



214 S. Atlantic Blvd. Alhambra, California 91801

**ATHERTON**

TEL 626-289-4178 FAX 626-576-0857 [www.abh.org](http://www.abh.org)

August 10, 2017

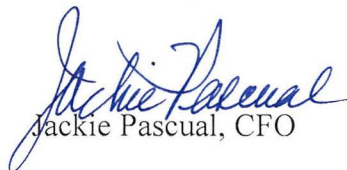
Ms. Peggy Dvorak  
Senior Account Manager  
Cal-Mortgage Loan Insurance Division  
Office of Statewide Health Planning & Development  
400 R St., #470  
Sacramento, CA 95811

Re: City of Alhambra Revenue Bonds  
(Atherton Baptist Homes Project)  
Series 2016

Dear Ms. Dvorak:

Pursuant to Section 5.13 of the Loan Agreement dated November 1, 2016 and Section 4 of the Continuing Disclosure Agreement dated November 1, 2016 for the above referenced bond issue, the undersigned, an Authorized Corporation Representative of Atherton Baptist Homes, (the "Corporation") hereby certifies the attached management-prepared interim financial statements as of June 30, 2017 are true and accurate to the best of the Corporation's knowledge and hereby represents that the Corporation is in compliance with the terms, provisions and conditions of the Regulatory Agreement and the Loan Agreement as of June 30, 2017.

By: Atherton Baptist Homes

  
Jackie Pascual, CFO

Date: 08/10/2017



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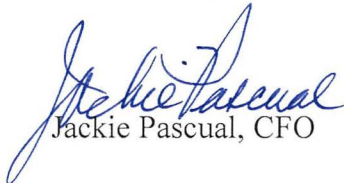
Ms. Kathryn Valdivia  
Vice-President  
Wells Fargo Bank, N.A.  
Corporate Trust Services  
333 S. Grand Avenue, 5<sup>th</sup> Floor, Suite A  
Los Angeles, CA 90017

Re: City of Alhambra Revenue Bonds  
(Atherton Baptist Homes Project)  
Series 2016

Dear Ms. Valdivia:

Pursuant to Section 5.13 of the Loan Agreement dated November 1, 2016 and Section 4 of the Continuing Disclosure Agreement dated November 1, 2016 for the above referenced bond issue, the undersigned, an Authorized Corporation Representative of Atherton Baptist Homes, (the "Corporation") hereby certifies the attached management-prepared interim financial statements as of June 30, 2017 are true and accurate to the best of the Corporation's knowledge and hereby represents that the Corporation is in compliance with the terms, provisions and conditions of the Regulatory Agreement and the Loan Agreement as of June 30, 2017.

By: Atherton Baptist Homes

  
Jackie Pascual, CFO

Date: 08/10/2017

**Atherton Baptist Homes**  
**Management Discussion and Analysis**  
**Period Ended June 30, 2017**

**I. Occupancy**

<b>Level of Care</b>	<b>06/30/2016</b>	<b>09/30/2016</b>	<b>12/31/2016</b>	<b>03/31/2017</b>	<b>06/30/2017</b>
RL Courtyard occupied units	49	49	49	50	47
RL CY % of occupancy	98.0%	98.0%	98.0%	100.0%	94.0%
RL Classic occupied units	155	157	159	159	154
RL Classic % of occupancy	91.2%	92.4%	93.5%	93.5%	90.6%
AL/CC occupied units/beds	29	25	26	29	32
AL/CC % of occupancy	76.3%	69.4%	72.2%	80.6%	88.9%
SNF occupied beds	94	89	94	88	91
SNF % of occupancy	94.9%	89.9%	94.9%	88.9%	91.9%

**II. Revenue, Gains, and Other Support**

Residential services revenue – Residential living and assisted living/companion care revenue were under budget by \$2,763 for the period ended June 30, 2017. Classic residential living had an average occupancy of 157 units compared to projected average occupancy of 158 units because of higher attrition than expected during the second quarter. Courtyard residential living had average occupancy of 49 units compared to projected average occupancy of 48 units. Assisted Living/Companion Care had an average occupancy of 31 units compared to projected average occupancy of 31 units because of transfers from residential living during the second quarter.

Home Care and other residential revenue were under budget by \$58,858 for the period ended June 30, 2017. Amortization of entrance fees, a non-cash item, was under budget by \$77,988 for the period ended June 30, 2017.

Nursing center revenue – Revenue was over budget by \$85,628 for the period ended June 30, 2017. Our occupancy levels and reimbursements from 3<sup>rd</sup> party payers exceeded most of our targets for the period ended June 30, 2017.

