4.90 %
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic pension cost for the years ended December 31, 2014 and 2013, are as follows:

	2014	2013
Discount rate	4.90 %	4.07 %
Expected long-term rate of return on Plan assets	6.75	6.75
Rate of compensation increase	N/A	N/A

be.group determines the estimates of expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset class returns and advice from external actuarial firms, while incorporating specific asset class risk factors. For the years ended December 31, 2014 and 2013, the expected long-term rate of return used in determining net periodic pension cost was 6.75%.

For the years ended December 31, 2013 and 2014, lump sum payments exceeded the sum of the service and interest cost components of net periodic benefit cost and as such settlement accounting was triggered. Settlement expense of \$1,474,000 and \$623,000 was recorded in general and administrative expenses in the combined statements of operations for the years ended December 31, 2014 and 2013, respectively.

The Plan invests primarily in asset categories to permit conservative investments with minimal risk of loss of principal. The Plan invests in asset categories that provide diversification benefits and are easily measured. Maximum and minimum holding ranges for each of these asset categories are set by the investment committee and defined in an investment policy. The current target allocations for equity and fixed income are between 40% and 60% for the year ended December 31, 2014. Actual asset allocation within these approved ranges is based on a variety of economic and market conditions and consideration of specific asset category risk. To assess the Plan's investment performance, a long-term asset allocation policy benchmark has been established.

No contributions are required to be made to the Plan during the year ending December 31, 2015. be.group estimates that benefit payments will be paid over the next 10 years as follows (in thousands):

**Years Ending
December 31**

2015	\$ 1,478
2016	1,602
2017	1,701
2018	1,772
2019	1,962
2020–2024	11,169

Actuarial losses of \$1,902,000 related to the Plan are expected to be recognized as a component of the net periodic pension cost during the year ending December 31, 2015. Management has included the net periodic pension cost in be.group's 2015 operating budget.

Certain former and active key employees are receiving or will receive deferred compensation payments under a salary continuation agreement. Payments begin at age 65 or are made at reduced amounts if the employee leaves early, but after 10 years of service. The present value of the obligation under this agreement is accrued over the expected term of employment. The accrued deferred compensation balance was \$861,000 and \$1,007,000 at December 31, 2014 and 2013, respectively, and is included in accrued liabilities in the combined balance sheets.

In addition to the benefit plans above, effective May 16, 2010, be.group maintains a 403(b) plan for the benefit of its employees. Under the 403(b) plan, employees are eligible to defer a percentage of their salaries, up to the maximum amount allowed by the Internal Revenue Service. Additional deferrals are permitted for employees who reach age 50 or will attain age 50 before the end of the calendar year. be.group matches up to 3% of employee contributions for participating employees. be.group suspended the employer matching contribution effective September 1, 2011, and reinstated a 1% employer matching contribution effective July 1, 2014.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject be.group to concentrations of credit risk consist primarily of accounts receivable and related resident service fee revenues where the services provided are subject to payment from third-party payors. The mix of these receivables and revenues (excluding the impact from discontinued operations) as of December 31, 2014 and 2013, was as follows:

	2014	2013
Accounts receivable:		
Medicare	26 %	23 %
Medi-Cal	19	18
Commercial	8	9
Self-payors	39	45
Other payors	<u>8</u>	<u>5</u>
Total	<u>100 %</u>	<u>100 %</u>
Resident service fees:		
Medicare	20 %	22 %
Medi-Cal	20	19
Commercial	1	1
Self-payors	54	57
Other payors	<u>5</u>	<u>1</u>
Total	<u>100 %</u>	<u>100 %</u>

The estimated fair value of financial instruments has been determined by be.group using available market information and appropriate methodologies; however, considerable judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that be.group could realize in a current market exchange.

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

Cash and Cash Equivalents—Cash and cash equivalents consist principally of investments in short-term, interest-bearing instruments and are carried at cost, plus accrued interest, which approximates fair value.

Accounts and Notes Receivable—Accounts and notes receivable consist principally of short-term receivables from third-party payors, net of estimated allowances for uncollectible amounts, which approximate fair value.

Pledges Receivable—The fair value of pledges receivable, after allowances for uncollectible pledges, was determined by discounting the expected future cash flows by a risk-free rate of return for similar terms of pledges receivable. Pledges receivable are included in accounts receivable in the combined balance sheets.

Advances to Affordable Housing Projects—As advances are specifically negotiated and are not readily marketable, it is not practicable to estimate the fair value of these assets.

Accounts Payable—Accounts payable consist principally of short-term payables to third parties, which approximate fair value.

Trusts Held by a Third Party—Trusts held by a third party consist of numerous arrangements in which a donor establishes and funds a trust administered by an organization other than be.group. These trusts are recorded at the estimated fair value of be.group's beneficial interest in the net assets contributed to the trust based on the present value of future distributions to be.group.

Long-Term Debt—The fair value of be.group's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to be.group for debt of the same remaining maturities (Level 2 inputs). The fair value of be.group's long-term debt as of December 31, 2014 and 2013, is as follows (in thousands):

	Carrying Value	Fair Value
2014	\$ 161,762	\$ 177,238
2013	146,945	148,111

Assets measured and reported at fair value in the combined balance sheets using level inputs, as defined by FASB ASC Topic 820, *Fair Value Measurement*, are classified and disclosed in one of the following categories:

Level 1—Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2—Pricing inputs are based on significant observable market inputs, such as quoted prices for similar assets in active markets or quoted prices for similar or identical assets in nonactive markets, or other market observable inputs.

Level 3—Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The following is a description of valuation inputs and techniques that the group utilizes to fair value each major category of investments in accordance with ASC Topic 820:

Money Market Funds and Commercial Paper—Money market funds and commercial paper are cash equivalents invested in short-term debt securities and are regulated under the Investment Company Act of 1940. Money market funds and commercial paper have observable inputs, but are not actively traded and are classified as Level 2.

Mutual Funds—Mutual funds registered with the Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 are valued based on quoted market prices, which represent the net asset value of shares, and are categorized as Level 1.

Fixed Income (US Treasury Securities)—US Treasury securities are valued based on prices provided by third-party vendors that obtain feeds from a number of live data sources, including active market makers and interdealer brokers. To the extent that these inputs are observable and timely, values are categorized as Level 2.

Fixed Income (Municipal and Federal Government Agency Bonds)—Municipal and federal government agency bonds are valued using inputs and techniques which include identification of similar issues and market activity. To the extent that these inputs are observable and timely, values are categorized as Level 2.

Fixed Income (US and Non-US Corporate Bonds)—Investment-grade bonds are valued using inputs and techniques which include third-party pricing vendors, dealer quotations, and recently executed transactions in securities of the issuer or comparable issuers. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. Values for high-yield bonds are based primarily on pricing vendors and dealer quotations from relevant market makers. The dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit-quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds, and sector-specific trends. To the extent that these inputs are observable and timely, the values are categorized as Level 2.

Equity (US and Non-US Equity)—Equity securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange and are categorized as Level 1.

The information about assets and liabilities measured at fair value on a recurring basis and the fair value hierarchy of the valuation techniques utilized by management to determine such fair value as of December 31, 2014 and 2013, is as follows (in thousands):

2014	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Cash equivalents:				
Money market funds	\$ -	\$ 4,384	\$ -	\$ 4,384
Other cash equivalents	17,644			17,644
Commercial paper		1,001		1,001
Mutual funds:				
Equity	6,761			6,761
Fixed income	14,080			14,080
Real estate	2,747			2,747
Fixed income:				
Municipal bonds		719		719
US Treasury securities		10,711		10,711
Federal government agency bonds		19,046		19,046
US corporate bonds		18,680		18,680
Non-US corporate bonds		1,999		1,999
Equity:				
US equity securities	28,316			28,316
Non-US equity securities	5,076			5,076
Other	345		82	427
Total assets at fair value	<u>\$ 74,969</u>	<u>\$ 56,540</u>	<u>\$ 82</u>	<u>\$ 131,591</u>
2013	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Cash equivalents:				
Money market funds	\$ -	\$ 12,580	\$ -	\$ 12,580
Other cash equivalents	4,215			4,215
Mutual funds:				
Equity	6,034			6,034
Fixed income	8,554			8,554
Real estate	2,435			2,435
Fixed income:				
Municipal bonds		670		670
US Treasury securities		11,824		11,824
Federal government agency bonds		15,945		15,945
US corporate bonds		16,364		16,364
Non-US corporate bonds		2,126		2,126
Equity:				
US equity securities	27,347			27,347
Non-US equity securities	3,174			3,174
Other	71		82	153
Total assets at fair value	<u>\$ 51,830</u>	<u>\$ 59,509</u>	<u>\$ 82</u>	<u>\$ 111,421</u>

The information about assets of the Plan measured at fair value in accordance with FASB ASC Topic 715, *Compensation—Retirement Benefits*, and the fair value hierarchy of the valuation techniques utilized by management to determine such fair value as of December 31, 2014 and 2013, is as follows (in thousands):

2014	Level 1	Level 2	Level 3	Total
Plan assets at fair value:				
Separate investment accounts with underlying mutual fund investments:				
Equity	\$ -	\$ 11,798	\$ -	\$ 11,798
Fixed income	<u> </u>	<u>18,872</u>	<u> </u>	<u>18,872</u>
Total Plan assets at fair value	<u>\$ -</u>	<u>\$ 30,670</u>	<u>\$ -</u>	<u>\$ 30,670</u>
2013	Level 1	Level 2	Level 3	Total
Plan assets at fair value:				
Separate investment accounts with underlying mutual fund investments:				
Equity	\$ -	\$ 17,310	\$ -	\$ 17,310
Fixed income	<u> </u>	<u>15,488</u>	<u> </u>	<u>15,488</u>
Total Plan assets at fair value	<u>\$ -</u>	<u>\$ 32,798</u>	<u>\$ -</u>	<u>\$ 32,798</u>

be.group had no transfers between levels of assets measured at fair value on a recurring basis in the combined balance sheets during the years ended December 31, 2014 and 2013. In determining when transfers between levels are recognized, be.group's policy is to recognize the transfers based on the actual date of the event or change in circumstances that caused the transfer.

11. COMMITMENTS AND CONTINGENCIES

be.group self-insures for workers' compensation up to a maximum of \$850,000 per occurrence. Claims above this amount are insured by a third party up to an additional \$1,000,000. Estimates are made of potential claims and amounts are accrued accordingly. Estimated claims are \$4,591,000 and \$4,424,000 as of December 31, 2014 and 2013, respectively, and are included in accrued liabilities in the accompanying combined balance sheets. be.group also self-insures for automobile physical damage losses and unemployment claims.

Effective January 1, 2012, through December 31, 2013, be.group was self-insured for employee health benefits for eligible full-time active employees up to an annual maximum of \$125,000 for each claimant. Claims above this amount are insured by a third party for an unlimited amount for each claimant. be.group was insured by a third party at a minimum annual aggregate attachment point of \$6,500,000 for 2013 for the benefit period, which includes claims incurred from January 1 through December 31 and paid from January 1 through March 31 of the subsequent year. Based on claims incurred through December 31, an estimated liability for claims incurred, but not reported of \$728,000 is included in accrued liabilities in the accompanying combined balance sheets as of December 31, 2013, with \$150,000 in accounts receivable for estimated reinsurance recoverable amounts. Effective January 1, 2014, be.group is no longer self-insured for employee health benefits.

be.group purchases professional liability insurance under a claims-made-basis policy (see Note 15).

be.group is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on be.group's combined financial statements.

Financial instruments that potentially subject be.group to concentrations of credit risk consist principally of cash and cash equivalents and receivables. be.group places its cash and cash equivalents into several financial institutions. be.group's customer base consists of a large number of customers in California. be.group performs credit evaluations, estimates a provision for uncollectible receivables, and writes off uncollectible amounts as they become known.

Palmer House and the City of Glendale entered into a ground lease for real property at 549-605 Palmer Avenue, Glendale, California, commencing on December 31, 2007, for a term of 39 years. A net minimum rent payment of \$42,000 is payable to the City of Glendale annually on March 30. On November 15, 2010, Palmer House and the City of Glendale entered into an agreement to modify the ground lease. The annual minimum rent shall be one dollar as long as Palmer House is in full compliance with the ground lease and various covenants.

Income Taxes—During the years ended December 31, 2014 and 2013, be.group did not recognize any liability for unrecognized tax contingencies.

12. TRANSACTIONS WITH AFFORDABLE HOUSING PROJECTS

Several California nonprofit public benefit corporations have been formed by be.group to operate housing facilities ("Affordable Housing") managed by be.group and controlled by HUD for low- and moderate-income elderly or disabled persons. The Affordable Housing projects are stand-alone entities and are not included within the combined financial statements of be.group. be.group provides non-interest-bearing advances to partially finance the construction of the facilities. be.group had advanced approximately \$830,000 and \$873,000 as of December 31, 2014 and 2013, respectively, to projects that are in various stages of construction, which are included in advances to Affordable Housing projects in the accompanying combined balance sheets. It is expected that the advances will be repaid upon the termination of the Housing Assistance Payment Contracts with HUD. Management fees earned from these projects were \$1,192,000 and \$1,310,000 in 2014 and 2013, respectively. As of December 31, 2014 and 2013, be.group also has current receivables due from the Affordable Housing projects of \$1,210,000 and \$1,274,000, respectively, which are included in accounts receivable in the accompanying combined balance sheets.

The combined unaudited financial information as of and for the years ended September 30, 2014 and 2013, of the Affordable Housing projects is as follows (in thousands):

	<u>Unaudited</u>	
	<u>2014</u>	<u>2013</u>
Assets:		
Cash and receivables—other	\$ 7,942	\$ 8,528
Facilities—net	<u>112,370</u>	<u>123,195</u>
Total assets	<u>\$ 120,312</u>	<u>\$ 131,723</u>
Liabilities and net deficit:		
Liabilities—primarily long-term debt	\$ 138,336	\$ 148,773
Net deficit	<u>(18,024)</u>	<u>(17,050)</u>
Total liabilities and net deficit	<u>\$ 120,312</u>	<u>\$ 131,723</u>
Selected financial data—revenues	<u>\$ 11,013</u>	<u>\$ 13,727</u>
Change in net deficit before depreciation and transfers	\$ 579	\$ (455)
Communities no longer reported with Affordable Housing portfolio	2,148	
Depreciation	<u>(3,701)</u>	<u>(4,115)</u>
Total change in net deficit	<u>\$ (974)</u>	<u>\$ (4,570)</u>

be.group has management agreements with additional nonprofit entities to manage their low-income, subsidized, and sponsored housing facilities. Management fees earned from these agreements were approximately \$39,600 in each of 2014 and 2013.

