Report of Independent Auditors and
Financial Statements with Supplementary Information

Boise Retirement Community
(dba The Terraces of Boise)
(a Member of Cornerstone Affiliates)

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
Boise Retirement Community (dba the Terraces of Boise)
(a member of Cornerstone Affiliates)

Report on the Financial Statements

We have audited the accompanying financial statements of Boise Retirement Community (dba the Terraces of Boise) (a member of Cornerstone Affiliates) (the "Corporation"), which comprise the balance sheet as of December 31, 2017, and the related statements of operations and changes in net deficit, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 28, which includes the balance sheet as of December 31, 2016, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 29 - 30, which includes the statement of operations and changes in net deficit and statement of cash flows, each for the 12-months ended December 31, 2016, are presented for purpose of additional analysis and are not a required part of the financial statements. This supplementary information is the responsibility of the Corporation's management. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

San Francisco, California
April 3, 2018

Financial Statements

Boise Retirement Community (dba The Terraces of Boise)
(A Member of Cornerstone Affiliates)
Balance Sheet
As of December 31, 2017
(in thousands)

ASSETS

CASH AND CASH EQUIVALENTS	$	223
RESTRICTED CASH		907
RESTRICTED INVESTMENTS		16,657
RESIDENT ACCOUNTS AND OTHER RECEIVABLES, LESS ALLOWANCES FOR DOUBTFUL ACCOUNTS OF $13		2,395
PREPAID EXPENSES AND OTHER ASSETS		42
OTHER ASSETS		8,021
LAND, BUILDINGS, AND EQUIPMENT, NET		84,187
TOTAL ASSETS	$	112,432

LIABILITIES AND NET DEFICIT

ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$	1,758
DEPOSITS		186
PAYABLE TO AFFILIATES		1,242
ACCRUED INTEREST		1,988
REBATABLE ENTRANCE FEES DUE		31,189
ENTRANCE FEES SUBJECT TO REFUND		7,459
ENTRANCE FEES NON-REFUNDABLE		3,530
NOTES AND BONDS PAYABLE, NET		79,817
SUBORDINATED NOTES AND LIQUIDITY SUPPORT PAYABLE		5,250
DUE TO GCI (SEE NOTE 8)		650
FUTURE SERVICE BENEFIT OBLIGATION		18,636
TOTAL LIABILITIES		151,705
COMMITMENTS AND CONTINGENCIES (SEE NOTE 8)		
NET DEFICIT - UNRESTRICTED		(39,273)
TOTAL LIABILITIES AND NET DEFICIT	$	112,432

See accompanying notes.

Boise Retirement Community (dba The Terraces of Boise)
(A Member of Cornerstone Affiliates)
Statement of Operations and Changes in Net Deficit
For the Year Ended December 31, 2017
(in thousands)

OPERATING REVENUES	
Residential living	$ 4,448
Assisted living	834
Health center	2,008
Memory support	848
Other operating revenue	58
Amortization of entrance fees	899
Change in future service benefit obligation	6,387
Total operating revenues	15,482
OPERATING EXPENSES	
Salaries and wages	4,289
Employee benefits	955
Supplies	869
Chargeable ancillary services	437
Marketing and advertising	703
Repairs and maintenance	127
Purchased services	415
Leases and rents	20
Utilities	443
Travel and related	93
Management fees	277
Taxes	1,113
Other operating expenses	53
Insurance	100
Total operating expenses	9,894
INCOME BEFORE OTHER OPERATING INCOME (EXPENSE)	5,588
OTHER OPERATING INCOME (EXPENSE)	
Realized loss on investments, net	(31)
Interest income	205
Depreciation and amortization	(2,536)
Mortgage interest	(6,841)
LOSS FROM OPERATIONS	(3,615)
Unrealized loss on investments	(39)
CHANGE IN UNRESTRICTED NET DEFICIT	(3,654)
NET DEFICIT, Beginning of year	(35,619)
NET DEFICIT, End of year	$ (39,273)

See accompanying notes.

Boise Retirement Community (dba The Terraces of Boise)
(A Member of Cornerstone Affiliates)
Statement of Cash Flows
For the Year Ended December 31, 2017
(in thousands)

