



August 14, 2017

Beverly McClung
Client Service Manager
DAC Client Services

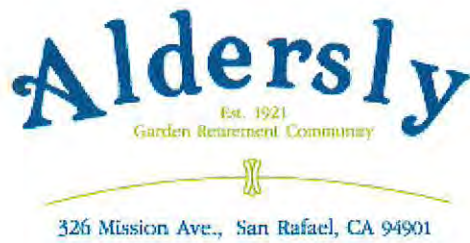
RE: Confirming Quarterly Report for Section 3.1&3.12b)(2)

This is to confirm that as an Officer of the Obligated Group, Aldersly Retirement Community located in San Rafael, California is in compliance with all of the terms, provisions and conditions of the Master Indenture at the end of the quarter ending June 30, 2017.

Respectfully,

A handwritten signature in blue ink, appearing to read "Gilbert Carrasco".

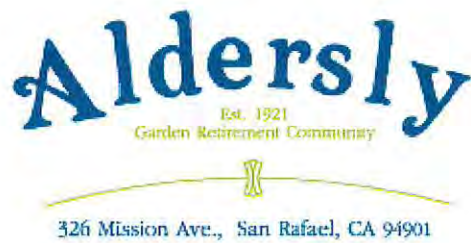
Gilbert Carrasco
Executive Director



Quarterly Report for the Period Ending

June 30, 2017

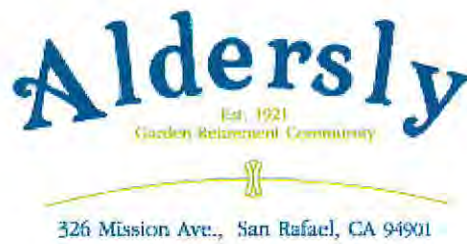
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Quarterly Report for the Period Ending:
June 30, 2017

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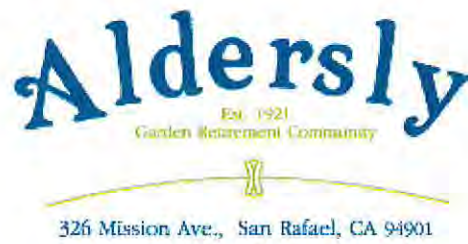
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Community Description

Life Care Services has managed Aldersly since 2004. Aldersly originally opened in 1921. Aldersly is a life plan community on a 3.5 acre campus located in San Rafael, California, approximately 30 miles northwest of San Francisco. Aldersly consists of a RCFE, with a capacity of 85 units, and a SNF, with a capacity of 20 beds (SNF opened in 1993). The entire campus is licensed either as a RCFE or SNF. The RCFE consists of 55 IL units and 30 assisted living units (AL opened in 2004), all of which are licensed by the California Department of Social Services ("DSS") under the RCFE Law. Aldersly has a certificate of authority from DSS to enter into continuing care contracts with residents.

The project was financed with \$6,360,000 of revenue refunding series A bonds and \$275,000 of series B taxable revenue bonds. Bond proceeds were used to refund the 2002 bonds, finance or reimburse the costs of constructing, renovating, remodeling and equipping long-term care facilities, fund a debt service reserve fund, pay outstanding balance to the California Health Facilities Financing Authority and to pay for the cost of issuance.



Management Discussion & Analysis

Marketing Summary

Aldersly ended the 3rd quarter of FY 2017 with independent occupancy of 87.09%. The community achieved 2 sales and 2 closings during the 3rd quarter. During the same period, 3 IL units turned over due to death, move out or permanent assignment to health care. At quarter end, there were 7 unsold IL units.

Occupancy Summary

Independent Living	47.9 occupied out of 55 total units or 87.09%
	2.0 double occupied units
Assisted Living	26.9 occupied out of 30 total units or 89.67%
	1 double occupied unit
Health Center	17.3 occupied out of 20 total units or 86.5%
HC by Payer Type	Private Pay 6.13
	LC Permanent 6.00
	LC Temporary 0.00
	Medicare A 2.46
	HMO .37
	Other 2.34

Financial Performance

Aldersly's year-to-date operating revenue is \$171,308 under budget.

