Report of Independent Auditors and
Financial Statements with Supplementary Information

The Terraces at San Joaquin Gardens
(a Member of HumanGood)

As of and for the Year Ended December 31, 2017

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Table of Contents

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Report of Independent Auditors

To the Members of the Board of Directors
The Terraces at San Joaquin Gardens
(a Member of HumanGood)

Report on the Financial Statements

We have audited the accompanying financial statements of The Terraces at San Joaquin Gardens ("TSJG" or the "Corporation") (a Member of HumanGood), which comprise the balance sheet as of December 31, 2017 and the related statements of operations and changes in net deficit, and cash flows for the year ended December 31, 2017 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2017 and the results of its operations, changes in net deficit, and its cash flows for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 25, which includes the balance sheet as of December 31, 2016, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 26 and 27, which includes the statements of operations and changes in net deficit, and cash flows, each for the 12-months ended December 31, 2016, is presented for purpose of additional analysis and is not a required part of the financial statements. This supplementary information is the responsibility of the Corporation's management. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

San Francisco, California
April 27, 2018

Financial Statements

The Terraces at San Joaquin Gardens
(A Member of Humangood)
Balance Sheet
As of December 31, 2017 (in thousands)

ASSETS

Cash and cash equivalents	$	5,447
Investments		11,832
Restricted investments		4,391
Resident accounts and other receivables,		
less allowances for doubtful accounts of $204		1,402
Prepaid expenses and other deposits		90
Deferred marketing costs		5,940
Land, buildings, and equipment, net		86,841
Total assets	$	115,943

LIABILITIES AND NET DEFICIT

Accounts payable and accrued expenses	$	1,480
Payable to affiliates		212
Deposits		202
Accrued interest		2,089
Subordinated management fees		4,402
Rebatable entrance fees due		37,703
Entrance fees subject to refund		6,530
Entrance fees non-refundable		12,956
Notes and bonds payable, net		45,817
Subordinated notes payable to ABHOW		29,775
Other liabilities		42
Total liabilities		141,208
Commitments and contingencies (Note 10)		
Net deficit - unrestricted		(25,265)
Total liabilities and net deficit	$	115,943

See accompanying notes.

The Terraces at San Joaquin Gardens
(A Member of Humangood)
Statement of Operations and Changes In Net Deficit
For The Year Ended December 31, 2017 (in thousands)

OPERATING REVENUES		
Residential living	$	9,339
Assisted living		3,457
Health center		7,718
Memory support		1,826
Other residential services		119
Amortization of entrance fees		3,174
Other operating revenue		530
Total operating revenues		26,163
OPERATING EXPENSES		
Salaries and wages		8,651
Employee benefits		1,984
Supplies		2,055
Chargeable ancillary services		1,675
Other purchased services		707
Marketing and advertising		613
Repairs and maintenance		412
Utilities		1,487
Insurance		266
Travel and related		68
Leases and rents		118
Management fees		1,886
Other operating expenses		431
Total operating expenses		20,353
INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)		5,809
OTHER OPERATING INCOME (EXPENSE)		
Realized losses on investments, net		(33)
Investment income, net		88
Mortgage interest		(4,153)
Depreciation and amortization		(5,641)
Total other operating expense		(9,739)
LOSS FROM OPERATIONS		(3,930)
Unrealized losses on investments		(2)
CHANGE IN NET DEFICIT		(3,932)
NET DEFICIT - Beginning of year		(21,333)
NET DEFICIT - End of year	$	(25,265)

See accompanying notes.

The Terraces at San Joaquin Gardens
(A Member of Humangood)
Statement of Cash Flows
For The Year Ended December 31, 2017 (in thousands)