OPERATING ACTIVITIES	
Cash received from resident services	$ 7,442
Cash received from investments	184
Cash received from entrance fees and deposits	2,669
Cash paid for other operating expenses	(126)
Cash paid to employees	(4,024)
Cash paid for employee fringe benefits	(955)
Cash paid to vendors	(3,876)
Cash paid for interest	(6,691)
Net cash used in operating activities	(5,377)
INVESTING ACTIVITIES	
Acquisition of land, building, and equipment	(256)
Change in restricted project related investments	4,710
Change in restricted entrance fee related investments	(785)
Net cash provided by investing activities	3,669
FINANCING ACTIVITIES	
Cash applied from resident deposits	(784)
Cash received from initial entrance fee deposits	9,495
Refunds of deposits and refundable fees	(1,834)
Payments of notes and bonds payable	(5,495)
Cash received from affiliates	29
Net cash provided by financing activities	1,411
DECREASE IN CASH AND CASH EQUIVALENTS	(297)
Cash and cash equivalents at beginning of year	520
Cash and cash equivalents at end of year	$ 223
OPERATING ACTIVITIES	
Change in net deficit	$ (3,654)
Adjustments to reconcile change in net deficit to net cash used in operating activities	
Amortization of entrance fees	(899)
Entrance fees for reoccupancy	2,669
Amortization of deferred fees	28
Loss on investments	39
Depreciation and amortization	2,536
Change in future service benefit obligation	(6,387)
Change in accounts receivable from residents	(514)
Other change in operating assets and liabilities, net	805
Net cash used in operating activities	$ (5,377)
NON-CASH INVESTING AND FINANCING ACTIVITIES	
Additions to fixed assets in accounts payable	$ 125

See accompanying notes.

NOTE 1 – BUSINESS 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 and Affiliates ("SCPH"), Redwood Senior Homes and Services ("RSHS"), Westminster Gardens, and American Baptist Homes of the West ("ABHOW").

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

Cornerstone Related Enterprises

Boise Retirement Community – Boise Retirement Community is a California nonprofit public benefit tax-exempt corporation formed on August 3, 2005, and is qualified to do business in the State of Idaho. The Corporation was formed for the purpose of constructing, owning, and operating a continuing care retirement community ("CCRC") in Boise, Idaho, known as The Terraces of Boise (the "Community"), to provide housing, health care and other related services to its residents in Boise, Idaho.

Development activities for the Community were initiated in December 2007. In September 2009, the Corporation began the process of accepting refundable conversion deposits for future residency in the Community. The Corporation began construction of the Community in December 2013. The Community opened Phase I of residential living apartments and cottages on July 27, 2015, Phase II opened on October 27, 2015 and Phase III opened on January 6, 2016. Assisted living apartments opened on May 10, 2016. Special care assisted living apartments opened on May 31, 2016. Skilled nursing beds opened on January 27, 2016. The Corporation financed construction of the Community using tax-exempt bond financing, as described further in Note 6. The final cost of construction, design, and engineering was approximately $56,000,000. The Community consists of 161 residential living apartments and cottages, 40 assisted living apartments, 24 memory support apartments, and 48 skilled nursing beds.

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

NOTE 1 – BUSINESS ORGANIZATION (CONTINUED)

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

American Baptist Homes of the West and Affiliates – ABHOW is a California nonprofit public benefit tax-exempt corporation, which owns, operates, and manages both CCRCs and rental housing communities in which housing, health care, and supportive services are provided for the elderly in California. In conjunction with the issuance of the Boise Series 2014 bonds, ABHOW and American Baptist Properties, Inc. ("ABP"), a wholly owned subsidiary of ABHOW, entered into a Liquidity Support Agreement with Boise, and ABP accepted a subordinated note from the Corporation for $2,000,000 as part of the sale to the Corporation of the parcel of land upon which the Community is constructed. The subordinated note was subsequently assigned to ABHOW.

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 February 23, 2018, amendments to the articles of incorporation of Las Ventanas took effect and the corporation's name was changed to HumanGood Nevada.

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.

Southern California Presbyterian Homes and Affiliates – Southern California Presbyterian Homes and Affiliates is a California nonprofit public benefit tax-exempt corporation that owns, operates and manages CCRCs and rental housing communities, primarily in Southern California, in which housing, health care, and supportive services are provided for the elderly. SCPH includes four CCRCs (Royal Oaks, White Sands, Windsor, and Regents Point) together with its controlled affiliates, Redwood Senior Homes and Services ("RSHS"), Westminster Gardens, Palmer House LP ("Palmer House"), and Kirkwood Assisted Living Residence (Orange) ("Kirkwood Orange"), whose sale to Cadence Senior Living was finalized on July 10, 2017. Additionally, the operating results of SCPH include the operating activities of six 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 corporation whose primary purpose of which is to develop, invest, and administer funds to provide residential and nursing home care on behalf of the SCPH residents. 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.

NOTE 1 – BUSINESS ORGANIZATION (CONTINUED)

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.