13. TAX CREDIT PROJECTS

Casa de la Paloma—Effective March 27, 2013, Casa de la Paloma, Inc., a HUD community managed by be.group during the year ended December 31, 2012, and prior, sold its property, including land and building, to a newly created limited partnership, Casa de la Paloma, L.P. Casa de la Paloma, L.P. was formed as a limited partnership under the laws of the State of California on July 16, 2012, to develop, construct, own, maintain, and operate an apartment project (“CDLP Project”) consisting of 167 rental units located in Glendale, California. The partners of Casa de la Paloma, L.P. include Casa de la Paloma, L.L.C. as the general partner with 0.01% ownership interest and an unrelated investor limited partner with 99.99% ownership interest. Casa de la Paloma L.L.C. is 75% owned by Southern California Presbyterian Homes and 25% owned by an unrelated not-for-profit entity. Casa de la Paloma, L.P. is combined into Casa de la Paloma, L.L.C.’s financial statements and those combined statements are consolidated into be.group’s combined financial statements. Noncontrolling interest is reported in unrestricted net assets for the 99.99% ownership by the investor limited partner. Casa de la Paloma, L.P. consists of one building, which qualifies for and has been allocated low-income housing tax credits pursuant to IRC Section 42.

Combined balance sheet summary information at the close of the transaction in 2013 is included in the following table (in thousands):

Cash	\$ 8,456
Other assets	6,316
Long-term debt	11,736
Other liabilities	105
Total unrestricted net assets	2,931

At the close of the transaction, other assets consist primarily of capitalized costs of the CDLP Project and total liabilities consist primarily of cash draws on the mortgages payable at the close of the transaction to fund the CDLP Project.

Casa de la Paloma, L.P. entered into a \$2.5 million development agreement with be.group for services performed in connection with the development of the CDLP Project. To the extent that costs relate directly to development of the CDLP Project, fees are capitalized into the cost of the building. As of December 31, 2014 and 2013, development fees of \$1,250,000 has been recorded in facilities in the combined financial statements and the remaining balance of \$1,250,000 has been eliminated in combination.

Capital contributions totaling \$12,168,000 are due from the limited partner of Casa de la Paloma, L.P. when certain milestones are achieved. The limited partner funded capital contributions of \$9,784,000 and \$1,849,000 in 2014 and 2013, respectively, which are included as equity contributions in the accompanying combined statements of changes in net assets for the years then ended. The remaining amounts due are expected to be contributed in 2015.

Andres Duarte Terrace II—Effective December 6, 2013, Andres Duarte Terrace II, L.P., a partnership formed to acquire, develop, construct, own, maintain, and operate a 43-unit low-income housing tax credit project (“ADT II Project”) in Duarte, California, was combined into be.group’s combined financial statements as Andres Duarte Terrace II. The partners of Andres Duarte Terrace II, L.P. include Andres Duarte Terrace II, L.L.C. as the general partner with 0.01% ownership interest and an unrelated investor limited partner with 99.99% ownership interest. Southern California Presbyterian Homes is the sole managing member of Andres Duarte Terrace II, L.L.C. Andres Duarte Terrace II, L.P. is combined into Andres Duarte Terrace II, L.L.C.’s financial statements and those combined statements are consolidated into be.group’s combined financial statements. Noncontrolling interest is reported in unrestricted net assets for the 99.99% ownership by the investor limited partner. Andres Duarte Terrace II, L.P. consists of one building, which qualifies for and has been allocated low-income housing tax credits pursuant to IRC Section 42.

The partners of Andres Duarte Terrace II funded cumulative capital contributions of \$902,000 during the year ended December 31, 2013, which was included as an equity contribution in the combined statements of changes in net assets.

Balance sheet summary information at the close of the transaction in 2013 is included in the following table (in thousands):

Facilities	\$ 2,679
Other assets	26
Total liabilities	1,803
Total unrestricted net assets	902

At the close of the transaction, other assets consist primarily of capitalized costs of the ADT II Project and total liabilities consist primarily of cash draws on the mortgages payable at the close of the transaction to fund the ADT II Project.

Construction for the ADT II Project is expected to reach completion in 2015. Andres Duarte Terrace II, L.P. entered into a \$1.5 million development agreement with be.group for services performed in connection with the development of the ADT II Project. As of December 31, 2014 and 2013, capitalized development fees of \$521,700 have been recorded in facilities in the accompanying combined financial statements.

Covenant Manor—Effective March 1, 2014, Sycamore Terrace, Inc., a HUD community managed by be.group during the year ended December 31, 2013, and prior, sold its property, including land and building, to a newly created limited partnership, Covenant Manor, L.P. Covenant Manor, L.P. was formed as a limited partnership under the laws of the State of California on July 10, 2013, to develop, construct, own, maintain, and operate an apartment project (“CM Project”) consisting of 100 rental units located in Long Beach, California. The partners of Covenant Manor, L.P. include Covenant Manor, L.L.C. as the general partner with 0.01% ownership interest and an unrelated investor limited partner with 99.99% ownership interest. Covenant Manor L.L.C. is 75% owned by Southern California Presbyterian Homes and 25% owned by an unrelated not-for-profit entity. Covenant Manor, L.P. is combined into Covenant Manor, L.L.C.’s financial statements and those combined statements are consolidated into be.group’s combined financial statements as of December 31, 2014. Noncontrolling interest is reported in unrestricted net assets for the 99.99% ownership by the investor limited partner. Covenant Manor, L.P. consists of one building, which qualifies for and has been allocated low-income housing tax credits pursuant to IRC Section 42.

Combined balance sheet summary information at the close of the transaction in 2014 is included in the following table (in thousands):

Cash	\$ 7,438
Other assets	18,796
Long-term debt	24,879
Other liabilities	845
Total unrestricted net assets	510

Covenant Manor, L.P. entered into a \$2.5 million development agreement with be.group for services performed in connection with the development of the CM Project. To the extent that costs relate directly to development of the CM Project, fees are capitalized as part of the cost of the building. As of December 31, 2014, a development fees of \$1,858,000 has been recorded in facilities for Covenant Manor, L.P. in the combined financial statements and the remaining balance of \$642,000 has been eliminated in combination.

Capital contributions totaling \$6,993,870 are due from the limited partner of Covenant Manor, L.P. when certain milestones are achieved as required. The limited partner has funded cumulative capital contributions of \$5,462,000, which is included as an equity contribution in the combined statements of changes in net assets for the year ended December 31, 2014.

Royal Vista Terrace Apartments—Effective September 1, 2014, Sycamore Terrace, Inc., a HUD community managed by be.group during the year ended December 31, 2013, and prior, sold its property, including land and building, to a newly created limited partnership, Royal Vista Terrace Apartments, L.P. Royal Vista Terrace Apartments, L.P. was formed as a limited partnership under the laws of the State of California on November 25, 2013, to develop, construct, own, maintain, and operate

an apartment project (“RVT Project”) consisting of 75 rental units located in Duarte, California. The partners of Royal Vista Terrace Apartments, L.P. include Royal Vista Terrace Apartments, L.L.C. as the general partner with 0.01% ownership interest and an unrelated investor limited partner with 99.99% ownership interest. Royal Vista Terrace Apartments, L.L.C. is 75% owned by Southern California Presbyterian Homes and 25% owned by an unrelated not-for-profit entity. Royal Vista Terrace Apartments, L.P. is combined into Royal Vista Terrace Apartments, L.L.C.’s financial statements and those combined statements are consolidated into be.group’s combined financial statements as of December 31, 2014. Noncontrolling interest is reported in unrestricted net assets for the 99.99% ownership by the investor limited partner. Royal Vista Terrace Apartments, L.P. consists of one building, which qualifies for and has been allocated low-income housing tax credits pursuant to IRC Section 42.

Combined balance sheet summary information at the close of the transaction in 2014 is included in the following table (in thousands):

Cash	\$ 2,559
Other assets	2,479
Long-term debt	4,340
Other liabilities	272
Total unrestricted net assets	426

Royal Vista Terrace Apartments, L.P. entered into a \$1,396,300 development agreement with be.group for services performed in connection with the development of the RVT Project. To the extent that costs relate directly to development and construction of the RVT Project, fees are capitalized into the cost of the building. As of December 31, 2014, development fees of \$349,000 has been recorded in facilities for Royal Vista Terrace Apartments, L.P. in the combined financial statements.

Capital contributions totaling \$3,971,000 are due from the limited partner of Royal Vista Terrace Apartments, L.P. when certain milestones are achieved. The limited partner has funded cumulative capital contributions of \$397,000, which are included as an equity contribution in the accompanying combined statements of changes in net assets.

be.group has established various other entities with similar structures with plans to complete tax credit projects in 2015 and future years.

14. FUNCTIONAL EXPENSES BY PROGRAM

Functional expenses by program for the years ended December 31, 2014 and 2013, are as follows (in thousands):

	2014					
	Residential	Assisted Living	Skilled Nursing	Home Office and Foundation	Home Care Services	Combined Total
Expenses:						
Medical services	\$ 3,437	\$ 4,702	\$ 13,441	\$ -	\$ 1,300	\$ 22,880
Dietary	9,941	2,549	1,558			14,048
Plant	8,518	1,081	600	167		10,366
Housekeeping	2,370	498	1,048			3,916
Resident activities	2,606	496	703			3,805
Marketing	4,082	575	216	426		5,299
General and administrative	9,190	1,582	1,352	2,663	399	15,186
Depreciation and amortization	9,589	914	709	412	53	11,677
Leases and rentals	144	17	9	193		363
Interest—operations	7,343	508	410			8,261
Insurance	<u>1,550</u>	<u>140</u>	<u>120</u>	<u>2</u>	<u>30</u>	<u>1,842</u>
Total expenses	<u>\$ 58,770</u>	<u>\$ 13,062</u>	<u>\$ 20,166</u>	<u>\$ 3,863</u>	<u>\$ 1,782</u>	<u>\$ 97,643</u>
	2013					
	Residential	Assisted Living	Skilled Nursing	Home Office and Foundation	Home Care Services	Combined Total
Expenses:						
Medical services	\$ 3,268	\$ 4,393	\$ 12,473	\$ -	\$ 1,400	\$ 21,534
Dietary	9,390	2,447	1,482		4	13,323
Plant	7,419	1,009	564	147	63	9,202
Housekeeping	2,293	491	1,095			3,879
Resident activities	2,283	463	675		274	3,695
Marketing	3,944	570	220	511	2	5,247
General and administrative	8,783	1,577	1,288	3,120	377	15,145
Depreciation and amortization	9,174	790	673	315	47	10,999
Leases and rentals	122	17	7	187	8	341
Interest—operations	7,171	557	450			8,178
Insurance	<u>1,017</u>	<u>108</u>	<u>91</u>		<u>33</u>	<u>1,249</u>
Total expenses	<u>\$ 54,864</u>	<u>\$ 12,422</u>	<u>\$ 19,018</u>	<u>\$ 4,280</u>	<u>\$ 2,208</u>	<u>\$ 92,792</u>

15. OTHER ASSETS

Effective January 1, 2002, be.group entered into a contractual agreement to form Caring Communities Insurance Company (CCIC), a self-insurance administrator, which, through its risk-sharing provisions, provided insurance coverage for professional and comprehensive general liability exposure. CCIC is a multiorganization insurance company for long-term care organizations incorporated under the laws of the Cayman Islands.

CCIC provided claims-made insurance coverage using a combination of self-insured retentions and excess commercial insurance coverage. CCIC engaged the services of a professional actuarial consultant for the determination of premiums to be assessed to participants under the plan of coverage. As a self-insurance administrator, CCIC enabled risk sharing among participating long-term care organizations. The participants are required to pay assessed premiums and are subject to a per-claim self-insured retention.

Effective January 1, 2008, CCIC became a wholly owned subsidiary of Caring Communities, a Reciprocal Risk Retention Group (CCrRRG), and the insurance policies have been solely written by CCrRRG since then. Insurance expense under the CCrRRG programs amounted to \$820,000 in 2014 and 2013. be.group's investment in CCrRRG was \$535,000 as of December 31, 2014 and 2013, which is included in other assets in the accompanying combined balance sheets.

Effective January 1, 2008, Caring Communities Shared Services (CCSS) became a wholly owned subsidiary of CCrRRG. Caring Communities Health Insurance Program (CCHIP), a division of CCSS, assisted in the negotiation of contracts related to be.group's self-insured employee health benefits (see Note 11). John Cochrane, President and CEO of be.group, is on the board of directors of CCrRRG.

16. SUBSEQUENT EVENTS

be.group has evaluated subsequent events through April 29, 2015, the date the combined financial statements were available to be issued. Except as disclosed in Note 3, no events were identified.