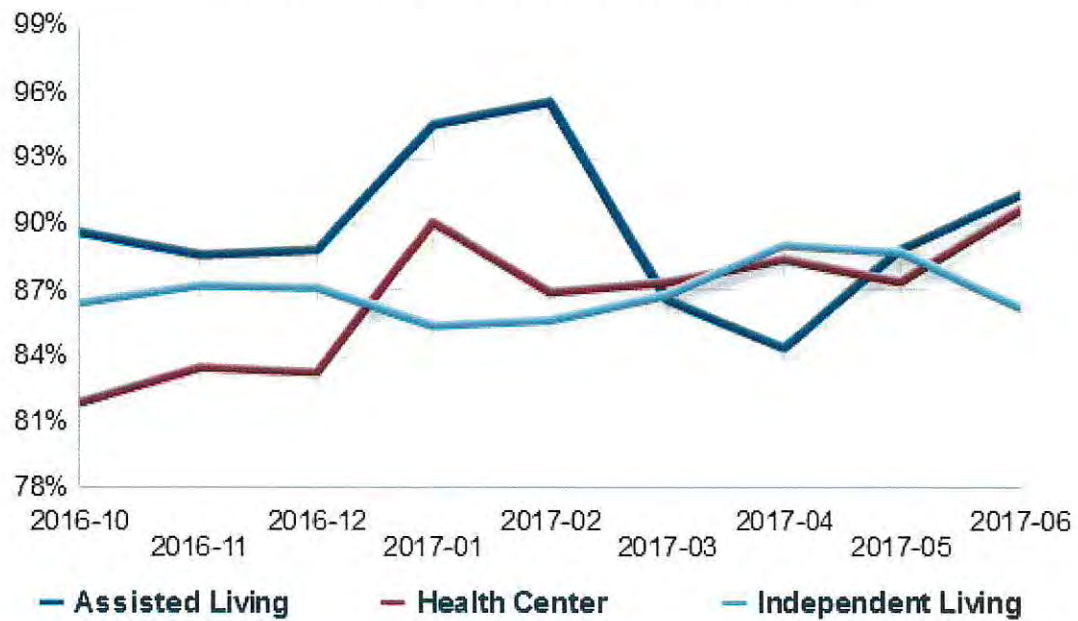
Year to date, operating expenses are over budget by \$89,341.

Net operating loss for fiscal 2017 is \$200,623, which is lower than the budgeted income by \$258,071.

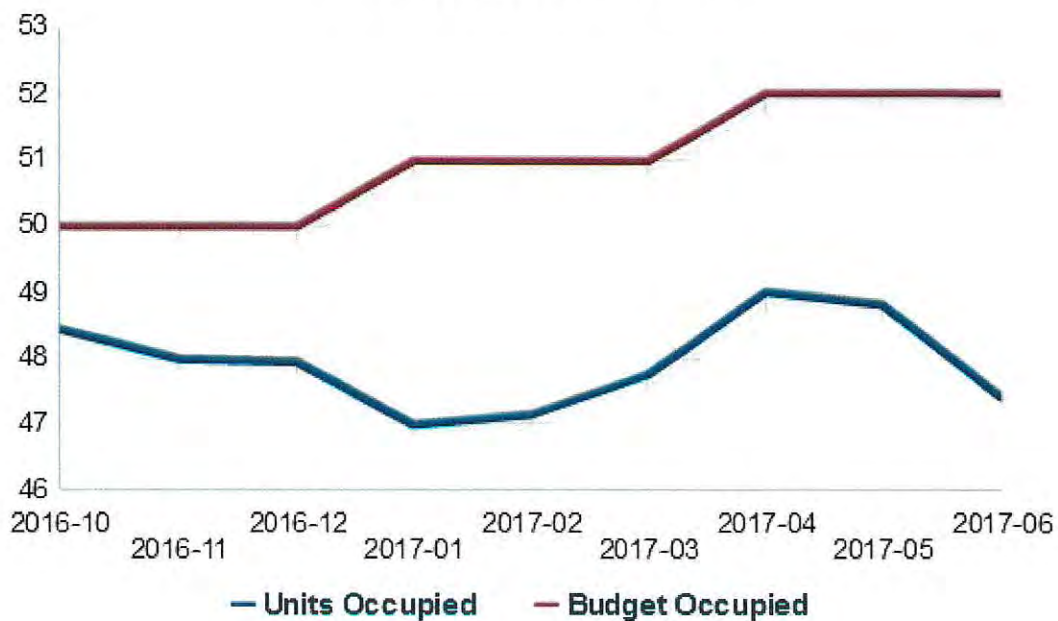
Entrance fee receipts were lower than anticipated this quarter as year to date we have received net income from entrance fees of \$1,136,120, which is a negative variance to budget of \$1,758,132, year-to-date.