<b>Payer Mix in Skilled Nursing</b>	<b>Budget</b>	<b>Average</b>
Private	49	53
Medicare Part A	5	4
Hospice	2	3
HMO	2	2
Medi-Cal & Managed Care	35	29
<b>Total</b>	<b>93</b>	<b>91</b>

Investment income was over budget by \$22,046 and net realized gains on sale of investments amounted to \$107,652 for the period ended June 30, 2017. The change in net unrealized losses on investments was \$55,883 through the end of the period. Unrestricted gifts and donations were under budget by \$112,349. Other revenue was over budget by \$11,160 for the period ended June 30, 2017.

Atherton received temporarily restricted contributions in the amount of \$11,370 and released funds in the amount of \$271,965 from temporary restrictions due to completion of capital projects during the second quarter.

Total revenues, gains and other support were under budget by \$37,915 for the period ended June 30, 2017.

### **III. Operating Expenses**

Atherton was under budget on salaries and benefits by \$129,919 and under budget on purchased goods and services by \$202,291 for the period ended June 30, 2017. Interest, including amortization of deferred financing costs and bond premium, were over budget by \$112. Other expenses, which were mainly loss on sale of fixed assets, were over budget by \$31,397. This was attributed to the remodel and/or replacement of restrooms at our Health Care Center. Depreciation and amortization of deferred marketing costs were under budget by \$32,214 for the period ended June 30, 2017.

Total operating expenses including depreciation and amortization were under budget by \$332,915 for the period ended June 30, 2017.

Operating income was \$295,000 over budget for the period ended June 30, 2017, which included net realized gains on sale of investments of \$107,652 during the period.

#### IV. Financial Performance Summary

<b><u>Funds available for debt service</u></b>	<b><u>Running 12 Months</u></b>	<b><u>Period Ended 06/30/2017</u></b>	<b><u>Bond Covenant</u></b>
Revenues, gains, and other support	\$21,047,500	\$10,277,975	
Less: Operating expenses	(20,302,248)	(9,946,893)	
Net income (loss)	\$745,252	\$331,082	
Add: Entrance fees, net of refunds	2,099,646	1,365,706	
Depreciation	2,410,181	1,219,411	
Amortization-deferred marketing costs	204,078	102,039	
Amortization-deferred financing costs	93,374	48,681	
Amortization-bond premium	(71,247)	(53,435)	
Provision for doubtful accounts	123,663	25,000	
Interest expense	1,548,462	631,820	
Less: Entrance fee amortization	(2,403,884)	(1,096,012)	
<b>Funds available for debt service</b>	<b>\$4,749,525</b>	<b>\$2,574,292</b>	
<b><u>Debt service coverage ratio (x)</u></b>			
Funds available for debt service	\$4,749,525	\$2,574,292	
Divide by annual debt service	\$2,085,081	\$1,042,541	
<b>Debt service coverage ratio (x)</b>	<b>2.28</b>	<b>2.47</b>	<b>1.25</b>
<b><u>Days cash on hand</u></b>		<b><u>As of 06/30/2017</u></b>	<b><u>Bond Covenant</u></b>
Cash and cash equivalents		\$3,440,686	
Investments		3,212,436	
Assets limited by board as to use		5,325,988	
Cash and investments		\$11,979,110	
Total operating expenses		\$9,946,893	
Less: Depreciation		(1,219,411)	
Amortization-deferred marketing costs		(102,039)	
Amortization-deferred financing costs		(48,681)	
Amortization-bond premium		53,435	
Provision for doubtful accounts		(25,000)	
Sub-total		\$8,605,197	
Number of days		181	
Daily operating expense (Sub-total/90 days)		\$47,543	
<b>Days cash on hand</b>		<b>251.97</b>	<b>150.00</b>
<b><u>Current Ratio (x)</u></b>		<b><u>As of 06/30/2017</u></b>	<b><u>Bond Covenant</u></b>
Current assets		\$9,262,857	
Divide by current liabilities		3,702,396	
<b>Current Ratio (x)</b>		<b>2.50</b>	<b>1.50</b>