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SUPPLEMENTAL COMBINING SCHEDULES

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba bc.group)

COMBINING BALANCE SHEETS (BY LOCATION) FOR ADDITIONAL INFORMATION
AS OF DECEMBER 31, 2014
(In thousands)

	Home Office	Royal Oaks Manor	White Sands	Windsor Manor	Regents Point	Home Care	Redwood Terrace	Redwood Town Court	Redwood Elderlink	Westminials Gardens	Kirkwood Orange	Kirkwood Glendale	Kirkwood Redding	CCA	Twelve Oaks Lodge	Palmer House	SCPH Foundation	Casa de la Paloma	Andrea Duarte Terrace II	Covenant Manor	Royal Vista Apartments	Eliminations	Combined	
ASSETS																								
CASH AND CASH EQUIVALENTS	\$ 2,081	\$ 4,372	\$ 8,800	\$ 1,877	\$ 12,229	\$ -	\$ 35	\$ -	\$ -	\$ 936	\$ -	\$ -	\$ -	\$ -	\$ 76	\$ 1,117	\$ 9,095	\$ 3,217	\$ -	\$ 575	\$ 317	\$ -	\$ 6,324	
INVESTMENTS	49,857																						87,277	
INVESTMENTS DESIGNATED FOR THE HOMESHIP FUND																							1,307	
ACCOUNTS RECEIVABLE - Net of estimated uncollectibles	2,460	409	332	854	1,425	346	879		87	119	75				112		93			98	79		1,307	
NOTES RECEIVABLE	1,842																	8,000		7,001	2,300		7,000	
PREPAID EXPENSES	506	200	237	106	247	11	144		22	74	18				10	2	24	64		69	14		1,748	
ASSETS WHOSE USE IS LIMITED		1,906	6,189	141	1,380					654	520					213		1,211		14,166	178		26,558	
INVESTMENTS HELD FOR RESTRICTED PURPOSES																	16,449						16,449	
FACILITIES - Net	6,339	27,892	70,190	4,766	26,079	10	13,295		858	10,041	4,803					641		10,239	8,089	9,945	2,912		194,238	
ADVANCES TO AFFORDABLE HOUSING PROJECTS	2,014																							
PREPAID BOND INSURANCE AND ISSUANCE COSTS																								
GOODWILL AND RELATED INTANGIBLES... Net		664	1,104	49	481					101	233													
OTHER ASSETS	3,804																							
INTERCOMPANY	(78,165)	18,990	11,025	2,717	51,502	425	(12,162)	7,971	(2,265)	8,508	(726)	(2,705)	(1,788)	(879)	(2,038)		(1,289)			304		(2,308)		
TOTAL	\$ (9,262)	\$ 54,435	\$ 97,880	\$ 10,513	\$ 93,345	\$ 792	\$ 2,198	\$ 7,971	\$ (1,298)	\$ 20,435	\$ 4,923	\$ (2,705)	\$ (1,788)	\$ -	\$ (932)	\$ 873	\$ 23,735	\$ 23,161	\$ 8,114	\$ 32,158	\$ 5,800	\$ -	\$ 347,819	

(Continued)

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba bc-group)

COMBINING BALANCE SHEETS (BY LOCATION) FOR ADDITIONAL INFORMATION
AS OF DECEMBER 31, 2014

(In thousands)

LIABILITIES AND NET ASSETS	Home Office	Royal Oaks Manor	White Sands	Windoor Manor	Regents Point	Home Care	Redwood Terrace	Redwood Town Court	Redwood Eiderflink	Westminster Gardens	Kirkwood Orange	Kirkwood Glendale	Kirkwood Redding	CCA	Tweave Oaks Lodge	Palmer House	SCPH Foundation	Casa de la Paloma	Andres Duarte Terrace II	Covenant Manor	Royal Vista Apartments	Eliminations	Combined	
Accounts payable	\$ 173	\$ 427	\$ 631	\$ 277	\$ 776	\$ 53	\$ 504	\$ -	\$ 60	\$ 215	\$ 26	\$ -	\$ -	\$ -	\$ 24	\$ 13	\$ 44	\$ 187	\$ 334	\$ 1,445	\$ 125	\$ (440)	\$ 4,874	
Accrued expenses	5,272	367	541	119	994	15	244	-	2	128	27	-	-	-	8	8	15	12	136	136	82	(77)	7,982	
Deposits from applicants for residency	85	233	5	5	164	22	22	-	30	30	3	-	-	-	3	3	49	49	14	14	19	-	659	
Accrued liabilities	15,776	1,757	1,843	902	2,554	98	133	(208)	(169)	511	94	(483)	-	-	581	150	209	367	1,548	1,548	19	(19,364)	5,521	
Deferred pension liabilities	(14,720)	6,766	5,975	3,633	8,752	272	1,297	360	161	696	330	165	-	-	122	132	132	-	-	-	-	-	13,943	
Deferred pension entrance fees subject to refund	-	13,716	19,809	1,524	21,743	4,633	4,633	-	4,875	4,875	-	-	-	-	-	-	-	-	-	-	-	-	66,300	
Long-term debt	3,054	9,180	16,642	1,066	15,774	3,480	3,480	-	3,887	6,601	3,844	-	-	-	-	-	-	10,238	6,878	24,879	5,038	(2,334)	46,660	
Life income obligations to beneficiaries under charitable trust agreements	-	21,790	63,385	1,615	15,774	-	-	-	6,601	-	-	-	-	-	-	-	-	-	-	-	-	-	-	161,762
Total liabilities	9,555	54,088	109,063	9,136	63,347	438	10,313	152	54	16,943	4,324	(318)	(318)	-	727	1,176	1,152	10,965	7,212	28,039	5,264	(22,215)	309,417	
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
NET ASSETS (DEFICIT):	(18,817)	347	(11,183)	1,377	29,998	354	(8,115)	7,819	(1,352)	3,492	599	(2,707)	(1,470)	-	(1,662)	(203)	7,768	2,457	902	(943)	80	(2,153)	5,686	
Unrestricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,159
Temporarily restricted	(18,817)	347	(11,183)	1,377	29,998	354	(8,115)	7,819	(1,352)	3,492	599	(2,707)	(1,470)	-	(1,662)	(203)	7,768	2,457	902	(943)	80	(2,153)	5,686	
Permanently restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,838
Total net (deficit) assets	\$ (18,817)	\$ 347	\$ (11,183)	\$ 1,377	\$ 29,998	\$ 354	\$ (8,115)	\$ 7,819	\$ (1,352)	\$ 3,492	\$ 599	\$ (2,707)	\$ (1,470)	\$ -	\$ (1,662)	\$ (203)	\$ 7,768	\$ 2,457	\$ 902	\$ (943)	\$ 80	\$ (2,153)	\$ 5,686	
TOTAL	\$ (9,262)	\$ 54,435	\$ 97,880	\$ 10,513	\$ 93,345	\$ 792	\$ 2,198	\$ 7,971	\$ (1,298)	\$ 20,435	\$ 4,923	\$ (2,705)	\$ (1,788)	\$ -	\$ 935	\$ 973	\$ 25,735	\$ 23,161	\$ 8,114	\$ 32,158	\$ 5,800	\$ (24,626)	\$ 347,819	

See notes to supplemental combining schedules and accompanying independent auditors' report. (Continued)

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba bc-group)

**COMBINING STATEMENTS OF OPERATIONS (BY LOCATION) FOR ADDITIONAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**
(In thousands)

	Home Office	Royal Oaks Manor	White Sands	Windsor Manor	Ragnan Point	Homa Care	Redwood Terrace	Redwood Town Court	Redwood Elderlink	Westminsters Gardens	Kirkwood Orange	Kirkwood Glendale	Kirkwood Redding	CCA	Twelve Oaks Lodge	Palmer House	BCPH Foundation	Casa de la Paloma	Andres Duaria Terrace II	Covenant Manor	Royal Vista Terrace Apartments	Eliminations	Combined
REVENUES, GAINS, AND OTHER SUPPORT:																							
Resident services fees	\$ 532	\$ 12,133	\$ 14,138	\$ 7,561	\$ 8,028	\$ 990	\$ 11,920	\$ -	\$ 837	\$ 5,537	\$ 3,209	\$ -	\$ -	\$ -	\$ -	\$ 187	\$ -	\$ 1,941	\$ -	\$ 1,459	\$ 305	\$ -	\$ 78,777
Amortization of entrance fees	7,103	2,458	4,506	452	4,713	-	1,663	-	20	982	4	-	-	-	-	-	-	-	-	-	-	(5,716)	14,944
Management fees	10	283	230	51	171	1	124	-	857	45	-	-	-	-	-	-	-	-	-	-	-	-	1,387
Net income realized from restrictions	7,645	14,874	18,874	8,064	22,812	991	13,707	-	-	6,564	3,213	-	-	-	-	187	-	1,941	-	1,459	305	(5,716)	940
Total revenues, gains, and other support																							95,878
EXPENSES:																							
Medical services	3,044	3,176	2,197	2,197	6,349	620	4,685	-	680	1,072	1,057	-	-	-	-	-	-	-	-	-	-	-	22,880
Dietary	2,675	3,152	1,596	1,596	3,572	741	1,815	-	497	741	497	-	-	-	-	-	-	-	-	271	57	-	14,048
Plant	1,762	1,976	898	2,057	2,057	2,385	2,385	-	231	990	110	-	-	-	-	58	614	-	-	-	-	-	10,366
Housekeeping	706	847	377	1,024	801	692	692	-	160	110	123	-	-	-	-	-	73	-	-	92	16	-	3,805
Medical activities	671	787	330	801	810	394	697	-	215	215	316	-	-	-	-	-	-	-	-	294	70	-	5,299
General and administrative	436	1,525	1,525	507	810	394	764	-	51	986	397	-	-	-	-	64	456	-	-	294	70	-	15,186
Depreciation and amortization	9,059	2,242	2,470	1,488	2,391	3	1,779	-	50	895	244	-	-	-	67	321	321	-	-	186	34	-	11,677
Leases and rentals	186	10	51	18	25	52	52	-	5	9	9	-	-	-	10	7	389	-	-	476	-	-	363
Interest—operating	1,650	3,820	122	1,194	350	5	226	-	25	381	34	-	-	-	10	42	150	-	-	42	18	-	8,601
Insurance	2	292	332	170	350	5	226	-	25	186	34	-	-	-	10	42	150	-	-	42	18	-	1,802
Total expenses	10,252	15,674	21,440	7,968	21,193	1,022	13,561	-	806	6,359	3,251	-	-	-	-	199	582	2,003	-	1,361	195	(7,923)	97,643
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SUPPORT OVER EXPENSES, AND OTHER GAINS	(12,620)	(3,890)	(3,566)	66	1,715	(31)	246	-	51	992	(26)	-	-	-	-	(1)	(381)	(65)	-	95	116	2,367	(1,765)
Investment income	1,926	185	396	76	497	-	(256)	-	70	43	-	-	-	-	-	-	-	-	-	(1)	-	-	3,421
Change in unrealized gains (losses) on trading securities—net	(344)	(23)	(11)	(12)	(82)	-	278	-	(13)	(1)	-	-	-	-	-	-	-	-	-	(147)	-	-	(131)
Other income	4,013	68	25	16	16	-	3	-	-	10	4	-	-	-	1	552	(172)	-	-	(147)	-	(4,099)	290
Total other gains—net	5,595	230	410	80	431	-	25	-	57	52	4	-	-	-	1	1,124	(172)	-	-	(148)	-	(4,099)	3,590
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SUPPORT OVER EXPENSES, AND OTHER GAINS	2,988	(570)	(2,156)	176	2,150	(31)	371	-	108	357	(34)	-	-	-	(1)	(1)	543	(234)	-	(50)	110	(1,892)	1,825
DISCONTINUED OPERATIONS (Note 3):																							
Loss on discontinued operations	-	-	-	-	-	-	-	-	-	-	-	(58)	-	-	(1,019)	-	-	-	-	-	-	-	(1,077)
Total loss from discontinued operations—net	-	-	-	-	-	-	-	-	-	-	-	(58)	-	(1,019)	-	-	-	-	-	-	-	-	(1,077)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SUPPORT OVER EXPENSES, OTHER GAINS (LOSSES), AND DISCONTINUED OPERATIONS	\$ 2,988	\$ (570)	\$ (2,156)	\$ 176	\$ 2,150	\$ (31)	\$ 371	\$ -	\$ 108	\$ 357	\$ (34)	\$ -	\$ (58)	\$ -	\$ (1,019)	\$ (1)	\$ 543	\$ (234)	\$ -	\$ (50)	\$ 110	\$ (1,892)	\$ 748

See notes to supplemental combining schedules and accompanying independent auditors' report.

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba bc-group)

COMBINING STATEMENTS OF CHANGES IN NET ASSETS (BY LOCATION) FOR ADDITIONAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands)

	Home Office	Royal Oaks Manor	White Sands	Windsor Manor	Regents Point	Home Care	Radwood Terrace	Radwood Town Court	Radwood Elderlink	Westminster Gardens	Kirkwood Orange	Kirkwood Glendale	Kirkwood Redding	CCA	Twelve Oaks Lodge	Palmer House	SCPH Foundation	Casa de la Paloma	Andres Duarte Terraces II	Covenant Manor	Royal Vista Apartments	Eliminations	Combined
UNRESTRICTED NET ASSETS:																							
Excess (deficiency) of revenues and other support over expenses, other gains (losses), and discontinued operations	\$ 2,988	\$(570)	\$(2,156)	\$ 176	\$ 2,150	\$(31)	\$ 371	\$ -	\$ 108	\$ 357	\$(34)	\$ -	\$(58)	\$ -	\$(1,019)	\$(11)	\$ 543	\$(234)	\$ -	\$(50)	\$ 110	\$(1,892)	\$ 748
Net assets released from restrictions—acquisition of facilities			70	1	5		29			107													212
Period-end changes other than net periodic pension cost	(7,407)																						(7,407)
Excess of revenues and other support over expenses, other gains, and discontinued operations attributable to noncontrolling interest									108	464	(34)		(58)		(1,019)	(11)	543	986		(943)	80	(1,862)	(6,120)
Effect of combination																							
(Decrease) increase in unrestricted net assets																							
UNRESTRICTED NET ASSETS—Noncontrolling interest:																							
Deficiency of revenues and other support over expenses, other gains, and discontinued operations																							
Equity contribution																							
Increase in unrestricted net assets—noncontrolling interest																							
TEMPORARILY RESTRICTED NET ASSETS:																							
Gifts and bequests																							
Investment income																							
Unrealized gains—marketable securities—net																							
Change in value of split-interest agreements																							
Net assets transferred to others under trust agreements																							
Net assets transferred to others for other purposes																							
Net assets released for acquisition of facilities																							
Net assets released for other specific purposes																							
Net assets released for benevolence																							
Increase in temporarily restricted net assets																							
PERMANENTLY RESTRICTED NET ASSETS—Other																							
(DECREASE) INCREASE IN NET ASSETS	(4,419)	(570)	(2,086)	177	2,155	(31)	400	-	108	464	(34)	-	(58)	-	(1,019)	(11)	1,645	9,548	-	4,119	536	(1,862)	9,062
NET (DEFICIT) ASSETS—Beginning of year	(14,398)	917	(9,097)	1,200	27,843	365	(8,515)	7,819	(1,460)	3,028	633	(2,707)	(1,412)	-	(643)	(192)	22,938	2,648	902	-	(549)	29,340	
NET (DEFICIT) ASSETS—End of year	\$(18,817)	\$ 347	\$(11,183)	\$ 1,377	\$ 29,998	\$ 334	\$(8,115)	\$ 7,819	\$(1,352)	\$ 3,492	\$ 599	\$(2,707)	\$(1,470)	\$ -	\$(1,662)	\$(203)	\$ 24,383	\$ 12,196	\$ 902	\$ 4,119	\$ 536	\$(2,411)	\$ 38,402

See notes to supplemental combining schedules and accompanying independent auditors' report.

