



*Report of Independent Auditors and  
Consolidated Financial Statements with  
Supplementary Information*

**American Baptist Homes of the West and Affiliates  
(a Member of HumanGood)**

*As of and for the Year Ended December 31, 2017*



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## **Report of Independent Auditors**

To the Members of the Board of Directors  
American Baptist Homes of the West and Affiliates  
(a member of HumanGood)

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of American Baptist Homes of the West (“ABHOW”) and Affiliates (a member of HumanGood) (collectively referred to as the “Corporation”), which comprise the consolidated balance sheet as of December 31, 2017 and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended and the related notes to the consolidated financial statements.

### ***Management’s Responsibility for the Financial Statements***

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

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Beacon Communities and Affiliates (“Beacon”), which reflect total assets constituting approximately 37 percent of consolidated total assets as of December 31, 2017 and total revenues constituting approximately 14 percent of consolidated total revenues for the year ended December 31, 2017. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Beacon, is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Baptist Homes of the West and Affiliates as of December 31, 2017 and the results of their operations, changes in net assets, and cash flows for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

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

San Francisco, California  
April 27, 2018

**Consolidated Financial Statements**

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**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Consolidated Balance Sheet**  
**As of December 31, 2017 (in thousands)**

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ASSETS

CASH AND CASH EQUIVALENTS	\$	26,173
RESTRICTED CASH		20,210
INVESTMENTS		120,745
INVESTMENTS IN LAS VENTANAS BONDS		5,788
RESTRICTED INVESTMENTS		57,365
RESIDENT ACCOUNTS RECEIVABLE		
LESS ALLOWANCES FOR DOUBTFUL ACCOUNTS OF \$2,336		8,836
SUBORDINATED NOTES RECEIVABLE, NET		47,090
OTHER RECEIVABLES		6,846
DUE FROM AFFILIATES		20,400
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS		3,905
OTHER ASSETS		15,898
LAND, BUILDING, AND EQUIPMENT, NET		<u>518,901</u>
TOTAL	<u>\$</u>	<u>852,157</u>

LIABILITIES AND NET ASSETS

ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$	32,677
DEPOSITS		2,010
ACCRUED INTEREST		13,043
REBATABLE ENTRANCE FEES DUE		84,300
ENTRANCE FEES SUBJECT TO REFUND		32,500
ENTRANCE FEES NON-REFUNDABLE		112,309
REVOCABLE TRUSTS		421
OBLIGATIONS UNDER ANNUITY AGREEMENTS		1,884
NOTES AND BONDS PAYABLE, NET		422,804
RETIREMENT LIABILITIES		5,095
WORKERS' COMPENSATION LIABILITY		5,776
OTHER LIABILITIES		<u>12,170</u>
Total liabilities		<u>724,989</u>
COMMITMENTS AND CONTINGENCIES (SEE NOTE 14)		
NET ASSETS		
Unrestricted - controlling		70,031
Unrestricted - non-controlling		46,468
Temporarily restricted		10,243
Permanently restricted		<u>426</u>
Total net assets		<u>127,168</u>
TOTAL	<u>\$</u>	<u>852,157</u>

**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Consolidated Statement of Operations and Changes in Net Assets**  
**For the Year Ended December 31, 2017 (in thousands)**

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UNRESTRICTED NET ASSETS

OPERATING REVENUES

Residential living	\$ 47,691
Assisted living	14,498
Health center	52,541
Memory support	7,926
Other residential services	1,513
Amortization of entrance fees	19,668
Other operating revenue	6,454
Affordable housing fees and rents	23,587
Net assets released from restrictions	364
Bequests and charitable giving	<u>1,597</u>
Total operating revenues	<u>175,839</u>

OPERATING EXPENSES

Salaries and wages	72,802
Employee benefits	15,679
Supplies	11,032
Chargeable ancillary services	8,875
Marketing and advertising	1,853
Repairs and maintenance	3,274
Purchased services	9,005
Leases and rents	1,937
Utilities	7,926
Travel and related	2,415
Other operating expenses	3,028
Foundation community distribution	12
Insurance	<u>1,982</u>
Total operating expenses	<u>139,820</u>

INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)

36,019

OTHER OPERATING INCOME (EXPENSE)

Unrealized gains on interest rate swaps and caps	105
Realized gains on investments, net	1,657
Investment income, net	3,177
Mortgage interest - servicing debt	(11,392)
Mortgage interest - non-servicing debt	(3,057)
Depreciation and amortization	<u>(26,421)</u>
Total other operating expense, net	<u>(35,931)</u>

INCOME FROM OPERATIONS

\$ 88

**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Consolidated Statement of Operations and Changes in Net Assets**  
**For the Year Ended December 31, 2017 (continued) (in thousands)**

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UNRESTRICTED NET ASSETS

Income from operations	\$ 88
Unrealized gains on investments, net	7,526
Unrealized gains on investment in Las Ventanas bonds	1,006
Contributions in aid of construction	25,263
Capital contributions to affiliates	(5,117)
Loss on sale of Seniority, Inc.	(79)
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CHANGE IN UNRESTRICTED NET ASSETS 

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28,687

TEMPORARILY RESTRICTED NET ASSETS

Dividend and interest income	375
Unrealized gains on restricted investments, net	593
Contributions	2,172
Net assets released from restrictions	(364)
Contractual payments to beneficiaries	(451)
Realized losses on investments, net	(64)
Contractual liability adjustments	342
Special project fund distribution	(1,701)
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CHANGE IN TEMPORARILY RESTRICTED NET ASSETS 902

CHANGE IN PERMANENTLY RESTRICTED NET ASSETS 

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(12)

CHANGE IN NET ASSETS 29,577

NET ASSETS - Beginning of year 

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97,591

NET ASSETS - End of year 

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\$ 127,168



**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2017 (in thousands)**

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OPERATING ACTIVITIES

Cash received for resident services	\$ 121,423
Cash received for entrance fees from reoccupancy	29,417
Cash received from other operating activities	39,055
Cash received from bequests and trust maturities	1,983
Cash earnings realized from investments	4,793
Cash paid for employee salaries	(69,829)
Cash paid for employee benefits	(15,803)
Cash paid for temporary labor	(5,887)
Cash paid to vendors	(59,570)
Cash paid for interest, net of amounts capitalized	(9,721)
	35,861
Net cash provided by operating activities	35,861

INVESTING ACTIVITIES

Acquisition of land, buildings, and equipment -	
Continuing Care Retirement Communities ("CCRCs")	(30,499)
Acquisition of land, buildings, and equipment - Affordable Housing	(45,830)
Decrease in restricted cash	6,700
Purchase of unrestricted investments	(37,823)
Proceeds from sale of unrestricted investments	22,947
Purchase of restricted investments	(45,435)
Proceeds from sale of restricted investments	36,735
	(93,205)
Net cash used in investing activities	(93,205)

FINANCING ACTIVITIES

Cash received from initial entrance fees and deposits	62,894
Refunds of deposits and refundable fees	(4,437)
Proceeds from issuance of notes and bonds payable - Affordable Housing	45,139
Principal payments on notes and bonds payable - CCRCs	(55,751)
Principal payments on notes and bonds payable - Affordable Housing	(16,272)
Cash paid from other trust activity, net	(2,029)
Cash received for contributions in aid of construction	25,193
Cash paid for capital contributions to affiliates	(5,117)
Cash received from restricted gifts and donations	1,545
Cash received from intercompany and interaffiliate transactions	6,015
	57,180
Net cash provided by financing activities	57,180

DECREASE IN CASH AND CASH EQUIVALENTS (164)

CASH AND CASH EQUIVALENTS - Beginning of year 26,337

CASH AND CASH EQUIVALENTS - End of year \$ 26,173

**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Consolidated Statement of Cash Flows**  
**For the Year ended December 31, 2017 (continued) (in thousands)**

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OPERATING ACTIVITIES	
Change in net assets	\$ 29,577
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Amortization of entrance fees	(19,668)
Entrance fees from reoccupancy	29,417
Amortization of deferred fees	252
Depreciation and amortization	26,421
Loss on sale of Seniority, Inc.	79
Unrealized gains on investments, net	(7,526)
Unrealized gains on restricted investments, net	(593)
Unrealized gains on investments in Las Ventanas bonds	(1,006)
Unrealized gains on interest rate swaps and caps	(105)
Contributions in aid of construction	(25,263)
Capital contributions to affiliates	5,117
Change in accounts receivable from residents and others	4,290
Change in prepaid expenses, deposits, and other assets	925
Other changes in operating assets and liabilities, net	<u>(6,056)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 35,861</u></b>
NONCASH DISCLOSURES	
Acquisition of buildings and equipment financed through accounts payable and accrued expenses	<u>\$ 332</u>
Purchase and sale of affordable housing fixed assets with debt	<u>\$ 12,432</u>

# American Baptist Homes of The West and Affiliates (a Member of HumanGood) Notes to Consolidated Financial Statements

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## 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 corporation. HumanGood is the sole member of the Terraces at San Joaquin Gardens (“TSJG”), Cornerstone Affiliates, Southern California Presbyterian Homes (“SCPH”), Redwood Senior Homes and Services (“RSHS”), Westminster Gardens, and American Baptist Homes of the West (“ABHOW”). ABHOW is the sole member of the American Baptist Homes Foundation of the West, Inc. and Beacon Communities, Inc. (collectively, “ABHOW and Affiliates” or the “Corporation”).

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 Board of Directors of American Baptist Estates, Inc. (d.b.a. Terraces of Phoenix or “ABE”), American Baptist Homes of Washington (d.b.a. “Judson Park”), Las Ventanas Retirement Community (“Las Ventanas”), Boise Retirement Community (“Boise” d.b.a. 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 Cornerstone took effect and the corporation’s name was changed to HumanGood Cornerstone.

### ***Cornerstone Related Enterprises***

**American Baptist Estates, Inc.** – American Baptist Estates, Inc. (“ABE”) is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Phoenix, Arizona through its continuing care retirement community (“CCRC”), Terraces of Phoenix. Prior to September 29, 2003, ABE was a controlled affiliate of ABHOW. The funds previously advanced by ABHOW to support ABE’s operating and capital needs were retained in the form of a subordinated note receivable from ABE. Based on Terraces of Phoenix’s projected cash flows, payments on the note receivable are not anticipated by ABHOW until 2020. The note has been recorded as part of subordinated notes receivable in the accompanying consolidated balance sheet at the estimated net realizable value of \$4,315,000 as of December 31, 2017.

ABHOW manages Terraces of Phoenix under a multiyear management agreement. In November 2013, Terraces of Phoenix refunded its Series 2003 and 2007 debt with the existing lender after ABHOW committed to a credit support package. Terraces of Phoenix and the holders of the Terraces of Phoenix’s debt had a maximum recourse of \$5,700,000 to ABHOW in the event of default. This maximum recourse was lowered to \$3,500,000 as part of the 2015 replacement financing (see Note 14). On December 15, 2015, ABHOW lent \$11,000,000 to ABE on a subordinated basis at 4.0% fixed interest, with \$9,000,000 used to fund a partial paydown of existing ABE primary debt, and the remainder used for liquidity and to fund debt issuance costs.

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 7, 2018, ABE and Judson Park undertook both the formation of an obligated group and debt refinancings under a new master trust indenture (see Note 16).

# American Baptist Homes of The West and Affiliates (a Member of HumanGood) Notes to Consolidated Financial Statements

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## NOTE 1 – BUSINESS AND ORGANIZATION (CONTINUED)

**Las Ventanas Retirement Community** – Las Ventanas Retirement Community (“Las Ventanas”) is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Las Vegas, Nevada, through its CCRC. On July 1, 2004, ABHOW began providing oversight management services to Las Ventanas. On January 1, 2010, ABHOW began providing full management services to Las Ventanas.

In June 2009, American Baptist Properties, Inc. (“ABP”), a wholly-owned subsidiary of ABHOW, completed the \$8,500,000 purchase of the land underlying Las Ventanas, the corresponding ground lease, and the rights to a \$5,000,000 contingent deferred payment. On December 16, 2011, ABP purchased the \$5,600,000 Las Ventanas remaining secured construction loan. On September 12, 2012, Las Ventanas, its bondholders, ABHOW, and ABP executed a restructuring agreement of Las Ventanas’ debt, lease, and other key obligations, which involved the exchanging of existing bonded indebtedness for three new series of tax-exempt bonds, as well as the forgiveness of all previously accrued management fees.

ABP contributed \$2,500,000 and released its interests in the ground lease and construction loan in exchange for interests in the newly issued Las Ventanas Series A-2, Series B-2, Series B-3, and Series C-2 bonds. Additionally, ABP, with liquidity support from ABHOW, provided an unfunded \$2,000,000 debt service support agreement for the Las Ventanas Series A-1 bonds, with any resulting funded amounts triggering the issuance to ABP of an equal amount of the Las Ventanas Series B-4 bonds, comparable in structure to the Las Ventanas Series B-3 bonds.

As a result of the aforementioned restructuring, ABP received \$16,414,000 (par value) of Las Ventanas bonds, which were revalued to \$8,250,000 in the year of receipt and classified as investments in Las Ventanas Bonds in the accompanying consolidated balance sheet. Subsequent annual revaluations of the investments have resulted in additional net increases in the unrealized mark-to-market loss on the bonds, for an aggregate unrealized loss on investments in Las Ventanas bonds of \$9,439,000 as of December 31, 2017 (see Note 3). On September 22, 2015, these investments, and the related unfunded debt service support agreement, were transferred from ABP to ABHOW (see HumanGood section in Note 1).

**Boise Retirement Community** – Boise Retirement Community (“Boise”) is a California nonprofit public benefit tax-exempt corporation, which 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. The obligations of Boise are non-recourse to ABHOW.

To support the Boise financing, in 2014 ABHOW and ABP provided \$3,000,000 in equity at financing along with \$1,000,000 of funded liquidity support and an additional \$1,250,000 of unfunded liquidity support. At the same time, Boise purchased the parcel of land upon which the Terraces of Boise is built from ABP for \$5,000,000. This purchase price consisted of \$3,000,000 in cash, which was used to retire ABP’s Boise land acquisition loan, and a \$2,000,000 interest-bearing subordinated note receivable. The subordinated note receivable was subsequently assigned to ABHOW (see HumanGood section of Note 1). The land sale resulted in a deferred gain on sale of \$533,000 as of December 31, 2017, and is included in other liabilities in the accompanying consolidated balance sheet.