**Atherton Baptist Homes**  
**Statements of Financial Position**

	06/30/2017	12/31/2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,440,686	\$ 3,824,629
Investments	3,212,436	2,020,115
Accounts receivable, less allowance for doubtful accounts of \$127,680 in 2017 and \$100,000 in 2016	589,089	768,273
Assets limited as to use, required for current liabilities	329,500	329,500
Prepaid expenses and other current assets	1,382,730	1,035,227
Insurance recoveries receivable	308,416	308,416
<b>Total current assets</b>	<b>\$ 9,262,857</b>	<b>\$ 8,286,160</b>
<b>Noncurrent Assets</b>		
Assets limited as to use <sup>1</sup>	\$ 7,229,593	\$ 6,717,257
Property and equipment, net	37,693,096	38,103,729
Deferred costs, net	1,241,473	1,343,512
Other investments	175,662	172,913
Other assets	175,354	455,354
<b>Total noncurrent assets</b>	<b>\$ 46,515,179</b>	<b>\$ 46,792,765</b>
<b>Total Assets</b>	<b>\$ 55,778,036</b>	<b>\$ 55,078,925</b>
	<b><u>06/30/2017</u></b>	<b><u>12/31/2016</u></b>
<sup>1</sup> Assets limited as to use		
Assets limited by Board as to use	\$ 5,325,988	\$ 5,263,845
Assets held by Trustee under bond indenture	2,092,381	1,382,617
Assets limited by Donor for capital projects	140,724	400,295
Less: current portion	329,500.00	329,500.00
Total	<b>\$ 7,229,593</b>	<b>\$ 6,717,257</b>

**Atherton Baptist Homes**  
**Statements of Financial Position**

	06/30/2017	12/31/2016
<b>Liabilities &amp; net assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 546,060	\$ 514,757
Accrued liabilities	2,054,280	1,327,448
Deposits on entrance fees	621,140	748,990
Current portion of long-term debt	172,500	172,500
Workers' compensation liability	308,416	308,416
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>\$ 3,702,396</b>	<b>\$ 3,072,112</b>
<b>Noncurrent Liabilities</b>		
Long-term debt, net of current portion <sup>2</sup>	\$ 31,430,970	\$ 31,589,692
Deferred revenue from entrance fees	13,819,267	13,637,073
Repayable entrance fees liability	15,129,693	15,322,193
Pension liability	2,754,262	2,779,306
Gift annuities payable	979,009	1,006,453
Liabilities under charitable remainder trusts and pooled income funds	66,663	66,588
	<hr/>	<hr/>
<b>Total noncurrent liabilities</b>	<b>\$ 64,179,863</b>	<b>\$ 64,401,305</b>
<b>Total Liabilities</b>	<b>\$ 67,882,259</b>	<b>\$ 67,473,416</b>
<b>Net Assets (Deficit)</b>		
Unrestricted	\$ (12,353,947)	\$ (12,901,112)
Temporarily restricted	249,724	506,621
	<hr/>	<hr/>
<b>Total net assets (deficit)</b>	<b>\$ (12,104,223)</b>	<b>\$ (12,394,491)</b>
<b>Total Liabilities and Net Assets (Deficit)</b>	<b>\$ 55,778,036</b>	<b>\$ 55,078,925</b>
	<hr/>	<hr/>
	<b><u>6/30/2017</u></b>	<b><u>12/31/2016</u></b>
<sup>2</sup> Long-term debt, net of current portion		
Revenue bonds payable 2016 Series	\$ 31,260,000	\$ 31,390,000
Obligation of capital lease	130,160	151,128
Less: current maturities	172,500	172,500
Less: unamortized deferred financing costs	2,173,445	2,219,126
Plus : unamortized bond premium	2,386,754	2,440,189
Total	<hr/> <b>\$ 31,430,970</b> <hr/>	<hr/> <b>\$ 31,589,692</b> <hr/>