Occupancy Statistics

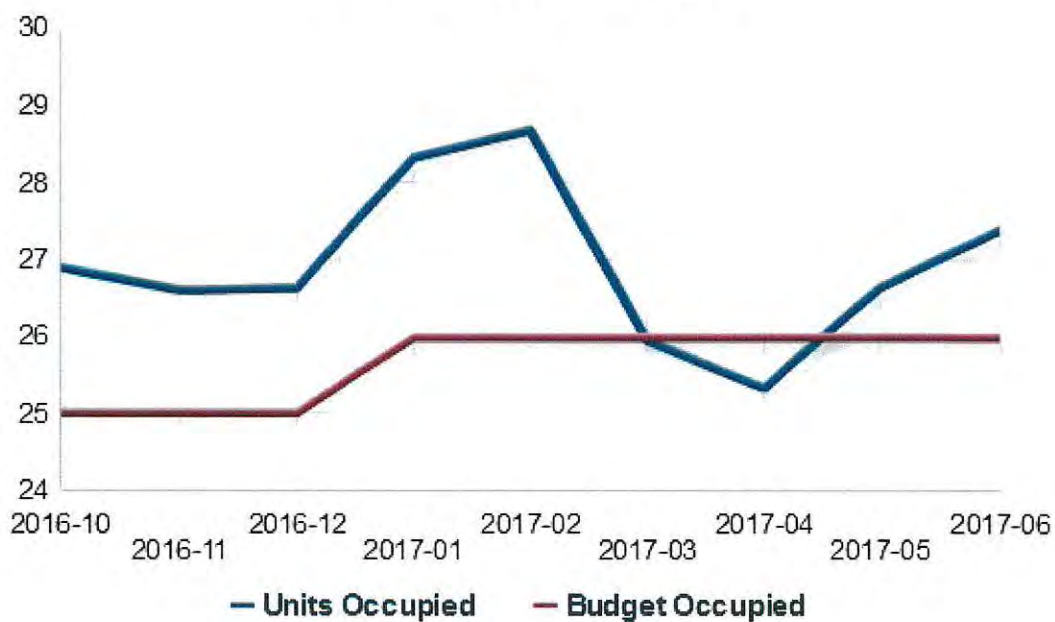
% Occupied by Service Type - All Care Settings



Units Occupied vs Budget - IL



Units Occupied vs Budget - AL



Beds Occupied vs Budget - HC



Aldersly Retirement Community
Balance Sheet
Six Months Ended June 30, 2017 and YE 9/30/2016

	Current Month	Prior Yr End
ASSETS:		
Current Assets		
Cash and cash equivalents	3,237,143	3,013,747
Investments	17,626,024	17,732,872
Accounts Receivable resident s	324,647	351,716
Entrance fees receivable	0	0
Assets limited as to use, current	0	0
Inventories	6,398	5,536
Prepaid expenses and other ass	1,428,590	441,299
Total current assets	22,622,802	21,545,171
Assets limited as to use	2,184,431	2,288,014
Property and equipment, net	10,020,806	9,967,844
Other assets		
Deferred financing costs	314,594	323,847
Investments in Subsidiary	757,966	757,966
TOTAL ASSETS	35,900,599	34,882,842
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of long-term d	160,000	160,000
Notes payable	0	0
Accounts payable	175,397	313,811
Advance deposits and refundabl	79,355	14,299
Accrued liabilities		
Salaries, wages and related li	179,060	201,612
Payroll and other taxes	96,943	91,787
Interest	(183,053)	123,283
Other	37,171	27,756
Total Current Liabilities	544,874	932,547
Refundable entrance fees	2,315,440	2,179,150
Deferred revenue from entrance fee	5,085,988	4,838,134
Asset retirement obligation	0	0
Long term debt, less current maturi	6,951,040	7,000,190
Total liabilities	14,897,343	14,950,021
Net assets (deficit)		
Unrestricted	21,003,256	19,932,821
Temporarily restricted	0	0
Total net assets	21,003,256	19,932,821
TOTAL LIABILITIES AND EQUITY	35,900,599	34,882,842