**American Baptist Homes of The West and Affiliates  
(a Member of HumanGood)  
Notes to Consolidated Financial Statements**

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**NOTE 1 – BUSINESS AND ORGANIZATION (CONTINUED)**

On October 24, 2013, Boise's Sales and Marketing Oversight Services Agreement with Seniority, Inc. ("Seniority"), a related entity, was amended and restated. Under the terms of the amendment, Seniority is entitled to a Marketing Administrative Fee equal to \$8,000 per month beginning in the month in which first occupancy of a residential living apartment occurs and continuing until achievement of 90% occupancy of the residential living apartments. In addition, Seniority is entitled to an Incentive Fee equal to \$80,000 as follows: (i) \$5,000 upon completion of the marketing collateral and first ad series, (ii) \$30,000 upon achievement of the priority member goal, (iii) \$35,000 upon achievement of the minimum number of reservation deposits necessary to secure financing, and (iv) \$10,000 upon obtaining an initial certificate of occupancy for resident occupancy. On October 1, 2016, this agreement was transferred from Seniority to ABHOW.

Additionally, under Boise's Development Administration Services Agreement, ABHOW is entitled to a Development Administrative Support Services Fee equal to \$17,000 per month for each month that Greystone Development Corporation ("GDC") is entitled to a management fee during the term.

On May 31, 2017, in conjunction with the sale of Seniority, the Sales and Marketing Oversight Services and Development Administration Service agreements were terminated, thus ending the accrual of further amounts owing. These fees are subject to subordination under the Boise master indenture and as such ABHOW was fully reserving the accrual of this revenue prior to the termination of the agreement.

On March 29, 2018, amendments to the articles of incorporation of Boise took effect and the corporation's name was changed to HumanGood Idaho.

**Terraces at San Joaquin Gardens** – Terraces at San Joaquin Gardens ("TSJG") is a California nonprofit public benefit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Fresno, California, through its CCRC.

Prior to September 26, 2012, TSJG was one of 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 TSJG was transferred from ABHOW to Cornerstone. Additionally, at this time, ABHOW entered into a 10-year management agreement at a base fee of 8.5% of total budgeted cash revenues, with half of this fee subject to subordination. During the year ended December 31, 2017 the recognition of \$943,000 of TSJG management fee revenue was deferred by ABHOW, and an additional \$1,666,000 of interest income related to the TSJG Subordinated Notes A and B, payable to ABHOW, was accrued and also deferred, with collection pending achievement of certain TSJG operating 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. This payment triggered the recognition of \$134,000 of previously deferred interest income which is included in mortgage interest in the accompanying consolidated statement of operations and changes in net assets.

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 Homes of The West and Affiliates (a Member of HumanGood) Notes to Consolidated Financial Statements

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## NOTE 1 – BUSINESS AND ORGANIZATION (CONTINUED)

**American Baptist Homes of Washington** – American Baptist Homes of Washington (“Judson Park”) is a Washington nonprofit tax-exempt corporation providing housing, health care, and supportive services for the elderly in Washington through its CCRC, Judson Park. On May 30, 2012, ABHOW entered into a 10-year management agreement at a base fee of 8.5% of total budgeted cash revenues, with the payment of such fees subject to subordination if Judson Park fails to achieve certain operating performance criteria. 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.

**Seniority, Inc.** – Seniority, Inc. (“Seniority”), is a California for-profit corporation which was wholly owned by the Corporation from inception in October 1997 through September 2015. 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. Seniority provides sales and operational management and consulting services to Cornerstone’s CCRCs (excluding Las Ventanas) and unrelated third parties.

During fiscal year 2015, Cornerstone transferred to Seniority the voting stock of Seniority Properties (see below). On October 1, 2016, Seniority’s sales and operational management and consulting services agreements with Cornerstone’s CCRCs were terminated and these sales and marketing functions, along with the Seniority employees supporting them, were transferred to the individual CCRCs. On the same date, the Seniority annual corporate cost allocation fee was lowered from \$194,000 to \$100,000.

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. and concluded the sale on April 30, 2017. Net proceeds from the sale were insufficient to fully repay ABHOW for intercompany amounts owing, and as such losses of \$79,000 and \$1,900,000 were recognized during the year ended December 31, 2017 and 12-months ended December 31, 2016, respectively.

**Seniority Properties** – Seniority Properties is a California for-profit corporation which 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.

**American Baptist Homes of The West and Affiliates  
(a Member of HumanGood)  
Notes to Consolidated Financial Statements**

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**NOTE 1 – BUSINESS AND ORGANIZATION (CONTINUED)**

During the 12-months ended September 30, 2015, ABHOW contributed \$3,000,000 to Seniority Properties in support of its purpose of investing in senior housing communities, and to that end, Seniority Properties, through a subsidiary limited liability company (“LLC”), purchased a parcel of land for \$1,000,000 upon which a free-standing memory support and assisted living community will be constructed. On December 15, 2017, the parcel of land and related assets were sold for \$2,352,000, on February 6, 2018, \$1,337,000 of previously contributed capital was returned to ABHOW, and finally on February 21, 2018 the LLC used to purchase the land was dissolved. Additionally, on September 1, 2015, Seniority Properties, through a subsidiary LLC, purchased a 49% equity interest (and later exercised an option to purchase an additional 1% interest) in the LLC, which owns an existing memory support senior housing community currently managed by Seniority, Inc. In May 2016, ABHOW contributed an additional \$1,000,000 in continued support of Seniority Properties’ purpose of investing in senior housing communities. On February 25, 2017, Seniority transferred its stock ownership of Seniority Properties back to Cornerstone.

**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 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. On March 13, 2018, CAI was dissolved with the California Secretary of State.

**American Baptist Homes of the West** – American Baptist Homes of the West (“ABHOW”) is a California nonprofit public benefit tax-exempt corporation which owns, operates, and manages both continuing care retirement communities and rental housing communities in which housing, health care, and supportive services are provided for the elderly. HumanGood is the sole member of ABHOW and seven of ABHOW’s nine directors are HumanGood’s directors. The executive officers of HumanGood also serve as executive officers of ABHOW. As of December 31, 2017, the following CCRCs were owned and operated by ABHOW:

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

On March 29, 2018, amendments to the articles of incorporation of ABHOW took effect and the Corporation’s name was changed to HumanGood NorCal.

# American Baptist Homes of The West and Affiliates (a Member of HumanGood) Notes to Consolidated Financial Statements

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## NOTE 1 – BUSINESS AND ORGANIZATION (CONTINUED)

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

**Southern California Presbyterian Homes and Affiliates** – Southern California Presbyterian Homes and Affiliates (“SCPH”) is a California nonprofit public benefit tax-exempt corporation which 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, Palmer House LP (“Palmer House”) and Kirkwood Assisted Living Residence (“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.

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 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 the SCPH Foundation took effect and the corporation’s name was changed to HumanGood Foundation South.

On May 1, 2016, in conjunction with the approval by state regulators of the 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.

On March 29, 2018, amendments to the articles of incorporation of SCPH took effect and the corporation’s name was changed to HumanGood SoCal.

**HumanGood** – HumanGood (formerly ABP and California Life Plan Communities) is a California nonprofit public benefit tax-exempt corporation originally established in 1997 to serve as a real property holding company for the Corporation.



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**NOTE 1 – BUSINESS AND ORGANIZATION (CONTINUED)**

On September 22, 2015, the ABHOW board of directors voted to accept receipt of the net assets of ABP in full satisfaction of intercompany liabilities from ABP to ABHOW. As such, assets, including ABP's ownership of Las Ventanas Series A, B and C bonds, in the amount of \$7,041,000 (see Las Ventanas section of Note 1) and ABP's \$533,000 deferred gain on the sale of the Boise land (see Boise Retirement Community section of Note 1) were transferred to ABHOW and \$17,115,000 in interaffiliate obligations were satisfied. As a result of this transaction, ABHOW recorded a reduction in net assets of \$7,574,000 and ABP recorded an equally offsetting increase in net assets.

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 ("CLPC"), as well as voting to accept membership of ABHOW, TSJG, SCPH, and Cornerstone Affiliates. Finally, the existing ABP board of directors elected the post-affiliation board of directors for CLPC as its new board and subsequently resigned. On February 24, 2017, at its annual meeting, CLPC 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.

**Beacon Communities** – Beacon Communities, Inc. ("Beacon", formerly Carmel Senior Housing, Inc.), an affiliate of the Corporation, is a California nonprofit public benefit tax-exempt corporation.

Prior to January 1, 2015, Carmel Senior Housing served primarily as the legal entity holding ABHOW's general partner interests in the following tax credit communities: Tahoe Senior Housing II, L.P. (d.b.a. Kelly Ridge), Pacific Meadows Senior Housing L.P. (d.b.a. Pacific Meadows), Valley Vista Senior Housing (d.b.a. Valley Vista), Harborview Manor LLLP (d.b.a. Harbor View Manor), Bay Vista Partners LLLP (d.b.a. The Pearl on Oyster Bay), Three Rivers Senior Housing LLLP (d.b.a. Three Rivers Village), and Tower Park LP (d.b.a. Tower Park). On January 5, 2015, Beacon became the majority interest member of Sun Tower GP LLC, the general partner of Sun Tower Partners LLLP (d.b.a. Sun Tower), with Sun Tower Partners LLLP purchasing the business operations of Sun Tower on May 4, 2016. On January 21, 2015, Beacon became the general partner of Rotary Plaza LP (d.b.a. Rotary Plaza). On October 15, 2015, Beacon became the majority interest member of Sunnyvale Life LLC, the general partner of Sunnyvale Life, LP (d.b.a. Life's Garden), with Sunnyvale Life LP purchasing the business operations of Sunnyvale Life, Inc. on August 30, 2016. On July 28, 2017, Beacon became the majority interest member of Rotary Miller Avenue LLC, the general partner of Miller Avenue Senior Housing LP. On November 15, 2017, Beacon became majority interest member of Mt. Rubidoux Manor LLC, the general partner of Mt. Rubidoux Manor LP (d.b.a. Mt. Rubidoux Manor).

On January 1, 2015, ABHOW purchased for \$350,000 in cash and a \$2,000,000 note (see Note 6) all of the outstanding membership interests in Beacon Development Group and assigned its rights to Beacon. ABHOW then entered into a \$2,350,000 interaffiliate note with Beacon Development Group to assign the cost of purchase to the acquired entity.

# American Baptist Homes of The West and Affiliates (a Member of HumanGood) Notes to Consolidated Financial Statements

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## NOTE 1 – BUSINESS AND ORGANIZATION (CONTINUED)

In conjunction with this January 1, 2015 purchase, Carmel Senior Housing, Inc. was renamed Beacon Communities, Inc., and ABHOW affordable housing employees became employees of Beacon. All operational activities, assets, and liabilities associated with ABHOW's affordable housing line of business were also transferred to Beacon. In late fiscal year 2015, following United States Department of Housing and Urban Development approval, ABHOW transferred its sole memberships in all of its owned affordable housing communities as well as the management agreements for all of its owned and managed communities to Beacon.

In exchange for the transfer of affordable housing related assets and liabilities, Beacon entered into a non-interest bearing interaffiliate note with ABHOW for \$2,242,000 as well as a non-interest bearing contingent note with ABHOW for \$1,364,000, which is payable upon Beacon's ability to achieve certain levels of cash flow and operating margin. These notes are included in notes and bonds payable and other receivables on the balance sheets of Beacon and ABHOW, and eliminate upon consolidation. The remaining \$1,542,000 of assets transferred was recorded as a capital contribution from ABHOW to Beacon. Additionally, as part of the transfer agreement, it was agreed that Beacon would reimburse ABHOW for its portion of corporate office rent and, on a contingent basis, would reimburse the corporate office for certain costs incurred in support of Beacon's operations dependent upon Beacon's ability to achieve certain levels of cash flow and operating margin.

In June 2015, Beacon determined that there was economic value in certain of its intercompany assets with its tax credit affordable housing communities in excess of the carrying value of those assets. Given the strategic importance of those assets, upon expiration of the tax credits, a change in accounting estimate related to the net realizable value of the assets was made, which resulted in a reversal of reserves on intercompany notes receivable and associated interest income, general partner equity investments, and developer fees receivable. The net result of this change in estimate was an increase in Beacon net assets of \$5,700,000.

Beacon serves as the sole or majority member and controlling organization for the following separately incorporated affordable housing communities:

- Redlands Senior Housing, Inc. (d.b.a. Casa de la Vista)
- Redlands Senior Housing Two (d.b.a. Fern Lodge)
- Oak Knolls Haven, Inc. (d.b.a. Oak Knolls Haven)
- Tahoe Senior Plaza, Inc. (d.b.a. Tahoe Senior Plaza)
- Judson Terrace Lodge, Inc. (d.b.a. Judson Terrace Lodge)
- Judson Terrace Homes, Inc. (d.b.a. Judson Terrace Homes)
- San Leandro Senior Housing, Inc. (d.b.a. Broadmoor Plaza)
- Hillcrest Senior Housing, Inc. (d.b.a. Hillcrest Gardens)
- Good Shepherd Senior Housing (d.b.a. Shepherd's Garden)
- Salishan Senior Housing, Inc. (d.b.a. Salishan Gardens)

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**NOTE 1 – BUSINESS AND ORGANIZATION (CONTINUED)**

Beacon serves as the majority General Partner and controlling organization for the following separately incorporated affordable housing entities:

- Tahoe Senior Housing II, L.P. (d.b.a. Kelly Ridge)
- Pacific Meadows Senior Housing L.P. (d.b.a. Pacific Meadows)
- Valley Vista Senior Housing (d.b.a. Valley Vista)
- Harborview Manor LLLP (d.b.a. Harbor View Manor)
- Bay Vista Partners LLLP (d.b.a. The Pearl on Oyster Bay)
- Three Rivers Senior Housing LLLP (d.b.a. Three Rivers Village)
- Sun Tower Partners LLLP (d.b.a. Sun Tower)
- Rotary Plaza, L.P. (d.b.a. Rotary Plaza)
- Sunnyvale Life, LP (d.b.a. Life's Garden)
- Miller Avenue Senior Housing LP
- Mt. Rubidoux Manor LP (d.b.a. Mt. Rubidoux Manor)

Beacon Communities also serves as the minority General Partner for Tower Park LP (d.b.a. Tower Park), an affordable housing community in Modesto, California.

**Managed Rental Homes and CCRCs** – As of December 31, 2017, Beacon managed fifteen affordable housing rental communities and the Corporation managed four CCRCs (see Note 12).