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba bc-group)

COMBINING STATEMENTS OF CASH FLOWS (BY LOCATION) FOR ADDITIONAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands)

	Home Office	Royal Oaks Minor	White Sands	Windsor Manor	Reginas Point	Home Care	Redwood Terrace	Redwood Town Court	Redwood Elderslink	Westminster Gardens	Kirkwood Orange	Kirkwood Glendale	Kirkwood Reading	CCA	Twelve Oaks Lodge	Palmer House	SCPH Foundation	Casa de la Paloma	Andrea Duarte Terrace II	Convent Manor	Roya Vista Terrace	Eliminations	Combined	
CASH FLOWS FROM OPERATING ACTIVITIES:																								
Cash received from residents and third-party payors	\$ (1,233)	\$ 11,968	\$ 14,096	\$ 7,157	\$ 17,160	\$ 782	\$ 11,634	\$ -	\$ 892	\$ 5,521	\$ 2,956	\$ -	\$ 21	\$ -	\$ (95)	\$ 188	\$ (411)	\$ 1,889	\$ -	\$ (5,124)	\$ (1,946)	\$ 11,580	\$ 77,035	
Proceeds from entrance fees		4,226	10,999	541	8,046		1,934			2,717										(147)		(9,814)	27,162	
Other receipts (distributions) from operations	11,116	68	25	16	16		3			10	4		12		2	1	552	(172)		(147)			1,690	
Unrestricted contributions																							3,424	
Investment income	1,926	185	396	76	497		(256)		70	43							485							
Proceeds from temporarily restricted contributions:																								
Grants and bequests																								1,097
Cash paid to employees and suppliers	(4,136)	(11,441)	(12,813)	(6,946)	(15,875)	(944)	(1,921)	(47)	(751)	(4,659)	(2,724)		(208)		(456)	(142)	(454)	(2,447)		801	(207)	(2,043)	1,211	
Interest expense, net of bond amortization		(1,650)	(3,820)	(1,225)	(1,194)		(73)			(381)	(261)		(7)					(530)					(77,435)	
Net Foundation transfers	10	282	230	31	171		128		20	45	4		3				(942)						(8,415)	
Net cash provided by (used in) operating activities	7,683	3,639	8,211	773	8,820	(161)	1,445	(47)	231	287	(21)		(179)		(549)	47	1,538	(1,260)		(4,847)	(2,153)	(277)	25,769	
CASH FLOWS FROM INVESTING ACTIVITIES:																								
Acquisition of facilities	(1,305)	(1,261)	(3,001)	(342)	(1,886)	(5)	(1,321)		(9)	(1,082)	(375)					(8)		(54)	(5,076)	(4,546)	(790)	30	(21,011)	
Proceeds from sale of discontinued facility		(718)	(1,607)	(53)	(520)		(1,099)			(159)	(1,377)					(12)				(645)			(6,100)	
Purchase of assets whose use is limited		708	1,564	53	513		2,864			169	1,417		2,196								3		12,267	
Sale of assets whose use is limited	(21,396)	(2,208)	(4,443)	(946)	(6,185)				(43)	(457)					(10)		(5,820)	2,800					(41,508)	
Purchase of investments		1,536	3,091	638	4,303		2		30	318					7		4,049						28,879	
Net cash received in combination of tax credit projects		1,706	(453)	(1,161)	(2,409)	166	2,966	47	(209)	(1,559)	458		(27)		553		321			5,636	2,162	247	7,798	
Advances to Affordable Housing projects	360																						507	
Net cash (used in) provided by investing activities	(5,830)	(2,396)	(5,840)	(746)	(6,184)	161	3,412	47	(231)	(2,770)	123		2,169		550	(20)	(1,450)	2,746	(5,076)	445	1,375	277	(19,238)	
CASH FLOWS FROM FINANCING ACTIVITIES:																								
Cash refunds of entrance fees and deposits		(917)	(1,582)		(2,399)		(60)			(25)											698		(4,983)	
Contributions restricted for long-term investment																							9,766	
Proceeds from issuance of long-term debt	4	(324)	(786)	(24)	(234)		(4,793)			(79)		(1,990)											(24,098)	
Payments of long-term debt																							(91)	
Cash paid under charitable remainder trust agreements																							(514)	
Equity contribution																							15,643	
Net cash provided by (used in) financing activities	4	(1,241)	(2,268)	(24)	(2,654)		(4,855)			(104)	(622)		(1,990)				(86)	(1,499)	5,075	4,977	1,095		(4,272)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,837	2	3	3	2	2	2	2	2	2	(520)				1	27	2	(13)	(1)	575	317		2,239	
CASH AND CASH EQUIVALENTS - Beginning of year	244										520				90			3,230	1				4,085	
CASH AND CASH EQUIVALENTS - End of year	\$ 2,081	\$ -	\$ 3	\$ 3	\$ 2	\$ -	\$ 2	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 117	\$ 2	\$ 3,317	\$ -	\$ 575	\$ 317	\$ -	\$ 6,324	

(Continued)

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba bc-group)

**COMBINING STATEMENTS OF CASH FLOWS (BY LOCATION) FOR ADDITIONAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**
(In thousands)

	Home Office	Royal Oaks Manor	White Sands	Windoor Manor	Regents Point	Home Care	Redwood Terrace	Redwood Town Court	Redwood Elderlink	Washminster Gardens	Kirkwood Orange	Kirkwood Glendale	Kirkwood Redding	CCA	Twehe Oaks Lodge	Palmer House	SCPH Foundation	Casa de la Paloma	Andres Duran Torrance II	Convent Manor	Royal Vista Terrace	Eliminations	Combined
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	\$(4,419)	\$ (570)	\$ (2,086)	\$ 177	\$ 2,155	\$ (31)	\$ 400	\$ -	\$ 108	\$ 464	\$ (34)	\$ -	\$ (58)	\$ -	\$ (1,019)	\$ (11)	\$ 1,645	\$ 9,548	\$ -	\$ 4,119	\$ 536	\$ (1,862)	\$ 9,062
Reconciliation of increase/decrease in net assets to (decrease) increase in net assets:		4,326	10,099	541	8,045		1,934		2,317														77,162
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities:		(2,458)	(4,506)	(452)	(4,713)		(1,663)		(982)														(14,774)
Proceeds from entrance fees																							91
Contributions restricted for long-term investment																							188
Contributions restricted for trust agreements																							(324)
Change in value of obligation to beneficiaries																							188
Change in value of obligation to beneficiaries																							84
Unrealized losses (gains) on investments																							
Foundation transfers																							
Depreciation and amortization																							
Minimum pension liability																							
Entity contribution																							
Entity contribution with tax credit projects																							
Change in:																							
Accounts receivable																							
Prepaid expenses and other assets																							
Accounts payable																							
Accrued expenses																							
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 7,683	\$ 3,639	\$ 8,211	\$ 772	\$ 8,820	\$ (161)	\$ 1,445	\$ (47)	\$ 231	\$ 2,876	\$ (21)	\$ -	\$ (179)	\$ -	\$ (549)	\$ 47	\$ 1,338	\$ (1,260)	\$ -	\$ (4,847)	\$ (2,153)	\$ (277)	\$ 25,769
SUPPLEMENTAL CASH FLOW INFORMATION:																							
Facilities acquisitions in accounts payable	\$ 26	\$ 85	\$ 158	\$ 2	\$ 200	\$ -	\$ 110	\$ -	\$ -	\$ 37	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 334	\$ 716	\$ -	\$ -	\$ 1,681

See notes to supplemental combining schedules and accompanying independent auditors' report.

(Continued)

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES

(dba be.group)

NOTES TO SUPPLEMENTAL COMBINING SCHEDULES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

1. BASIS OF PRESENTATION

The accompanying combining balance sheets, statements of operations, statements of changes in net assets, and statements of cash flows (collectively the “supplemental combining schedules”) are prepared on the accrual basis of accounting. The preparation of the supplemental combining schedules in conformity with GAAP 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 combining schedules, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

be.group eliminates intercompany transactions, such as management fees and payables or receivables between combined entities. Intercompany, which is included in the combining balances sheets, consists of net payables and net receivables between combined entities. Net assets released from restrictions are transferred immediately to recipient affiliates.

2. ALLOCATIONS

All other assets, liabilities, expenses, and revenues have been allocated to the affiliates based on the number of employees or other relevant benchmarks except as outlined below:

Items maintained at Home Office—Pension related changes other than net periodic pension cost and pension contributions are maintained at Home Office regardless of the operations of the affiliates. Periodic pension costs are allocated to the respective affiliates.

Self-insured health claims expenses are allocated to the respective affiliates throughout the year based on budgeted labor. All claims are paid out of Home Office. Estimates for liabilities incurred but not reported are maintained at Home Office.

3. TAX CREDIT PROJECT CONSOLIDATION

Tax credit projects included in the supplemental combining schedules include consolidated activities of various affiliated entities. Casa de la Paloma, includes consolidated activities of Casa de la Paloma, L.P., Casa de la Paloma, Inc., and Casa de la Paloma, L.L.C.; Andres Duarte Terrace II includes consolidated activities of Andres Duarte Terrace II, L.P. and Andres Duarte Terrace II, L.L.C.; Covenant Manor includes consolidated activities of Covenant Manor, L.P., Sycamore Terrace, Inc., and Covenant Manor, L.L.C.; and Royal Vista Terrace Apartments includes consolidated activities of Royal Vista Terrace Apartments, L.P., Sycamore Terrace, Inc., and Royal Vista Terrace Apartments, L.L.C. Intercompany balances between the various affiliated entities are eliminated in combination.

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CONTINUING CARE
CONTRACTS BRANCH

Southern California
Presbyterian Homes and
Affiliates

(dba be.group)

Continuing Care Reserve Report Schedules
for the Year Ended December 31, 2014, and
Independent Auditors' Report

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES
(dba be.group)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southern California Presbyterian Homes (dba be.group):

We have audited the accompanying continuing care reserve report schedules of Southern California Presbyterian Homes and Affiliates (dba be.group) ("be.group"), as listed in the accompanying table of contents (the "Schedules"), as of and for the year ended December 31, 2014, and the related notes to the Schedules.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules in accordance with the financial reporting provisions of the 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 Schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Schedules 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 Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to be.group's preparation and fair presentation of the Schedules 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 be.group'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 Schedules.

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 Schedules referred to above present fairly, in all material respects, the continuing care liquid reserve requirements of be.group as of and for the year ended December 31, 2014, in accordance with the financial reporting provisions of California Health and Safety Code 1792, as described in Note 3 to the Schedules.

Basis of Accounting

We draw attention to Note 3 of the Schedules, which describes the basis of accounting. As described in Note 3 to the Schedules, the Schedules are prepared by be.group on the basis of the financial reporting provisions of California Health and Safety Code 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. Our opinion is not modified with respect to this matter.

Restriction on Use

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

Deloitte & Touche LLP

April 29, 2015

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES AND AFFILIATES (dba be.group)

NOTES TO CONTINUING CARE RESERVE REPORT SCHEDULES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

1. MISSION STATEMENT

Southern California Presbyterian Homes and Affiliates (dba be.group) (“be.group”) is dedicated to providing quality housing, health, and support services to its residents, primarily older adults of all faiths that enrich the physical, social, and spiritual dimensions of their lives. be.group is also committed to acting as a resource for the communities in which it operates.

2. OPERATIONS

Southern California Presbyterian Homes, a California nonprofit public benefit corporation, together with its controlled affiliates, Redwood Senior Homes and Services (RSHS), Kirkwood Assisted Living Residence at Orange, Kirkwood Assisted Living Residence at Glendale, Redding Assisted Living Corporation, Presbyterian Homes of the West, Community Care for Adults, Twelve Oaks Lodge, Westminster Gardens, and Palmer House LP, owns and operates retirement communities, freestanding assisted living communities, and adult day centers, primarily in Southern California. Residents of the retirement communities receive residence, service, and care in exchange for an entrance fee and a monthly fee, which is redetermined annually. In addition, residents of the skilled nursing facilities are charged for the costs of medical services provided. The communities include approximately 848 residential units, 268 personal care beds, and 232 skilled nursing beds. be.group also provides a range of long-term care services that are affordable to low- and moderate-income seniors. These services include adult day social care, adult day health care, and on-site outpatient therapy.

Effective December 18, 2013, be.group sold its Kirkwood Redding community to an unrelated party.

Effective November 1, 2014, be.group closed its Twelve Oaks community.

Southern California Presbyterian Homes Foundation (the “Foundation”) is a not-for-profit organization that is committed to building financial support from gifts for be.group. The resources received and managed by the Foundation are directed to be.group to provide housing and support service that will enhance the physical, social, and spiritual well-being of the residents who reside within the communities.

be.group has a home care service that offers assistance with shopping, transportation, and various other customer needs. Home Care customers are charged an hourly rate. be.group provides management services to 1,480 units of subsidized housing under Housing and Urban Development (HUD) agreements.

Southern California Presbyterian Homes has entered into various agreements with established partners to acquire, develop, construct, and maintain low-income housing tax credit projects. Partners include Casa de la Paloma consisting of Casa de la Paloma, L.P., Casa de la Paloma, Inc., and Casa de la Paloma, L.L.C.; Andres Duarte Terrace II consisting of Andres Duarte Terrace II, L.P. and Andres Duarte Terrace II, L.L.C.; Covenant Manor consisting of Covenant Manor, L.P., Sycamore Terrace, Inc., and Covenant Manor, L.L.C.; and Royal Vista Terrace Apartments consisting of Royal Vista Terrace Apartments, L.P., Sycamore Terrace, Inc., and Royal Vista Terrace Apartments, L.L.C.

3. BASIS OF ACCOUNTING

The continuing care reserve report schedules (the “Schedules”) are presented in accordance with 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 (GAAP). California Health and Safety Code Section 1792 requires continuing care contract providers to establish and maintain statutory and refund reserves to ensure financial resources will be available to fulfill contractual obligations to residents. The Schedules, which calculate liquid reserve requirements, are prepared in accordance with the *Annual Report Instructions* provided by the State of California Department of Social Services. The Schedules are required to be submitted annually to the State of California Department of Social Services within four months of year-end. The facilities that are continuing care contract providers, and thus have schedules included herein, are Royal Oaks Manor, White Sands of La Jolla, Windsor Manor, Regents Point, Redwood Terrace, and Westminster Gardens.