**Atherton Baptist Homes**  
**Statements of Operations**

	<b>6/30/2017</b>			<b>6/30/2016</b>
	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Actual</b>
<b>Revenues, Gains, and Other Support</b>				
Residential services, including amortization of entrance fees of \$1,096,012 in 2017 and \$1,170,691 in 2016	\$ 5,223,901	\$ 5,368,453	\$ (144,552)	\$ 5,134,824
Nursing center revenue	4,737,165	4,651,538	85,628	4,685,866
Investment income <sup>3</sup>	211,598	81,900	129,698	100,701
Gifts <sup>4</sup>	35,901	148,250	(112,349)	(19,698)
Other revenue	69,410	58,250	11,160	57,205
Net assets released from restrictions, used for operations	-	7,500	(7,500)	-
<b>Total revenues, gains, and other support</b>	<b>\$ 10,277,975</b>	<b>\$ 10,315,890</b>	<b>\$ (37,915)</b>	<b>\$ 9,958,899</b>
<b>Operating Expenses</b>				
Salaries and benefits	\$ 3,656,904	\$ 3,786,823	\$ 129,919	\$ 3,413,500
Purchased goods and services	4,275,826	4,478,117	202,291	4,144,245
Interest expense <sup>5</sup>	627,066	626,955	(112)	1,117,136
Provision for doubtful accounts	25,000	25,000	-	25,000
Other expenses	40,647	9,250	(31,397)	15,670
<b>Total operating expenses before depreciation &amp; amortization</b>	<b>\$ 8,625,443</b>	<b>\$ 8,926,144</b>	<b>\$ 300,701</b>	<b>\$ 8,715,552</b>
<b>Operating Income (Loss) Before Depreciation &amp; Amortization</b>	<b>\$ 1,652,532</b>	<b>\$ 1,389,746</b>	<b>\$ 262,786</b>	<b>\$ 1,243,347</b>
Depreciation	\$ 1,219,411	\$ 1,251,625	\$ 32,214	\$ 1,291,115
Amortization of deferred marketing costs	102,039	102,039	0	102,039
<b>Total depreciation &amp; amortization</b>	<b>\$ 1,321,450</b>	<b>\$ 1,353,664</b>	<b>\$ 32,214</b>	<b>\$ 1,393,154</b>
<b>Operating Income (Loss)</b>	<b>\$ 331,082</b>	<b>\$ 36,082</b>	<b>\$ 295,000</b>	<b>\$ (149,807)</b>
	<b><u>06/30/2017</u></b>	<b><u>06/30/2016</u></b>		
<sup>3</sup> Investment income:				
Interest and dividend income	\$ 103,946	\$ 127,840		
Realized gains (losses) on sale of investments	107,652	(27,138)		
Total	<u>\$ 211,598</u>	<u>\$ 100,701</u>		
<sup>4</sup> Gifts, net:				
Gifts	\$ 126,532	\$ 71,048		
Revaluation of gift annuity	27,444	29,810		
Gift annuity expense	(118,075)	(120,556)		
Net	<u>\$ 35,901</u>	<u>\$ (19,698)</u>		
<sup>5</sup> Break-down of interest expense:				
Interest expense	\$ 631,820	\$ 1,074,394		
Amortization of deferred financing costs	48,681	42,743		
Amortization of bond premium	(53,435)	-		
Total	<u>\$ 627,066</u>	<u>\$ 1,117,136</u>		



**Atherton Baptist Homes**  
**Statements of Changes in Net Assets (Deficit)**

	06/30/2017	12/31/2016
<b>Unrestricted Net Assets (Deficit)</b>		
Operating income (loss)	\$ 331,082	\$ 264,363
Loss on early extinguishment of debt	-	(6,516,083)
Change in unrealized gains (losses) on investments	(55,883)	321,915
Net assets released from restrictions used for purchase of property and equipment	271,965	11,000
Change in minimum pension liability	-	176,497
	<hr/>	<hr/>
<b>Increase (decrease) in unrestricted net assets (deficit)</b>	<b>\$ 547,165</b>	<b>\$ (5,742,308)</b>
	<hr/>	<hr/>
<b>Temporarily Restricted Net Assets</b>		
Investment income <sup>6</sup>	\$ 2,391	\$ 7,092
Change in unrealized gains (losses) on investments	3,462	3,920
Change in value associated with obligations under charitable remainder trusts and pooled income funds <sup>7</sup>	9,215	249,268
Net assets released from restrictions used for purchase of property and equipment	(271,965)	(11,000)
	<hr/>	<hr/>
<b>Increase (decrease) in temporarily restricted net assets</b>	<b>\$ (256,896)</b>	<b>\$ 249,280</b>
	<hr/>	<hr/>
<b>Increase (Decrease) in Net Assets (Deficit)</b>	<b>\$ 290,268</b>	<b>\$ (5,493,028)</b>
Net Assets, Beginning of Period	<hr/> <b>(12,394,491)</b>	<hr/> (6,901,464)
<b>Net Assets (Deficit), End of Period</b>	<hr/> <b>\$ (12,104,223)</b>	<hr/> <b>\$ (12,394,491)</b>

<sup>6</sup> Investment income:

Income from investments	\$ 3,178	\$ 5,738
Realized gains (losses) on sale of investments	(788)	1,354
Total	<hr/> <b>\$ 2,391</b>	<hr/> <b>\$ 7,092</b>

<sup>7</sup> Changes in value associated with obligations under charitable remainder trusts and pooled income funds:

Temporarily restricted contributions for capital projects

Other income and expense

Total

	<u>06/30/2017</u>	<u>12/31/2016</u>
Temporarily restricted contributions for capital projects	\$ 11,370	\$ 252,214
Other income and expense	(2,155)	(2,946)
Total	<hr/> <b>\$ 9,215</b>	<hr/> <b>\$ 249,268</b>

**Atherton Baptist Homes  
Statements of Cash Flows**

	06/30/2017	12/31/2016
<b>Reconciliation of Change in Net Assets (Deficit) to Net Cash Provided by Operating Activities</b>		
Change in net assets (deficit)	\$ 290,268	\$ (5,493,028)
<b>Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:</b>		
Depreciation	1,219,411	2,481,885
Amortization of deferred financing costs	48,681	87,436
Amortization of bond premium	(53,435)	(17,812)
Amortization of deferred marketing costs	102,039	204,078
Write-off deferred financing costs	-	853,971
Loss on extinguishment of bond debt	-	5,662,112
Change in minimum pension liability	-	(176,497)
Provision for doubtful accounts	25,000	123,663
(Gain) loss on disposal of property and equipment	40,647	27,009
Amortization of entrance fees	(1,096,012)	(2,478,563)
Unrealized (gains) losses on investments, net	52,420	(325,835)
Realized (gains) losses on investments, net	(106,865)	(174,854)
Changes in operating assets and liabilities:		
Accounts receivable	154,184	(121,244)
Contribution (pledge) receivable	-	64,250
Prepaid expenses and other	(347,503)	(114,937)
Entrance fee receivable	280,000	(122,050)
Accounts payable	31,303	(5,511)
Accrued expenses	726,832	(893,635)
Deposits on entrance fees	(127,850)	331,100
Declining refundable entrance fees	1,223,500	3,326,200
Repayable entrance fees	371,000	2,798,000
Repayments of repayable entrance fees from re-occupancy	(378,000)	(2,569,905)
Pension liability	(25,044)	(29,438)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 2,430,576</b>	<b>\$ 3,436,394</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	\$ (849,425)	\$ (1,873,122)
Proceeds from sale of property and equipment	-	6,200
Purchase of investments, assets held by bond indenture trustee and assets limited as to use by Board and by Donor	(5,337,326)	(41,578,513)
Proceeds from sale of investments, assets held by bond indenture trustee and assets limited as to use by Board and by Donor	3,684,363	44,091,998
Increase (decrease) in liabilities under CRTs, PI funds, & gift annuities	(27,369)	(102,035)
<b>Net cash provided by (used in) investing activities</b>	<b>\$ (2,529,757)</b>	<b>\$ 544,529</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of 2016 refunding bonds	\$ -	\$ 33,848,001
Payment on additional cost of issuance of bond refinancing	(3,000)	(2,235,324)
Cost of debt repayment of 2010 revenue bonds	-	(33,892,112)
Principal payments on issuance of bonds	(130,000)	(380,000)
Principal payments on capital lease	(20,968)	(40,549)
Refunds of deferred entrance fees	(130,794)	(379,180)
<b>Net cash provided by (used in) financing activities</b>	<b>\$ (284,762)</b>	<b>\$ (3,079,165)</b>
<b>Net Change in Cash &amp; Cash Equivalents</b>	<b>\$ (383,943)</b>	<b>\$ 901,758</b>
Cash & Cash Equivalents, Beginning of Period	3,824,629	2,922,871
<b>Cash &amp; Cash Equivalents, End of Period</b>	<b>\$ 3,440,686</b>	<b>\$ 3,824,629</b>

**Atherton Baptist Homes**  
**Statements of Cash Flows**

<b>Net Entrance Fees from Re-Occupancy</b>	<b><u>6/30/2017</u></b>	<b><u>12/31/2016</u></b>
Deferred entrance fees from re-occupancy	\$ 1,223,500	\$ 3,326,200
Repayable entrance fees from re-occupancy	371,000	2,798,000
Total entrance fees from re-occupancy	\$ 1,594,500	\$ 6,124,200
Repayments of repayable entrance fees from re-occupancy	(378,000)	(2,569,905)
Refunds of deferred entrance fees	(130,794)	(379,180)
Net entrance fees from re-occupancy	\$ 1,085,706	\$ 3,175,115
Entrance fees receivable during the period (turnover)	-	(280,000)
Entrance fees collected from prior year's receivable (turnover)	280,000	157,950
<b>Net entrance fees from re-occupancy</b>	<b><u>\$ 1,365,706</u></b>	<b><u>\$ 3,053,065</u></b>