**NOTE 2 – ACCOUNTING POLICIES**

**Basis of Consolidation** – The accompanying financial statements consolidate the accounts of ABHOW, the Foundation, and Beacon. The financial statements of ABHOW and Affiliates are presented on a consolidated basis due to the sole corporate membership and controlling financial interests of these organizations. All significant intercompany balances and transactions have been eliminated.

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

# American Baptist Homes of The West and Affiliates (a Member of HumanGood) Notes to Consolidated Financial Statements

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## NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

**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”). 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 consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (“ASU No. 2016-02”), which will require an entity to report a right-of-use asset and a liability for the obligation to make payments for all leases, with the exception of those leases with a term of 12 months or less. The ASU applies to all entities and is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The adoption of ASU No. 2016-02 is effective for the Corporation beginning January 1, 2019. Management is currently evaluating the impact of adoption on the Corporation’s consolidated financial statements.

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**NOTE 2 – ACCOUNTING POLICIES (CONTINUED)**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU No. 2016-13”), which replaces the current incurred loss impairment methodology for recognizing credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard will be effective for nonpublic business entities for fiscal years beginning after December 15, 2020. The Corporation is currently evaluating this new standard and the impact it will have on its consolidated 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* (“ASU No. 2016-14”), 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 consolidated 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 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 consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash* (“ASU No. 2016-18”), which will require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU applies to all entities and is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption of ASU No. 2016-18 is effective for the Corporation beginning January 1, 2019. The adoption is not expected to have a material impact on the Corporation’s consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-02, *Not-for-Profit Entities-Consolidation (Topic 958)* (“ASU No. 2017-02”), to clarify when a not-for-profit entity that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity. This update was effective for the year ended December 31, 2017 and did not have a material impact on the Corporation’s consolidated financial statements.

# American Baptist Homes of The West and Affiliates (a Member of HumanGood) Notes to Consolidated Financial Statements

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## NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

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

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

**Investments** – Investments include certain cash equivalents held by investment managers, mutual funds, commodities and structure products, equity securities, corporate debt, U.S. government securities, alternative investments, and certain cash equivalents and securities held by trustees for capital project expenditures and debt service, and are stated at fair value.

Certain investments are restricted as assets held in trust. These include assets held by trustees in accordance with the indentures relating to debt agreements and assets set aside in accordance with various trust agreements with third parties, including donors. Assets held in trust as well as assets managed for certain ABHOW affiliates are classified as restricted investments. Also included in restricted investments is \$15,500,000 as of December 31, 2017 designated by the board for future capital projects at several communities.

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

**Investments in Las Ventanas Bonds** – Investments include holdings in three tranches of the Las Ventanas Series 2012 bonds (see Note 1). These investments are recorded at fair market value as of December 31, 2017, in the accompanying consolidated balance sheet. Changes in fair market value are included in unrealized gains on investments in Las Ventanas bonds in the consolidated statement of operations and changes in net assets. Investment income is included in the consolidated statement of operations and changes in net assets.

**American Baptist Homes of The West and Affiliates**  
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**NOTE 2 – ACCOUNTING POLICIES (CONTINUED)**

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

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

**Subordinated notes receivable** – Includes both a fixed rate subordinated note and a variable rate subordinated note from TSJG in the amount of \$29,774,000 as of December 31, 2017. Interest income is included as a reduction to mortgage interest expense in the consolidated statement of operations and changes in net assets, due to the notes being structured as a mechanism to reimburse ABHOW for prior borrowings that were partially utilized to specifically fund capital expenditures at TSJG. In November 2015, ABHOW issued a \$10,000,000 subordinated note to ABE bearing interest at 4% in conjunction with ABE's replacement financing, and simultaneously replaced an existing \$1,000,000 non-interest bearing amount due from ABE with a \$1,000,000 subordinated note bearing interest at 4%. Subordinated notes receivable as of December 31, 2017 also include an interest bearing subordinated note from Boise for \$2,000,000 and non-interest bearing amounts due under subordinated liquidity support agreement from Boise for \$1,000,000 (see Note 1), as well as a \$4,315,000 note receivable from Terraces of Phoenix (see Note 1).

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

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

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

# American Baptist Homes of The West and Affiliates (a Member of HumanGood) Notes to Consolidated Financial Statements

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## NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

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

**Deferred debt issuance costs** – Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the interest method. These unamortized amounts 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 \$5,297,000 as of December 31, 2017. Accumulated amortization of deferred debt issuance costs was \$1,764,000 as of December 31, 2017. Amortization expense was \$247,000 for the year ended December 31, 2017.

**Deferred marketing costs** – Expenses incurred in connection with marketing of newly constructed apartments are deferred and amortized over the estimated average life of the first generation of residents. Unamortized deferred marketing costs amounted to \$6,726,000 as of December 31, 2017 and are included in other assets in the accompanying consolidated balance sheet. Accumulated amortization of deferred marketing costs was \$418,000 as of December 31, 2017. Amortization expense was \$154,000 for the year ended December 31, 2017.

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

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

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

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



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**NOTE 2 – ACCOUNTING POLICIES (CONTINUED)**

- **Annuity trusts** – Annuity trusts are trust agreements that provide for a fixed annual payment of not less than 6% of the initial value of trust assets to one or more income beneficiaries, with an irrevocable remainder interest contributed to charity. The annual payment never varies, regardless of trust income or the appreciation or depreciation in the value of trust assets.
- **Unitrusts** – Unitrusts are trust agreements that are similar to annuity trusts, except that the annual payout generally is a fixed percentage, of not less than 6%, of the value of the trust assets valued annually. In general, the unitrust beneficiary payment amounts rise and fall in proportion to the value of trust assets. In certain cases, the payout from unitrusts may be tied to trust income.

**Obligation to provide future services** – If the present value of future outflows to provide future services, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. An evaluation of the future service obligation for residents indicated a liability was not considered to be necessary as of December 31, 2017. The discount rate used to calculate the obligation to provide future service is 5%.

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

**Refund policy on entrance fees** – The Care and Residence Agreement provides the resident with the right to a refund of the entrance fee, less 2% for each month of residency for 44 months after an initial reduction of 12% of the original fee, under certain circumstances. For a majority of contracts, upon the move out of a resident, the unamortized balance of the entrance fee becomes the property of the Corporation and is included in income. For contracts established in fiscal year 2006 or later, the resident is entitled to a partial refund if move out occurs in the first 44 months of the contract. Amounts amortized to income relating to these types of contracts were \$19,668,000 for the year ended December 31, 2017.

As of December 31, 2017 the Corporation had non-refundable entrance fees of \$112,309,000 related to entrance fees received that will be recognized as revenue in future years. Additionally, as of December 31, 2017 the Corporation had entrance fees subject to refund of \$32,500,000 which will be recognized as revenue in future years unless refunded.

The Corporation offers contract options whereby 50% to 100% of the entrance fee is rebatable at death of or termination of the contract and subsequent reoccupancy of their apartment. As of December 31, 2017, \$84,300,000 of the entrance fees related to these types of contracts are contractually rebatable and are included in rebatable entrance fees due in the accompanying consolidated balance sheet.

Actual refunds and rebates of entrance fees were \$4,437,000 for the year ended December 31, 2017. Based on historical experience, management expects to pay refunds in future years of approximately \$6,000,000 per year.

# American Baptist Homes of The West and Affiliates (a Member of HumanGood) Notes to Consolidated Financial Statements

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## NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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**NOTE 2 – ACCOUNTING POLICIES (CONTINUED)**

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

	Controlling interest	Non-controlling interest	Total
Balance, December 31, 2016	\$ 59,460	\$ 28,352	\$ 87,812
Income (loss) from operations	7,235	(7,147)	88
Other increase in unrestricted net assets	3,336	25,263	28,599
Balance, December 31, 2017	\$ 70,031	\$ 46,468	\$ 116,499

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

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

The Corporation provides health care services primarily to residents of its communities. Revenues from the Medicare, Medi-Cal, and Medicaid programs accounted for approximately 20% of the Corporation's total operating revenues, less amortization of entrance fees, for the year ended December 31, 2017. Laws and regulations governing the Medicare, Medi-Cal, and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare, Medi-Cal, and Medicaid programs.

**Benevolence** – The Corporation provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporation is entitled from public assistance programs on behalf of residents that meet the Corporation's benevolence criteria are reported as health center revenues. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue. Benevolence was provided in the amount of \$1,038,000 for the year ended December 31, 2017.

# American Baptist Homes of The West and Affiliates (a Member of HumanGood) Notes to Consolidated Financial Statements

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## NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

**Contractual allowances** – A portion of the Corporation’s revenue is subject to discounts under contracts with third-party payors. These discounts are reported as contractual allowances and were \$6,563,000 for the year ended December 31, 2017.

**Performance indicator** – “Income from operations” as reflected in the accompanying consolidated statement of operations and changes in net assets is the performance indicator. Income from operations includes all changes in unrestricted net assets other than primarily noncash changes in unrealized gains and losses on other than trading investments, loss on sale of Seniority, Inc. (a related entity), contributions in aid of construction and capital contributions to affiliates.

**Workers’ compensation plan** – The Corporation is partially self-insured for the first \$500,000 of each workers’ compensation claim 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 the Corporation’s historical claim payment experience. The estimated liability is continually monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ significantly from the estimates. While the ultimate payments of self-insured workers’ compensation claims are dependent upon future developments, management is of the opinion that the recorded reserve is adequate (see Note 10). Any related insurance recovery receivables are recorded in other receivables in the accompanying consolidated balance sheet.

**Professional liability insurance** – The Corporation has secured claims-made policies for malpractice and general liability insurance with self-insured retentions of \$150,000 for each claim as of December 31, 2017. The Corporation has accrued a liability of \$810,000 as its best estimate of the cost of known claims incurred prior to December 31, 2017. In addition, the Corporation has accrued a liability of \$1,760,000 as of December 31, 2017 as its best estimate of the cost of claims incurred but not yet reported. These liabilities are included in accounts payable and accrued expenses in the accompanying consolidated balance sheet. Related insurance recovery receivables of \$515,000 as of December 31, 2017 are recorded under other receivables in the accompanying consolidated 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. As of December 31, 2017, and for the year ended December 31, 2017 there were no such uncertain tax positions.

**American Baptist Homes of The West and Affiliates**  
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**NOTE 3 – FAIR VALUE**

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

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

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

- **Investments** – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents held for investment, commercial paper, mutual funds, equity securities, corporate debt securities, and U.S. government securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics, discounted cash flows, or net asset value as described below. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.
- **Investments in Las Ventanas bonds** – The fair value is estimated by a third party using a small sample of sales comparables of other non-related CCRC fixed rate bonds. Due to a lack of available Level 1 and Level 2 inputs, the investments have been classified within Level 3 of the hierarchy.
- **Interest rate swap and cap agreements** – The fair value is estimated by a third party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

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**NOTE 3 – FAIR VALUE (CONTINUED)**

The following table presents the fair value measurements of financial instruments recognized in the accompanying consolidated 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 as of December 31, 2017 (in thousands):

	Level 1	Level 2	Level 3	Fair Value
Investments				
Cash and cash equivalents	\$ 36,893	\$ -	\$ -	\$ 36,893
Mutual funds	13,628	-	-	13,628
Commodities and structure products	-	1,881	-	1,881
Domestic equities	65,469	4,177	-	69,646
Foreign equities	5,334	-	-	5,334
Domestic corporate debt	17,945	-	-	17,945
Foreign corporate debt	106	-	-	106
U.S. government securities	24,476	-	-	24,476
Investments in Las Ventanas bonds	-	-	5,788	5,788
Interest rate swaps and caps	-	(1,496)	-	(1,496)
Total	<u>\$ 163,851</u>	<u>\$ 4,562</u>	<u>\$ 5,788</u>	174,201
Investments measured at net asset value:				
Alternative investments				8,201
Total investments				<u>\$ 182,402</u>

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

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

There were no significant transfers between Levels 1, 2, and 3 in during the year ended December 31, 2017.

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**NOTE 3 – FAIR VALUE (CONTINUED)**

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

Balance, December 31, 2016	\$	5,442
Purchases, issuances, and settlements		(660)
Decrease in unrealized loss on investments in Las Ventanas bonds		1,006
Balance, December 31, 2017	<u>\$</u>	<u>5,788</u>

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

- **Cash and cash equivalents** – The carrying amount approximates fair value.
- **Subordinated notes receivable** – The fair value of subordinated notes receivable is estimated based on discounted cash flow analyses of the affiliates from which the Corporation is owed.
- **Notes and bonds payable** – The fair value of notes and bonds payable is estimated based on discounted cash flow analyses, based on the Corporation’s current incremental borrowing rates for similar types of borrowing arrangements.

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

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents - unrestricted	\$ 26,173	\$ 26,173
Cash and cash equivalents - restricted	\$ 20,210	\$ 20,210
Subordinated notes receivable	\$ 47,090	\$ 47,090
Notes and bonds payable	\$ 428,101	\$ 440,297

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

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**NOTE 4 – INVESTMENTS**

Investments were held as of December 31, 2017, for the following purpose (at fair value) (in thousands):

Investments	
Principal, interest, and other reserves held in trust under bond indenture or mortgage agreements	\$ 46,221
Investments held in trust under revocable trust, gift annuity, annuity trust, or unitrust agreements	11,144
Total restricted investments	<u>57,365</u>
Investments in Las Ventanas bonds	5,788
Investments - unrestricted	120,745
Total investments	<u>\$ 183,898</u>

Investments as of December 31, 2017, consisted of the following at fair value (in thousands):

Cash and cash equivalents	\$ 36,893
Mutual funds	13,628
Commodities and structure products	1,881
Domestic equities	69,646
Foreign equities	5,334
Domestic corporate debt	17,945
Foreign corporate debt	106
U.S. government securities	24,476
Alternative investments	8,201
Investments in Las Ventanas bonds	5,788
Total	<u>\$ 183,898</u>

Cash equivalents include \$21,427,000 as of December 31, 2017, invested in accordance with bond indentures and additional amounts to comply with bank collateral requirements. Of these amounts, \$906,000 as of December 31, 2017, are held for various CCRC construction projects.