OPERATING ACTIVITIES		
Cash received from resident services	$	22,033
Cash received from entrance fees from reoccupancy		5,615
Cash received from other operating activities		556
Cash received from bequests and trust maturities		7
Cash earnings realized from investments		56
Cash paid for employee salaries		(8,129)
Cash paid for employee benefits		(1,965)
Cash paid for temporary labor		(422)
Cash paid to vendors		(8,399)
Cash paid for interest, net of amounts capitalized		(6,963)
Net cash provided by operating activities		2,389
INVESTING ACTIVITIES		
Acquisition of land, buildings, and equipment		(1,029)
Purchase of unrestricted investments		(2,368)
Purchase of restricted investments		(11,832)
Cash utilized from restricted investments		2,327
Net cash used in by investing activities		(12,902)
FINANCING ACTIVITIES		
Cash received from initial entrance fees and deposits		1,522
Refunds of deposits and refundable fees		(2,173)
Cash paid for deferred debt issuance costs		15
Change in payable to affiliates		69
Principal payments on notes and bonds payable		(625)
Net cash used in financing activities		(1,192)
DECREASE IN CASH AND CASH EQUIVALENTS		(11,705)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		17,152
CASH AND CASH EQUIVALENTS - END OF YEAR	$	5,447
OPERATING ACTIVITIES		
Change in net deficit	$	(3,936)
Adjustments to reconcile change in unrestricted net deficit to net cash provided by operating activities		
Amortization of entrance fees		(3,174)
Entrance fees from reoccupancy		5,615
Amortization of deferred fees		54
Depreciation and amortization		5,641
Change in unrealized losses on investments, net		2
Other changes in operating assets and liabilities, net		(1,813)
Net cash provided by operating activities	$	2,389

See accompanying notes.

NOTE 1 – BUSINESS AND ORGANIZATION

Parent Organization – HumanGood ("Parent Organization"), formerly California Life Plan Communities ("CLPC"), and before that, American Baptist Properties, Inc., is a California nonprofit public benefit tax-exempt corporation. HumanGood is the sole member of the Terraces at San Joaquin Gardens ("TSJG" or the "Corporation"), Cornerstone Affiliates, Southern California Presbyterian Homes ("SCPH"), Redwood Senior Homes and Services ("RSHS"), Westminster Gardens, and American Baptist Homes of the West ("ABHOW").

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

On February 24, 2017, at its annual meeting, Cornerstone revealed its new brand identity, HumanGood. As part of this rebranding initiative, on February 27, 2017, CLPC amended and restated its articles of incorporation to change the name of the corporation to HumanGood, which became effective on June 1, 2017. On March 29, 2018, amendments to the articles of incorporation of the SCPH Foundation took effect and the corporation's name was changed to HumanGood Cornerstone.

CORNERSTONE RELATED ENTERPRISES

The Terraces at San Joaquin Gardens – The Terraces at San Joaquin Gardens is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Fresno, California through its continuing care retirement community ("CCRC"). Prior to September 26, 2012, the Corporation was one of the eight CCRCs constituting ABHOW's California Obligated Group. Effective September 26, 2012, by vote of the ABHOW Board of Directors, and consistent with the rights and abilities granted in ABHOW's Master Trust Indenture, sole corporate membership and control of the Corporation was transferred from ABHOW to Cornerstone. On January 12, 2016, the ABP board of directors voted to amend and restate its by-laws and articles of incorporation, thus changing its name to California Life Plan Communities, now HumanGood, as well as voting to accept membership of ABHOW, TSJG, SCPH, and Cornerstone Affiliates. On March 29, 2018 amendments to the articles of incorporation of TSJG took effect and the corporation's name was changed to HumanGood Fresno.

American Baptist Estates, Inc. – American Baptist Estates, Inc., is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Phoenix, Arizona, through its CCRC, the Terraces of Phoenix. On March 5, 2018, amendments to the articles of incorporation of ABE took effect and the Corporation's name was changed to HumanGood Arizona. On March 5, 2018, amendments to the articles of incorporation of ABE took effect and the Corporation's name was changed to HumanGood Arizona.

American Baptist Homes of Washington – American Baptist Homes of Washington is a Washington nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Washington through its CCRC, Judson Park. On September 22, 2015, the Cornerstone Board of Directors voted to accept receipt of the sole membership of Judson Park from ABHOW, causing a transfer of the ownership of Judson Park from ABHOW to Cornerstone. On February 23, 2018, amendments to the articles of incorporation of Judson Park took effect and the corporation's name was changed to HumanGood Washington.

NOTE 1 – BUSINESS AND ORGANIZATION (CONTINUED)

American Baptist Homes of the West and Affiliates – American Baptist Homes of the West is a California nonprofit public benefit tax-exempt corporation that owns, operates, and manages both CCRCs and rental housing communities in which housing, health care, and supportive services are provided for the elderly in California. ABHOW developed the Corporation's campus in 1966 and has managed the community since then. On March 29, 2018, amendments to the articles of incorporation of ABHOW took effect and the corporation's name was changes to HumanGood NorCal.

