

**ANNUAL REPORT  
CHECKLIST**

for  
FISCAL YEAR ENDED:  
**12/31/2013**

**R E C E I V E D**  
APR 28 2014

CONTINUING CARE  
CONTRACTS BRANCH

PROVIDER: La Costa Glen Carlsbad CCRC, LLC

FACILITY(IES): La Costa Glen Carlsbad

CONTACT PERSON: Darcie Gorman

TELEPHONE NO.: ( 760 ) 704-1035

✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

Your complete annual report must consist of **3 copies** of all of the following:

- ✓ This cover sheet.
- ✓ Annual Provider Fee in the amount of: \$ 33,780.00
  - ✓ If applicable, late fee in the amount of: \$ \_\_\_\_\_
- ✓ Certification by the provider's chief *executive* officer that:
  - ✓ The reports are correct to the best of his/her knowledge.
  - ✓ Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - ✓ The provider is maintaining the required liquid reserve and refund reserve, if applicable.
- ✓ Evidence of the provider's fidelity bond.
- ✓ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community. (4 copies total)

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report. (4 copies total)



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CONTINUING CARE  
CONTRACTS BRANCH

STATEMENT OF CHIEF EXECUTIVE OFFICER  
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES ANNUAL REPORT  
LA COSTA GLEN CARLSBAD CCRC, LLC

The undersigned does attest the 2013 Annual Report is correct; the contract in use for new residents has been approved by the Department, and is maintaining liquid and refund reserves pursuant to requirements of the California Health and Safety Code.

  
\_\_\_\_\_  
Richard Aschenbrenner  
Chief Executive Officer

4-21-14  
Date

Client#: 114921

CONTLIFE

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DATE (MM/DD/YYYY) 07/02/2013

ACORD

CERTIFICATE OF LIABILITY INSURANCE

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER: Propel Insurance, Tacoma Commercial Insurance, 1201 Pacific Ave, Suite 1000, Tacoma, WA 98402. CONTACT NAME: Monica Parks, PHONE: 253.310.4060, FAX: 866.577.1326. INSURER(S) AFFORDING COVERAGE: INSURER A: Columbia Casualty (NAIC # 31127), INSURER B: Continental Insurance Company (NAIC # 31127).

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

Table with columns: INSR LTR, TYPE OF INSURANCE, ADDL SUBR INSR WVD, POLICY NUMBER, POLICY EFF (MM/DD/YYYY), POLICY EXP (MM/DD/YYYY), LIMITS. Rows include General Liability, Automobile Liability, Umbrella Liability, and Professional Liability.

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

Named Insured Continued: Continuing Life, LLC, Continuing Life Communities Management, LLC, Continuing Life Communities, LLC dba La Costa Glen, Continuing Life Communities CHC, LLC dba Glenbrook (See Attached Descriptions)

CERTIFICATE HOLDER: Evidence of Insurance. CANCELLATION: SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE: Susan Grady Mann

## DESCRIPTIONS (Continued from Page 1)

Morningside Core Care Associates, LP  
Morningside SP Associates, Inc. a California Corporation  
Core Care Inc. a CA Corporation dba Core Care I  
Core Care II, LP  
Core Care III, LP dba Morningside of Fullerton  
Core Care V, LP Park Vista at Morningside  
CLC Thousand Oaks, LLC dba University Village Thousand Oaks  
CLC Thousand Oaks HC, LLC dba Oakview at University Village  
Stone Ridge Creek Pleasanton CCRC, LLC dba Stone Ridge Creek  
Continuing Life Communities Pleasanton HC, LLC dba Creek View  
GlenBrook At Home, LLC  
ParkVista At Home, LLC  
Oakview At Home, LLC

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 CONTLIFE  
 APR 28 2014

**ACORD™ EVIDENCE OF COMMERCIAL PROPERTY INSURANCE** DATE (MM/DD/YYYY) 07/29/2013

THIS EVIDENCE OF COMMERCIAL PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY STATE OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