Cornerstone Affiliates International, Inc. – Cornerstone Affiliates International, Inc. is a California for-profit corporation wholly owned by Cornerstone. CAI is the holding company for the activities surrounding the development of international senior housing consulting and management business opportunities. During fiscal year 2016, management determined to cease pursuing the business endeavors previously undertaken by CAI, and the business activities of CAI were subsequently concluded, with all remaining working capital returned to ABHOW in exchange for the pay down of outstanding amounts due. On March 13, 2018, CAI was dissolved with the California Secretary of State.

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

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

NOTE 2 – ACCOUNTING POLICIES

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

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 (Topic 606)*. As compared to existing guidance on revenue recognition, ASU No. 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principles-based guidance in ASU No. 2014-09 will provide a framework for addressing revenue recognition issues comprehensively for entities that apply U.S. GAAP in addition to those entities that apply International Financial Reporting Standards. The guidance in ASU No. 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The effective date of ASU No. 2014-09 was deferred by ASU No. 2015-14, *Deferral of the Effective Date*, and is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Management is currently evaluating the impact of the provisions of ASU No. 2014-09 on the Corporation’s financial statements.

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

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

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

NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

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

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

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

Restricted cash – Restricted cash is defined as cash which is restricted in its use by regulatory or other agreements. These accounts consist of refundable conversion deposits for future residency of the Community. A portion of the restricted cash is limited as to use in accordance with the Master Trust Indenture Agreement.

Restricted investments – Restricted investments include assets held by trustees in accordance with the indentures related to the debt agreement. Restricted investments include certain cash and cash equivalents, domestic corporate debt securities, foreign corporate debt securities and U.S. government securities.

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

Resident accounts receivable – The Corporation provides services to residents even though they may lack adequate funds or may participate in programs that do not pay full charges. The Corporation receives payment for health services from residents, insurance companies, Medicare, 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 its Care and Residence Agreements with the residents of the Community.

NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

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 a 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.

Other receivables – Other receivables at December 31, 2017, represent noninterest bearing, unsecured promissory notes from residents to pay entrance fees. All amounts are due within one year.

Other receivables 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 a 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 other receivables. Management considers other receivables to be fully collectible as of December 31, 2017, and, accordingly, an allowance for doubtful accounts is not considered necessary.

Prepaid expenses and other assets – Prepaid expenses and other assets consist of prepaid services and products and inventory at December 31, 2017.

Land, building, and equipment, net – Land, building, and equipment, net are recorded at cost, or fair value when received, if donated. 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 building 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.

On January 28, 2014, the Corporation purchased 12.6 acres of undeveloped land located in Ada County in Idaho, on which to construct the Community. Costs associated with the purchase of the land that have been incurred and capitalized total $5,203,000 at December 31, 2017.

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 asset impairment was recognized during the year ended December 31, 2017.

Fair value measurements – 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. See Note 3 for fair value hierarchy disclosures.

NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

Deferred debt issuance costs – Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the effective interest method. Unamortized deferred debt issuance costs amounted to $1,909,000 at December 31, 2017 and are included in notes and bonds payable, net in the accompanying balance sheet. Accumulated amortization of deferred debt issuance costs was $101,000 at December 31, 2017. Amortization expense was $28,000 for the year ended December 31, 2017 and is included in interest expense.

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 $8,021,000 at December 31, 2017 and are included in other assets in the accompanying balance sheet. Accumulated amortization of deferred marketing costs was $622,000 at December 31, 2017. Amortization expense was $275,000 for the year ended December 31, 2017.

Obligation to provide future services – If the present value of future outflows to provide future services, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. A liability of $18,636,000 has been recorded in the accompanying balance sheet at December 31, 2017. The discount rate used to calculate the obligation to provide future services was 5.5% for the year ended December 31, 2017.

Refund policy on entrance fee deposits – The Reservation Agreement provides the resident with the right to a refund of the conversion deposits, less any expenses incurred by the Community on the depositor’s behalf, with interest, and a processing fee of $250, if the resident terminates the Reservation Agreement prior to the execution and delivery of the Care and Residence Agreement and acceptance of the Care and Residence Agreement by the Corporation.

The Corporation may terminate the Reservation Agreement if, in the Corporation’s sole discretion, it is concluded that the resident fails to execute a Care and Residence Agreement prior to the occupancy date of the Community.

Types of entrance fees – The Care and Residence Agreements between the Corporation and the residents provide for the payment of an entrance fee. Entrance fees received by the Corporation are categorized into two types: initial entrance fees and entrance fees from reoccupancy, and are recorded as either rebatable entrance fees due, entrance fees subject to refund, or entrance fees non-refundable in the accompanying balance sheet. 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), and funding of reserves.

NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

Refund policy on entrance fees – The Corporation offers contract options whereby 0% to 95% of the entrance fee is rebatable at death or termination of the contract and subsequent reoccupancy of the apartment. At December 31, 2017, the Corporation had nonrefundable entrance fees of $3,530,000 related to entrance fees received that will be recognized as revenue in future years. Additionally, at December 31, 2017, the Corporation had entrance fees subject to refund of $7,459,000 that will be recognized as revenue in future years, unless refunded. Amounts amortized to income relating to these types of contracts were $899,000 for the year ended December 31, 2017.

Additionally, at December 31, 2017, $31,189,000 of the entrance fees related to these types of contracts are contractually rebatable.

Actual refunds and rebates of entrance fees were $1,834,000 for the year ended December 31, 2017. Upon achieving stabilized occupancy, management expects to pay refunds in future years of approximately $3,000,000 per year.

Revenue recognition – Occupancy of the Community began in July 2015. 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 will be fully reserved.

Entrance fees are paid by residents as they take occupancy of their reserved apartment. Of this total fee, a portion is non-rebatable and is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The life expectancy of each resident is updated annually based upon the 2000 Group Annuity Mortality Table. The remaining portion of this fee is rebatable at death or termination of the contract and subsequent reoccupancy of the apartment. This portion of the fee is refunded upon reoccupancy by another resident. The balance of the fees expected to be refunded will be accounted for and reported as a liability.

The Corporation provides health care services primarily to its residents. Revenues from the Medicare program accounted for approximately 11% of the Corporation’s total operating revenue less amortization of entrance fees for the year ended December 31, 2017. Laws and regulations governing the Medicare program is 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 program.

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

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

NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

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

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

Contributions – The Corporation participates in the American Baptist Homes Foundation of the West ("ABHFOW") fundraising activity. Gifts and bequests to the Corporation are credited to the Corporation's fund with ABHFOW. In addition, upon maturity, deferred gifts such as gift annuities and charitable remainder trusts are also credited to the Corporation's fund. Funds held by ABHFOW that the ABHFOW board has designated the earnings from for the Corporation, amounted to approximately $53,000 as of December 31, 2017. ABHFOW retains a legal right to redirect the use of unrestricted endowment funds. Board practice since inception has been to designate earnings distributions on funds for community benevolence needs. The Corporation receives distributions from ABHFOW based upon the market value of the 12-quarter rolling average of the Corporation's endowment fund at a current rate of 3.5%. This rate is subject to change based upon the ABHFOW board's action. Distribution income for the year ended December 31, 2017, was approximately $2,000 and is reflected in the accompanying statement of operations and changes in net deficit.

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

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

NOTE 2 – ACCOUNTING POLICIES (CONTINUED)

Benevolence – The Corporation provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporation is entitled from public assistance programs on behalf of residents that meet the Corporation's benevolence criteria are reported as revenues. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenues. For the year ended December 31, 2017, there was no benevolence recorded as the Corporation had not received any requests for benevolent care.

Contractual allowances – A portion of the Corporation's revenues is subject to discounts under contracts with third-party payors. These discounts are reported as contractual allowances and were $753,000 for the year ended December 31, 2017.

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

Workers' compensation plan – The Corporation has a workers' compensation insurance policy through Aureon HR, Inc., a professional employer organization. The coverage under Part A of the workers' compensation policy does not have a limit unless set forth by the State statute. The coverage under Part B of the workers' compensation policy has a limit of $1,000,000 per accident, $1,000,000 per disease (per employee), and $1,000,000 per disease (policy limit). The expense for this coverage is reflected as a component of employee costs in the statement of operations and changes in net deficit.

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

Tax-exempt status – The Corporation is a California nonprofit public benefit tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status under Section 501(c)(3) by the U.S. Internal Revenue Code and applicable state laws.

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

NOTE 3 – FAIR VALUE

FASB ASC Topic 820, *Fair Value Measurement*, 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; or net asset value per share (or its equivalent) with the ability to redeem the investments in the near term.

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

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

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

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

	Level 1	Level 2	Level 3	Fair Value
Restricted Investments				
Cash and cash equivalents	$ 8,268	$ -	$ -	$ 8,268
Domestic corporate debt	4,598	-	-	4,598
Foreign corporate debt	682	-	-	682
U.S. government securities	3,109	-	-	3,109
Total	$ 16,657	$ -	$ -	$ 16,657

NOTE 3 – FAIR VALUE (CONTINUED)

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

- **Cash and cash equivalents** – The carrying amount approximates fair value.

- **Notes and bonds payable** – The fair value of 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,* at December 31, 2017 (in thousands):

	Carrying Amount	Fair Value
Cash and cash equivalents - unrestricted	$ 223	$ 223
Restricted cash	$ 907	$ 907
Notes and bonds payable	$ 86,976	$ 99,068

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.