Aldersly Retirement Community
Statement of Operations
For month ending June 30, 2017

	Month to Date			Year to Date		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES						
Amortization of nonrefundable entrance fees	59,000	59,140	140	531,000	555,940	24,940
Apartment revenue	248,081	217,602	(30,479)	2,196,711	2,063,938	(132,773)
Resident health service revenue	400,259	404,249	3,990	3,583,738	3,542,860	(40,878)
Investment income	48,780	138,117	89,337	439,020	1,050,457	611,437
Other revenues	2,000	24,896	22,896	18,000	448,745	430,745
Total revenues	758,120	844,004	85,884	6,768,469	7,661,939	893,470
EXPENSES						
Salaries and wages	272,890	287,370	(14,480)	2,456,040	2,496,169	(40,129)
Employee taxes and benefits	66,473	73,836	(7,363)	598,245	621,748	(23,503)
Professional services	15,167	25,264	(10,097)	136,503	179,536	(43,033)
Interest	25,652	(13,749)	39,401	230,868	147,739	83,129
Insurance	14,810	13,791	1,019	133,290	123,274	10,016
Management service expense	45,620	0	45,620	410,580	359,952	50,628
Marketing	21,563	22,473	(910)	194,064	153,471	40,593
Food	38,119	34,424	3,695	339,218	309,880	29,338
Utilities	21,875	22,300	(425)	196,875	212,986	(16,111)
Supplies expense	9,847	12,476	(2,629)	88,623	93,373	(4,750)
Health care ancillaries	22,512	25,758	(3,246)	202,393	207,892	(5,499)
Depreciation and amortization	52,500	52,724	(224)	472,500	467,177	5,323
Other expenses	122,380	132,055	(9,675)	1,101,420	1,218,307	(116,887)
Total Expenses	729,408	688,721	40,687	6,560,619	6,591,504	(30,885)
Net Income/(Loss)	28,712	155,283	126,571	207,850	1,070,436	862,586

Statement of Cash Flows
As of June 30, 2017

	Current Month Actual	Year to Date Actual
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	155,283	1,070,436
Items not Requiring (Providing) Cash:		
Depreciation and Amortization	52,724	467,177
Amortization of Deferred Revenue	(59,140)	(555,940)
Changes in:		
Accounts Receivable	(35,559)	(1,261,043)
Prepaid Expenses and Inventory	16,029	299,960
Accounts Payable	15,986	(138,413)
Accrued Expenses	(56,811)	(314,316)
Entrance Fees Received, Net of Refunds	216,227	1,005,140
NET CASH PROVIDED BY OPERATING ACTIVITIES:	304,739	573,001
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(29,528)	(529,636)
Decrease (increase) in Restricted Assets	(49,659)	103,583
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:	(79,187)	(426,053)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investment in Subsidiary	0	0
Debt Service Payment and Capital Leases	(15,441)	(28,978)
Effects of Refinancing	0	0
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:	(15,441)	(28,978)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	210,111	117,970
CASH AND CASH EQUIVALENTS - AT BEGINNING OF PERIOD	20,654,479	20,746,619
CASH AND CASH EQUIVALENTS - AT END OF PERIOD	20,864,589	20,864,589