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**NOTE 4 – INVESTMENTS (CONTINUED)**

The following table shows the gross unrealized losses and fair value of unrestricted investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2017 (in thousands):

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2017						
Bonds	\$ 11,137	\$ 77	\$ 22,254	\$ 234	\$ 33,391	\$ 311
Equities	9,176	477	4,851	517	14,027	994
Total temporarily impaired investments	<u>\$ 20,313</u>	<u>\$ 554</u>	<u>\$ 27,105</u>	<u>\$ 751</u>	<u>\$ 47,418</u>	<u>\$ 1,305</u>

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

The unrealized losses on these unrestricted investments represent approximately 1% of the Corporation's portfolio as of December 31, 2017. Gross unrealized gains on unrestricted investments as of December 31, 2017, were approximately \$13,926,000.

Investment income primarily on unrestricted net assets for the year ended December 31, 2017 is as follows (in thousands):

Dividend, interest, and other investment income	\$ 3,552
Net realized gain on investments	<u>1,593</u>
Total investment income, net	<u>\$ 5,145</u>
Unrealized gains on investments - unrestricted	<u>\$ 7,526</u>
Decrease in unrealized loss on Investments in Las Ventanas bonds	<u>\$ 1,006</u>
Unrealized gains on investments - temporarily restricted	<u>\$ 593</u>

Investment income is net of investment expenses of \$526,000 for the year ended December 31, 2017.

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**NOTE 5 – LAND, BUILDINGS, AND EQUIPMENT**

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

Land and improvements	\$	61,393
Buildings and improvements		549,123
Furnishings and equipment		61,888
Automotive equipment		<u>386</u>
Total depreciable assets		672,790
Accumulated depreciation		<u>(209,284)</u>
Depreciable assets, net		463,506
Construction in progress		<u>55,395</u>
Total	\$	<u><u>518,901</u></u>

Construction contracts and commitments of approximately \$67,022,000 exist with various counterparties for the redevelopment of Sun Tower, Life's Garden, Mt. Rubidoux Manor and Miller Avenue Senior Housing, LP, of which approximately \$43,567,000 remains unspent as of December 31, 2017. Depreciation expense for the year ended December 31, 2017, was \$26,219,000.

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**NOTE 6 – NOTES AND BONDS PAYABLE**

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

**Secured**

Bonds used to refinance existing debt and renovate existing retirement communities in California, all secured under a master trust indenture on ABHOW Obligated Group assets, gross revenue pledged, and Foundation guaranty:

Series 2013 Revenue Bonds issued by the California Statewide Communities Development Authority (dated February 1, 2013) to finance or reimburse ABHOW for the costs of acquiring, constructing, expanding, remodeling, renovating, furnishing, and equipping Terraces at Los Altos. Annual principal payable in varying amounts ranging from \$0 to \$30,000 through 2018, and amounts ranging from \$420 to \$1,350 through 2043; interest at fixed rates ranging from 2.1% to 5.0%.	\$ 20,000
Terraces of Los Altos Equipment Loan issued in February 2013 and maturing in February 2020. Monthly principal and interest payments in the amount of \$38 began March 2013; interest at a fixed rate of 2.07%.	975
Piedmont Gardens Elevator Construction Loan issued in December 2016 and maturing in December 2023. Monthly principal and interest payments in the amount of \$46,079 will begin upon completion of construction; interest at a fixed rate of 2.89%.	3,039
Series 2010 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated February 16, 2010), Serial certificates, annual principal payable commencing on October 1, 2011, in varying amounts ranging from \$690 to \$1,045 through 2020, amounts ranging from \$1,100 to \$6,105 through 2030, and amounts ranging from \$6,490 to \$10,560 through 2039; interest at fixed rates ranging from 4.25% to 6.25%, payable semiannually on April 1 and October 1.	101,075
Series 2012 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority and subsequently sold and delivered to PNC Bank. The loan matures on October 1, 2036; interest accrues at tax-exempt LIBOR plus 1.19%. PNC Bank has the option to tender the bonds to ABHOW for purchase upon the 5th, 10th, 15th, and 20th anniversary of issuance. Rate at December 31, 2017 was 2.16%.	17,220
Series 2015 tax-exempt Revenue Bonds issued by the California Statewide Communities Development Authority (dated May 28, 2015). Serial certificates in the aggregate amount of \$30,550 maturing annually through 2028 with annual principal payable commencing on October 1, 2016, in varying amounts ranging from \$1,885 to \$3,080 through 2028; interest at fixed rates ranging from 2.0% to 5.0%, payable semiannually on April 1 and October 1. Term bond in the amount of \$21,530 with annual principal payments commencing on October 1, 2037, in varying amounts ranging from \$345 to \$4,780 through 2045; interest at the fixed rate of 5.0%, payable semiannually on April 1 and October 1.	48,285

**American Baptist Homes of The West and Affiliates  
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**NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)**

**Other secured obligations**

Capital advance payable to Department of Housing and Urban Development, secured by Judson Terrace Lodge real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years. The HUD capital advance agreement was entered into on January 1, 2003.	2,593
Capital advances payable to Department of Housing and Urban Development, secured by Hillcrest real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years. The HUD capital advance agreement was entered into on April 1, 2007.	5,620
Promissory notes payable to the City of Daly City and County of San Mateo, secured by Hillcrest real estate. The notes bear interest at rates ranging from 0% to 3.0% simple interest, with 55 year terms. Commencement dates of payables range from June 14, 2006 to May 20, 2009. All but one note requires payments from residual receipts and two notes will be forgiven at maturity if certain provisions are met.	4,112
Loan payable to Bank of the West, as the party advancing funds received from the Federal Home Loan Bank of San Francisco's Affordable Housing Program, secured by a subordinated interest in Kelly Ridge real estate. The loan is non-interest bearing, non-amortizing, and is not repayable unless certain conditions are met over the 15-year retention period. The loan payable commenced on August 1, 2009.	172
Construction loan payable to KeyBank National Association in a maximum amount of \$7,400,000, secured by Sun Tower real estate. The loan bears interest at 1 month LIBOR plus 1.95% and requires interest only payments until maturity in May 2018 unless extended as permitted.	6,047
Mortgage note payable to the Washington Community Reinvestment Association in monthly installments including interest of 6.25%, until July 1, 2018. In September 2013, Three Rivers Senior Housing LLLP assumed the loan from Richland Senior Housing LLC and immediately paid the balance down to \$300. The mortgage note is secured by the Three Rivers Village real estate.	41
Series 2017A Variable Rate Demand Multifamily Housing Revenue Bonds in a maximum amount of \$18,620, secured by Mt. Rubidoux Manor, LP's real estate. The loan bears interest at 1 month LIBOR plus 1.65% prior to the conversion date and an interest rate of 4.67% per annum after the conversion date. The loan requires interest only payments until permanent conversion which is estimated to occur in 2019. Monthly principal and interest payments are required after permanent conversion.	2,768
Series 2016A Variable Rate Demand Multifamily Housing Revenue Bond in a maximum amount of \$39,000,000, secured by Life's Garden real estate. The loan bears interest at 1 month LIBOR plus 1.50% prior to the conversion date and an interest rate of 3.65% per annum after the conversion date. The loan requires interest only payments until permanent conversion which is estimated to occur in 2019. Monthly principal and interest payments are required after permanent conversion.	23,058

**American Baptist Homes of The West and Affiliates  
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**NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)**

Series 2017A Variable Rate Demand Multifamily Housing Revenue Bonds in a maximum amount of \$20,000, secured by Miller Avenue Senior Housing LP's real estate. The loan bears interest at 1 month LIBOR plus 2.0% prior to the conversion date and an interest rate of 4.81% per annum after the conversion date. The loan requires interest only payments until permanent conversion which is estimated to occur in 2019. Monthly principal and interest payments are required after permanent conversion.	56
Loan payable to Bank of the West, secured by a subordinated interest in Hillcrest real estate. The loan is non-interest bearing, non-amortizing and will be forgiven at the end of the fifteen year term, after the May 20, 2009, commencement date of the loan, if the owner has not defaulted under the terms of the note.	271
Series A promissory note payable to US Bank, secured by Harbor View Manor real estate and due on January 1, 2029. The loan bore interest at one-month LIBOR plus 3.0% until June 1, 2013, when the rate converted to 6.85%.	1,850
Promissory notes payable to the City and County of San Luis Obispo, secured by Judson	1,318
Promissory notes payable to the City of South Lake Tahoe and South Tahoe Redevelopment Agency secured by Tahoe Senior Plaza, Inc. real estate. The notes payable bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due in 2037, unless forgiven.	1,027
Capital advances payable to the Department of Housing and Urban Development, secured by Fern Lodge real estate, 5.75% interest payable monthly if not maintained as affordable housing, principal due 2039, unless forgiven.	4,889
Capital advance payable to the Department of Housing and Urban Development, secured by Tahoe Senior Plaza real estate. The capital advance bear no interest and are not required to be repaid if properly maintained as affordable housing, principal due 2039, unless forgiven.	3,576
Capital advances payable to Pierce County in the State of Washington, secured by Salishan real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2040, unless forgiven.	200
5.70% first mortgage payable to Evanston Financial in monthly installments including interest until December 1, 2042. The loan is secured by a deed of trust on Oak Knolls real estate and a security interest in all rents, profits and income from Oak Knoll.	1,637

# American Baptist Homes of The West and Affiliates (a Member of HumanGood) Notes to Consolidated Financial Statements

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## NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)

Capital advances payable to Department of Housing and Urban Development, secured by Broadmoor Plaza real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, various principal due dates from 2044, unless forgiven.	5,648
4.75% mortgage note to the Department of Housing and Urban Development. Payable in monthly installments including interest until April 1, 2045. The loan is secured by a deed of trust on Casa de la Vista's property and security interest in all rents, profits and income from the property.	3,497
Series 2010A Variable Rate Demand Multifamily Housing Revenue Bond secured by Pacific Meadows real estate and backed by a letter of credit through Chase which expired in December 2012. The loan bears interest at a variable rate, payable monthly, and matures in 2047. Bonds partially repaid in October 2012 using tax credit equity and the letter of credit with Chase was replaced with a credit enhancement agreement with Freddie Mac.	6,385
Promissory note payable to the California Housing and Community Development Department, secured by Pacific Meadows real estate and due in 2047. The loan bears interest at 3.0%. Once operational, interest is payable annually from residual cash flows and both principal and all unpaid interest are due in full upon loan maturity.	3,100
Series 2015A Variable Rate Demand Multifamily Housing Revenue Bonds, which converted to permanent financing on May 31, 2017, in a maximum amount of \$20,847,500, secured by Rotary Plaza real estate. The loan bears interest at 4.36% per annum and requires monthly principal and interest payments based on a 35 year amortization through the maturity date of June 1, 2047.	20,720
Capital advances payable to Snohomish County in the state of Washington, secured by Shepherd's Garden real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2050, unless forgiven.	462
Promissory note payable to the State of Washington, secured by Shepherd's Garden real estate. The note bears no interest and is not required to be repaid if properly maintained as affordable housing for forty years, principal due 2050, unless forgiven.	2,000
Capital advances payable to the Department of Housing and Urban Development, secured by Shepherd's Garden real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2050, unless forgiven.	5,078
Promissory note payable to the State of Washington, secured by Salishan real estate. The note bears no interest and principal is required to be repaid annually in the amount of 50% of residual cash flow, with the remaining principal due in 2051, upon maturity.	2,250

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**NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)**

Capital advances payable to Tacoma Community Redevelopment Authority, secured by Salishan real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due between 2049 - 2051, unless forgiven.	1,200
Capital advances payable to the Department of Housing and Urban Development, secured by Salishan real estate. The capital advances bear no interest and are not required to be repaid if properly maintained as affordable housing for forty years, principal due 2051, unless forgiven.	7,647
Housing Trust Fund loan from the Washington Department of Commerce, secured by Three Rivers Village real estate, maturing on February 28, 2054. Interest began to accrue on March 1, 2014, at 1.0%, compounding quarterly. Quarterly principal and interest payments in the amount of \$11 begin May 31, 2021.	1,100
Housing Trust Fund loans from the Washington Department of Commerce, secured by Three Rivers Village real estate, maturing on February 28, 2054. Interest began to accrue on March 1, 2014, at 1.0%, compounding annually. A payment of \$1,191 is due at maturity to pay both principal and accrued interest.	800
Flexibly subsidy note payable to HUD assumed with the purchase of and secured by Sun Tower real estate. The flexible subsidy note bears interest at 1% per annum and requires monthly principal and interest payments from cash flow and additional payments from surplus cash as defined in the agreement with principal and interest due at maturity in 2056.	1,126
Promissory note payable to the Washington State Department of Commerce assumed with the purchase of and secured by Sun Tower real estate. The promissory note bears interest at 1% per annum and requires monthly principal and interest due at maturity in 2056.	887
Promissory note payable to the seller, Sun Tower, Inc., the minority general partner in Sun Tower Partners, LLLP, secured by Sun Tower real estate. The promissory note bears interest at 7% per annum and requires payments from surplus cash as defined in the agreement with principal and interest due at maturity in 2056.	5,764
Promissory notes payable to the City of San Leandro and County of Alameda, secured by Broadmoor Plaza real estate. The notes bear 3.0% simple interest and have due dates of 2061, 2062, and 2064.	2,429
Loans payable to the City of South Lake Tahoe, secured by Kelly Ridge real estate and due in 2064. The loans bear interest at a fixed rate of 3.0%, with principal and accrued interest only payable to the extent that certain operating cash flow targets are achieved by the community.	4,307
Promissory note payable to the County of Monterey in the state of California, secured by Pacific Meadows real estate. The loan bears interest at 3%. Once operational, interest is payable annually from residual cash flows and both principal and all unpaid interest are due in full upon loan maturity in 2065.	625
Promissory note payable to Bank of the West, secured by Valley Vista real estate and due in 2065. The loan bears no interest and is non-amortizing.	945

# American Baptist Homes of The West and Affiliates (a Member of HumanGood) Notes to Consolidated Financial Statements

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## NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)