NOTE 4 – RESTRICTED INVESTMENTS

Restricted investments include assets held by trustees in accordance with the indentures related to the debt agreement. Restricted investments at December 31, 2017, consisted of the following amounts at fair value (in thousands):

Restricted investments	
Cash and cash equivalents	$ 8,268
Domestic corporate debt	4,598
Foreign corporate debt	682
U.S. government securities	3,109
Total	$ 16,657

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	$ 5,203
Buildings and improvements	83,654
Furnishings and equipment	726
Vehicles	119
Computer equipment	316
	90,018
Accumulated depreciation	(5,831)
Total	$ 84,187

Depreciation expense for the year ended December 31, 2017 was $2,261,000.

NOTE 6 – NOTES AND BONDS PAYABLE

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

Bonds used to develop the Community:	
Series 2014 Tax Exempt, Fixed Rate Term Revenue Bonds (dated January 28, 2014), secured by deed of trust and gross revenue - Serial certificates, annual principal payable commencing on April 1, 2016, in varying amounts ranging from $710,000 to $6,565,000 through 2049. Interest rates are fixed ranging from 6.50% to 8.125% for the various tranches of the debt.	$ 82,740
American Baptist Homes of the West subordinated promissory note, with interest accruing at 4.0% annually and repayment of principal and interest subject to restrictions defined in the Master Trust Indenture.	2,000
American Baptist Homes of the West Liquidity Support Agreement dated January 1, 2014. Non-interest bearing obligation with repayment contingent upon the achievement of certain financial performance criteria defined in the Master Trust Indenture.	1,000
GCI Boise, LP Liquidity Support Agreement dated January 1, 2014. Non-interest bearing obligation with repayment contingent upon the achievement of certain financial performance criteria defined in the Master Trust Indenture.	2,250
	87,990
Less unamortized bond issuance costs, net	(1,909)
Less unamortized bond discount, net	(1,014)
Total notes and bonds payable	$ 85,067

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

Year Ending December 31,	
2018	$ 2,055
2019	710
2020	760
2021	815
2022	870
Thereafter	82,780
	$ 87,990

NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)

The Corporation closed on the Series 2014 Bonds (the “2014 Bonds”) issued by the Idaho Health Facilities Authority (the “Authority”) in the amount of $103,185,000 on January 28, 2014. The 2014 Bonds were issued pursuant to a Bond Indenture of Trust (the “Bond Indenture”) dated January 1, 2014, by and between the Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”).

Concurrent with issuance of the Series 2014 Bonds, GCI Boise, LP (“GCI Boise”) entered into a Liquidity Support Agreement with the Corporation, dated January 1, 2014, and contributed $2,250,000 to the Liquidity Support Fund. Additionally, ABHOW and ABP entered into a separate Liquidity Support Agreement with the Corporation, dated January 1, 2014, with ABP contributing $1,000,000 and ABHOW agreeing to potentially fund $1,250,000 into the fund contingent upon the occurrence of certain funding events defined in the Liquidity Support Agreement. This fund is held under the Master Trust Indenture to pay costs of the project, operating costs of the Corporation or debt services payments with respect to the Bonds. Finally, at closing of the Series 2014 bonds, ABP accepted a subordinated note of $2,000,000 from the Corporation in conjunction with the sale of the Community’s land (see Note 8). In September 2015, ABP transferred its interest in the subordinated promissory note and Liquidity Support Agreement to ABHOW.

The Corporation has utilized the proceeds from the sale of the 2014 Bonds, together with other available funds, to: (i) finance or reimburse the Corporation for a portion of the costs of the Community; (ii) refinance outstanding indebtedness of an affiliate of the Corporation incurred in connection with the acquisition of the land upon which the Community will be located; (iii) pay a portion of the interest on the 2014 Bonds during the construction of the Community; (iv) fund a debt service reserve fund; and (v) pay certain costs associated with the issuance of the 2014 Bonds.

The Series 2014A bonds were sold at a discount of $1,057,000 in order to affect a market rate of interest. The discount is being amortized under the effective interest rate. At December 31, 2017, the net unamortized discount was $1,014,000. The effective interest rate on Series 2014A bonds ranges from 7.0% to 8.25%.

The Series 2014A bonds maturing on and after October 1, 2029, are subject to optional redemption prior to maturity by the Authority at the direction of the Corporation in whole or in part on October 1, 2024, or on any date thereafter, at the redemption price equal to the principal amount together with accrued interest to the redemption date.

The Series 2014B-1, B-2, and B-3 bonds are subject to optional redemption prior to maturity by the Authority at the direction of the Corporation in whole or in part on October 1, 2015, or on any date thereafter, at the redemption price equal to the principal amount together with accrued interest at the redemption date. The Series 2014B-3 and Series 2014B-2 bonds were paid in full in April 2016 and January 2017, respectively.