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

ABHOW continues to manage the Corporation under a multi-year management agreement. The current agreement began on September 26, 2012, and continues for 10 years. Under the management agreement, TSJG is charged a base management fee equal to 8.5% of total budgeted cash revenues. Half of this fee is payable to ABHOW monthly, with the remaining half subordinated to debt service and payable annually if certain occupancy, debt service coverage, and days cash on hand requirements are met. Total management fees for the year ended December 31, 2017 were $1,886,000. $4,402,000 of management fees have been accrued but not paid and are included in subordinated management fees in the accompanying balance sheet at December 31, 2017. On March 29, 2018 amendments to the articles of incorporation of ABHOW took effect and the corporations name was changes to HumanGood Norcal.

Las Ventanas Retirement Community – Las Ventanas Retirement Community is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Las Vegas, Nevada, through its CCRC. On February 23, 2018, amendments to the articles of incorporation of Las Ventanas took effect and the corporation's name was changed to HumanGood Nevada.

Boise Retirement Community – Boise Retirement Community is a California nonprofit public benefit tax-exempt corporation that leased, and subsequently purchased, from ABP a site in Boise, Idaho upon which the Terraces of Boise was constructed and began operations in July 2015, with the community fully operational in all levels of care on June 1, 2016. On March 29, 2018, amendments to the articles of incorporation of Boise took effect and the corporation's name was changes to HumanGood Idaho.

Southern California Presbyterian Homes and Affiliates – Southern California Presbyterian Homes and Affiliates ("SCPH") is a California nonprofit public benefit tax-exempt corporation that owns, operates, and manages CCRCs and rental housing communities, primarily in Southern California, in which housing, health care, and supportive services are provided for the elderly. SCPH includes four CCRCs (Royal Oaks, White Sands, Windsor, and Regents Point) together with its controlled affiliates, Redwood Senior Homes and Services ("RSHS"), Westminster Gardens, and Palmer House LP ("Palmer House"), and Kirkwood Assisted Living Residence (Orange) ("Kirkwood Orange"), whose sale to Cadence Senior Living was finalized on July 10, 2017. Additionally, the operating results of SCPH include the operating activities of seven low-income housing tax credit communities. SCPH provides management services to all 27 of its affordable housing communities. On March 29 2018, amendments to the articles of incorporation of SCPH took effect and the corporation's name was changed to HumanGood SoCal.

NOTE 1 – BUSINESS AND ORGANIZATION (CONTINUED)

Southern California Presbyterian Homes Foundation ("SCPH Foundation") is a California nonprofit public benefit tax-exempt corporation whose primary purpose is to develop, invest, and administer funds to provide residential and nursing home care on behalf of the SCPH residents. The SCPH Foundation's principal activity is to administer such funds under trust agreements. SCPH is the sole member of the SCPH Foundation and, therefore, elects the directors of the SCPH Foundation. As a result, SCPH has control over the SCPH Foundation, and therefore the SCPH Foundation is included in SCPH's consolidated financial statements. On March 29, 2018, amendments to the articles of incorporation of Cornerstone took effect and the corporation's name was changes to HumanGood Foundation South.

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

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

Seniority, Inc. – Seniority, Inc. ("Seniority") is a California for-profit corporation which was wholly owned by ABHOW from inception in October 1997 through September 2015. Seniority provides sales and operational management and consulting services to the Parent Organization's CCRCs (excluding Las Ventanas) and unrelated third parties. On September 22, 2015, the Cornerstone Board of Directors voted to accept receipt of the stock of Seniority from ABHOW causing a transfer of the ownership of Seniority from ABHOW to Cornerstone. On October 1, 2016, Seniority's sales and operational management and consulting services agreements with the Parent Organization's CCRCs were terminated and these sales and marketing functions, along with the Seniority employees supporting them, were transferred to the individual CCRCs. On October 7, 2016, Cornerstone signed a letter of intent to sell all of its outstanding capital stock in Seniority to Senior Quality Lifestyles Corporation, Inc. ("SQLC") and concluded the sale on April 30, 2017.