4. LONG-TERM DEBT OBLIGATIONS

The following is a schedule of the total combined long-term debt obligations of be.group:

Long-Term Debt Obligation	Date Incurred	Description	Facility	Balance as of December 31, 2014 (Thousands)
1	12/27/2006	Fixed Rate Revenue Bonds—Series 2006	White Sands and Westminster Gardens	\$ 40,490
2	12/31/2007	Trust deed note payable (City of Glendale)—0% interest through December 2065	Palmer House LP	1,001
3	8/15/2009	Fixed Rate Revenue Bonds—Series 2009	SCPH	71,729
4	12/1/2014	Fixed Rate Revenue Bonds—Series 2014	Kirkwood Orange	3,844
5	Various *	Mortgage and other notes payable related to tax credit projects	Various	44,698

* Debt is associated with mortgage and other notes payable related to Casa de la Paloma, L.P., Andres Duarte Terrace, L.P., Covenant Manor, L.P., and Royal Vista Terrace, L.P., which are included in be.group’s combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013; Andres Duarte Terrace, L.P. effective December 6, 2013; Covenant Manor, L.P. effective March 1, 2014; and Royal Vista Terrace, L.P. effective September 1, 2014. Of the \$44,698 of associated long-term debt as of December 31, 2014, \$7,955 relates to Casa de la Paloma, L.P. mortgage payable, of which the maximum liability exposure to Southern California Presbyterian Homes as the guarantor is \$3,875, and \$5,038 relates to Royal Vista Terrace, L.P. mortgage payable, of which the maximum liability exposure to Southern California Presbyterian Homes as the guarantor is \$2,285. Remaining debt relates to Andres Duarte Terrace mortgage and notes payable of \$6,826 and Covenant Manor mortgage payable of \$24,879, which are not guaranteed by Southern California Presbyterian Homes.

* * * * *

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
(dba be.group)

FORM 5-1

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancements Paid in Fiscal Year	(e) Total Paid (Columns (b) + (c) + (d))
1	05/01/99	\$ 185,000	\$ 228,938	\$ -	\$ 413,938
2	10/01/01		13,441		13,441
3	12/01/02				-
4	12/27/06	410,000	1,949,838		2,359,838
5	12/31/07				
6	08/15/09	1,085,000	5,141,988		6,226,988
7	12/06/13				-
TOTAL		<u>\$ 1,680,000</u>	<u>\$ 7,334,205</u>	<u>\$ -</u>	<u>\$ 9,014,205</u>

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

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

* Additional voluntary payments of \$4,305,000 were made in 2014 to pay down principal.
 ** Additional voluntary payments of \$1,990,000 were made in 2014 to pay down principal.
 *** Additional voluntary payments of \$4,795,000 were made in 2014 to pay down principal.

See notes to continuing care reserve report schedules.

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
(dba be.group)

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over Next 12 months	(e) Reserve Requirement (see Instruction 5) (Columns (c) x (d))
1	03/06/14	\$ 482,812	\$ 55,434	12	\$ 665,208
2	05/01/14	254,051	47,065	12	564,780
3	09/17/14	25,862	7,885	12	94,620
4	12/17/14		28,610	12	343,320
5				-	-
6				-	-
7				-	-
8				-	-
TOTAL		<u>\$ 762,725</u>	<u>\$ 138,994</u>		<u>\$ 1,667,928</u>

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

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

See notes to continuing care reserve report schedules.

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
(dba be.group)

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

Line		Total
1	Total from Form 5-1 bottom of Column (e)	\$ 9,014,205
2	Total from Form 5-2 bottom of Column (e)	1,667,928
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	<u>\$ 10,682,133</u>

See notes to continuing care reserve report schedules.

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
(dba be.group)

ROYAL OAKS MANOR

FORM 5-4

CALCULATION OF NET OPERATING EXPENSES

Line		Amounts
1	Total operating expenses from financial statements	<u>\$15,674,000</u>
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	1,650,000
	b. Credit enhancement premiums paid for long-term debt (see instructions)	1,775,000
	c. Depreciation	36,000
	d. Amortization	
	e. Revenues received during the fiscal year for services to persons who did not have continuing care contract	1,609,032
	f. Extraordinary expenses approved by the Department	
3	Total deductions	<u>5,070,032</u>
4	Net operating expenses	<u>10,603,968</u>
5	Divide Line 4 by 365 and enter the result.	<u>29,052</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u>\$ 2,178,898</u>

See notes to continuing care reserve report schedules.

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
(dba be.group)

WHITE SANDS OF LA JOLLA

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts
1	\$21,440,000
Total operating expenses from financial statements	
2	3,820,000
Deductions:	
a. Interest paid on long-term debt (see instructions)	3,531,000
b. Credit enhancement premiums paid for long-term debt (see instructions)	63,000
c. Depreciation	
d. Amortization	
e. Revenues received during the fiscal year for services to persons who did not have continuing care contract	3,904,643
f. Extraordinary expenses approved by the Department	
3	<u>11,318,643</u>
Total deductions	
4	<u>10,121,357</u>
Net operating expenses	
5	<u>27,730</u>
Divide Line 4 by 365 and enter the result.	
6	<u>\$ 2,079,731</u>
Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	

See notes to continuing care reserve report schedules.

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
(dba be.group)

WINDSOR MANOR

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts
1	Total operating expenses from financial statements	<u>\$7,968,000</u>
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	122,000
	b. Credit enhancement premiums paid for long-term debt (see instructions)	485,000
	c. Depreciation	3,000
	d. Amortization	
	e. Revenues received during the fiscal year for services to persons who did not have continuing care contract	3,612,647
	f. Extraordinary expenses approved by the Department	
3	Total deductions	<u>4,222,647</u>
4	Net operating expenses	<u>3,745,353</u>
5	Divide Line 4 by 365 and enter the result.	<u>10,261</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u>\$ 769,593</u>

See notes to continuing care reserve report schedules.

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
(dba be.group)

REGENTS POINT

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts
1	Total operating expenses from financial statements	<u>\$21,193,000</u>
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	1,194,000
	b. Credit enhancement premiums paid for long-term debt (see instructions)	2,365,000
	c. Depreciation	26,000
	d. Amortization	
	e. Revenues received during the fiscal year for services to persons who did not have continuing care contract	3,148,452
	f. Extraordinary expenses approved by the Department	
3	Total deductions	<u>6,733,452</u>
4	Net operating expenses	<u>14,459,548</u>
5	Divide Line 4 by 365 and enter the result.	<u>39,615</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u>\$ 2,971,140</u>

See notes to continuing care reserve report schedules.

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
(dba be-group)

REDWOOD TERRACE

FORM 5-4

CALCULATION OF NET OPERATING EXPENSES

Line	Amounts
1	\$ 13,361,000
Total operating expenses from financial statements	
2	1,179,000
Deductions:	
a. Interest paid on long-term debt (see instructions)	
b. Credit enhancement premiums paid for long-term debt (see instructions)	
c. Depreciation	
d. Amortization	
e. Revenues received during the fiscal year for services to persons who did not have continuing care contract	
f. Extraordinary expenses approved by the Department	
3	8,499,377
Total deductions	
4	4,861,623
Net operating expenses	
5	13,320
Divide Line 4 by 365 and enter the result.	
6	\$ 998,964
Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	

See notes to continuing care reserve report schedules.

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
(dba be.group)

WESTMINSTER GARDENS

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts
1	\$ 6,259,000
Total operating expenses from financial statements	
2	381,000
Deductions:	
a. Interest paid on long-term debt (see instructions)	889,000
b. Credit enhancement premiums paid for long-term debt (see instructions)	4,000
c. Depreciation	
d. Amortization	
e. Revenues received during the fiscal year for services to persons who did not have continuing care contract	1,307,811
f. Extraordinary expenses approved by the Department	
3	2,581,811
Total deductions	
4	3,677,189
Net operating expenses	
5	10,074
Divide Line 4 by 365 and enter the result.	
6	\$ 755,587
Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	

See notes to continuing care reserve report schedules.

SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
 (dba be.group)

FORM 5-5
ANNUAL RESERVE CERTIFICATION

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

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 2014 are as follows:

	Amount
[1] Debt service reserve amount	\$ 10,682,133
[2] Operating expense reserve amount	<u>9,753,913</u>
[3] Total liquid reserve amount	<u>\$ 20,436,046</u>

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

Qualifying Asset Description	Amount	
	(Market Value at End of Quarter)	
	Debt Service Reserve	Operating Reserve
[4] Cash and cash equivalent	\$ 3,162,000	\$ 3,162,000
[5] Investment securities	44,292,000	44,292,000
[6] Equity securities		
[7] Unused/available lines of credit		
[8] Unused/available letters of credit		
[9] Debt service reserve	9,532,000	
[10] Other:	_____	_____
(describe qualifying asset)		
Total amount of qualifying assets Listed for reserve obligation: [11]	56,986,000	[12] 47,454,000
Reserve obligation amount: [13]	<u>10,682,133</u>	[14] <u>9,753,913</u>
Surplus/(deficiency): [15]	<u>\$ 46,303,867</u>	[16] <u>\$ 37,700,087</u>

Signature:

 (Authorized Representative)

Date:

4-30-15

 Vice President of Finance and CFO

(Title)

See notes to continuing care reserve report schedules.

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)	<u>\$2,385-\$5,607</u>	<u>\$3,842-\$6,668</u>	<u>\$5,602-\$10,574</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.9%</u>	<u>3.9%</u>	<u>3.9%</u>

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

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

[4] Check each of the appropriate boxes:

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

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

PROVIDER: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES

COMMUNITY: REDWOOD TERRACE



be.redwood terrace

a be.group community

710 W. 13TH AVE.
ESCONDIDO, CA 92025
760 747 4306 F 760 480 2759
BETHEREDWOODS.ORG

October 24, 2013



Redwood Terrace

Dear 

On behalf of the management and staff of be.group, I'd like to thank you for choosing to be a part of the be.group family. We appreciate your confidence in our ability to meet your needs as a resident of Redwood Terrace.

As you know, the be.group Board of Directors annually reviews Redwood Terrace's operating financial statements and approves a budget for the coming year. As a nonprofit organization, be.group's policy is to set rates for residents that ensure continued delivery of the residential experience you enjoy, safeguard your investment in the community, and assure our ability to meet the needs of those who follow you.

We have been successful in managing operating costs and capital expenditures while maintaining the high quality of programs and services you've come to expect. As a result, the be.group Board of Directors has approved a rate adjustment limited to 3.9 percent for all levels—residential, assisted, skilled nursing and memory care—effective January 1, 2014.

Here's how it will affect your fees for 2014:

Current Monthly Fee	\$3688
Increase	\$144
Total Monthly Fee for 2014	\$3832

This adjustment will be reflected in your January statement. If you have any questions or concerns, I encourage you to talk to your executive director or administrator.

Respectfully,

John H. Cochrane, III
President and CEO



FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2,179-\$5,719</u>	<u>\$5,382-\$9,578</u>	<u>\$8,056-\$14,036</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.9%</u>	<u>3.9%</u>	<u>3.9%</u>

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

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

[4] Check each of the appropriate boxes:

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

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

PROVIDER: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
COMMUNITY: REGENTS POINT



19191 HARVARD AVE.
IRVINE, CA 92612
949 854 9500 F 949 725 9132
BEREGENTSPPOINT.ORG

October 24, 2013



Regents Point



On behalf of the management and staff of be.group, I'd like to thank you for choosing to be a part of the be.group family. We appreciate your confidence in our ability to meet your needs as a resident of Regents Point.

As you know, the be.group Board of Directors annually reviews Regents Point's operating financial statements and approves a budget for the coming year. As a nonprofit organization, be.group's policy is to set rates for residents that ensure continued delivery of the residential experience you enjoy, safeguard your investment in the community, and assure our ability to meet the needs of those who follow you.

We have been successful in managing operating costs and capital expenditures while maintaining the high quality of programs and services you've come to expect. As a result, the be.group Board of Directors has approved a rate adjustment limited to 3.9 percent for all levels—residential, assisted, skilled nursing and memory care—effective January 1, 2014.

Here's how it will affect your fees for 2014:

	Current	New
Monthly Fee	\$5330	\$5538
Second Person Fee	\$0	\$0
Entrance Fee	\$0	\$0
Total Monthly Fee	\$5330	\$5538

This adjustment will be reflected in your January statement. If you have any questions or concerns, I encourage you to talk to your executive director or administrator.

Respectfully,

John H. Cochrane, III
President and CEO



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)	<u>\$2,263-\$6,178</u>	<u>\$5,255 - \$7,279</u>	<u>\$5,853-\$12,714</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>0%</u>	<u>3.9%</u>	<u>3.9%</u>

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

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

[4] Check each of the appropriate boxes:

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

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

PROVIDER: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
COMMUNITY: ROYAL OAKS



1763 ROYAL OAKS DRIVE NORTH
BRADBURY, CA 91010
626 359 9371 F 626 357 9723
BEROYALOAKS.ORG

October 24, 2013

[Redacted]
Royal Oaks

[Redacted]

On behalf of the management and staff of be.group, I'd like to thank you for choosing to be a part of the be.group family. We appreciate your confidence in our ability to meet your needs as a resident of Royal Oaks.

As you know, the be.group Board of Directors annually reviews Royal Oaks' operating financial statements and approves a budget for the coming year. As a nonprofit organization, be.group's policy is to set rates for residents that ensure continued delivery of the residential experience you enjoy, safeguard your investment in the community, and assure our ability to meet the needs of those who follow you.

We have been successful in managing operating costs and capital expenditures while maintaining the high quality of programs and services you've come to expect. As a result, the be.group Board of Directors has approved a rate adjustment limited to 3.9 percent—effective January 1, 2014.

Here's how it will affect your fees for 2014:

Current Monthly Fee	\$5050
Increase	\$197
Total Monthly Fee for 2014	\$5247

This adjustment will be reflected in your January statement. If you have any questions or concerns, I encourage you to talk to your executive director or administrator.

Respectfully,

John H. Cochrane, III
President and CEO



RL



1763 ROYAL OAKS DRIVE NORTH
BRADBURY, CA 91010
626 359 9371 F 626 357 9723
BEROYALOAKS.ORG

October 24, 2013



Royal Oaks



On behalf of the management and staff of be.group, I'd like to thank you for choosing to be a part of the be.group family. We appreciate your confidence in our ability to meet your needs as a resident of Royal Oaks.

As you know, the be.group Board of Directors annually reviews Royal Oaks' operating financial statements and approves a budget for the coming year. As a nonprofit organization, be.group's policy is to set rates for residents that ensure continued delivery of the residential experience you enjoy, safeguard your investment in the community, and assure our ability to meet the needs of those who follow you.

We have been successful in managing operating costs and capital expenditures while maintaining the high quality of programs and services you've come to expect. As a result of recent market studies performed in your area, the be.group Board of Directors has approved a rate adjustment limited of 0% percent for 2014.

Here's how it will affect your fees for 2014:

Current Monthly Fee	\$4933
Increase	\$0
Total Monthly Fee for 2014	\$4933

This adjustment will be reflected in your January statement. If you have any questions or concerns, I encourage you to talk to your executive director or administrator.