Promissory note payable to the California Tax Credit Allocation Committee, secured by Valley Vista real estate and due in 2065. The loan bears no interest and is non-amortizing.	725
Capital advance payable to Department of Housing and Urban Development by Beacon, secured by Valley Vista's real estate. The non-recourse capital advance bears no interest and matures on March 1, 2067. Loan funding was conditional on the General Partner (a wholly owned affiliate of Beacon) loaning the proceeds of the advance to Valley Vista Senior Housing, L.P.	12,282
Capital advance payable to Department of Housing and Urban Development by Beacon, secured by Bay Vista Partners LLLP real estate. The non-recourse capital advance bears no interest and matures on October 1, 2069. Loan funding was conditional on the General Partner (a wholly owned affiliate of Beacon) loaning the proceeds of the advance to Bay Vista Partners LLLP.	9,769
Promissory notes payable to the City of Riverside assumed with the purchase of and secured by Mt. Rubidoux Manor LP real estate. The promissory notes bear interest at 2.75% per annum with principal and interest due at maturity in 2072.	232
Promissory notes payable to the City of Riverside assumed with the purchase of and secured by Mt. Rubidoux Manor LP real estate. The promissory notes bear interest at 2.75% per annum with principal and interest due at maturity in 2072.	468
Promissory note payable to the seller, Rotary Plaza, Inc., the minority general partner in Rotary Plaza, LP, secured by Rotary Plaza real estate. The promissory note bears interest at 2.67% per annum and requires payments from surplus cash as defined in the agreement with principal and interest due at maturity in 2072.	19,499
Promissory note payable to Silicon Valley Bank secured by Miller Avenue Senior Housing LP's real estate. The promissory note bears no interest with principal and interest due at maturity in 2072.	810
Promissory notes payable to the seller, Sunnysvale Life, Inc., the minority general partner in Sunnysvale Life, LP, secured by Life's Garden real estate. One promissory note bears interest at 5.65% per annum and one promissory note bears no interest. The notes require payments from surplus cash as defined in the agreement with principal and interest due at maturity in 2073.	23,790
Promissory note payable to the minority general partner, Rotary Plaza, Inc., secured by Miller Avenue Senior Housing LP's real estate. The promissory note bears interest at 1.0% per annum. The note requires payments from surplus cash as defined in the agreement with principal and interest due at maturity in 2074.	12,250
Promissory note payable to the seller, Riverside First Baptist Homes, Inc., the minority general partner in Mt. Rubidoux Manor, LP, secured by Mt. Rubidoux Manor LP's real estate. One promissory note bears interest at 2.6% per annum and one promissory note bears no interest. The notes require payments from surplus cash as defined in the agreement and principal and interest due at maturity in 2074.	10,758
Land acquisition loans payable to the San Ramon Redevelopment Agency Contra Costa, secured by Valley Vista real estate. The land acquisition advances bear interest at 3.0% for the first 30 years from the dates of disbursement and no interest thereafter and are due 55 years after project completion. Loans payable commenced on December 1, 2009.	8,000



**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Notes to Consolidated Financial Statements**

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**NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)**

Total secured notes and bonds payable	<u>424,382</u>
<b>Unsecured</b>	
Note to individual bearing interest at 4.5%	<u>1,600</u>
Total notes and bonds payable	425,982
Add: Unamortized bond premium	2,119
Less: Unamortized bond issuance cost	<u>(5,297)</u>
Total notes and bonds payable	<u><u>\$ 422,804</u></u>

The Terraces of Los Altos opened 81 new apartment homes to residents on December 26, 2016. Through December 31, 2017, 76 of these apartments have been occupied generating initial entrance fees used by the bond trustee to retire \$51,250,000 of Series 2013 B1, B2 and B3 bonds.

Capitalized interest expense for the year ended December 31, 2017, was \$1,063,000 comprised of \$1,098,000 of interest expense, net of \$35,000 of interest income.

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

<u>Year Ending December 31,</u>	
2018	\$ 11,259
2019	31,191
2020	5,470
2021	5,823
2022	6,089
Thereafter	<u>366,150</u>
	<u><u>\$ 425,982</u></u>

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

**NOTE 7 – COMPLIANCE WITH FINANCIAL COVENANTS**

**ABHOW and Foundation debt** – ABHOW is subject to financial covenants on its obligated group debt, which include a debt service coverage ratio and minimum days of cash-on-hand requirement, for both ABHOW and Foundation. Management believes that ABHOW was in compliance with all of these debt covenants as of and for the year ended December 31, 2017.

**American Baptist Homes of The West and Affiliates  
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**NOTE 8 – INTEREST RATE SWAPS AND CAPS**

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

The net effect of the interest rate swap was an increase in mortgage interest expense of approximately \$288,000 for the year ended December 31, 2017.

On June 20, 2012, ABHOW entered into a forward starting interest rate cap agreement with a counterparty to extend the management of interest rate risk on \$19,000,000 of its Series 2006 tax-exempt variable rate demand revenue bonds from December 1, 2015 to December 1, 2018. The agreement establishes that when 70% of the one-month LIBOR rate exceeds 2.50%, ABHOW is reimbursed for the excess by the counterparty to the transaction. With the refunding of the Series 2006 bonds with fixed rate obligations, the interest rate cap agreement is now being utilized to manage interest rate risk on the Series 2012 Revenue Bonds with PNC Bank.

For the year ended December 31, 2017, the aforementioned floating interest rates for the cap agreements failed to exceed the respective cap strike rates, and thus none of the cap agreements had an impact on interest expense.

A summary of the components of the various interest rate swaps and caps as of and for the year ended December 31, 2017 is as follows (in thousands):

Swaps and caps not qualifying for hedge accounting included in other liabilities:	
Fair value of swap and caps - beginning of year	\$ (1,541)
Decrease in unrealized loss from fair value adjustment	<u>45</u>
Fair value of swaps and caps - end of year	<u>\$ (1,496)</u>
Impact on consolidated statement of operations and changes in net assets -	
Unrealized gain from mark-to-market of floating to fixed rate swaps and interest rate caps	<u>\$ 105</u>

**American Baptist Homes of The West and Affiliates**  
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**Notes to Consolidated Financial Statements**

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**NOTE 9 – EMPLOYEE BENEFIT PLANS**

**Defined benefit pension plan** – The Corporation’s employees with service prior to December 31, 2002, for nonunion, and up to September 30, 2003, for union, were eligible to participate in a defined benefit retirement plan that covers certain employees who are at least 21 years of age and have completed one year of service. Benefits are based on years of service and a percentage of the employee’s compensation. Employees vest after completion of five years of service. The Corporation’s funding policy is to contribute annually the amount required under the minimum funding standards of the Employee Retirement Income Security Act (“ERISA”). The Board of Directors approved the freezing of the plan for all nonunion employees effective December 31, 2002, and for union employees effective September 30, 2003. Contributions are intended to provide for benefits attributed to service to the date of freezing. 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. This resulted in a pay out to vested terminated employees of over 5% of the plan liability and as such constituted a partial pension settlement under IRS Revenue Ruling 2007-43. 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 as of December 31, 2016. Remaining plan assets of \$926,000 as of December 31, 2016, plus a final cash contribution from the Corporation of \$348,000 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 in the 12-months ended December 31, 2016. Included in retirement liabilities in the accompanying consolidated balance sheet is \$723,000 as of December 31, 2017 for potential residual obligations relating to legacy retirement benefit programs.

**Supplemental retirement income plan agreements** – Certain management employees or retirees of the Corporation participate in supplemental retirement income plans, and have individually entered into agreements with the Corporation whereby the employees will be provided specific amounts of annual retirement income for the balance of their lifetime following retirement. During the 12-months ended September 30, 2005, accrued benefits for active participants in the supplemental retirement income plan were transferred into a new non-qualified plan under IRC 457(f) that distributes a lump-sum payment at retirement. The Corporation is accruing the present value of such retirement benefits, assuming a discount rate of 0% as of December 31, 2017, from the date of eligibility to the normal retirement date of age 65 for active participants and for the present value of future benefit payments for retirees. Benefits under the IRC 457(f) plan are discretionary and do not vest until the participant reaches age 65, dies, becomes disabled, or is involuntarily terminated without cause. No benefits are due to participants who terminate employment prior to age 65. The present value of the future lump sum payments to active participants was \$2,404,000 as of December 31, 2017 and is included in retirement liabilities in the accompanying consolidated balance sheet. On October 2, 2015, the plan was frozen to new entrants.

Assets available for benefits to the pool of participants in the IRC 457(f) plan are subject to the claims of the Corporation’s creditors. The assets are included in unrestricted investments and amounted to \$6,289,000 as of December 31, 2017. The Corporation annually assesses the estimated liability related to the supplemental retirement income plan agreements. As of December 31, 2017 ABHOW recognized a liability of \$3,941,000 which is included in retirement liabilities in the accompanying consolidated balance sheet. Actual payments made to retirees under the plan agreements were \$218,000 for the year ended December 31, 2017. On December 1, 2017, the HumanGood Board of Directors elected to terminate the plan.

**American Baptist Homes of The West and Affiliates  
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Notes to Consolidated Financial Statements**

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**NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Defined contribution plan** – Effective January 1, 1999, the Corporation also participates in a defined contribution retirement plan covering all eligible employees. The Corporation’s contribution was a match of employee contributions up to 4% of eligible earnings in calendar year 2017. Annual expenses incurred under the plan for the year ended December 31, 2017, were \$1,737,000.

**Multiemployer pension plan** – Two of ABHOW’s CCRC communities have employees under collective bargaining agreements that participate in a multiemployer pension plan managed by Service Employees International Union (“SEIU”). On September 1, 2015, the ABHOW employees who are SEIU members ratified a new union contract which, among other negotiated terms, included an agreement to freeze participation in the SEIU multiemployer pension plan effective December 31, 2015, and beginning January 1, 2016, begin participation in the ABHOW defined contribution retirement plan. Additionally, it was determined by ABHOW management in fiscal year 2015 that ABHOW would terminate its participation in the plan through a one-time lump sum payment. Accordingly, ABHOW recorded a \$1,200,000 liability, which is included in accounts payable and accrued expenses in the accompanying supplementary consolidated balance sheet as of December 31, 2016, and a corresponding expense below the performance indicator in the accompanying unaudited supplementary consolidated statement of operations and changes in net assets for the 12-months ended December 31, 2016. Through a combination of \$105,000 of installment payments and a final payout of \$1,108,000 on May 1, 2017, this termination liability was satisfied in full and ABHOW was discharged from all claims relating to its December 2015 withdrawal from the Fund.

**NOTE 10 – SELF-INSURED WORKERS’ COMPENSATION PLAN**

The Corporation is partially self-insured for the first \$500,000 of each workers’ compensation claim under an occurrence form insurance policy for 2017. The Corporation has recorded a total liability for claims payable of \$5,776,000, including an estimate of incurred but not reported claims as of December 31, 2017. The estimated insurance recoveries receivable of \$1,810,000 are recorded under other receivables in the accompanying consolidated balance sheet as of December 31, 2017. As required by the insurer, the Corporation has obtained letters of credit for \$3,821,000 in connection with this program, subject to annual renewal, with the next scheduled renewal date on September 30, 2018.

**American Baptist Homes of The West and Affiliates  
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Notes to Consolidated Financial Statements**

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**NOTE 11 – FUNCTIONAL EXPENSES**

Management of the Corporation presents operating expenses in its accompanying consolidated statement of operations and changes in net assets 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	\$ 46,061
Dietary services	20,095
Housekeeping and laundry services	5,183
Property	27,479
Resident services and activities	5,607
Marketing and advertising	4,656
Administrative and general	<u>30,739</u>
 Total operating expenses	 <u><u>\$ 139,820</u></u>

**NOTE 12 – RELATIONSHIP AND TRANSACTIONS WITH MANAGED RENTAL HOMES AND CCRCs**

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

Management fees for providing these services for the year ended December 31, 2017, are included in other operating revenue earned by ABHOW, and for affordable housing are included in affordable housing fees and rents in the accompanying consolidated statement of operations and changes in net assets and are as follows (in thousands):

ABHOW - CCRCs	
Terraces of Phoenix	\$ 1,024
Terraces at San Joaquin Gardens [1]	943
Judson Park	<u>1,771</u>
 Total	 <u><u>\$ 3,738</u></u>

[1] Excludes \$943,000 of deferred management fees during the year ended December 31, 2017.

Management fees provided by affordable housing communities to Beacon for the year ended December 31, 2017 were \$1,217,000.

**American Baptist Homes of The West and Affiliates**  
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**Notes to Consolidated Financial Statements**

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**NOTE 12 – RELATIONSHIP AND TRANSACTIONS WITH MANAGED RENTAL HOMES AND CCRCs**  
**(CONTINUED)**

Amounts receivable from these managed rental homes and CCRC's for management fees and cost recoveries for other services such as dining, purchase cards, payroll, and insurance as of December 31, 2017, are included in due from affiliates in the accompanying consolidated balance sheet, and are as follows (in thousands):

ABHOW - CCRCs	
Las Ventanas	\$ 2,913
Terraces of Phoenix	749
Judson Park	9,685
Terraces of San Joaquin Gardens	<u>4,614</u>
 Total receivable	 <u><u>\$ 17,961</u></u>

Amounts receivable due to Beacon from managed communities for services provided for the year ended December 31, 2017, were \$571,000.

**NOTE 13 – LEASES**

ABHOW has entered into operating leases for premises and equipment. In 2017, ABHOW relocated its corporate headquarters resulting in an annualized rent reduction of approximately \$400,000. Rent and lease expenses were approximately \$1,937,000 for the year ended December 31, 2017.

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

<u>Year Ending December 31,</u>	
2018	\$ 1,136
2019	915
2020	338
2021	183
2022	35
Thereafter	<u>-</u>
Total	<u><u>\$ 2,607</u></u>

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

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

**American Baptist Homes of The West and Affiliates**  
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**Notes to Consolidated Financial Statements**

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**NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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

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

On September 12, 2012, Las Ventanas closed on the restructuring of its indebtedness. As discussed in Note 1, ABP, with liquidity support from ABHOW, provided an unfunded \$2,000,000 debt service support agreement for the Las Ventanas Series A-1 bonds, with any resulting funded amounts triggering the issuance to ABP of an equal amount of Las Ventanas Series B-4 bonds. In 2015, this contingent liability, along with all of ABP's net assets, was transferred to ABHOW.

For all the tax-credit financed affordable housing communities in which Beacon serves as a General Partner (see Note 1), ABHOW and Beacon, as co-guarantors, have issued on-going guarantees to cover operating deficits and guarantees to ensure compliance with certain on-going aspects of the Limited Partnership Agreement ("LPA"). ABHOW periodically evaluates the potential exposure from these on-going guarantees. ABHOW has not provided support under these guarantees in the past and based on the current evaluation, management believes they cumulatively do not constitute a material future financial risk exposure for the Corporation.

In addition to operating deficit and LPA guarantees, ABHOW and Beacon, as co-guarantors, also issue unconditional project completion guarantees for tax-credit financed affordable housing communities in which Beacon serves as a General Partner (see Note 1). ABHOW has not provided support under these guarantees in the past and based on the current evaluation, management believes they cumulatively do not constitute a material future financial risk exposure for the Corporation.