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

NOTE 2 – ACCOUNTING POLICIES

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

New Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU No. 2014-09"), which provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfied a performance obligation. In August 2015, the FASB issued ASU No. 2015-14, *Deferral of the Effective Date* ("ASU No. 2015-14"), which deferred the effective date of ASU No. 2014-09 for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08, *Principal versus Agent Considerations* (Reporting Revenue Gross versus Net) ("ASU No. 2016-08"), which clarifies the implementation guidance on principal versus agent considerations in ASU No. 2014-09. In April 2016, the FASB issued ASU No. 2016-10, *Identifying Performance Obligations and Licensing* ("ASU No. 2016-10"), which clarifies the implementation guidance on identifying performance obligations and the licensing implementation guidance in ASU No. 2014-09, while retaining the related principles for those areas. In May 2016, the FASB issued ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients* ("ASU No. 2016-12"), which provides narrow-scope improvements and practical expedients to ASU No. 2014-09. ASU No. 2014-09, ASU No. 2015-14, ASU No. 2016-08, ASU No. 2016-10, and ASU No. 2016-12 applies to all entities and is effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018, with early adoption permitted. The adoption of ASU No. 2014-09, ASU No. 2015-14, ASU No. 2016-08, ASU No. 2016-10, and ASU No. 2016-12 is effective for the Corporation beginning January 1, 2018. Management is currently evaluating the impact of adoption on the Corporation's consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall* (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU No. 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in net income; simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. ASU No. 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. It is not anticipated that ASU No. 2016-01 will have an impact on the Corporation's financial statements.

NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

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

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

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on eight cash flow classification issues where current U.S. GAAP is either unclear or does not include specific guidance. The standard will be effective for nonpublic business entities for fiscal years beginning after December 15, 2018. The Corporation is currently evaluating this new standard and the impact it will have on its financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. U.S. GAAP currently does not include specific guidance on the cash flow classification and presentation of changes in restricted cash or restricted cash equivalents other than limited guidance for not-for-profit entities. The standard will be effective for nonpublic business entities for fiscal years beginning after December 15, 2018. The Corporation is currently evaluating this new standard and the impact it will have on its financial statements.

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

Investments – Investments include certain cash equivalents held by investment managers, municipal bonds, mutual funds, domestic corporate debt securities, and U.S. government securities

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

NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Asset Impairment – The Corporation periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment was recognized for the year ended December 31, 2017.

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

NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

Deferred Debt Issuance Costs – Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the interest method and are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Unamortized deferred debt issuance costs amounted to $1,708,000 at December 31, 2017. Accumulated amortization of deferred debt issuance costs were $438,000 at December 31, 2017. Amortization expense was $54,000 for the year ended December 31, 2017 and is included in mortgage interest expense in the accompanying statement of operations and changes in net deficit.

Deferred Marketing Costs – Expenses incurred in connection with marketing of newly constructed apartments are deferred and amortized over the estimated average life of the first generation of residents. Unamortized deferred marketing costs amounted to $5,940,000 at December 31, 2017 and are included in other assets in the accompanying balance sheet. Accumulated amortization of deferred marketing costs was $2,954,000 at December 31, 2017. Amortization expense was $899,000 and for the year ended December 31, 2017.

Obligation to Provide Future Services – If the present value of future outflows to provide future services, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. An evaluation of the future service benefit obligation for residents indicated that a liability was not considered to be necessary at December 31, 2017. The discount rate used to calculate the obligation to provide future services is 6% for 2017.

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

Refund Policy on Entrance Fees – The Care and Residence Agreement provides the resident with the right to a refund of the entrance fee, less 2% for each month of residency for 44 months after an initial reduction of 12% of the original fee, under certain circumstances. For a majority of contracts, upon the move out of a resident, the unamortized balance of the entrance fee becomes the property of the Corporation and is included in income. The amounts amortized to income relating to these types of contracts were $3,174,000 for the year ended December 31, 2017.

At December 31, 2017, the Corporation had nonrefundable entrance fees of $12,956,000, related to entrance fees received that will be recognized as revenue in future years. Additionally, at December 31, 2017, the Corporation had entrance fees subject to refund of $6,530,000 that will be recognized as revenue in future years unless refunded.

NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

The Corporation offers contract options whereby 50% to 100% of the entrance fee is rebatable at death or termination of the contract and subsequent reoccupancy of the apartment. The Corporation's redevelopment apartments were sold offering primarily rebatable entrance fee contracts. At December 31, 2017, $37,703,000 of the entrance fees related to these types of contracts are contractually rebatable, and reflected as rebatable entrance fees due in the accompanying balance sheet. Included in these amount is $2,427,000 in entrance fee rebates due pending move out of residents currently residing in higher levels of care at December 31, 2017

Actual refunds and rebates of entrance fees were $2,173,000 for the year ended December 31, 2017. Based on historical experience, management expects refunds in future years to approximate $2,500,000 per year.

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

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

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

Temporarily Restricted Net Assets – Temporarily restricted net assets include net assets subject to donor imposed stipulations that may, or will be met, either by actions of the Corporation and/or the passage of time. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations and changes in net deficit as net assets released from restrictions. At December 31, 2017, the Corporation had no temporarily restricted net assets.

Permanently Restricted Net Assets – Permanently restricted net assets include net assets subject to donor imposed stipulations that they be maintained permanently by the Corporation. At December 31, 2017, the Corporation had no permanently restricted net assets.

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

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

NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

The Corporation provides health care services primarily to its residents. Revenues from the Medicare and Medi-Cal program accounted for approximately 13% and of the Corporation's total operating revenue less amortization of entrance fees for the year ended December 31, 2017. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

Contributions – The Corporation participates in the American Baptist Homes Foundation of the West ("ABHFOW") fundraising activity. Gifts and bequests to the Corporation are credited to the Corporation's fund with ABHFOW. In addition, upon maturity, deferred gifts such as gift annuities and charitable remainder trusts are also credited to the Corporation's fund. Funds held by ABHFOW that the ABHFOW board has designated for the Corporation amounted to approximately $5,452,000 at December 31, 2017. ABHFOW retains a legal right to redirect the use of unrestricted endowment funds. Board practice since inception has been to designate earnings distributions on funds for community benevolence needs. The Corporation receives distributions from ABHFOW based upon the market value of the twelve-quarter rolling average of the Corporation's endowment fund at a current rate of 3.5%. This rate is subject to change based upon the ABHFOW board's action. Distribution income for the year ended December 31, 2017, was approximately $157,000 and is reflected in other operating revenue in the accompanying statement of operations and changes in net deficit.

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

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

Benevolence – The Corporation provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporation is entitled from public assistance programs on behalf of residents that meet the Corporation's benevolence criteria are reported as revenues. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue. Benevolence provided was $693,000 for the year ended December 31, 2017.

NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

Contractual Allowances – A portion of the Corporation's revenues is subject to discounts under contracts with third-party payors. The discounts reported as contractual allowances were $2,364,000 for the year ended December 31, 2017.

Performance Indicator – "Loss from operations" as reflected in the accompanying statement of operations and changes in net deficit is the performance indicator. Loss from operations includes all changes in unrestricted net deficit other than non-cash changes in unrealized gains and losses on investments.

Workers' Compensation Plan – The Corporation participated in ABHOW's partially self-insured workers' compensation program for workers' compensation claims up to $500,000 per year under an occurrence form insurance policy for the year ended December 31, 2017. Claims are accrued under the plan as the incidents that give rise to them occur. The estimate of incurred but not reported claims is based on actuarial projections of the ultimate cost of settlement, including claim settlement expenses, using ABHOW's historical claim payment experience. The estimated liability is continually monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate payments of self-insured workers' compensation claims are dependent upon future developments, management is of the opinion that the recorded reserve is adequate. Any related insurance recovery receivables are recorded under resident accounts and other receivables in the accompanying balance sheet.

Professional Liability Insurance – The Corporation has professional liability insurance through a pooled program provided by ABHOW. ABHOW has secured claims-made policies for malpractice and general liability insurance with a self-insured retention of $150,000 at December 31, 2017. Management of the Corporation is not aware of any claims outstanding that are in excess of policy limits, and any liability would be included in accounts payable and accrued expenses in the accompanying balance sheet. Any related insurance recovery receivables are recorded under resident accounts and other receivables in the accompanying balance sheet.