The Series 2014C bonds are subject to optional redemption prior to maturity by the Authority at the direction of the Corporation in whole or in part on October 1, 2015, or on any date thereafter, at the redemption price equal to the principal amount together with accrued interest at the redemption date. The Series 2014C bonds were paid in full in January 2016.

NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)

The Corporation is currently subject to a Marketing Covenant, an Occupancy Covenant, and a Cumulative Cash Operating Loss ("CCOL") Covenant until stabilized occupancy is achieved. Management notes that the Corporation was not in compliance with the CCOL Covenant as of March 31, 2017 and June 30, 2017, and as such, a Management Report was prepared and posted to the Electronic Municipal Market Access database on June 23, 2017. The Corporation was not in compliance with this covenant as of December 31, 2017, however, per the terms of the Master Trust Indenture, no steps are required if the failure occurs during either of the two successive fiscal quarters following the covenant violation which triggered the original posting of the report. Although not considered an event of default, under the terms of the Master Trust Indenture, as the CCOL Covenant was not met for the second consecutive fiscal quarter as of June 30, 2017, an independent consultant was engaged to provide a Consultant's Report and Recommendations. See further liquidity considerations in Note 9.

NOTE 7 – FUNCTIONAL EXPENSES

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

Direct resident care	$	3,017
Dietary services		1,553
Housekeeping and laundry services		332
Marketing and advertising		1,328
Property		2,104
Resident services and activities		338
Administrative and general		1,222
Total operating expenses	$	9,894

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Management and Marketing Services Agreement – The Corporation entered into a Management and Marketing Services Agreement, as amended and restated on October 25, 2013, with Greystone Management Services Company Idaho, LLC ("GMSC") whereby GMSC assumed pre-opening duties to manage and operate the Community. The Management and Marketing Services Agreement commenced in June 2014 for a term of 84 months.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

In conjunction with the Management and Marketing Services Agreement, the Corporation agreed to pay a monthly management fee of $12,500 per month from the commencement date through July 2015, the month of initial occupancy. Beginning with the Initial Occupancy Date, an ongoing Base Management Fee will be adjusted as follows:

Occupancy Months	Monthly Base
Months 1-54	$ 12,500
Months 55-66	$ 32,500
Months 67 and thereafter	$ 35,000

Beginning in the first month of the second full fiscal year following the achievement of Stabilized Occupancy, as defined in the Master Trust Indenture, the Corporation will pay GMSC a fee equal to $4,500 for each occupancy and/or reoccupancy of the residential living apartments.

The Corporation incurred management fees to GMSC of $150,000 for the year ended December 31, 2017 included in management fees on the statement of operations and changes in net deficit.

Sales and Marketing Oversight Services Agreement – The Sales and Marketing Oversight Services Agreement with Seniority was amended and restated on October 24, 2013. This agreement is effective from the execution date of the Management and Marketing Services Agreement and shall continue in full force and effect during the term of the Management and Marketing Services Agreement.

Under the amended and restated terms of the Sales and Marketing Oversight Services Agreement, Seniority will be paid a Marketing Administrative Services Fee equal to $8,000 per month beginning in July 2015, the first month of occupancy of a residential living apartment, and continuing until achievement of 90% occupancy of the residential living apartments. In addition, Seniority will be paid 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. The Sales and Marketing Oversight Services Fee is subject to the provisions of the Master Indenture with respect to Affiliate Related Subordinated Debt and is therefore deferred at least until stabilization of the Community.

On May 31, 2017, in conjunction with the sale of Seniority, this agreement was terminated, thus ending the accrual of further amount owed.

Pursuant to the amended and restated terms of this agreement, prior to the termination of the agreement, fees of $264,000 were incurred as of December 31, 2017 and are included in payable to affiliates on the balance sheet.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Development Consulting Agreement – The Corporation entered into a Development Consulting Agreement, as amended on October 23, 2013, with Greystone Development Services XX, LLC ("GDS"), as assigned by Greystone Development Company II, LP ("GDC"), an affiliate of GMSC, whereby GDS plans, coordinates, and implements a development plan relating to the construction and financing of the Community, and for the services and activities of the residents. GDS also employs, trains, and supervises the marketing and sales staff for the Community, on behalf of the Corporation, and is responsible for the payroll-related expenses, sales commissions, and payroll tax liabilities for this staff. These personnel costs are billed monthly and are to be reimbursed to GDS by the Corporation.