LOAN AGREEMENT COVENANTS

Nine Months Ended June 30, 2017

DEBT SERVICE COVERAGE RATIO

Revenue	Budget	Actuals
Operating Revenue	\$ 6,329,449	\$ 6,158,141
Less amortization of deferred entry fees	\$ (531,000)	\$ (532,260)
Plus net entrance fees received	\$ 1,527,921	\$ 940,084
Interest and dividend income	\$ 439,020	\$ 399,659
Realized gain (loss) on investments	\$ -	\$ 650,798
Donations, gifts and bequests	\$ -	\$ 15,909
Net assets released from restrictions	\$ -	\$ -
A. Total revenues available for debt service	\$ 7,765,390	\$ 7,632,331
Operating Expenses		
Total operating expenses	\$ 6,488,619	\$ 6,489,508
Less depreciation and amortization	\$ (472,500)	\$ (467,177)
Less provision for uncollectible accounts	\$ -	\$ -
Less interest expense	\$ (230,868)	\$ (147,739)
B. Total operating expenses adjusted	\$ 5,785,251	\$ 5,874,592
C. Income available for debt service	\$ 1,980,139	\$ 1,757,740
Total debt service		
Principal	\$ 120,000	\$ 120,000
Interest expense	\$ 230,868	\$ 147,739
D. Total debt service	\$ 350,868	\$ 267,739
Debt Service Coverage Ratio	5.64	6.57
Required by Loan Agreement		1.20

Covenant Met

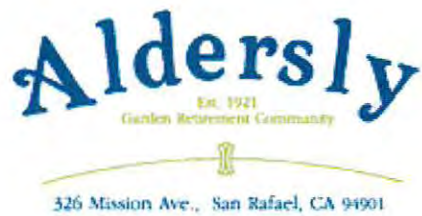
YES

LIQUIDITY COVENANT

Unrestricted cash and investments	Actuals
Cash	\$ 3,234,353
Investments	\$ 17,628,814
A. Total unrestricted cash and investments	\$ 20,863,167
Cash operating expenses	
Total operating expenses	\$ 6,489,508
Less depreciation and amortization	\$ (467,177)
Less provision for uncollectible accounts	\$ -
Other expenses	\$ -
B. Total cash operating expenses	\$ 6,022,331
C. Number of days in the period	273
Daily cash expenses	\$ 22,059.82
Days Cash on Hand	946
Required by Loan Agreement	180