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

The Corporation assesses uncertain tax positions in accordance with the provisions of the FASB ASC Topic 740-10, *Income Taxes*. The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2017, there were no such uncertain tax positions.

NOTE 3 – FAIR VALUE

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

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

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

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

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

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

The following table presents the fair value measurements of assets recognized in the accompanying balance sheet measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at December 31, 2017 (in thousands):

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$ 12,897	$ -	$ -	$ 12,897
Domestic corporate debt	1,288	-	-	1,288
Foreign corporate debt	231	-	-	231
U.S. government securities	1,807	-	-	1,807
Total	$ 16,223	$ -	$ -	$ 16,223

NOTE 3 – FAIR VALUE (CONTINUED)

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

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

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

The following table presents estimated fair values of the Corporation's financial instruments in accordance with FASB ASC Topic 825, *Financial Instruments,* at December 31, 2017 (in thousands):

	Carrying Amount	Fair Value
Cash and cash equivalents - unrestricted	$ 5,447	$ 5,447
Notes and bonds payable	$ 76,850	$ 81,336

Considerable judgment is required to develop estimates of fair value, and the estimates presented are not necessarily indicative of the amounts that the Corporation would realize in a current market exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair values. The estimates presented are based on pertinent information available to management at December 31, 2017. Current estimates of fair value may differ significantly from the amounts presented.

NOTE 4 – RESTRICTED INVESTMENTS

Restricted investments are held at December 31, 2017 for the following purpose (at fair value) (in thousands):

Restricted investments	
Principal, interest, and other reserves held in trust under bond indenture or mortgage agreements	$ 4,391
Investments - unrestricted	11,832
Total investments	$ 16,223

NOTE 4 – RESTRICTED INVESTMENTS (CONTINUED)

Investment income is as follows (in thousands):

Dividend, interest, and other investment income	$ 88
Net realized loss on investments	(33)
Total investment income, net	$ 55
Unrealized losses on investments	$ (2)

Investment income is net of investment expenses of $18,000 for the year ended December 31, 2017

NOTE 5 – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at cost at December 31, 2017, consists of the following (in thousands):

Land and improvements	$ 3,490
Buildings and improvements	111,827
Furnishings and equipment	9,178
Automotive equipment	173
Total	124,668
Accumulated depreciation	(38,565)
Total	86,103
Construction in progress	738
Total	$ 86,841

Depreciation expense for the year ended December 31, 2017, was $4,742,000.

NOTE 6 – NOTES AND BONDS PAYABLE

The Corporation undertook a plan to redevelop portions of its campus (the “Project”). As part of this plan, sole corporate membership and control of the Corporation was transferred from ABHOW to Cornerstone on September 26, 2012. Concurrent with this change in legal structure, the repayment of funds previously provided from the Corporation to ABHOW for corporate purposes were forgiven. As part of the transfer, at closing, $4,807,000 of the proceeds from the financing discussed below were transferred from the Corporation to ABHOW to reimburse for construction costs advanced by ABHOW in anticipation of the financing. Additionally, the portion of ABHOW’s Series 2006 bonds previously allocated to the Corporation were replaced with a $23,336,000 variable rate subordinated note, and the portion of ABHOW’s Series 2010 bonds previously allocated to the Corporation were replaced with a $6,438,000 fixed rate subordinate note. Debt service payments on these subordinate notes are contingent upon the Corporation being compliant with certain performance metrics. Interest expense of $1,532,000 related to these notes were accrued but not paid at December 31, 2017, pending achievement of these performance criteria. In late 2017, one of these operating performance criteria was achieved and TSJG paid ABHOW $4,183,000 in satisfaction of a portion of previously accrued interest expense amounts owed.

To finance the Project, the Corporation issued $71,035,000 of tax-exempt bonds in September 2012 (“Series 2012 bonds”). ABHOW has no obligation for and does not guarantee the Series 2012 bonds. These bonds were sold at a premium of $567,000 in order to affect a market rate of interest. The premium is being amortized under the effective interest method. At December 31, 2017, the accumulated amortized premium was $116,600.

NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)

A summary of the Corporation's notes and bonds payable at December 31, 2017, is as follows (in thousands):

Secured		
Series 2012 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated September 26, 2012), Serial certificates, to fund redevelopment spending at TSJG, with annual principal payable commencing on April 1, 2014, in varying amounts depending on initial entrance fee collections through 2016; interest at fixed rates ranging from 4.00% to 6.00%, payable annually on October 1.	$	47,075
Subordinated		
Series A Subordinated Promissory Note, payable to ABHOW, with principal and interest payments contingent upon the Corporation meeting certain liquidity requirements and coverage ratios. The note bears interest at the rate of 4.22% until October 1, 2014, 4.00% per annum until October 1, 2018, and thereafter bears interest at the average rate per annum on the ABHOW Series 2015 bonds or any bonds refunding those bonds, plus, in any case, credit enhancement and remarketing fees applicable thereto, if any.		23,337
Series B Subordinated Promissory Note, payable to ABHOW, with principal and interest payments contingent upon the Corporation meeting certain liquidity requirements and coverage ratios. The note bears interest at the rate of 6.20% per annum, or if the ABHOW Series 2010 bonds are refunded, the average interest rate per annum on any such refunding bonds, plus, in any case, credit enhancement and remarketing fees applicable thereto, if any.		6,438
Total secured and subordinated notes and bonds payable		76,850
Add: unamortized bond premium		450
Less: unamortized bond issuance costs, net		(1,708)
Total bonds and subordinated notes payable	$	75,592

NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)

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

Year Ending December 31,		
2018	$	966
2019		1,022
2020		1,070
2021		1,127
2022		1,189
Thereafter		71,476
	$	76,850

NOTE 7 – COMPLIANCE WITH FINANCIAL COVENANTS

The Corporation is subject to financial covenants on its debt that include a debt service coverage ratio and minimum days of cash-on-hand requirement. Management believes that the Corporation was in compliance with each of these debt covenants at December 31, 2017 on its Series 2012 bonds.

NOTE 8 – FUNCTIONAL EXPENSES

Management of the Corporation presents operating expenses in its accompanying statement of operations and changes in net deficit by natural class categories. Operating expenses classified by functional categories for the year ended December 31, 2017 were as follows (in thousands):

Direct resident care	$	7,586
Dietary services		3,345
Housekeeping and laundry services		865
Property		3,401
Resident services and activities		739
Marketing and advertising		1,185
Administrative and general		3,232
Total operating expenses	$	20,353

NOTE 9 – EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan – The Corporation's employees with service prior to December 31, 2002, were eligible to participate in ABHOW's defined benefit retirement plan, which covers certain employees who are at least 21 years of age and have completed one year of service. Benefits are based on years of service and a percentage of the employee's compensation. Employees vest after completion of five years of service. ABHOW's Board of Directors approved the freezing of the plan for all non-union employees effective December 31, 2002, and for union employees effective September 30, 2003. Contributions are intended to provide for benefits attributed to service to the date of freezing. In March 2015, ABHOW provided terminated vested plan participants with a time limited option to terminate their participation in the plan in exchange for a lump sum payout.

In late calendar year 2016, the majority of the scheduled plan termination was consummated, with an estimated outstanding pension termination liability of $2,350,000 remaining at December 31, 2016. Remaining plan assets of $926,000 at December 31, 2016, plus a final cash contribution from the Corporation of $341,000 in June 2017, were used to satisfy the remaining liability. As a result of the aforementioned actions taken as part of the plan termination in 2016, $10,584,000 of previously unrecognized net actuarial losses was recognized by ABHOW as part of employee benefits. The Corporation's allocated share of this cost was $1,010,000.

NOTE 10 – HEALTH AND SAFETY CODE SECTION 1790(A)(3) DISCLOSURE

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health & Safety Code. The Corporation has identified certain corporate initiatives and contingencies listed below to which unrestricted assets may be exposed; and, therefore, have designated reserves as a safeguard against such contingencies. Although not restricted in accordance with FASB ASC Topic 958, *Not-for-Profit Entities*, an amount of $5,935,000 is designated for commitments due to ABHOW at December 31, 2017, and is accrued in accrued interest and subordinated management fees on the balance sheet.

NOTE 11 – SUBSEQUENT EVENTS

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

The Corporation has evaluated subsequent events through April 27, 2018, which is the date the financial statements are issued.