In addition, the development consulting agreement called for an investment limited partnership, GCI Boise, LP ("GCI"), to be formed for the purposes of providing the funds necessary to pay for any pre-financing costs incurred by the Corporation prior to the tax-exempt bond financing. Through GCI, GDC advanced funds to the Corporation of $8,600,000. Pursuant to the amended development consulting agreement, the funds advanced by GCI are to be repaid as follows: (i) $5,600,000 was paid upon delivery of the 2014 Bonds and (ii) $650,000 remains deferred until after repayment of the Liquidity Support Agreement. The remaining $2,350,000 advanced by GDS was forgiven by GDS and recorded as a loan to help fund the Liquidity Support Agreement during the year ended September 30, 2014.

As compensation for the services provided pursuant to the amended development consulting agreement, the Corporation agreed to pay GDS a consulting fee consisting of a fixed base fee, a variable base fee and an incentive occupancy fee. The fixed base fee is equal to $1,023,000, reduced from $5,758,000. The variable base fee is equal to $3,365,000 and will be paid as follows: (i) $358,000 upon commencement of development consulting services, (ii) $415,000 paid pro-rata over 12 months after commencement of development consulting services, (iii) $207,000 paid upon the presale of 25% of the residential living apartments, (iv) $207,000 paid upon the presale of 50% of the residential living apartments, (v) $781,000 upon issuance of the Series 2014 Bonds, (vi) $371,000 paid in equal installments during the construction period of the Community, (vii) $308,000 upon obtaining an initial Certificate of Occupancy for resident occupancy, (viii) $287,000 paid on a pro-rata basis upon first occupancy of each residential living apartments, (ix) $100,000 paid upon the Community having achieved 25% occupancy of the residential living apartments, (x) $100,000 paid upon the Community having achieved 50% occupancy of the residential living apartments, (xi) $77,000 paid upon the Community having achieved 65% occupancy of the residential living apartments, (xii) $77,000 paid upon the Community having achieved 80% occupancy of the residential living apartments, and (xiii) $77,000 paid upon the Community having achieved 90% of the residential living apartments.

As of December 31, 2017, there was $147,000 of accounts payable due to GDC, of which $107,000 represent reimbursable personnel expenses related to the marketing and sales staff, included in accounts payable and accrued expenses on the balance sheet. As of December 31, 2017, there was $650,000 due to GCI.

Development Administrative Services Agreement – The Development Administrative Services Agreement with ABHOW and Seniority, dated February 1, 2008, to provide certain development administrative support services in connection with development of the Community was amended and restated on October 24, 2013. This agreement is effective from the execution date of the Management and Marketing Services Agreement and shall continue in full force and effect during the term of the Management and Marketing Services Agreement.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Pursuant to the terms of the agreement, the Corporation will use ABHOW to review and assess components of the business plan and proposed revisions thereto; provide information necessary for the Corporation's agents to secure necessary government approvals; assist in the selection of architects, engineers and other design professionals; review the work of the design consultants; review the selection of a preconstruction consultant; and provide oversight of the work of GDC in the preparation of a resident program, marketing plan, and pricing.

On May 31, 2017, in conjunction with the sale of Seniority, this agreement was terminated, thus ending the accrual of further amounts owed.

Under the amended and restated terms of the Development Administrative Services Agreement, ABHOW is paid a development administrative support services fee equal to $17,000 per month for each month that GDC is compensated during the term. As of December 31, 2017, prior to the termination of the agreement, fees of $952,000 have been incurred and capitalized in connection with this agreement. These amounts are included in payable to affiliates and land, buildings, and equipment, net, in the accompanying balance sheet. Repayment of the development administrative support services fee is subject to the restrictions in the Master Indenture concerning payments on the development administrative support services fee and is therefore deferred at least until stabilization of the Community.

NOTE 9 – LIQUIDITY

The Corporation, in accordance with FASB ASC Subtopic 205-40 *Presentation of Financial Statements – Going Concern*, has identified conditions that raise substantial doubt about the ability of the Corporation to continue as a going concern in the near future. The following is our evaluation of those conditions and the financial strategy plan that alleviates those conditions:

As discussed in Note 6, the Corporation was not in compliance with the CCOL Covenant as of December 31, 2017, however, this is not considered an event of default under the terms of the Master Trust Indenture. In addition, management noted that the Corporation continued to operate with losses and negative cash flows from operations during the year. Management has evaluated the significance of this condition in relation to the Corporation's ability to meet its obligations until stabilized occupancy is achieved and has determined that the Corporation has the ability to meet its obligations through operating cash flow and, as necessary, use of the liquidity support committed by GCI Boise and ABHOW as described in Note 6. Management's plans alleviate substantial doubt about the Corporation's ability to continue as a going concern within one year after the date the financial statements are issued.

NOTE 10 – SUBSEQUENT EVENTS

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

The balance of the Series 2014B-1 bonds were fully redeemed in the amount of $2,055,000 on January 3, 2018.