PRODUCER NAME, CONTACT PERSON AND ADDRESS Propel Insurance Tacoma Commercial Insurance 1201 Pacific Ave, Suite 1000 Tacoma, WA 98402	PHONE (A/C, No, Ext): 253.310.4060	COMPANY NAME AND ADDRESS Continental Casualty Company	NAIC NO:
FAX (A/C, No): 866.577.1326	E-MAIL ADDRESS:	IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH	
CODE:	SUB CODE:	POLICY TYPE	
AGENCY CUSTOMER IC #: 114921		LOAN NUMBER	POLICY NUMBER
NAMED INSURED AND ADDRESS Continuing Life, et al. 1940 Levante Street Carlsbad, CA 92009		EFFECTIVE DATE 06/30/2013	EXPIRATION DATE 06/30/2014
ADDITIONAL NAMED INSURED(S)		CONTINUED UNTIL TERMINATED IF CHECKED	
		THIS REPLACES PRIOR EVIDENCE DATED:	

PROPERTY INFORMATION (Use REMARKS on Page 2, if more space is required)  BUILDING OR  BUSINESS PERSONAL PROPERTY

LOCATION/DESCRIPTION

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION	PERILS INSURED	EASIC	BROAD	X SPECIAL	
COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: \$ 418,655,887		Blanket Building and BPP		DED: \$10,000	
<input checked="" type="checkbox"/> BUSINESS INCOME <input type="checkbox"/> RENTAL VALUE	X				If YES, LIMIT: \$35,000,000 Actual Loss Sustained; # of months 12
BLANKET COVERAGE Combined Bldg and BPP	X				If YES, indicate value(s) reported on property identified above: \$
TERRORISM COVERAGE	X				Attach Disclosure Notice / DEC
IS THERE A TERRORISM-SPECIFIC EXCLUSION?		X			
IS DOMESTIC TERRORISM EXCLUDED?		X			
LIMITED FUNGUS COVERAGE	X				If YES, LIMIT: 100,000 DED: 10,000
FUNGUS EXCLUSION (IF "YES", specify organization's form used)		X			
REPLACEMENT COST	X				
AGREED VALUE	X				
COINSURANCE		X			If Yes, %
EQUIPMENT BREAKDOWN (If Applicable)	X				If YES, LIMIT: DED:
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg	X				If YES, LIMIT: Included DED:
- Demolition Costs	X				If YES, LIMIT: SEEBELOW DED:
- Incr. Cost of Construction	X				If YES, LIMIT: SEEBELOW DED:
EARTH MOVEMENT (If Applicable)		X			If YES, LIMIT: DED:
FLOOD (If Applicable)	X				If YES, LIMIT: 10000000 DED:
WIND/HAIL (If Subject to Different Provisions)	X				If YES, LIMIT: DED:
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS					

**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

**ADDITIONAL INTEREST**

<input type="checkbox"/> MORTGAGEE	<input type="checkbox"/> CONTRACT OF SALE	LENDER SERVICING AGENT NAME AND ADDRESS
<input type="checkbox"/> LENDER'S LOSS PAYABLE		
NAME AND ADDRESS Evidence of Insurance		AUTHORIZED REPRESENTATIVE <i>Terrell Grady</i>

**EVIDENCE OF COMMERCIAL PROPERTY INSURANCE REMARKS - Including Special Conditions (Use only if more space is required)**