On December 15, 2015, Terraces of Phoenix entered into a direct placement financing with Washington Federal for \$37,435,000, maturing in 2040. In connection with this financing, ABHOW provided a debt service guaranty of \$3,500,000, which reduces down to \$2,000,000 upon the achievement of a 50% cash to senior debt ratio.

**American Baptist Homes of The West and Affiliates  
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Notes to Consolidated Financial Statements**

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

The following disclosure is made pursuant to section 1790(a)(3) of the California Health and Safety Code. 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*, the designations are as follows (in thousands):

Designated for Endowment	\$	45,944
Designated for 457(f) Plan		6,289
Designated for Claims		1,904
Designated for Corporate Reserves		16,200
Designated for Affordable Housing Guarantees		1,000
Designated for Commitments and Contingencies		5,500
Designated for Campus Redevelopment		5,000
Designated for Innovation		5,000
		<hr/>
Total designations	\$	<u>86,837</u>

**NOTE 16 – SUBSEQUENT EVENTS**

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

On December 1, 2017, the HumanGood Board of Directors elected to terminate the IRC 457(f) plan as discussed in Note 9. In March 2018, a final termination payout was made in the amount of \$1,916,000 with a remaining final payment of \$488,000 to be made at a future date.

At the March 7, 2018 board meeting for HumanGood Arizona (formerly American Baptist Estates, Inc.) and HumanGood Washington (formerly American Baptist Homes of Washington), management was authorized to take all steps necessary to create a National Obligated Group by creating a master trust indenture under which both HumanGood Arizona and HumanGood Washington's debt are cross collateralized. The intention is for a refinancing of all of the outstanding bank debt with an approximately equal weighted mix of fixed rate bonds and variable rate bank indebtedness. The aggregate financing is anticipated to be approximately \$75,000,000 and will generate net proceeds of approximately \$20,000,000 to be used to retire portions of subordinate indebtedness owing to ABHOW. It is anticipated that the \$2,100,000 liquidity support agreement for Judson Park and the \$3,500,000 debt service guarantee will be released as part of the transaction and a 50% management fee subordination will be established as part of the Washington Federal bank agreement. The transaction is anticipated to close in May 2018.



**American Baptist Homes of The West and Affiliates  
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Notes to Consolidated Financial Statements**

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ABHOW has evaluated subsequent events through April 27, 2018, which is the date the financial statements were issued.

## **Report of Independent Auditors on Supplementary Information**

To the Members of the Board of Directors  
American Baptist Homes of the West and Affiliates  
(a Member of HumanGood)

We have audited the consolidated financial statements of American Baptist Homes of the West, (“ABHOW”) and Affiliates (a member of HumanGood) (collectively referred to as the “Corporation”), as of December 31, 2017, and have issued our report thereon dated April 27, 2018, which contained an unmodified opinion on those consolidated financial statements.

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

The Balance Sheet information as of December 31, 2017, Statement of Operations and Changes in Net Assets information for the years ended December 31, 2017, Statement of Operations and Changes in Net Assets (Deficit) information (ABHOW Obligated Group) for the year ended December 31, 2017, and Statement of Cash Flows information (ABHOW Obligated Group) for the year ended December 31, 2017 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We did not audit the financial statements of Beacon Communities and Affiliates (“Beacon”), which were audited by other auditors, whose report has been furnished to us. In our opinion, which insofar as it relates to Beacon, is based on the reports of other auditors, such information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

The Statement of Operations and Changes in Net Assets information for the 12-months ended December 31, 2016, Statement of Operations and Changes in Net Assets (Deficit) information (ABHOW Obligated Group) for the 12-months ended December 31, 2016, and Statement of Cash Flows information for the 12-months ended December 31, 2016, are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

San Francisco, California  
April 27, 2018

## **Supplementary Information**

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**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Supplementary Information – Balance Sheet Information**  
**As of December 31, 2017 (in thousands)**

	ABHOW Obligated Group	Foundation	Beacon	Subtotal	Eliminations	Total
<b>ASSETS</b>						
CASH AND CASH EQUIVALENTS	\$ 17,905	\$ 917	\$ 7,351	\$ 26,173	\$ -	\$ 26,173
RESTRICTED CASH	1,915	-	18,295	20,210	-	20,210
INVESTMENTS	73,193	45,724	1,828	120,745	-	120,745
INVESTMENTS IN LAS VENTANAS BONDS	5,788	-	-	5,788	-	5,788
RESTRICTED INVESTMENTS	46,221	11,144	-	57,365	-	57,365
RESIDENT ACCOUNTS RECEIVABLE, NET	8,162	4	670	8,836	-	8,836
SUBORDINATED NOTES RECEIVABLE, NET	52,784	-	-	52,784	(5,694)	47,090
OTHER RECEIVABLES	4,025	650	2,171	6,846	-	6,846
DUE FROM AFFILIATES	20,710	-	-	20,710	(310)	20,400
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	3,823	5	77	3,905	-	3,905
OTHER ASSETS	8,868	-	7,030	15,898	-	15,898
LAND, BUILDING, AND EQUIPMENT, NET	234,025	-	284,876	518,901	-	518,901
INTERCOMPANY	4,409	(456)	(3,953)	-	-	-
<b>TOTAL</b>	<b>\$ 481,828</b>	<b>\$ 57,988</b>	<b>\$ 318,345</b>	<b>\$ 858,161</b>	<b>\$ (6,004)</b>	<b>\$ 852,157</b>
<b>LIABILITIES AND NET ASSETS</b>						
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 18,010	\$ 128	\$ 14,539	\$ 32,677	\$ -	\$ 32,677
DEPOSITS	1,287	-	723	2,010	-	2,010
ACCRUED INTEREST	2,513	-	10,840	13,353	(310)	13,043
REBATABLE ENTRANCE FEES DUE	84,300	-	-	84,300	-	84,300
ENTRANCE FEES SUBJECT TO REFUND	32,500	-	-	32,500	-	32,500
ENTRANCE FEES NON-REFUNDABLE	112,309	-	-	112,309	-	112,309
REVOCABLE TRUSTS	-	421	-	421	-	421
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	1,884	-	1,884	-	1,884
NOTES AND BONDS PAYABLE, NET	190,819	-	237,679	428,498	(5,694)	422,804
RETIREMENT LIABILITIES	5,095	-	-	5,095	-	5,095
WORKERS' COMPENSATION LIABILITY	5,776	-	-	5,776	-	5,776
OTHER LIABILITIES	10,473	1	1,696	12,170	-	12,170
<b>Total liabilities</b>	<b>463,082</b>	<b>2,434</b>	<b>265,477</b>	<b>730,993</b>	<b>(6,004)</b>	<b>724,989</b>
<b>COMMITMENTS AND CONTINGENCIES</b>						
<b>NET ASSETS</b>						
Unrestricted - controlling	18,746	45,944	6,400	71,090	(1,059)	70,031
Unrestricted - non-controlling	-	-	46,468	46,468	-	46,468
Temporarily restricted	-	9,184	-	9,184	1,059	10,243
Permanently restricted	-	426	-	426	-	426
<b>Total net assets</b>	<b>18,746</b>	<b>55,554</b>	<b>52,868</b>	<b>127,168</b>	<b>-</b>	<b>127,168</b>
<b>TOTAL</b>	<b>\$ 481,828</b>	<b>\$ 57,988</b>	<b>\$ 318,345</b>	<b>\$ 858,161</b>	<b>\$ (6,004)</b>	<b>\$ 852,157</b>

**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Supplementary Information – Statement of Operations and Changes in**  
**Net Assets Information**  
**For the Year Ended December 31, 2017 (in thousands)**

UNRESTRICTED NET ASSETS	ABHOW Obligated Group	Foundation	Beacon	Subtotal	Eliminations	Total
<b>OPERATING REVENUES</b>						
Residential living	\$ 47,691	\$ -	\$ -	\$ 47,691	\$ -	\$ 47,691
Assisted living	14,498	-	-	14,498	-	14,498
Health center	52,541	-	-	52,541	-	52,541
Memory support	7,926	-	-	7,926	-	7,926
Other residential services	1,513	-	-	1,513	-	1,513
Amortization of entrance fees	19,668	-	-	19,668	-	19,668
Other operating revenue	5,922	-	532	6,454	-	6,454
Affordable housing fees and rents	-	-	23,587	23,587	-	23,587
Net assets released from restrictions	-	364	-	364	-	364
Bequests and charitable giving	-	1,563	34	1,597	-	1,597
Foundation community benefit	984	-	-	984	(984)	-
Total operating revenues	<u>150,743</u>	<u>1,927</u>	<u>24,153</u>	<u>176,823</u>	<u>(984)</u>	<u>175,839</u>
<b>OPERATING EXPENSES</b>						
Salaries and wages	65,272	527	7,003	72,802	-	72,802
Employee benefits	14,063	73	1,543	15,679	-	15,679
Supplies	10,487	11	534	11,032	-	11,032
Chargeable ancillary services	8,875	-	-	8,875	-	8,875
Marketing and advertising	1,714	-	139	1,853	-	1,853
Repairs and maintenance	1,984	2	1,288	3,274	-	3,274
Purchased services	7,130	63	1,812	9,005	-	9,005
Leases and rents	1,574	25	338	1,937	-	1,937
Utilities	6,029	2	1,895	7,926	-	7,926
Travel and related	1,560	45	810	2,415	-	2,415
Other operating expenses	1,615	-	1,413	3,028	-	3,028
Foundation community distribution	-	996	-	996	(984)	12
Insurance	1,339	31	612	1,982	-	1,982
Total operating expenses	<u>121,642</u>	<u>1,775</u>	<u>17,387</u>	<u>140,804</u>	<u>(984)</u>	<u>139,820</u>
<b>INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)</b>	<b>29,101</b>	<b>152</b>	<b>6,766</b>	<b>36,019</b>	<b>-</b>	<b>36,019</b>
<b>OTHER OPERATING INCOME (EXPENSE)</b>						
Unrealized gains on interest rate swaps and caps	59	-	46	105	-	105
Realized gains on investments, net	768	889	-	1,657	-	1,657
Investment income, net	2,108	1,030	39	3,177	-	3,177
Mortgage interest - servicing debt	(9,616)	-	(1,776)	(11,392)	-	(11,392)
Mortgage interest - non-servicing debt	-	-	(3,057)	(3,057)	-	(3,057)
Depreciation and amortization	(17,352)	-	(9,069)	(26,421)	-	(26,421)
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>5,068</b>	<b>2,071</b>	<b>(7,051)</b>	<b>88</b>	<b>-</b>	<b>88</b>
Change in unrealized gains on investments, net	4,071	3,455	-	7,526	-	7,526
Unrealized gains on investments in Las Ventanas bonds	1,006	-	-	1,006	-	1,006
Contribution in aid of construction	-	-	25,263	25,263	-	25,263
Capital contributions to affiliates	(5,117)	-	-	(5,117)	-	(5,117)
Loss on sale of Seniority, Inc.	(79)	-	-	(79)	-	(79)
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>4,949</b>	<b>5,526</b>	<b>18,212</b>	<b>28,687</b>	<b>-</b>	<b>28,687</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>						
Dividend and interest income	-	375	-	375	-	375
Unrealized gains on restricted investments, net	-	593	-	593	-	593
Contributions	-	2,172	-	2,172	-	2,172
Net assets released from restrictions	-	(364)	-	(364)	-	(364)
Contractual payments to beneficiaries	-	(451)	-	(451)	-	(451)
Realized losses on investments, net	-	(64)	-	(64)	-	(64)
Contractual liability adjustments	-	342	-	342	-	342
Special project fund distribution	-	(1,701)	-	(1,701)	-	(1,701)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>-</b>	<b>902</b>	<b>-</b>	<b>902</b>	<b>-</b>	<b>902</b>
<b>CHANGE IN PERMANENTLY RESTRICTED NET ASSETS</b>						
	-	(12)	-	(12)	-	(12)
<b>INCREASE IN NET ASSETS</b>	<b>4,949</b>	<b>6,416</b>	<b>18,212</b>	<b>29,577</b>	<b>-</b>	<b>29,577</b>
<b>NET ASSETS - Beginning of year</b>	<b>13,797</b>	<b>49,138</b>	<b>34,656</b>	<b>97,591</b>	<b>-</b>	<b>97,591</b>
<b>NET ASSETS - End of year</b>	<b>\$ 18,746</b>	<b>\$ 55,554</b>	<b>\$ 52,868</b>	<b>\$ 127,168</b>	<b>\$ -</b>	<b>\$ 127,168</b>

**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Supplementary Information – Statement of Operations and Changes in**  
**Net Assets (Deficit) Information (ABHOW Obligated Group)**  
**For the Year Ended December 31, 2017 (in thousands)**

	Corporate Office	Grand Lake Gardens	Piedmont Gardens	Terraces at Los Altos	Plymouth Village
<b>OPERATING REVENUES</b>					
Residential living	\$ -	\$ 3,075	\$ 7,734	\$ 4,728	\$ 6,470
Assisted living	-	-	3,417	2,120	1,944
Health center	-	-	11,474	6,614	4,400
Memory support	-	-	1,205	1,736	372
Other residential services	-	119	583	97	103
Amortization of entrance fees	-	456	2,715	1,798	2,258
Other operating revenue	3,789	51	262	173	226
Foundation community benefit	-	29	207	67	177
Total operating revenues	<u>3,789</u>	<u>3,730</u>	<u>27,597</u>	<u>17,333</u>	<u>15,950</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	10,710	1,640	11,715	7,423	6,025
Employee benefits	1,929	351	2,743	1,483	1,254
Supplies	128	384	1,840	1,267	1,297
Chargeable ancillary services	-	-	1,524	1,238	696
Marketing and advertising	2	243	252	155	332
Repairs and maintenance	2	40	407	221	198
Purchased services	2,454	214	865	690	605
Leases and rents	991	13	206	40	53
Utilities	158	392	1,199	743	693
Travel and related	812	53	73	76	154
Corporate allocations	(10,162)	316	2,179	1,112	1,217
Other operating expenses	(1,015)	98	408	327	268
Insurance	54	47	264	111	190
Total operating expenses	<u>6,063</u>	<u>3,791</u>	<u>23,675</u>	<u>14,886</u>	<u>12,982</u>
(LOSS) INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)	(2,274)	(61)	3,922	2,447	2,968
<b>OTHER OPERATING INCOME (EXPENSE)</b>					
Unrealized gains on interest rate swaps and caps	59	-	-	-	-
Realized gains (losses) on investments, net	780	-	-	(12)	-
Investment income, net	2,092	-	-	16	-
Mortgage interest - servicing debt	(2,219)	(187)	(570)	(2,295)	(397)
Depreciation and amortization	(289)	(635)	(1,590)	(3,303)	(2,207)
(LOSS) INCOME FROM OPERATIONS	(1,851)	(883)	1,762	(3,147)	364
Change in unrealized gains (losses) on investments, net	4,075	(1)	(12)	9	-
Unrealized gains on investments in Las Ventanas bonds	1,006	-	-	-	-
Capital contributions to affiliates	(5,188)	-	-	-	-
Loss on sale of Seniority, Inc.	(79)	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT)	(2,037)	(884)	1,750	(3,138)	364
NET (DEFICIT) ASSET - Beginning of year	(84,079)	(7,921)	33,221	10,440	6,020
NET (DEFICIT) ASSET - End of year	<u>\$ (86,116)</u>	<u>\$ (8,805)</u>	<u>\$ 34,971</u>	<u>\$ 7,302</u>	<u>\$ 6,384</u>