Respectfully,

John H. Cochrane, III
President and CEO



FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2,365-7,248</u>	<u>\$3760-8151</u>	_____
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.9%</u>	<u>3.9%</u>	_____

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

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

[4] Check each of the appropriate boxes:

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

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

PROVIDER: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
COMMUNITY: WESTMINSTER GARDENS



be.westminster gardens
a be.group community

1420 SANTO DOMINGO AVE.
DUARTE, CA 91010
626 358 2569 F 626 358 7566
BEWESTMINSTERGARDENS.ORG

October 24, 2013

[REDACTED]

Westminster Gardens

Dear [REDACTED]

On behalf of the management and staff of be.group, I'd like to thank you for choosing to be a part of the be.group family. We appreciate your confidence in our ability to meet your needs as a resident of Westminster Gardens.

As you know, the be.group Board of Directors annually reviews Westminster Gardens' operating financial statements and approves a budget for the coming year. As a nonprofit organization, be.group's policy is to set rates for residents that ensure continued delivery of the residential experience you enjoy, safeguard your investment in the community, and assure our ability to meet the needs of those who follow you.

We have been successful in managing operating costs and capital expenditures while maintaining the high quality of programs and services you've come to expect. As a result, the be.group Board of Directors has approved a rate adjustment limited to 3.9 percent for all levels—residential, assisted, skilled nursing and memory care—effective January 1, 2014.

Here's how it will affect your fees for 2014:

	Current	New
Monthly Fee	\$2,982.00	\$3,098.00
Second Person Fee	\$0.00	\$0.00
Additional Credits	\$-5.00	\$-5.00
Board of Pension Subsidy	\$-103.00	\$-51.50
Cable Fee		\$5.00
Total Monthly Fee	\$2,874.00	\$3,046.50

This adjustment will be reflected in your January statement. If you have any questions or concerns, I encourage you to talk to your executive director or administrator.

Respectfully,



John H. Cochrane, III
President and CEO



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)	<u>\$2,450-\$5,978</u>	<u>\$4,490-\$12,119</u>	<u>\$6,955-\$13,029</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.9%</u>	<u>3.9%</u>	<u>3.9%</u>

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

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

[4] Check each of the appropriate boxes:

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

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

PROVIDER: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
COMMUNITY: WHITE SANDS LA JOLLA



be.white sands la jolla

a be.group community

7450 OLIVETAS AVE.
LA JOLLA, CA 92037
858 454 4201 F 858 450 5298
BEWHITESANDS.ORG

October 24, 2013

[Redacted]

White Sands La Jolla

Dear [Redacted]

On behalf of the management and staff of be.group, I'd like to thank you for choosing to be a part of the be.group family. We appreciate your confidence in our ability to meet your needs as a resident of White Sands La Jolla.

As you know, the be.group Board of Directors annually reviews White Sands La Jolla's operating financial statements and approves a budget for the coming year. As a nonprofit organization, be.group's policy is to set rates for residents that ensure continued delivery of the residential experience you enjoy, safeguard your investment in the community, and assure our ability to meet the needs of those who follow you.

We have been successful in managing operating costs and capital expenditures while maintaining the high quality of programs and services you've come to expect. As a result, the be.group Board of Directors has approved a rate adjustment limited to 3.9 percent for all levels—residential, assisted, skilled nursing and memory care—effective January 1, 2014.

Here's how it will affect your fees for 2014:

Current Monthly Fee	\$6478
Increase	\$253
Total Monthly Fee for 2014	\$6731

This adjustment will be reflected in your January statement. If you have any questions or concerns, I encourage you to talk to your executive director or administrator.

Respectfully,

John H. Cochrane, III
President and CEO



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)	<u>\$2,243-\$7,109</u>	<u>\$4,784-\$8,377</u>	<u>\$6,892-\$11,644</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.9%</u>	<u>3.9%</u>	<u>3.9%</u>

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

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

[4] Check each of the appropriate boxes:

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

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

PROVIDER: SOUTHERN CALIFORNIA PRESBYTERIAN HOMES
COMMUNITY: WINDSOR



a be.group community

1230 E. WINDSOR RD.
GLENDALE, CA 91205
818 244 7219 F 818 240 3887
BEWINDSOR.ORG

October 24, 2013

[Redacted]

Windsor

Dear [Redacted]

On behalf of the management and staff of be.group, I'd like to thank you for choosing to be a part of the be.group family. We appreciate your confidence in our ability to meet your needs as a resident of Windsor.

As you know, the be.group Board of Directors annually reviews Windsor's operating financial statements and approves a budget for the coming year. As a nonprofit organization, be.group's policy is to set rates for residents that ensure continued delivery of the residential experience you enjoy, safeguard your investment in the community, and assure our ability to meet the needs of those who follow you.

We have been successful in managing operating costs and capital expenditures while maintaining the high quality of programs and services you've come to expect. As a result, the be.group Board of Directors has approved a rate adjustment limited to 3.9 percent for all levels—residential, assisted, skilled nursing and memory care—effective January 1, 2014.

Here's how it will affect your fees for 2014:

Current Monthly Fee	\$4928
Increase	\$192
Total Monthly Fee for 2014	\$5120

This adjustment will be reflected in your January statement. If you have any questions or concerns, I encourage you to talk to your executive director or administrator.

Respectfully,

John H. Cochrane, III
President and CEO



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

Date Prepared: 4/20/2015



FACILITY NAME: Royal Oaks
 ADDRESS: 1763 Royal Oaks Drive North Bradbury ZIP CODE: 91010 PHONE: 826-359-9371
 PROVIDER NAME: Southern California Presbyterian Homes (dba be.group) FACILITY OPERATOR: Southern California Presbyterian Homes (dba be.group)
 RELATED FACILITIES: See Page 2 of Disclosure Statement RELIGIOUS AFFILIATION: None
 YEAR OPENED: 1959 # OF ACRES: 18.5 SINGLE MULTI- CONTRACTS BRANCH
 STORY STORY OTHER: _____ MILES TO SHOPPING CTR: 1
 MILES TO HOSPITAL: 4

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>24</u>	ASSISTED LIVING: <u>26</u>
APARTMENTS — 1 BDRM: <u>59</u>	SKILLED NURSING: <u>48</u>
APARTMENTS — 2 BDRM: <u>67</u>	SPECIAL CARE: <u>0</u>
COTTAGES/HOUSES: <u>16</u>	DESCRIPTION: <u>></u>
RLU OCCUPANCY (%) AT YEAR END: <u>83.6</u>	<u>></u>

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: _____

FORM OF CONTRACT: CONTINUING CARE LIFE CARE ENTRANCE FEE FEE FOR SERVICE
 (Check all that apply) ASSIGNMENT OF ASSETS EQUITY MEMBERSHIP RENTAL

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: _____

RANGE OF ENTRANCE FEES: \$ 65,000 - \$ 800,000 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Limited

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: None OTHER: _____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Mary Ann Prelock- Holds non-voting seat on the be.group Board.
> Attends Board meetings and provides resident input on business strategy.

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HOUSEKEEPING (2 TIMES/MONTH)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (1-3 /DAY)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<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 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 checked="" type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" 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 type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.
 Page 1 of 4

PROVIDER NAME: Southern California Presbyterian Homes

<u>OTHER CCRCs</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
Redwood Terrace	Escondido, CA	760-747-4306
Regents Point	Irvine, CA	949-854-9500
White Sands La Jolla	La Jolla, CA	858-454-4201
Windsor	Glendale, CA	818-244-7219
Westminster Gardens	Duarte, CA	626-358-2569
Royal Oaks	Bradbury, CA	626-359-9371

<u>MULTI-LEVEL RETIREMENT COMMUNITIES</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
Kirkwood Orange	Orange, CA	714-282-1409

<u>FREE-STANDING SKILLED NURSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<u>SUBSIDIZED SENIOR HOUSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: Southern California Presbyterian Homes

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	80,945	75,955	79,706	84,145
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	79,401	73,822	73,615	77,705
NET INCOME FROM OPERATIONS	1,544	2,133	6,091	7,110
LESS INTEREST EXPENSE	-8,759	-8,353	-8,178	-8,261
PLUS CONTRIBUTIONS	467	16	60	0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	-759	1,725	2,527	-121
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-7,507	4,479	500	-1272
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	14,230	16,254	26,623	22,179

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
See Attached					

FINANCIAL RATIOS (see next page for ratio formulas)

	<u>2013 CCAC Medians 50th Percentile (optional)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
DEBT TO ASSET RATIO		47.61	41.47	40.98
OPERATING RATIO		108.17	102.54	101.36
DEBT SERVICE COVERAGE RATIO		1.73	3.17	2.79
DAYS CASH ON HAND RATIO		271.55	367.05	402.97

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>
STUDIO	2,019	1.9	2,057	4.9	2,158	0	2,158
ONE BEDROOM	3,142	1.9	3,202	4.9	3,359	0	3,359
TWO BEDROOM	4,437	1.9	4,521	4.9	4,743	0	4,743
COTTAGE/HOUSE	4,615	1.9	4,703	4.9	4,933	0	4,933
ASSISTED LIVING	4,869	2.9	5,010	4.9	5,255	3.9	5,460
SKILLED NURSING	6,738	2.9	6,933	4.9	7,273	3.9	7,557
SPECIAL CARE							

COMMENTS FROM PROVIDER: > No rate increase in 2014 for Residential Living

> _____
 > _____

PROVIDER NAME: Southern California Presbyterian Homes

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
Fixed Rate Revenue Bonds — Series 2006	40,490,000	4.5	12/19/2006	12/16/2036	30
Fixed Rate Revenue Bonds — Series 2009	71,729,000	5.25	8/15/2009	11/15/2041	30
Series 2014 Tax-Exempt Loan	3,844,000	2.75	12/17/2014	5/15/2028	14
Trust deed note payable (City of Glendale) — 0% interest through December 2065	1,001,000	0	12/31/2007	12/31/2065	57
Trust deed note payable (City of Duarte) — 0% interest through December 2070	1,200,000	0	12/1/2013	12/1/2070	57
Mortgage and other notes payable related to tax credit projects	6,160,000	Various (1)	Various (1)	Various (1)	Various (1)

(1) Debt is associated with mortgage and construction notes payable related to Casa de la Paloma, L.P., and Royal Vista Terrace Apartments, L.P., which are included in the group's combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013 and Royal Vista Terrace Apartments, L.P., effective September 1, 2014. Portion of debt included here represents maximum liability exposure to Southern California Presbyterian Homes as the guarantor. Mortgage loan associated with Casa de la Paloma, L.P., matures on November 1, 2044 and bears interest at 4.76%. Construction loan associated with Royal Vista Terrace Apartments, L.P. bears interest at variable rate of the current index, plus 2%, which was 2.04% at December 31, 2014. Royal Vista Terrace Apartments, L.P. construction loan will be converted to a mortgage loan subsequent to completion of construction project, expected in 2015.

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

Date Prepared: 4/20/2015
RECEIVED
MAY 05 2015

FACILITY NAME: Redwood Terrace
 ADDRESS: 710 West 13th Avenue Escondido ZIP CODE: 92025 PHONE: 760-747-4306
 PROVIDER NAME: Southern California Presbyterian Homes (dba be.group) FACILITY OPERATOR: Southern California Presbyterian Homes (dba be.group)
 RELATED FACILITIES: See Page 2 of Disclosure Statement RELIGIOUS AFFILIATION: None
 YEAR OPENED: 1978 # OF SINGLE MULTI- ACRES: 7 STORY STORY OTHER: _____ MILES TO SHOPPING CTR: 1/2
 MILES TO HOSPITAL: 1

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>2</u>	ASSISTED LIVING: <u>20</u>
APARTMENTS — 1 BDRM: <u>29</u>	SKILLED NURSING: <u>59</u>
APARTMENTS — 2 BDRM: <u>30</u>	SPECIAL CARE: <u>6</u>
COTTAGES/HOUSES: <u>43</u>	DESCRIPTION: > <u>Memory Care</u>
RLU OCCUPANCY (%) AT YEAR END: <u>96.2</u>	> _____

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: _____

FORM OF CONTRACT: CONTINUING CARE LIFE CARE ENTRANCE FEE FEE FOR SERVICE
 (Check all that apply) ASSIGNMENT OF ASSETS EQUITY MEMBERSHIP RENTAL

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: _____

RANGE OF ENTRANCE FEES: \$ 64,000 - \$ 245,000 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Limited

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: None OTHER: _____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Hans Noordhorn - Holds non-voting seat on the be.group Board.
 > Attends Board meetings and provides resident input on business strategy.

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (2__TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (3__/_DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input 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 HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>			

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

PROVIDER NAME: Southern California Presbyterian Homes

<u>OTHER CCRCs</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
Redwood Terrace	Escondido, CA	760-747-4306
Regents Point	Irvine, CA	949-854-9500
White Sands La Jolla	La Jolla, CA	858-454-4201
Windsor	Glendale, CA	818-244-7219
Westminster Gardens	Duarte, CA	626-358-2569
Royal Oaks	Bradbury, CA	626-359-9371

<u>MULTI-LEVEL RETIREMENT COMMUNITIES</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
Kirkwood Orange	Orange, CA	714-282-1409

<u>FREE-STANDING SKILLED NURSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<u>SUBSIDIZED SENIOR HOUSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: Southern California Presbyterian Homes

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	80,945	75,955	79,706	84,145
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	79,401	73,822	73,615	77,705
NET INCOME FROM OPERATIONS	1,544	2,133	6,091	7,110
LESS INTEREST EXPENSE	-8,759	-8,353	-8,178	-8,261
PLUS CONTRIBUTIONS	467	16	60	0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	-759	1,725	2,527	-121
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-7,507	4,479	500	-1272
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	14,230	16,254	26,623	22,179

DESCRIPTION OF SECURED DEBT (as of most recent fiscal year end)

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
See Attached					

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50 th Percentile (optional)	2012	2013	2014
DEBT TO ASSET RATIO		47.61	41.47	40.98
OPERATING RATIO		108.17	102.54	101.36
DEBT SERVICE COVERAGE RATIO		1.73	3.17	2.79
DAYS CASH ON HAND RATIO		271.55	367.05	402.97

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	2,128	1.9	2,168	4.9	2,274	3.9	2,363
ONE BEDROOM	2,270	1.9	2,313	4.9	2,426	3.9	2,521
TWO BEDROOM	3,340	1.9	3,403	4.9	3,570	3.9	3,709
COTTAGE/HOUSE	3,340	1.9	3,403	4.9	3,570	3.9	3,709
ASSISTED LIVING	4,022	2.9	4,139	4.9	4,342	3.9	4,511
SKILLED NURSING	9,329	2.9	9,600	4.9	10,070	3.9	10,463
SPECIAL CARE	5,284	2.9	5,437	4.9	5,703	3.9	5,925

COMMENTS FROM PROVIDER: >

> _____
 > _____
 > _____

PROVIDER NAME: Southern California Presbyterian Homes

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

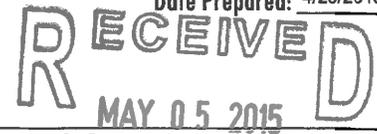
$$\frac{\begin{array}{l} \text{Unrestricted Current Cash \& Investments} \\ + \text{ Unrestricted Non-Current Cash \& Investments} \end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
Fixed Rate Revenue Bonds — Series 2006	40,490,000	4.5	12/19/2006	12/16/2036	30
Fixed Rate Revenue Bonds — Series 2009	71,729,000	5.25	8/15/2009	11/15/2041	30
Series 2014 Tax-Exempt Loan	3,844,000	2.75	12/17/2014	5/15/2028	14
Trust deed note payable (City of Glendale) — 0% interest through December 2065	1,001,000	0	12/31/2007	12/31/2065	57
Trust deed note payable (City of Duarte) — 0% interest through December 2070	1,200,000	0	12/1/2013	12/1/2070	57
Mortgage and other notes payable related to tax credit projects	6,160,000	Various (1)	Various (1)	Various (1)	Various (1)

(1) Debt is associated with mortgage and construction notes payable related to Casa de la Paloma, L.P., and Royal Vista Terrace Apartments, L.P., which are included in the group's combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013 and Royal Vista Terrace Apartments, L.P., effective September 1, 2014. Portion of debt included here represents maximum liability exposure to Southern California Presbyterian Homes as the guarantor. Mortgage loan associated with Casa de la Paloma, L.P., matures on November 1, 2044 and bears interest at 4.76%. Construction loan associated with Royal Vista Terrace Apartments, L.P. bears interest at variable rate of the current index, plus 2%, which was 2.04% at December 31, 2014. Royal Vista Terrace Apartments, L.P. construction loan will be converted to a mortgage loan subsequent to completion of construction project, expected in 2015.