**Named Insured Continued:**

**Continuing Life, LLC**

**Continuing Life Communities Management, LLC**

**Continuing Life Communities, LLC dba La Costa Glen**

**Continuing Life Communities CHC, LLC dba Glenbrook**

**Morningside Core Care Associates, LP**

**Morningside SP Associates, Inc. a California Corporation**

**Core Care Inc. a CA Corporation dba Core Care I**

**Core Care II, LP**

**Core Care III, LP dba Morningside of Fullerton**

**Core Care V, LP Park Vista at Morningside**

**CLC Thousand Oaks, LLC dba University Village Thousand Oaks**

**CLC Thousand Oaks HC, LLC dba Oakview at University Village**

**Stone Ridge Creek Pleasanton CCRC, LLC dba Stone Ridge Creek**

**Continuing Life Communities Pleasanton HC, LLC dba Creek View**

**GlenBrook At Home, LLC**

**ParkVista At Home, LLC**

**Oakview At Home, LLC**

**Ordinance or Law Coverage B&C - Combined Limit of \$5,000,000**

**R E C E I V E D**  
APR 28 2014  
CONTINUING CARE  
CONTRACTS BRANCH

***LA COSTA GLEN CARLSBAD CCRC, LLC***

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**WITH INDEPENDENT AUDITORS' REPORT**

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
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**DECEMBER 31, 2013 AND 2012**

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**INDEPENDENT AUDITORS' REPORT**

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CONTINUING CARE  
CONTRACTS BRANCH

To the Members of  
La Costa Glen Carlsbad CCRC, LLC  
Carlsbad, California

We have audited the accompanying financial statements of La Costa Glen Carlsbad CCRC, LLC (the "Company") (a Delaware limited liability company) which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, comprehensive income, changes in members' equity (deficit), and cash flows for the years 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 Company'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 Company'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 La Costa Glen Carlsbad CCRC, LLC as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*White Nelson Dick Evans LLP*

Irvine, California

April 10, 2014

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2013 AND 2012**

**ASSETS**

	2013	2012
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 11,764,912	\$ 12,434,959
Marketable securities	4,358,988	1,944,998
Accounts receivable	59,352	43,352
Inventories	230,326	182,242
Prepaid expenses	463,726	247,042
Other receivables	42,982	43,867
Total Current Assets	16,920,286	14,896,460
<b>Property and Equipment:</b>		
Land	4,871,942	4,871,942
Land improvements	33,686,844	33,686,844
Buildings and improvements	165,959,415	165,959,415
Furniture, fixtures and equipment	26,182,388	25,950,114
Computer equipment and systems	634,543	573,786
Construction in process	2,680	-
Total Property and Equipment, at Cost	231,337,812	231,042,101
Less: Accumulated depreciation	(67,832,053)	(60,162,398)
Total Property and Equipment, at Net Book Value	163,505,759	170,879,703
<b>Other Assets:</b>		
Other receivables, long-term	761,715	637,268
Deferred entrance fees receivable	60,872,032	65,078,154
Costs of acquiring initial continuing care contracts, net of accumulated amortization of \$2,672,965 in 2013 and \$2,418,397 in 2012	337,591	592,159
Total Other Assets	61,971,338	66,307,581
Total Assets	\$ 242,397,383	\$ 252,083,744

The accompanying notes are an integral part of these financial statements.

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**BALANCE SHEETS (CONTINUED)**  
**DECEMBER 31, 2013 AND 2012**

**LIABILITIES AND MEMBERS' EQUITY (DEFICIT)**

	<u>2013</u>	<u>2012</u>
<b>Current Liabilities:</b>		
Accounts payable	\$ 749,067	\$ 941,801
Accrued expenses	811,351	723,420
Deposits on unoccupied units	299,400	-
Current portion of note payable to Master Trust	<u>8,697,002</u>	<u>8,493,592</u>
Total Current Liabilities	10,556,820	10,158,813
<b>Long-Term Liabilities:</b>		
Note payable to Master Trust, net of current portion	339,533,069	333,180,070
Deferred revenue from unamortized deferred entrance fees, net	<u>39,142,458</u>	<u>38,902,876</u>
Total Long-Term Liabilities	<u>378,675,527</u>	<u>372,082,946</u>
Total Liabilities	389,232,347	382,241,759
<b>Members' Equity (Deficit):</b>		
Members' equity (deficit)	(147,546,754)	(130,285,150)
Accumulated other comprehensive income	<u>711,790</u>	<u>127,135</u>
Total Members' Equity (Deficit)	<u>(146,834,964)</u>	<u>(130,158,015)</u>
Total Liabilities and Members' Equity (Deficit)	<u>\$ 242,397,383</u>	<u>\$ 252,083,744</u>

The accompanying notes are an integral part of these financial statements.