Covenant Met

YES



**Aldersly Garden
 Nine Months Ended June 30, 2017**

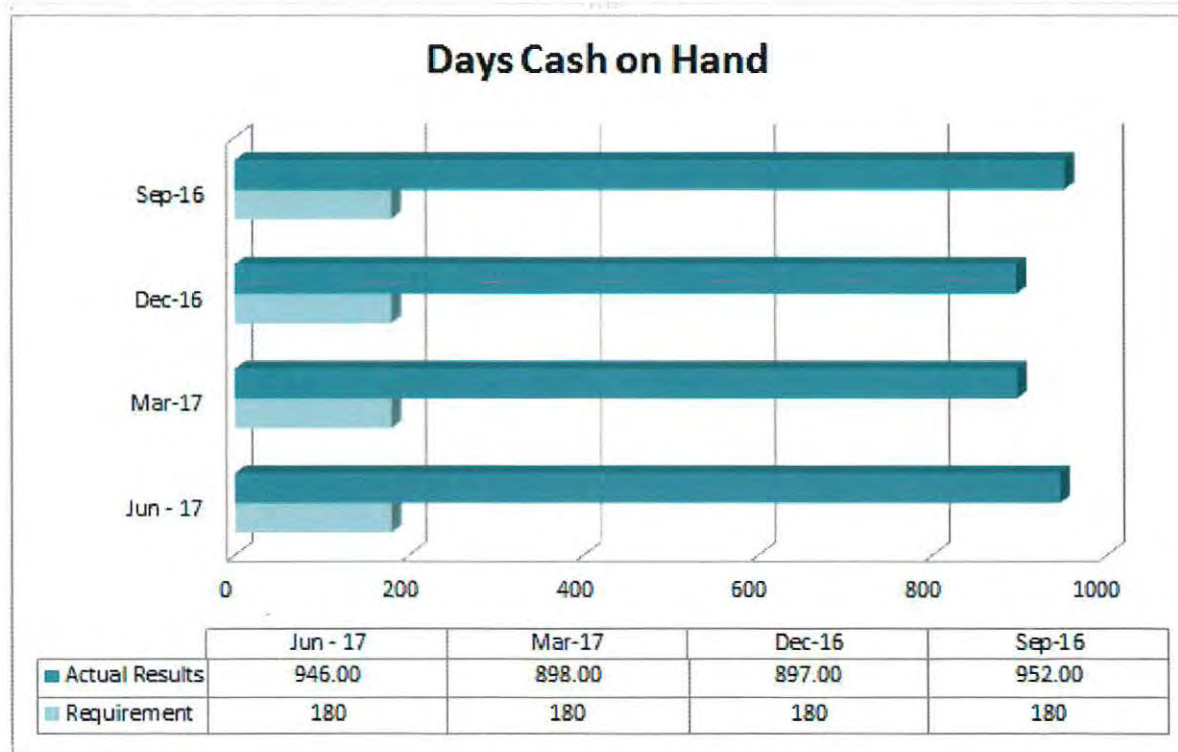
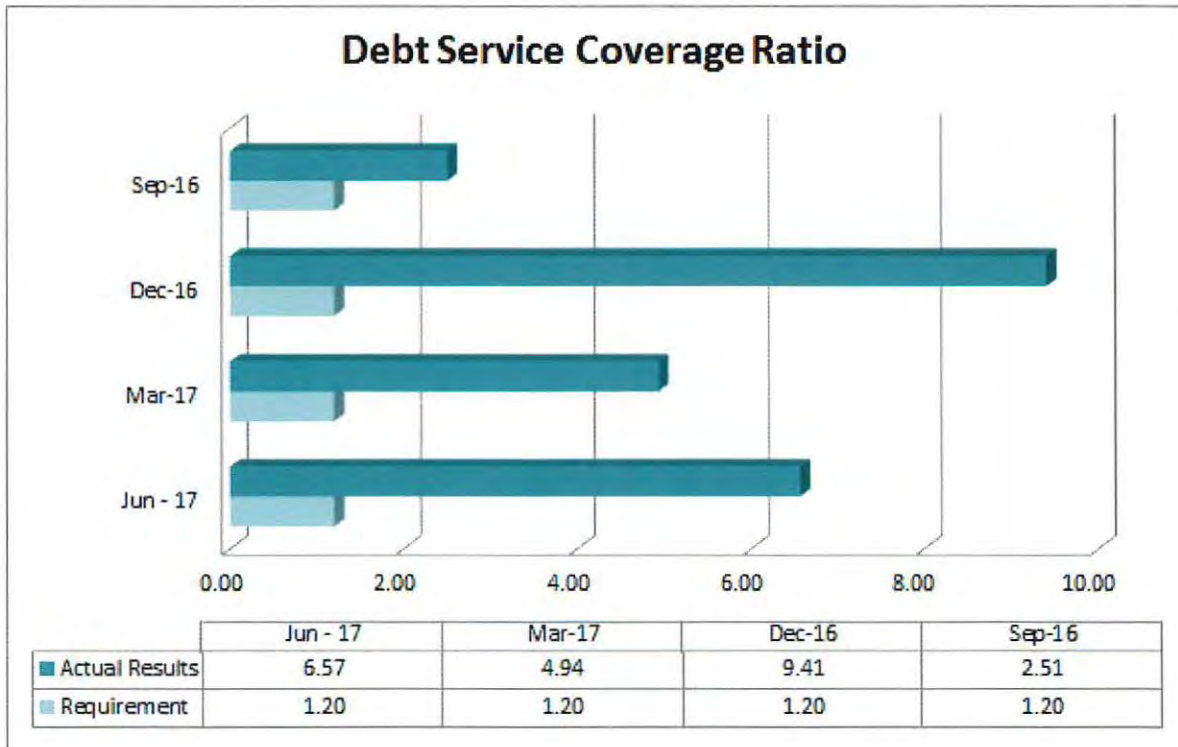
Occupancy