**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Supplementary Information – Statement of Operations and**  
**Changes in Net Assets (Deficit) Information (ABHOW Obligated Group)**  
**For the Year Ended December 31, 2017 (continued) (in thousands)**

	Rosewood	Valle Verde	Terraces of Los Gatos	Total
<b>OPERATING REVENUES</b>				
Residential living	\$ 3,732	\$ 11,944	\$ 10,008	\$ 47,691
Assisted living	1,829	1,950	3,238	14,498
Health center	10,824	8,621	10,608	52,541
Memory support	1,279	1,717	1,617	7,926
Other residential services	218	280	113	1,513
Amortization of entrance fees	661	5,903	5,877	19,668
Other operating revenue	205	878	338	5,922
Foundation community benefit	82	355	67	984
	<u>18,830</u>	<u>31,648</u>	<u>31,866</u>	<u>150,743</u>
<b>OPERATING EXPENSES</b>				
Salaries and wages	7,280	10,654	9,825	65,272
Employee benefits	1,731	2,462	2,110	14,063
Supplies	1,482	2,332	1,757	10,487
Chargeable ancillary services	2,774	1,080	1,563	8,875
Marketing and advertising	275	274	181	1,714
Repairs and maintenance	252	344	520	1,984
Purchased services	695	735	872	7,130
Leases and rents	69	111	91	1,574
Utilities	637	1,165	1,042	6,029
Travel and related	64	230	98	1,560
Corporate allocations	1,409	2,076	1,853	-
Other operating expenses	761	495	273	1,615
Insurance	204	255	214	1,339
	<u>17,633</u>	<u>22,213</u>	<u>20,399</u>	<u>121,642</u>
<b>(LOSS) INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)</b>				
	1,197	9,435	11,467	29,101
<b>OTHER OPERATING INCOME (EXPENSE)</b>				
Unrealized gains on interest rate swaps and caps	-	-	-	59
Realized gains (losses) on investments, net	-	-	-	768
Investment income, net	-	-	-	2,108
Mortgage interest - servicing debt	(575)	(1,214)	(2,159)	(9,616)
Depreciation and amortization	<u>(1,328)</u>	<u>(4,614)</u>	<u>(3,386)</u>	<u>(17,352)</u>
<b>(LOSS) INCOME FROM OPERATIONS</b>				
	(706)	3,607	5,922	5,068
Change in unrealized gains (losses) on investments, net	-	-	-	4,071
Unrealized gains on investments in Las Ventanas bonds	-	-	-	1,006
Capital contributions to affiliates	-	71	-	(5,117)
Loss on sale of Seniority, Inc.	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79)</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT)</b>				
	(706)	3,678	5,922	4,949
<b>NET (DEFICIT) ASSET - Beginning of year</b>				
	<u>(17,658)</u>	<u>44,057</u>	<u>29,717</u>	<u>13,797</u>
<b>NET (DEFICIT) ASSET - End of year</b>				
	<u>\$ (18,364)</u>	<u>\$ 47,735</u>	<u>\$ 35,639</u>	<u>\$ 18,746</u>



**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Supplementary Information – Statement of Cash Flows Information**  
**(ABHOW Obligated Group)**  
**For the Year Ended December 31, 2017 (in thousands)**

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OPERATING ACTIVITIES	
Cash received for resident services	\$ 121,423
Cash received for entrance fees from reoccupancy	29,417
Cash received from other operating activities	16,123
Cash earnings realized from investments	2,875
Cash paid for employee salaries	(62,308)
Cash paid for employee benefits	(14,187)
Cash paid for temporary labor	(5,885)
Cash paid to vendors	(52,857)
Cash paid for interest, net of amounts capitalized	<u>(6,434)</u>
Net cash provided by operating activities	<u>28,167</u>
INVESTING ACTIVITIES	
Acquisition of land, buildings, and equipment - Continuing Care Retirement Communities ("CCRCs")	(30,499)
Decrease in restricted cash	16,070
Purchase of unrestricted investments	(25,710)
Proceeds from sale of unrestricted investments	12,182
Purchase of restricted investments	(44,081)
Proceeds from sale of restricted investments	<u>35,855</u>
Net cash used in investing activities	<u>(36,183)</u>
FINANCING ACTIVITIES	
Cash received from initial entrance fees and deposits	62,894
Refunds of deposits and refundable fees	(4,437)
Principal payments on notes and bonds payable - CCRCs	(55,751)
Cash paid for capital contributions to affiliates	(5,188)
Cash received from restricted gifts and donations	71
Cash received from intercompany and interaffiliate transactions	<u>5,948</u>
Net cash provided by financing activities	<u>3,537</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(4,479)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>22,384</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 17,905</u>

**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Supplementary Information – Statement of Cash Flows Information**  
**(ABHOW Obligated Group)**  
**For the Year Ended December 31, 2017 (Continued) (in thousands)**

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OPERATING ACTIVITIES	
Change in net assets	\$ 4,949
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Amortization of entrance fees	(19,668)
Entrance fees from reoccupancy	29,417
Amortization of deferred fees	206
Depreciation and amortization	17,352
Loss on sale of Seniority, Inc.	79
Unrealized gains on interest rate swaps and caps, net	(59)
Unrealized gains on investments, net	(4,071)
Unrealized gains on investments in Las Ventanas bonds	(1,006)
Capital contributions to affiliates	5,117
Change in accounts receivable from residents and others	4,519
Change in prepaid expenses, deposits, and other assets	944
Other changes in operating assets and liabilities, net	<u>(9,612)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 28,167</u>
NONCASH DISCLOSURES	
Acquisition of buildings and equipment financed through accounts payable and accrued expenses	<u>\$ 332</u>

**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Supplementary Information – Balance Sheet Information**  
**As of December 31, 2016 (in thousands)**

	ABHOW Obligated Group	Foundation	Beacon	Subtotal	Eliminations	Total
<b>ASSETS</b>						
CASH AND CASH EQUIVALENTS	\$ 22,384	\$ 648	\$ 3,305	\$ 26,337	\$ -	\$ 26,337
RESTRICTED CASH	17,985	-	8,925	26,910	-	26,910
INVESTMENTS	54,944	41,029	1,604	97,577	-	97,577
INVESTMENTS IN LAS VENTANAS BONDS	5,442	-	-	5,442	-	5,442
RESTRICTED INVESTMENTS	38,538	10,022	-	48,560	-	48,560
RESIDENT ACCOUNTS RECEIVABLE, NET	7,668	659	868	9,195	-	9,195
SUBORDINATED NOTES RECEIVABLE, NET	48,089	-	-	48,089	-	48,089
OTHER RECEIVABLES	2,349	-	2,659	5,008	-	5,008
DUE FROM AFFILIATES	32,656	-	-	32,656	(6,001)	26,655
PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS	2,879	1	100	2,980	-	2,980
OTHER ASSETS	6,754	-	6,876	13,630	-	13,630
LAND, BUILDING, AND EQUIPMENT, NET	223,844	-	241,825	465,669	-	465,669
INTERCOMPANY	4,429	(706)	(3,723)	-	-	-
<b>TOTAL</b>	<b>\$ 467,961</b>	<b>\$ 51,653</b>	<b>\$ 262,439</b>	<b>\$ 782,053</b>	<b>\$ (6,001)</b>	<b>\$ 776,052</b>
<b>LIABILITIES AND NET ASSETS</b>						
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 22,880	\$ 44	\$ 7,697	\$ 30,621	\$ -	\$ 30,621
DEPOSITS	8,691	-	609	9,300	-	9,300
ACCRUED INTEREST	2,273	-	9,225	11,498	(195)	11,303
REBATABLE ENTRANCE FEES DUE	29,208	-	-	29,208	-	29,208
ENTRANCE FEES SUBJECT TO REFUND	38,245	-	-	38,245	-	38,245
ENTRANCE FEES NON-REFUNDABLE	87,305	-	-	87,305	-	87,305
REVOCABLE TRUSTS	-	402	-	402	-	402
OBLIGATIONS UNDER ANNUITY AGREEMENTS	-	2,011	-	2,011	-	2,011
NOTES AND BONDS PAYABLE, NET	246,231	-	208,515	454,746	(5,806)	448,940
RETIREMENT LIABILITIES	5,342	-	-	5,342	-	5,342
WORKERS' COMPENSATION LIABILITY	6,134	-	-	6,134	-	6,134
OTHER LIABILITIES	7,855	58	1,737	9,650	-	9,650
<b>Total liabilities</b>	<b>454,164</b>	<b>2,515</b>	<b>227,783</b>	<b>684,462</b>	<b>(6,001)</b>	<b>678,461</b>
<b>COMMITMENTS AND CONTINGENCIES</b>						
<b>NET ASSETS</b>						
Unrestricted - controlling	13,797	40,418	6,304	60,519	(1,059)	59,460
Unrestricted - non-controlling	-	-	28,352	28,352	-	28,352
Temporarily restricted	-	8,282	-	8,282	1,059	9,341
Permanently restricted	-	438	-	438	-	438
<b>Total net assets</b>	<b>13,797</b>	<b>49,138</b>	<b>34,656</b>	<b>97,591</b>	<b>-</b>	<b>97,591</b>
<b>TOTAL</b>	<b>\$ 467,961</b>	<b>\$ 51,653</b>	<b>\$ 262,439</b>	<b>\$ 782,053</b>	<b>\$ (6,001)</b>	<b>\$ 776,052</b>

**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Supplementary Information – Statement of Operations and**  
**Changes in Net Assets Information (Unaudited)**  
**For the 12-Months Ended December 31, 2016 (in thousands)**

	ABHOW Obligated Group	Foundation	Beacon	Subtotal	Eliminations	Total
<b>OPERATING REVENUES</b>						
Residential living	\$ 43,015	\$ -	\$ -	\$ 43,015	\$ -	\$ 43,015
Assisted living	14,078	-	-	14,078	-	14,078
Health center	50,641	-	-	50,641	-	50,641
Memory support	7,957	-	-	7,957	-	7,957
Other residential services	1,227	-	-	1,227	-	1,227
Amortization of entrance fees	18,987	-	-	18,987	-	18,987
Other operating revenue	6,052	-	650	6,702	-	6,702
Affordable housing fees and rents	-	-	19,065	19,065	-	19,065
Net assets released from restrictions	-	150	-	150	-	150
Bequests and charitable giving	-	2,040	46	2,086	-	2,086
Foundation community benefit	956	-	-	956	(956)	-
Total operating revenues	<u>142,913</u>	<u>2,190</u>	<u>19,761</u>	<u>164,864</u>	<u>(956)</u>	<u>163,908</u>
<b>OPERATING EXPENSES</b>						
Salaries and wages	58,550	552	6,506	65,608	-	65,608
Employee benefits	15,054	103	1,617	16,774	-	16,774
Loss on pension termination	7,273	52	-	7,325	-	7,325
Supplies	9,276	2	458	9,736	-	9,736
Chargeable ancillary services	8,021	-	-	8,021	-	8,021
Marketing and advertising	3,453	-	93	3,546	-	3,546
Repairs and maintenance	1,474	-	962	2,436	-	2,436
Purchased services	5,900	115	1,816	7,831	-	7,831
Leases and rents	1,237	(14)	382	1,605	-	1,605
Utilities	5,677	4	1,498	7,179	-	7,179
Travel and related	1,051	48	541	1,640	-	1,640
Other operating expenses	2,414	(88)	1,341	3,667	-	3,667
Foundation community distribution	-	956	-	956	(956)	-
Insurance	1,585	33	460	2,078	-	2,078
Total operating expenses	<u>120,965</u>	<u>1,763</u>	<u>15,674</u>	<u>138,402</u>	<u>(956)</u>	<u>137,446</u>
<b>INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)</b>	<u>21,948</u>	<u>427</u>	<u>4,087</u>	<u>26,462</u>	<u>-</u>	<u>26,462</u>
<b>OTHER OPERATING INCOME (EXPENSE)</b>						
Unrealized gains on interest rate swaps and caps	53	65	226	344	-	344
Realized gains (losses) on investments, net	69	(282)	-	(213)	-	(213)
Investment income, net	1,778	1,134	33	2,945	-	2,945
Mortgage interest - servicing debt	(7,464)	-	(3,264)	(10,728)	-	(10,728)
Depreciation and amortization	(15,009)	-	(7,739)	(22,748)	-	(22,748)
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>1,375</u>	<u>1,344</u>	<u>(6,657)</u>	<u>(3,938)</u>	<u>-</u>	<u>(3,938)</u>
Change in unrealized gains on investments	12,638	1,636	-	14,274	-	14,274
Unrealized gains on investments in Las Ventanas bonds	1,280	-	-	1,280	-	1,280
Contribution of pension termination costs for affiliates	(3,378)	53	-	(3,325)	-	(3,325)
Contribution in aid of construction	(4,189)	8	4,891	710	-	710
Capital contributions from (to) affiliates	-	-	-	-	-	-
Loss from change in unrecognized pension obligation	(1,174)	(9)	-	(1,183)	-	(1,183)
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<u>6,552</u>	<u>3,032</u>	<u>(1,766)</u>	<u>7,818</u>	<u>-</u>	<u>7,818</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>						
Dividend and interest income	-	193	-	193	-	193
Unrealized gains on restricted investments, net	-	272	-	272	-	272
Contributions	-	2,583	-	2,583	-	2,583
Net assets released from restrictions	-	(150)	-	(150)	-	(150)
Contractual payments to beneficiaries	-	(276)	-	(276)	-	(276)
Realized losses on investments, net	-	(5)	-	(5)	-	(5)
Contractual liability adjustments	-	243	-	243	-	243
Special project fund distribution	-	(1,753)	-	(1,753)	-	(1,753)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>-</u>	<u>1,107</u>	<u>-</u>	<u>1,107</u>	<u>-</u>	<u>1,107</u>
<b>CHANGE IN PERMANENTLY RESTRICTED NET ASSETS</b>	<u>-</u>	<u>14</u>	<u>-</u>	<u>14</u>	<u>-</u>	<u>14</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>6,552</u>	<u>4,153</u>	<u>(1,766)</u>	<u>8,939</u>	<u>-</u>	<u>8,939</u>
<b>NET ASSETS - Beginning of year</b>	<u>7,245</u>	<u>44,985</u>	<u>36,422</u>	<u>88,652</u>	<u>-</u>	<u>88,652</u>
<b>NET ASSETS - End of year</b>	<u>\$ 13,797</u>	<u>\$ 49,138</u>	<u>\$ 34,656</u>	<u>\$ 97,591</u>	<u>\$ -</u>	<u>\$ 97,591</u>