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>		
Resident services	\$ 39,665,715	\$ 37,026,565
Amortization of deferred entrance fees	6,676,903	6,449,575
Deferred entrance fees on terminated contracts	3,089,508	2,203,893
Non-resident services	<u>346,426</u>	<u>344,592</u>
<b>Total Revenues</b>	<u><b>49,778,552</b></u>	<u><b>46,024,625</b></u>
<b>Operating Expenses:</b>		
Resident care	12,570,775	10,388,079
Food and beverage services	6,369,532	6,065,346
Environmental services	1,968,864	1,825,308
Plant facility operating costs	4,864,975	4,633,740
General and administrative expenses	7,751,705	7,404,375
Depreciation and amortization	7,924,223	8,739,538
Loss on disposal of property and equipment	<u>-</u>	<u>195</u>
<b>Total Operating Expenses</b>	<u><b>41,450,074</b></u>	<u><b>39,056,581</b></u>
<b>Income from Operations</b>	<b>8,328,478</b>	<b>6,968,044</b>
<b>Other Income (Expenses):</b>		
Gain (loss) on sale of marketable securities	80,942	(16,647)
Interest and dividend income	115,575	97,735
Other income (expense)	(9,599)	12,676
One-time endowment expense	<u>(777,000)</u>	<u>-</u>
<b>Total Other Income (Expenses)</b>	<u><b>(590,082)</b></u>	<u><b>93,764</b></u>
<b>Net Income</b>	<u><u><b>\$ 7,738,396</b></u></u>	<u><u><b>\$ 7,061,808</b></u></u>

The accompanying notes are an integral part of these financial statements.

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Net Income	\$ 7,738,396	\$ 7,061,808
Other Comprehensive Income:		
Net unrealized holding gains arising during the year	666,138	127,135
Reclassification related to net realized gains included in net income	<u>(81,483)</u>	<u>-</u>
Comprehensive Income	<u>\$ 8,323,051</u>	<u>\$ 7,188,943</u>

The accompanying notes are an integral part of these financial statements.

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>Members'</u> <u>Equity (Deficit)</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Income</u>	<u>Total</u>
Balance at December 31, 2011	\$ (109,340,958)	\$ -	\$ (109,340,958)
Distributions	(28,006,000)	-	(28,006,000)
Net unrealized holding gains arising during the year	-	127,135	127,135
Net income	<u>7,061,808</u>	<u>-</u>	<u>7,061,808</u>
Balance at December 31, 2012	(130,285,150)	127,135	(130,158,015)
Distributions	(25,000,000)	-	(25,000,000)
Net unrealized holding gains arising during the year	-	666,138	666,138
Reclassification related to net realized gains included in net income	-	(81,483)	(81,483)
Net income	<u>7,738,396</u>	<u>-</u>	<u>7,738,396</u>
Balance at December 31, 2013	<u>\$ (147,546,754)</u>	<u>\$ 711,790</u>	<u>\$ (146,834,964)</u>

The accompanying notes are an integral part of these financial statements.

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
<b>Cash Flows from Operating Activities:</b>		
Cash received from residents	\$ 54,037,668	\$ 49,101,656
Interest and dividend income	115,575	97,735
Other income (expense)	(9,599)	12,676
One-time endowment expense	(777,000)	-
Reimbursements for services to non-residents	346,426	344,592
Cash paid to suppliers and employees	(33,895,421)	(30,077,522)
Net Cash Provided by Operating Activities	19,817,649	19,479,137
<b>Cash Flows from Investing Activities:</b>		
Payments made on purchases of property and equipment	(295,711)	(970,769)
Purchases of marketable securities	(4,152,281)	(2,330,017)
Proceeds from redemption of marketable securities	2,403,888	495,507
Net Cash Used in Investing Activities	(2,044,104)	(2,805,279)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from note payable to Master Trust	16,550,000	21,530,000
Payments on note payable to Master Trust	(9,993,592)	(10,960,094)
Distributions to members	(25,000,000)	(28,006,000)
Net Cash Used in Financing Activities	(18,443,592)	(17,436,094)
Net Decrease in Cash and Cash Equivalents	(670,047)	(762,236)
Cash and Cash Equivalents, Beginning of Year	12,434,959	13,197,195
Cash and Cash Equivalents, End of Year	\$ 11,764,912	\$ 12,434,959

The accompanying notes are an integral part of these financial statements.