Level of Care	Available Beds	Occupied	% Occupied
Residential Living	55.00	47.90	87.09%
Assisted Living	30.00	26.90	89.67%
Skilled Nursing	20.00	17.30	86.50%

Payor Mix

Source of Payment	Number of Residents	% of Total
Medicare	2.46	14.22%
Medi-Cal	1.90	10.98%
Private Pay	6.13	35.43%
Other	6.81	39.38%
Total	17.30	100.00%

Historical Covenant Results



Aldersly Garden

Summary Balance Sheet

	June 30, 2017	June 30, 2016	Difference
ASSETS			
Cash and Cash Equivalents	20,715,627	21,093,630	(378,003)
Accounts Receivable - Residents	328,433	450,944	(122,511)
Accounts Receivable - H C Anderson	1,369,610	-	1,369,610
Inventories	6,398	5,536	862
Prepaid Items (insurance etc.)	55,588	60,162	(4,574)
<i>Total Current Assets</i>	<u>22,475,655</u>	<u>21,610,272</u>	<u>865,383</u>
Long Term Assets w/Board Restricted Use	2,134,771	2,171,427	(36,656)
Net Depreciable Assets	9,272,832	9,496,670	(223,838)
Total Other Assets (Land, Projects)	1,210,894	1,055,866	155,028
TOTAL ASSETS	<u>35,094,152</u>	<u>34,334,235</u>	<u>759,917</u>
LIABILITY & EQUITY			
Accounts Payable	175,397	222,848	(47,451)
Payroll Liability	276,003	302,201	(26,198)
Total Accrued Interest & Current Debt	(23,053)	206,795	(229,848)
Total Accrued Liabilities (Pers. Prop. & Audit)	37,171	-	37,171
Other Current Liabilities	79,355	84,270	(4,915)
<i>Total Current Liabilities</i>	<u>544,874</u>	<u>816,114</u>	<u>(271,240)</u>
Long Term Liabilities	8,659,081	6,377,695	2,281,386
Refundable Fees	-	2,322,060	(2,322,060)
Total Deferred Non-Refundable Fees	5,085,988	4,868,193	217,795
Total Deferred Refundable Fees	-	-	0
TOTAL LIABILITY	<u>14,289,944</u>	<u>14,384,062</u>	<u>(94,118)</u>
TOTAL EQUITY	20,804,208	19,950,173	854,035
TOTAL LIABILITY & EQUITY	<u>35,094,152</u>	<u>34,334,235</u>	<u>759,917</u>

Aldersly Garden
Statement of Operations
Period Ending June 30, 2017

	June 30, 2017 Month to Date			June 30, 2017 Year to Date			June 30, 2016 Prior Year	
	Budget	Actual	Variance from Budget	Budget	Actual	Variance from Budget	Actual	Current Actual YTD vs. Prior YTD
Operating Revenue								
Independent Living Revenue	248,081	217,602	(30,479)	2,196,711	2,063,938	(132,773)	2,036,143	27,795
Health Center Revenue	236,782	215,224	(21,558)	2,131,048	1,962,196	(168,852)	2,008,723	(46,527)
Assisted Living Revenue	161,368	187,855	26,487	1,433,715	1,567,536	133,821	1,327,341	240,195
Home Health Revenue	2,109	1,170	(939)	18,975	13,128	(5,848)	16,152	(3,025)
Other Operating Income	2,000	1,565	(435)	18,000	19,084	1,084	22,181	(3,097)
<i>Total Net Operating Revenue**</i>	<i>650,340</i>	<i>623,415</i>	<i>(26,925)</i>	<i>5,798,449</i>	<i>5,625,881</i>	<i>(172,568)</i>	<i>5,410,540</i>	<i>215,341</i>
Operating Expense								
General & Administrative	161,637	135,851	25,786	1,454,751	1,456,340	(1,589)	1,559,172	(102,832)
Plant & Maintenance	88,396	69,669	18,727	795,540	741,631	53,909	683,447	58,184
Environmental Services	31,224	33,706	(2,482)	281,022	295,870	(14,848)	269,243	26,627
Food & Beverage Expense	119,734	122,067	(2,333)	1,073,753	1,060,332	13,421	1,005,952	54,380
Resident Service	15,377	16,659	(1,282)	138,399	144,828	(6,429)	122,182	22,646
Health Center Expense	138,901	154,040	(15,139)	1,250,100	1,357,659	(107,559)	1,225,704	131,955
Assisted Living Expense	81,322	86,373	(5,051)	731,698	730,864	834	722,256	8,608
Community Home Health	1,748	3,522	(1,774)	15,738	38,946	(23,208)	28,276	10,670
<i>Total Operating Expense</i>	<i>638,339</i>	<i>621,887</i>	<i>16,452</i>	<i>5,741,001</i>	<i>5,826,471</i>	<i>(85,470)</i>	<i>5,616,232</i>	<i>210,239</i>
Net Operating Income/(Loss)	12,001	1,528	(10,473)	57,448	(200,590)	(258,038)	(205,692)	5,102
Net Operating Margin	1.8%	0.2%		1.0%	-3.6%		-3.8%	