The Corporation has evaluated subsequent events through April 3, 2018, which is the date the financial statements were issued.

Supplementary Information

Boise Retirement Community (dba The Terraces of Boise)
(A Member of Cornerstone Affiliates)
Balance Sheet
As of December 31, 2016
(in thousands)

ASSETS

CASH AND CASH EQUIVALENTS	$	520
RESTRICTED CASH		889
RESTRICTED INVESTMENTS		20,592
RESIDENT ACCOUNTS AND OTHER RECEIVABLES, NET		986
PREPAID EXPENSES AND OTHER ASSETS		184
OTHER ASSETS		8,113
LAND, BUILDINGS AND EQUIPMENT, NET		86,067
TOTAL ASSETS	$	117,351

LIABILITIES AND NET DEFICIT

ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$	1,070
DEPOSITS		55
PAYABLE TO AFFILIATES		1,088
ACCRUED INTEREST		1,966
REBATABLE ENTRANCE FEES DUE		24,819
ENTRANCE FEES SUBJECT TO REFUND		4,477
ENTRANCE FEES NON-REFUNDABLE		3,220
NOTES AND BONDS PAYABLE, NET		85,352
SUBORDINATED NOTES AND LIQUIDITY SUPPORT PAYABLE		5,250
DUE TO GCI (SEE NOTE 8)		650
FUTURE SERVICE BENEFIT OBLIGATION		25,023
TOTAL LIABILITIES		152,970
COMMITMENTS AND CONTINGENCIES		
NET DEFICIT - UNRESTRICTED		(35,619)
TOTAL LIABILITIES AND NET DEFICIT	$	117,351

Boise Retirement Community (dba The Terraces of Boise)
(A Member of Cornerstone Affiliates)
Statement of Operations and Changes in Net Deficit
For the 12-Months Ended December 31, 2016 (Unaudited)
(in thousands)

OPERATING REVENUES	
Residential living	$ 3,694
Assisted living	159
Health center	534
Memory support	161
Amortization of entrance fees	539
Other operating revenue	61
Change in future service benefit obligation	(8,394)
Total operating revenues	(3,246)
OPERATING EXPENSES	
Salaries and wages	2,919
Employee benefits	717
Supplies	490
Chargeable ancillary services	4
Marketing and advertising	340
Repairs and maintenance	55
Purchased services	320
Leases and rents	6
Utilities	435
Travel and related	76
Management fees	247
Other operating expenses	1,237
Insurance	123
Total operating expenses	6,969
LOSS BEFORE OTHER OPERATING INCOME (EXPENSE)	(10,215)
OTHER OPERATING INCOME (EXPENSE)	
Realized losses on investments	(52)
Interest income	130
Depreciation and amortization	(2,785)
Mortgage interest	(6,677)
LOSS FROM OPERATIONS	(19,599)
Unrealized losses on investments	(47)
CHANGE IN UNRESTRICTED NET DEFICIT	(19,646)
NET DEFICIT, Beginning of year	(15,973)
NET DEFICIT, End of year	$ (35,619)

Boise Retirement Community (dba The Terraces of Boise)
(A Member of Cornerstone Affiliates)
Statement of Cash Flows
For the 12-Months Ended December 31, 2016 (Unaudited)
(in thousands)

OPERATING ACTIVITIES		
Cash received from resident services	$	4,582
Cash received from investments		90
Cash paid for other operating expenses		(207)
Cash paid to employees		(3,024)
Cash paid for employee fringe benefits		(736)
Cash paid to vendors		(3,068)
Cash paid for interest		(7,338)
Net cash used in operating activities		(9,701)
INVESTING ACTIVITIES		
Acquisition of land, building, and equipment		(4,791)
Change in restricted cash		451
Change in restricted project related investments		14,623
Change in restricted entrance fee related investments		3,558
Net cash provided by investing activities		13,841
FINANCING ACTIVITIES		
Cash applied from resident deposits		10,834
Refunds of deposits and refundable fees		(451)
Payments of notes and bonds payable		(14,950)
Net cash used in financing activities		(4,567)
DECREASE IN CASH AND CASH EQUIVALENTS		(427)
Cash and cash equivalents at beginning of year		947
Cash and cash equivalents at end of year	$	520
OPERATING ACTIVITIES		
Change in net deficit	$	(19,646)
Adjustments to reconcile change in net deficit to net cash used in operating activities		
Amortization of entrance fees		(539)
Depreciation and amortization		2,785
Change in future service benefit obligation		8,394
Change in accounts receivable from residents		(201)
Other change in operating assets and liabilities, net		(494)
Net cash used in operating activities	$	(9,701)
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Additions to fixed assets in accounts payable	$	803

MOSSADAMS