Supplementary Information

The Terraces at San Joaquin Gardens
(A Member of Humangood)
Balance Sheet
As of December 31, 2016 (in thousands)

ASSETS

Cash and cash equivalents	$	17,152
Restricted investments		4,352
Resident accounts and other receivables,		
less allowances for doubtful accounts of $105		1,237
Prepaid expenses and other deposits		145
Other assets		6,839
Land, building, and equipment, net		90,556
Total Assets	$	120,281

LIABILITIES AND NET DEFICIT

Accounts payable and accrued expenses	$	1,141
Payable to affiliates		140
Deposits		113
Accrued interest		4,941
Subordinated management fees		3,459
Rebatable entrance fees due		37,746
Entrance fees subject to refund		5,980
Entrance fees non-refundable		11,880
Notes and bonds payable, net		46,386
Subordinated notes payable to ABHOW		29,774
Other liabilities		54
Total liabilities		141,614
Net deficit - unrestricted		(21,333)
Total liabilities and net deficit	$	120,281

The Terraces at San Joaquin Gardens
(A Member of Humangood)
Statement of Operations and Changes In Net Deficit
For The 12-Months Ended December 31, 2016 (Unaudited) (in thousands)

OPERATING REVENUES		
Residential living	$	8,886
Assisted living		2,916
Health center		7,398
Memory support		1,796
Other residential services		421
Amortization of entrance fees		2,552
Other operating revenue		150
Total operating revenues		24,119
OPERATING EXPENSES		
Salaries and wages		7,868
Employee benefits		2,075
Loss on pension plan termination		1,010
Supplies		1,990
Chargeable ancillary services		1,411
Other purchased services		810
Marketing and advertising		1,135
Repairs and maintenance		391
Utilities		1,334
Insurance		256
Travel and related		68
Leases and rents		156
Management fees		1,834
Other operating expenses		143
Total operating expenses		20,481
INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)		3,638
OTHER OPERATING INCOME (EXPENSE)		
Realized losses on investments, net		(31)
Investment income, net		46
Mortgage interest		(4,158)
Depreciation and amortization		(6,217)
Total other operating expenses		(10,360)
LOSS FROM OPERATIONS		(6,722)
Unrealized gains on investments		5
Contribution of pension termination costs for affiliates		1,175
Losses from change in unrecognized pension obligation		(165)
Contributed capital		72
		-
CHANGE IN NET DEFICIT		(5,635)
NET DEFICIT - Beginning of year		(15,698)
NET DEFICIT - End of year	$	(21,333)

The Terraces at San Joaquin Gardens
(A Member of Humangood)
Statement of Cash Flows
For The 12-Months Ended December 31, 2016 (Unaudited) (in thousands)

OPERATING ACTIVITIES		
Cash received from resident services	$	20,738
Cash received from entrance fees from reoccupancy		5,807
Cash received from other operating activities		341
Cash paid for bequests and trust maturities		(6)
Cash earnings realized from investments		15
Cash paid for employee salaries		(7,456)
Cash paid for employee benefits		(2,059)
Cash paid for temporary labor		(373)
Cash paid to vendors		(8,515)
Cash paid for interest, net of amounts capitalized		(2,786)
Net cash provided by operating activities		5,706
INVESTING ACTIVITIES		
Acquisition of land, buildings, and equipment		(1,334)
Purchase of restricted investments		(1,263)
Proceeds from sale of restricted investments		1,071
Net cash used in investing activities		(1,526)
FINANCING ACTIVITIES		
Cash received from initial entrance fees and deposits		1,549
Refunds of deposits and refundable fees		(2,551)
Cash received from deferred debt issuance costs		14
Cash received from capital contributions		71
Principal payments on notes and bonds payable		(14)
Change in payable to affiliates		62
Net cash used in financing activities		(869)
INCREASE IN CASH AND CASH EQUIVALENTS		3,311
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		13,841
CASH AND CASH EQUIVALENTS - END OF YEAR	$	17,152
OPERATING ACTIVITIES		
Change in unrestricted net deficit	$	(5,635)
Adjustments to reconcile change in unrestricted net deficit to net cash provided by operating activities		
Amortization of entrance fees		(2,552)
Entrance fees from reoccupancy		5,807
Depreciation and amortization		6,217
Other changes in operating assets and liabilities, net		1,869
Net cash provided by operating activities	$	5,706

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