BENCHMARK	
Net Operating Margin Ratio	
(Type A Communities)	
CCAC Single Site	5.33%
Aldersly Garden	-3.57%

Aldersly Garden

Occupancy Stats

30-Jun-17

Apartment Inventory (Independent Living)				
Apartment Type	Total	Unsold	Occupied	Budgeted
Studio-Std and Deluxe	15	0	15	
One Bedroom Std	14	5	9	
One Bedroom Deluxe	8	1	7	
One Bedroom Medium	5	1	4	
One Bedroom Minor	6	0	6	
One Bedroom Premium	5	0	5	
Penthouse	2	0	2	
Total	55	7	48	52
Occupancy %			87.3%	94.5%

Assisted Living			
	Available	Occupied	Budgeted
Permanent Life Care		12	
Private		15	
Temporary Life Care		0	
Secondary person		1	
Total	30	28	26.0
Occupancy %		93.3%	86.7%

With 2nd person

Health Center Payor Mix		
Payor Type	# of Residents	# Budgeted
Permanent Life Care	7.0	5.6
Temporary Life Care	0.0	0.0
Medicare	4.0	3.0
Private Pay	6.0	7.0
Other	2.0	3.0
Total	19.0	18.6
Occupancy %	95.0%	93.0%

Permanent Life Care residents do not have an apartment.

Temporary Life Care residents reside in the H.C. but still have an apartment.

Private Pay residents do not have a life care agreement and pay the daily rate.

Occupancy is an average of resident days @ each level.

The budget reflects the number of apartments in IL and AL.

Health Center reflects the number of beds occupied to reach Budget.

Combined Year to Date Summary						
Month	Apartment		Assisted Living		Health Center	
	% Occupied	% Budgeted	% Occupied	% Budgeted	% Occupied	% Budgeted
June, 2016	87.6%	94.6%	83.1%	96.7%	96.0%	87.0%
July, 2016	88.1%	94.6%	86.3%	96.7%	93.7%	87.3%
August, 2016	86.7%	94.6%	88.7%	96.7%	92.1%	87.3%
September, 2016	84.7%	94.6%	90.2%	96.7%	87.0%	87.3%
October, 2016	86.5%	89.3%	89.7%	83.3%	82.0%	93.0%
November, 2016	87.3%	89.3%	88.7%	83.3%	83.5%	93.0%
December, 2016	87.2%	89.3%	88.8%	83.3%	83.3%	93.0%
January, 2017	85.5%	91.1%	94.5%	86.7%	90.2%	93.0%
February, 2017	85.7%	91.1%	95.6%	86.7%	87.0%	93.0%
March, 2017	86.7%	91.1%	86.6%	86.7%	87.4%	93.0%
April, 2017	89.1%	94.5%	84.4%	86.7%	88.5%	93.0%
May, 2017	87.5%	94.5%	88.8%	86.7%	87.5%	93.0%
June, 2017	87.3%	94.5%	93.3%	86.7%	95.0%	93.0%
YTD Average	86.9%	92.5%	89.1%	89.0%	88.7%	91.2%