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

Date Prepared: 4/20/2015



FACILITY NAME: Regents Point
 ADDRESS: 19191 Harvard Ave Irvine ZIP CODE: 92612 PHONE: 949-854-9500
 PROVIDER NAME: Southern California Presbyterian Homes (dba be.group) FACILITY OPERATOR: Southern California Presbyterian Homes (dba be.group)
 RELATED FACILITIES: See Page 2 of Disclosure Statement RELIGIOUS AFFILIATION: None
 YEAR # OF SINGLE MULTI- MILES TO SHOPPING CTR: 1
 OPENED: 1982 ACRES: 15 STORY STORY OTHER: MILES TO HOSPITAL: 3

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: 41	ASSISTED LIVING: 40
APARTMENTS — 1 BDRM: 79	SKILLED NURSING: 59
APARTMENTS — 2 BDRM: 40	SPECIAL CARE: 8
COTTAGES/HOUSES: 76	DESCRIPTION: > Memory Care
RLU OCCUPANCY (%) AT YEAR END: 87.3	>

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: _____

FORM OF CONTRACT: CONTINUING CARE LIFE CARE ENTRANCE FEE FEE FOR SERVICE
 (Check all that apply) ASSIGNMENT OF ASSETS EQUITY MEMBERSHIP RENTAL

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: _____

RANGE OF ENTRANCE FEES: \$ 95,000 - \$ 550,000 **LONG-TERM CARE INSURANCE REQUIRED?** YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Limited

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: None OTHER: _____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Dave Matheiss - Holds non-voting seat on the be.group Board.
 > Attends Board meetings and provides resident input on business strategy.

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (2 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (1-3 /DAY)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input 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 checked="" type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>			

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

PROVIDER NAME: Southern California Presbyterian Homes

<u>OTHER CCRCs</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
Redwood Terrace	Escondido, CA	760-747-4306
Regents Point	Irvine, CA	949-854-9500
White Sands La Jolla	La Jolla, CA	858-454-4201
Windsor	Glendale, CA	818-244-7219
Westminster Gardens	Duarte, CA	626-358-2569
Royal Oaks	Bradbury, CA	626-359-9371

<u>MULTI-LEVEL RETIREMENT COMMUNITIES</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
Kirkwood Orange	Orange, CA	714-282-1409

<u>FREE-STANDING SKILLED NURSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
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<u>SUBSIDIZED SENIOR HOUSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
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NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: Southern California Presbyterian Homes

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	80,945	75,955	79,706	84,145
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	79,401	73,822	73,615	77,705
NET INCOME FROM OPERATIONS	<u>1,544</u>	<u>2,133</u>	<u>6,091</u>	<u>7,110</u>
LESS INTEREST EXPENSE	-8,759	-8,353	-8,178	-8,261
PLUS CONTRIBUTIONS	467	16	60	0
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	-759	1,725	2,527	-121
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>-7,507</u>	<u>4,479</u>	<u>500</u>	<u>-1272</u>
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	14,230	16,254	26,623	22,179

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
See Attached					

FINANCIAL RATIOS (see next page for ratio formulas)

	<u>2013 CCAC Medians 50th Percentile (optional)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
DEBT TO ASSET RATIO		47.61	41.47	40.98
OPERATING RATIO		108.17	102.54	101.36
DEBT SERVICE COVERAGE RATIO		1.73	3.17	2.79
DAYS CASH ON HAND RATIO		271.55	367.05	402.97

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>
STUDIO	2,038	1.9	2,077	4.9	2,179	3.9	2,264
ONE BEDROOM	2,293	1.9	2,337	4.9	2,452	3.9	2,548
TWO BEDROOM	3,623	1.9	3,692	4.9	3,873	3.9	4,024
COTTAGE/HOUSE	3,676	1.9	3,746	4.9	3,930	3.9	4,052
ASSISTED LIVING	4,753	2.9	4,891	4.9	5,131	3.9	5,331
SKILLED NURSING	7,086	2.9	7,291	4.9	7,648	3.9	7,980
SPECIAL CARE							

COMMENTS FROM PROVIDER: >

>
 >
 >

PROVIDER NAME: Southern California Presbyterian Homes

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
Fixed Rate Revenue Bonds — Series 2006	40,490,000	4.5	12/19/2006	12/16/2036	30
Fixed Rate Revenue Bonds — Series 2009	71,729,000	5.25	8/15/2009	11/15/2041	30
Series 2014 Tax-Exempt Loan	3,844,000	2.75	12/17/2014	5/15/2028	14
Trust deed note payable (City of Glendale) — 0% interest through December 2065	1,001,000	0	12/31/2007	12/31/2065	57
Trust deed note payable (City of Duarte) — 0% interest through December 2070	1,200,000	0	12/1/2013	12/1/2070	57
Mortgage and other notes payable related to tax credit projects	6,160,000	Various (1)	Various (1)	Various (1)	Various (1)

(1) Debt is associated with mortgage and construction notes payable related to Casa de la Paloma, L.P., and Royal Vista Terrace Apartments, L.P., which are included in the group's combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013 and Royal Vista Terrace Apartments, L.P., effective September 1, 2014. Portion of debt included here represents maximum liability exposure to Southern California Presbyterian Homes as the guarantor. Mortgage loan associated with Casa de la Paloma, L.P., matures on November 1, 2044 and bears interest at 4.76%. Construction loan associated with Royal Vista Terrace Apartments, L.P. bears interest at variable rate of the current index, plus 2%, which was 2.04% at December 31, 2014. Royal Vista Terrace Apartments, L.P. construction loan will be converted to a mortgage loan subsequent to completion of construction project, expected in 2015.

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

RECEIVED
Date Prepared: 4/20/2015
MAY 05 2015

FACILITY NAME: Westminster Gardens
 ADDRESS: 1420 Santo Domingo Avenue Duarte ZIP CODE: 91010
 PROVIDER NAME: Southern California Presbyterian Homes (dba be.group) FACILITY OPERATOR: Southern California Presbyterian Homes (dba be.group)
 RELATED FACILITIES: See Page 2 of Disclosure Statement RELIGIOUS AFFILIATION: None
 YEAR OPENED: 1950 # OF SINGLE MULTI- MILES TO SHOPPING CTR: 1
 ACRES: 32 STORY STORY OTHER: MILES TO HOSPITAL: 4

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>0</u>	ASSISTED LIVING: <u>30</u>
APARTMENTS — 1 BDRM: <u>20</u>	SKILLED NURSING: <u>0</u>
APARTMENTS — 2 BDRM: <u>50</u>	SPECIAL CARE: <u>10</u>
COTTAGES/HOUSES: <u>37</u>	DESCRIPTION: > <u>Memory Care</u>
RLU OCCUPANCY (%) AT YEAR END: <u>96.3</u>	> <u> </u>

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY:

FORM OF CONTRACT: CONTINUING CARE LIFE CARE ENTRANCE FEE FEE FOR SERVICE
 (Check all that apply) ASSIGNMENT OF ASSETS EQUITY MEMBERSHIP RENTAL

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER:

RANGE OF ENTRANCE FEES: \$ 65,000 - \$ 215,000 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Limited

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: None OTHER:

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Bill Cook - Holds non-voting seat on the be.group Board.
 > Attends Board meetings and provides resident input on business strategy.

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (2 <u> </u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	MEALS (3 <u> </u> /DAY)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input checked="" 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 type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input checked="" 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 checked="" type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER <u> </u>	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u> </u>	<input type="checkbox"/>	<input type="checkbox"/>			

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

PROVIDER NAME: Southern California Presbyterian Homes

<u>OTHER CCRCs</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
Redwood Terrace	Escondido, CA	760-747-4306
Regents Point	Irvine, CA	949-854-9500
White Sands La Jolla	La Jolla, CA	858-454-4201
Windsor	Glendale, CA	818-244-7219
Westminster Gardens	Duarte, CA	626-358-2569
Royal Oaks	Bradbury, CA	626-359-9371

<u>MULTI-LEVEL RETIREMENT COMMUNITIES</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
Kirkwood Orange	Orange, CA	714-282-1409

<u>FREE-STANDING SKILLED NURSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<u>SUBSIDIZED SENIOR HOUSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: Southern California Presbyterian Homes

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	80,945	75,955	79,706	84,145
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	79,401	73,822	73,615	77,705
NET INCOME FROM OPERATIONS	<u>1,544</u>	<u>2,133</u>	<u>6,091</u>	<u>7,110</u>
LESS INTEREST EXPENSE	-8,759	-8,353	-8,178	-8,261
PLUS CONTRIBUTIONS	467	16	60	0
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	-759	1,725	2,527	-121
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>-7,507</u>	<u>4,479</u>	<u>500</u>	<u>-1272</u>
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	<u>14,230</u>	<u>16,254</u>	<u>26,623</u>	<u>22,179</u>

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
See Attached					

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile <i>(optional)</i>	<u>2012</u>	<u>2013</u>	<u>2014</u>
DEBT TO ASSET RATIO		47.61	41.47	40.98
OPERATING RATIO		108.17	102.54	101.36
DEBT SERVICE COVERAGE RATIO		1.73	3.17	2.79
DAYS CASH ON HAND RATIO		271.55	367.05	402.97

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>
STUDIO							
ONE BEDROOM	2,100	1.9	2,140	4.9	2,245	3.9	2,333
TWO BEDROOM	2,626	1.9	2,676	4.9	2,807	3.9	2,916
COTTAGE/HOUSE	3,123	1.9	3,182	4.9	3,338	3.9	3,468
ASSISTED LIVING	3,391	2.9	3,489	4.9	3,660	3.9	3,803
SKILLED NURSING							
SPECIAL CARE	4,822	2.9	4,962	4.9	5,205	3.9	5,408

COMMENTS FROM PROVIDER: >

> _____
 > _____
 > _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
Fixed Rate Revenue Bonds -- Series 2006	40,490,000	4.5	12/19/2006	12/16/2036	30
Fixed Rate Revenue Bonds -- Series 2009	71,729,000	5.25	8/15/2009	11/15/2041	30
Series 2014 Tax-Exempt Loan	3,844,000	2.75	12/17/2014	5/15/2028	14
Trust deed note payable (City of Glendale) -- 0% interest through December 2065	1,001,000	0	12/31/2007	12/31/2065	57
Trust deed note payable (City of Duarte) -- 0% interest through December 2070	1,200,000	0	12/1/2013	12/1/2070	57
Mortgage and other notes payable related to tax credit projects	6,160,000	Various (1)	Various (1)	Various (1)	Various (1)

(1) Debt is associated with mortgage and construction notes payable related to Casa de la Paloma, L.P., and Royal Vista Terrace Apartments, L.P., which are included in the group's combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013 and Royal Vista Terrace Apartments, L.P., effective September 1, 2014. Portion of debt included here represents maximum liability exposure to Southern California Presbyterian Homes as the guarantor. Mortgage loan associated with Casa de la Paloma, L.P., matures on November 1, 2044 and bears interest at 4.76%. Construction loan associated with Royal Vista Terrace Apartments, L.P. bears interest at variable rate of the current index, plus 2%, which was 2.04% at December 31, 2014. Royal Vista Terrace Apartments, L.P. construction loan will be converted to a mortgage loan subsequent to completion of construction project, expected in 2015.

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

Data Prepared: 4/26/2015
RECEIVED
MAY 05 2015

FACILITY NAME: White Sands La Jolla
 ADDRESS: 7450 Olivetas Avenue La Jolla ZIP CODE: 92037 PHONE: 858 454 4201
 PROVIDER NAME: Southern California Presbyterian Homes (dba be.group) FACILITY OPERATOR: Southern California Presbyterian Homes (dba be.group)
 RELATED FACILITIES: See Page 2 of Disclosure Statement RELIGIOUS AFFILIATION: None
 YEAR # OF SINGLE MULTI- MILES TO SHOPPING CTR: 1
 OPENED: 1956 ACRES: 8.5 STORY STORY OTHER: _____ MILES TO HOSPITAL: 4

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>46</u>	ASSISTED LIVING: <u>22</u>
APARTMENTS — 1 BDRM: <u>66</u>	SKILLED NURSING: <u>38</u>
APARTMENTS — 2 BDRM: <u>63</u>	SPECIAL CARE: <u>10</u>
COTTAGES/HOUSES: _____	DESCRIPTION: > <u>Memory Care</u>
RLU OCCUPANCY (%) AT YEAR END: <u>92.4</u>	> _____

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: _____

FORM OF CONTRACT: CONTINUING CARE LIFE CARE ENTRANCE FEE FEE FOR SERVICE
 (Check all that apply) ASSIGNMENT OF ASSETS EQUITY MEMBERSHIP RENTAL

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: _____

RANGE OF ENTRANCE FEES: \$ 60,000 - \$ 900,000 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Limited

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: None OTHER: _____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Richard Stoiler - Holds non-voting seat on the be.group Board.
 > Attends Board meetings and provides resident input on business strategy.