**American Baptist Homes of The West and Affiliates  
(a Member of HumanGood)  
Supplementary Information – Statement of Operations and Changes  
in Net Assets (Deficit) Information (ABHOW Obligated Group) (Unaudited)  
For the 12-Months Ended December 31, 2016 (in thousands)**

	Corporate Office	Grand Lake Gardens	Piedmont Gardens	Terraces at Los Altos	Plymouth Village
<b>OPERATING REVENUES</b>					
Residential living	\$ -	\$ 3,177	\$ 7,399	\$ 1,194	\$ 6,094
Assisted living	-	-	3,655	1,942	1,912
Health center	-	-	12,406	6,075	4,523
Memory support	-	-	1,224	1,649	548
Other residential services	-	147	447	48	61
Amortization of entrance fees	-	582	3,212	988	2,254
Other operating revenue	3,818	69	300	143	245
Foundation community benefit	-	27	204	67	174
Total operating revenues	<u>3,818</u>	<u>4,002</u>	<u>28,847</u>	<u>12,106</u>	<u>15,811</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	9,068	1,332	11,024	5,965	5,557
Employee benefits	2,309	360	2,944	1,395	1,442
Loss on pension termination	1,064	177	1,382	756	700
Supplies	129	318	1,820	802	1,191
Chargeable ancillary services	-	-	1,740	752	637
Marketing and advertising	6	509	604	1	651
Repairs and maintenance	12	19	292	45	128
Purchased services	1,827	194	587	538	548
Leases and rents	504	18	195	58	79
Utilities	141	366	1,137	498	704
Travel and related	536	26	45	67	78
Corporate allocations	(9,752)	292	2,095	919	1,196
Other operating expenses	292	156	498	155	433
Insurance	269	48	273	103	195
Total operating expenses	<u>6,405</u>	<u>3,815</u>	<u>24,636</u>	<u>12,054</u>	<u>13,539</u>
(LOSS) INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)	(2,587)	187	4,211	52	2,272
<b>OTHER OPERATING INCOME (EXPENSE)</b>					
Unrealized gains on interest rate swaps and caps	53	-	-	-	-
Realized gains on investments, net	69	-	-	-	-
Investment income, net	1,778	-	-	-	-
Mortgage interest - servicing debt	(1,599)	(166)	(504)	(930)	(385)
Depreciation and amortization	(228)	(609)	(1,690)	(1,412)	(2,319)
(LOSS) INCOME FROM OPERATIONS	(2,514)	(588)	2,017	(2,290)	(432)
Change in unrealized gains on investments	12,488	-	-	150	-
Unrealized gains on investments in Las Ventanas bonds	1,280	-	-	-	-
Contribution of pension termination costs for affiliates	(9,712)	181	1,410	771	714
Capital contributions from (to) affiliates	(5,061)	23	204	96	99
Loss from change in unrecognized pension obligation	(177)	(27)	(232)	(111)	(113)
CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT)	(3,696)	(411)	3,399	(1,384)	268
NET (DEFICIT) ASSET - Beginning of year	(80,383)	(7,510)	29,822	11,824	5,752
NET (DEFICIT) ASSET - End of year	<u>\$ (84,079)</u>	<u>\$ (7,921)</u>	<u>\$ 33,221</u>	<u>\$ 10,440</u>	<u>\$ 6,020</u>

**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Supplementary Information – Statement Of Operations and**  
**Changes in Net Assets (Deficit) Information (ABHOW Obligated Group) (Unaudited)**  
**For the 12-Months Ended December 31, 2016 (continued) (in thousands)**

	Rosewood	Valle Verde	Terraces of Los Gatos	Total
<b>OPERATING REVENUES</b>				
Residential living	\$ 3,679	\$ 11,837	\$ 9,635	\$ 43,015
Assisted living	1,700	1,877	2,992	14,078
Health center	9,936	8,591	9,110	50,641
Memory support	1,253	1,616	1,667	7,957
Other residential services	211	229	84	1,227
Amortization of entrance fees	636	5,751	5,564	18,987
Other operating revenue	288	876	313	6,052
Foundation community benefit	79	342	63	956
<b>Total operating revenues</b>	<b>17,782</b>	<b>31,119</b>	<b>29,428</b>	<b>142,913</b>
<b>OPERATING EXPENSES</b>				
Salaries and wages	6,975	9,955	8,674	58,550
Employee benefits	1,868	2,549	2,187	15,054
Loss on pension termination	906	1,215	1,073	7,273
Supplies	1,268	2,136	1,612	9,276
Chargeable ancillary services	2,618	1,044	1,230	8,021
Marketing and advertising	579	604	499	3,453
Repairs and maintenance	178	314	486	1,474
Purchased services	623	862	721	5,900
Leases and rents	108	173	102	1,237
Utilities	676	1,064	1,091	5,677
Travel and related	51	182	66	1,051
Corporate allocations	1,363	2,083	1,804	-
Other operating expenses	385	279	216	2,414
Insurance	215	262	220	1,585
<b>Total operating expenses</b>	<b>17,813</b>	<b>22,722</b>	<b>19,981</b>	<b>120,965</b>
<b>(LOSS) INCOME BEFORE</b>				
OTHER OPERATING INCOME (EXPENSE)	(31)	8,397	9,447	21,948
<b>OTHER OPERATING INCOME (EXPENSE)</b>				
Unrealized gains on interest rate swaps and caps	-	-	-	53
Realized gains on investments, net	-	-	-	69
Investment income, net	-	-	-	1,778
Mortgage interest - servicing debt	(505)	(1,207)	(2,168)	(7,464)
Depreciation and amortization	(1,285)	(4,307)	(3,159)	(15,009)
<b>(LOSS) INCOME FROM OPERATIONS</b>	<b>(1,821)</b>	<b>2,883</b>	<b>4,120</b>	<b>1,375</b>
Change in unrealized gains on investments	-	-	-	12,638
Unrealized gains on investments in Las Ventanas bonds	-	-	-	1,280
Contribution of pension termination costs for affiliates	924	1,239	1,095	(3,378)
Capital contributions from (to) affiliates	127	171	152	(4,189)
Loss from change in unrecognized pension obligation	(145)	(195)	(174)	(1,174)
<b>CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT)</b>	<b>(915)</b>	<b>4,098</b>	<b>5,193</b>	<b>6,552</b>
<b>NET (DEFICIT) ASSET - Beginning of year</b>	<b>(16,743)</b>	<b>39,959</b>	<b>24,524</b>	<b>7,245</b>
<b>NET (DEFICIT) ASSET - End of year</b>	<b>\$ (17,658)</b>	<b>\$ 44,057</b>	<b>\$ 29,717</b>	<b>\$ 13,797</b>

**American Baptist Homes of The West and Affiliates**  
**(a Member of HumanGood)**  
**Supplementary Information – Statement of Cash Flows Information (Unaudited)**  
**For the 12-Months Ended December 31, 2016 (in thousands)**

	ABHOW Obligated Group	Foundation	Beacon	Subtotal	Eliminations	Total
<b>OPERATING ACTIVITIES</b>						
Cash received for resident services	\$ 115,353	\$ -	\$ -	\$ 115,353	\$ -	\$ 115,353
Cash received for entrance fees from reoccupancy	25,448	-	-	25,448	-	25,448
Cash received from other operating activities	13,559	-	18,966	32,525	(917)	31,608
Cash received from bequests and trust maturities	-	2,225	46	2,271	-	2,271
Cash earnings realized from investments	1,846	917	-	2,763	-	2,763
Cash paid for employee salaries	(53,178)	(555)	(6,199)	(59,932)	-	(59,932)
Cash paid for employee benefits	(14,506)	(102)	(1,617)	(16,225)	-	(16,225)
Cash paid for temporary labor	(4,484)	(5)	-	(4,489)	-	(4,489)
Cash paid to vendors	(48,497)	(1,045)	(6,075)	(55,617)	364	(55,253)
Cash paid for interest, net of amounts capitalized	(9,936)	-	(1,045)	(10,981)	(105)	(11,086)
Net cash provided by operating activities	<u>25,605</u>	<u>1,435</u>	<u>4,076</u>	<u>31,116</u>	<u>(658)</u>	<u>30,458</u>
<b>INVESTING ACTIVITIES</b>						
Acquisition of land, buildings, and equipment - Continuing Care Retirement Communities ("CCRCs")	(50,835)	-	-	(50,835)	-	(50,835)
Acquisition of land, buildings, and equipment - Affordable Housing	-	-	(63,034)	(63,034)	-	(63,034)
Increase in restricted cash	(7,679)	-	(977)	(8,656)	-	(8,656)
Purchase of unrestricted investments	(13,862)	(12,563)	(20)	(26,445)	-	(26,445)
Proceeds from sale of unrestricted investments	18,593	10,580	145	29,318	-	29,318
Purchase of restricted investments	(72,409)	(1,180)	-	(73,589)	-	(73,589)
Proceeds from sale of restricted investments	107,551	1,425	-	108,976	-	108,976
Net cash used in investing activities	<u>(18,641)</u>	<u>(1,738)</u>	<u>(63,886)</u>	<u>(84,265)</u>	<u>-</u>	<u>(84,265)</u>
<b>FINANCING ACTIVITIES</b>						
Cash received from initial entrance fees and deposits	7,687	-	-	7,687	-	7,687
Refunds of deposits and refundable fees	(2,285)	-	-	(2,285)	-	(2,285)
Net proceeds from issuance of notes and bonds payable - CCRCs	3,500	-	-	3,500	-	3,500
Principal payments on notes and bonds payable - CCRCs	(5,317)	-	-	(5,317)	-	(5,317)
Proceeds from issuance of notes and bonds payable - Affordable Housing	-	-	55,408	55,408	-	55,408
Cash paid for deferred debt issuance costs - Affordable Housing	-	-	(220)	(220)	-	(220)
Principal payments on notes and bonds payable - Affordable Housing	-	-	(584)	(584)	-	(584)
Cash received from contributions in aid of construction	-	-	4,891	4,891	-	4,891
Cash paid for capital contributions to affiliates	(4,189)	8	-	(4,181)	-	(4,181)
Special advance to affiliates - CCRCs	(2,973)	-	-	(2,973)	-	(2,973)
Cash paid for intercompany and interaffiliate transactions	(2,517)	282	-	(2,235)	658	(1,577)
Cash received from restricted gifts and donations	-	1,989	-	1,989	-	1,989
Cash paid from other trust activity, net	-	(1,734)	-	(1,734)	-	(1,734)
Net cash provided by (used in) financing activities	<u>(6,094)</u>	<u>545</u>	<u>59,495</u>	<u>53,946</u>	<u>658</u>	<u>54,604</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	870	242	(315)	797	-	797
CASH AND CASH EQUIVALENTS - Beginning of year	21,514	406	3,620	25,540	-	25,540
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 22,384</u>	<u>\$ 648</u>	<u>\$ 3,305</u>	<u>\$ 26,337</u>	<u>\$ -</u>	<u>\$ 26,337</u>

**American Baptist Homes of The West and Affiliates**  
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**Supplementary Information – Statement of Cash Flows Information (Unaudited)**  
**For the 12-Months Ended December 31, 2016 (Continued) (in thousands)**

	ABHOW Obligated Group	Foundation	Beacon	Subtotal	Eliminations	Total
<b>OPERATING ACTIVITIES</b>						
Change in net assets	\$ 6,552	\$ 4,153	\$ (1,766)	\$ 8,939	\$ -	\$ 8,939
Adjustments to reconcile change in net assets to net cash provided by operating activities						
Amortization of entrance fees	(18,987)	-	-	(18,987)	-	(18,987)
Entrance fees from reoccupancy	25,448	-	-	25,448	-	25,448
Depreciation and amortization	15,009	-	7,739	22,748	-	22,748
Unrealized gains on investments, net	(12,638)	(1,636)	-	(14,274)	-	(14,274)
Unrealized gains on restricted investments, net	-	(272)	-	(272)	-	(272)
Unrealized gains on investments in Las Ventanas bonds	(1,280)	-	-	(1,280)	-	(1,280)
Loss from change in unrecognized pension obligations	7,273	52	-	7,325	-	7,325
Change in net unrecognized pension obligation	1,174	9	-	1,183	-	1,183
Unrealized gains on interest rate swaps and caps	(53)	(65)	(226)	(344)	-	(344)
Contribution of pension termination costs for affiliates	3,378	(53)	-	3,325	-	3,325
Contributions in aid of construction	-	-	(4,891)	(4,891)	-	(4,891)
Capital contributions to (from) affiliates	4,189	(8)	-	4,181	-	4,181
Change in accounts receivable from residents and others	5,002	616	868	6,486	-	6,486
Change in prepaid expenses, deposits and other assets	642	(4)	100	738	-	738
Other changes in operating assets and liabilities, net	(10,104)	(1,357)	2,252	(9,209)	(658)	(9,867)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 25,605</b>	<b>\$ 1,435</b>	<b>\$ 4,076</b>	<b>\$ 31,116</b>	<b>\$ (658)</b>	<b>\$ 30,458</b>
<b>NONCASH DISCLOSURES</b>						
Acquisition of buildings and equipment financed through accounts payable and accrued expenses	\$ 5,361	\$ -	\$ -	\$ 5,361	\$ -	\$ 5,361