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (2 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (3 /DAY)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<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 type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Computer Lab, Art Studio</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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

PROVIDER NAME: Southern California Presbyterian Homes

<u>OTHER CCRCs</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
Redwood Terrace	Escondido, CA	760-747-4306
Regents Point	Irvine, CA	949-854-9500
White Sands La Jolla	La Jolla, CA	858-454-4201
Windsor	Glendale, CA	818-244-7219
Westminster Gardens	Duarte, CA	626-358-2569
Royal Oaks	Bradbury, CA	626-359-9371

<u>MULTI-LEVEL RETIREMENT COMMUNITIES</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>
Kirkwood Orange	Orange, CA	714-282-1409

<u>FREE-STANDING SKILLED NURSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<u>SUBSIDIZED SENIOR HOUSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: Southern California Presbyterian Homes

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	80,945	75,955	79,706	84,145
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	79,401	73,822	73,615	77,705
NET INCOME FROM OPERATIONS	<u>1,544</u>	<u>2,133</u>	<u>6,091</u>	<u>7,110</u>
LESS INTEREST EXPENSE	-8,759	-8,353	-8,178	-8,261
PLUS CONTRIBUTIONS	467	16	60	0
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	-759	1,725	2,527	-121
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>-7,507</u>	<u>4,479</u>	<u>500</u>	<u>-1272</u>
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	<u>14,230</u>	<u>16,254</u>	<u>26,623</u>	<u>22,179</u>

DESCRIPTION OF SECURED DEBT (as of most recent fiscal year end)

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
See Attached					

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile (optional)	<u>2012</u>	<u>2013</u>	<u>2014</u>
DEBT TO ASSET RATIO		47.61	41.47	40.98
OPERATING RATIO		108.17	102.54	101.36
DEBT SERVICE COVERAGE RATIO		1.73	3.17	2.79
DAYS CASH ON HAND RATIO		271.55	367.05	402.97

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>
STUDIO	2,185	1.9	2,227	4.9	2,336	3.9	2,427
ONE BEDROOM	3,909	1.9	3,983	4.9	4,178	3.9	4,341
TWO BEDROOM	4,370	1.9	4,453	4.9	4,671	3.9	4,853
COTTAGE/HOUSE							
ASSISTED LIVING	4,781	2.9	4,920	4.9	5,161	3.9	5,362
SKILLED NURSING	6,131	2.9	6,309	4.9	6,618	3.9	6,876
SPECIAL CARE	6,001	2.9	6,175	4.9	6,478	3.9	6,731

COMMENTS FROM PROVIDER: >

> _____
 > _____
 > _____

PROVIDER NAME: Southern California Presbyterian Homes

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
Fixed Rate Revenue Bonds — Series 2006	40,490,000	4.5	12/19/2006	12/16/2036	30
Fixed Rate Revenue Bonds — Series 2009	71,729,000	5.25	8/15/2009	11/15/2041	30
Series 2014 Tax-Exempt Loan	3,844,000	2.75	12/17/2014	5/15/2028	14
Trust deed note payable (City of Glendale) — 0% interest through December 2065	1,001,000	0	12/31/2007	12/31/2065	57
Trust deed note payable (City of Duarte) — 0% interest through December 2070	1,200,000	0	12/1/2013	12/1/2070	57
Mortgage and other notes payable related to tax credit projects	6,160,000	Various (1)	Various (1)	Various (1)	Various (1)

(1) Debt is associated with mortgage and construction notes payable related to Casa de la Paloma, L.P., and Royal Vista Terrace Apartments, L.P., which are included in the group's combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013 and Royal Vista Terrace Apartments, L.P., effective September 1, 2014. Portion of debt included here represents maximum liability exposure to Southern California Presbyterian Homes as the guarantor. Mortgage loan associated with Casa de la Paloma, L.P., matures on November 1, 2044 and bears interest at 4.76%. Construction loan associated with Royal Vista Terrace Apartments, L.P. bears interest at variable rate of the current index, plus 2%, which was 2.04% at December 31, 2014. Royal Vista Terrace Apartments, L.P. construction loan will be converted to a mortgage loan subsequent to completion of construction project, expected in 2015.

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

Date Prepared: 4/20/2015
RECEIVED
MAY 05 2015

FACILITY NAME: Windsor
 ADDRESS: 1230 E. Windsor Road Glendale ZIP CODE: 91205 PHONE: 818-244-4211
 PROVIDER NAME: Southern California Presbyterian Homes (dba be.group) FACILITY OPERATOR: Southern California Presbyterian Homes (dba be.group)
 RELATED FACILITIES: See Page 2 of Disclosure Statement RELIGIOUS AFFILIATION: None
 YEAR # OF SINGLE MULTI- MILES TO SHOPPING CTR: 1.5
 OPENED: 1937 ACRES: 3 STORY STORY OTHER: _____ MILES TO HOSPITAL: 1.5

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>39</u>	ASSISTED LIVING: <u>39</u>
APARTMENTS — 1 BDRM: <u>31</u>	SKILLED NURSING: <u>28</u>
APARTMENTS — 2 BDRM: <u>2</u>	SPECIAL CARE: <u>0</u>
COTTAGES/HOUSES: <u>2</u>	DESCRIPTION: <u>></u>
RLU OCCUPANCY (%) AT YEAR END: <u>94.4</u>	<u>></u>

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: _____

FORM OF CONTRACT: CONTINUING CARE LIFE CARE ENTRANCE FEE FEE FOR SERVICE
 (Check all that apply) ASSIGNMENT OF ASSETS EQUITY MEMBERSHIP RENTAL

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: _____

RANGE OF ENTRANCE FEES: \$ 45,000 - \$ 165,000 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Limited

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: None OTHER: _____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Anita Genest - Holds non-voting seat on the be.group Board.
> Attends Board meetings and provides resident input on business strategy.

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (4 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (3 /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<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 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 type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL 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 type="checkbox"/>	<input type="checkbox"/>	OTHER <u>Sattelite TV</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Tea Room</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

PROVIDER NAME: Southern California Presbyterian Homes

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Kirkwood Orange	Orange, CA	714-282-1409

<u>FREE-STANDING SKILLED NURSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

<u>SUBSIDIZED SENIOR HOUSING</u>	<u>LOCATION (City, State)</u>	<u>PHONE (with area code)</u>

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: Southern California Presbyterian Homes

	2011	2012	2013	2014
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LESS INTEREST EXPENSE	-8,759	-8,353	-8,178	-8,261
PLUS CONTRIBUTIONS	467	16	60	0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	-759	1,725	2,527	-121
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-7,507	4,479	500	-1272
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	14,230	16,254	26,623	22,179

DESCRIPTION OF SECURED DEBT (as of most recent fiscal year end)

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGATION	DATE OF MATURITY	AMORTIZATION PERIOD
See Attached					

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50 th Percentile (optional)	2012	2013	2014
DEBT TO ASSET RATIO		47.61	41.47	40.98
OPERATING RATIO		108.17	102.54	101.36
DEBT SERVICE COVERAGE RATIO		1.73	3.17	2.79
DAYS CASH ON HAND RATIO		271.55	367.05	402.97

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	1,999	1.9	2,037	4.9	2,137	3.9	2,220
ONE BEDROOM	3,482	1.9	3,548	4.9	3,722	3.9	3,919
TWO BEDROOM	4,056	1.9	4,133	4.9	4,336	3.9	4,505
COTTAGE/HOUSE							
ASSISTED LIVING	4,225	2.9	4,348	4.9	4,561	3.9	4,739
SKILLED NURSING	6,097	2.9	6,274	4.9	6,581	3.9	6,840
SPECIAL CARE							

COMMENTS FROM PROVIDER: >

> _____
 > _____
 > _____

PROVIDER NAME: Southern California Presbyterian Homes

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
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Series 2014 Tax-Exempt Loan	3,844,000	2.75	12/17/2014	5/15/2028	14
Trust deed note payable (City of Glendale) — 0% interest through December 2065	1,001,000	0	12/31/2007	12/31/2065	57
Trust deed note payable (City of Duarte) — 0% interest through December 2070	1,200,000	0	12/1/2013	12/1/2070	57
Mortgage and other notes payable related to tax credit projects	6,160,000	Various (1)	Various (1)	Various (1)	Various (1)

(1) Debt is associated with mortgage and construction notes payable related to Casa de la Paloma, L.P., and Royal Vista Terrace Apartments, L.P., which are included in the group's combined financial statements. Casa de la Paloma, L.P. was included effective March 27, 2013 and Royal Vista Terrace Apartments, L.P., effective September 1, 2014. Portion of debt included here represents maximum liability exposure to Southern California Presbyterian Homes as the guarantor. Mortgage loan associated with Casa de la Paloma, L.P., matures on November 1, 2044 and bears interest at 4.76%. Construction loan associated with Royal Vista Terrace Apartments, L.P. bears interest at variable rate of the current index, plus 2%, which was 2.04% at December 31, 2014. Royal Vista Terrace Apartments, L.P. construction loan will be converted to a mortgage loan subsequent to completion of construction project, expected in 2015.



be.group

516 BURCHETT ST.
GLENDALE, CA 91203
818 247 0420 F 818 247 3871
THEBEGROUP.ORG

RECEIVED
JUN 02 2015
CONTINUING CARE
CONTRACTS BRANCH

May 28, 2015

Ms. Allison Nakatomi
Continuing Care Contract Branch
California Department of Social Services
744 P Street, M.S. 8-3-90
Sacramento, CA 95814

Dear Allison:

Enclosed please find the Key Indicators Report for Southern California Presbyterian Homes (dba be.group).

If you have any further questions, or need additional information, please do not hesitate to contact me at (818) 844-2708.

Sincerely,

David L. Pierce
VP of Finance & CFO

KEY INDICATORS REPORT

be.group

Vice President, Finance & CFO Signature

2010	Audited					Projected
	2010	2011	2012	2013	2014	

2016	2017	2018	2019	2020	2021
------	------	------	------	------	------

Preferred
T-land
Indicator

OPERATIONAL STATISTICS

1. Average Annual Occupancy by Site (%)

91.50% 92.00% 92.00% 92.00% 92.00% 92.00% 92.00%

MARGIN (PROFITABILITY) INDICATORS

2. Net Operating Margin (%)

4.49% 5.19% 5.89% 6.58%

3. Net Operating Margin - Adjusted (%)

21.34% 21.85% 22.36% 22.86%

LIQUIDITY INDICATORS

4. Unrestricted Cash and Investments (\$000)

\$101,776 \$109,770 \$120,015 \$130,447

5. Days Cash on Hand (Unrestricted)

415.57 437.64 467.18 495.77

CAPITAL STRUCTURE INDICATORS

6. Deferred Revenue from Entrance Fees (\$000)

\$111,296 \$110,775 \$110,542 \$110,610

7. Net Annual E/F proceeds (\$000)

\$18,404 \$18,956 \$19,524 \$20,110

8. Unrestricted Net Assets (\$000)

\$15,474 \$21,441 \$28,188 \$35,756

9. Annual Capital Asset Expenditure (\$000)

\$19,796 \$16,075 \$15,483 \$17,031

10. Annual Debt Service Coverage

Revenue Basis (x)

0.99 1.10 1.21 1.33

11. Annual Debt Service Coverage (x)

2.99 3.16 3.33 3.51

12. Annual Debt Service/Revenue (%)

8.66% 8.39% 8.13% 7.89%

13. Average Annual Effective Interest Rate (%)

6.13% 6.14% 6.16% 6.17%

14. Unrestricted Cash & Investments/
Long-Term Debt (%)

65.03% 71.02% 78.71% 86.80%

15. Average Age of Facility (years)

12.20 12.73 13.24 13.73

BE GROUP
2018 JUN 02 2019
CONTRACTS BRANCH

91.50% 92.00% 92.00% 92.00% 92.00% 92.00%

4.49% 5.19% 5.89% 6.58%

21.34% 21.85% 22.36% 22.86%

\$101,776 \$109,770 \$120,015 \$130,447

415.57 437.64 467.18 495.77

\$111,296 \$110,775 \$110,542 \$110,610

\$18,404 \$18,956 \$19,524 \$20,110

\$15,474 \$21,441 \$28,188 \$35,756

\$19,796 \$16,075 \$15,483 \$17,031

0.99 1.10 1.21 1.33

2.99 3.16 3.33 3.51

8.66% 8.39% 8.13% 7.89%

6.13% 6.14% 6.16% 6.17%

65.03% 71.02% 78.71% 86.80%

12.20 12.73 13.24 13.73

91.40%

3.78%

20.83%

\$99,080

414.41

\$112,095

\$17,868

\$10,242

\$16,933

0.89

2.84

8.90%

6.10%

62.56%

11.65

90.00% 88.40% 89.00% 88.30% 90.20%

1.82% -1.34% -0.93% 1.76% 3.07%

19.81% 14.26% 16.41% 27.80% 24.07%

\$52,904 \$47,952 \$61,135 \$82,252 \$94,908

229.32 198.53 260.18 367.05 402.97

\$92,604 \$92,854 \$93,049 \$105,755 \$113,160

\$17,217 \$14,258 \$15,893 \$27,027 \$22,179

-\$583 -\$12,022 -\$3,299 \$11,806 \$5,686

\$7,254 \$8,674 \$7,289 \$15,369 \$21,041

0.43 0.28 0.23 0.61 0.70

2.08 1.63 1.76 3.23 2.81

11.08% 10.95% 11.00% 11.01% 10.50%

6.13% 6.15% 6.16% 6.13% 6.11%

37.72% 34.62% 44.71% 56.63% 59.28%

11.51 12.54 13.36 13.45 11.07

91.40%

3.78%

20.83%

\$99,080

414.41

\$112,095

\$17,868

\$10,242

\$16,933

0.89

2.84

8.90%

6.10%

62.56%

11.65

91.50%

4.49%

21.34%

\$101,776

415.57

\$111,296

\$18,404

\$15,474

\$19,796

0.99

2.99

8.66%

6.13%

65.03%

12.20

92.00%

5.19%

21.85%

\$109,770

437.64

\$110,775

\$18,956

\$21,441

\$16,075

1.10

3.16

8.39%

6.14%

71.02%

12.73

92.00%

5.89%

22.36%

\$120,015

467.18

\$110,542

\$19,524

\$28,188

\$15,483

1.21

3.33

7.89%

6.17%

86.80%

13.73

92.00%

6.58%

22.86%

\$130,447

495.77

\$110,610

\$20,110

\$35,756

\$17,031

1.33

3.51

7.89%

6.17%

86.80%

13.73

N/A

↑

↑

↑

↑

N/A

N/A

N/A

N/A

↑

↑

↓

↓

↑

↓