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
<b>Reconciliation of Net Income to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Net Income	\$ 7,738,396	\$ 7,061,808
<b>Non-Cash Items Included in Net Income:</b>		
Depreciation and amortization	7,924,223	8,739,538
Amortization of deferred entrance fees	(6,676,903)	(6,449,575)
Deferred entrance fees on terminated contracts	(3,089,508)	(2,203,893)
Loss on disposal of property and equipment	-	195
(Gain) loss on sale of marketable securities	(80,942)	16,647
<b>Changes In:</b>		
Accounts receivable	(16,000)	14
Inventories	(48,084)	(21,006)
Prepaid expenses	(216,684)	69,386
Other receivables	(123,562)	(218,549)
Deferred entrance fees receivable	14,212,115	12,293,626
Accounts payable	(192,734)	69,061
Accrued expenses	87,932	121,885
Deposits on unoccupied units	299,400	-
Net Cash Provided by Operating Activities	\$ 19,817,649	\$ 19,479,137
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities:</b>		
Deferred entrance fees receivable and deferred revenue from unamortized deferred entrance fees recorded to reflect additional amounts due from resident contributions	\$ 10,005,993	\$ 11,943,992

The accompanying notes are an integral part of these financial statements.

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**Note 1: Nature of Business and Summary of Significant Accounting Policies**

**Nature of Business**

La Costa Glen Carlsbad CCRC, LLC (“the Company”), formerly known as Continuing Life Communities LLC dba La Costa Glen, owns and operates a multi-use continuing care retirement community located in Carlsbad, California.

**Limited Liability Company Agreement**

The following represents a summary of significant financial terms of the Company’s Operating Agreement. The Operating Agreement should be referred to for more specific terms.

The Company has three members, one of whom is designated as the financing member. No member other than the financing member is required to contribute capital to the Company at any time. The required capital contributions shall earn a cumulative preferred return of 8 to 10 percent, depending on the amount of capital contributed.

The financing member and/or one or more officers of the Company appointed by a majority in interest shall manage the day to day business and affairs of the Company. Certain matters that require unanimous or majority approval are specified in the Operating Agreement.

The members’ liability to general creditors is limited to their investments in the Company. In accordance with the Operating Agreement, the Company will continue until December 31, 2050, unless extended or sooner terminated by agreement.

Profits and losses for financial statement purposes, distributable cash from operations, and profits and losses for tax purposes are allocated and distributed to the members in accordance with the Operating Agreement. The Operating Agreement also provides for priority distributions, plus an allowance for interest.

**Principles of Accounting**

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). References to the “ASC” hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative GAAP.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents include the operating cash account of the Company, money market accounts, time deposits, certificates of deposit, and all highly-liquid debt instruments with original maturities of three months or less.

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Marketable Securities**

Marketable securities held by the Company at December 31, 2013 and 2012, are classified in accordance ASC 320-10, "*Investments - Debt and Equity Securities*", as available-for-sale and stated at their fair market value based on quoted market prices. Realized gains or losses from the sale of marketable securities are computed based on specific identification of historical cost. Unrealized gains or losses of marketable securities are reported as a separate component of members' equity (deficit) and as a separate component of other comprehensive income.

**Accounts Receivable**

Accounts receivable consist of amounts due from residents for monthly service fees and other ancillary services. These services and fees are primarily due upon receipt of invoice. Receivables are reviewed weekly and are considered past due 14 days after issuance of monthly statements. Accounts for which no payments have been received for 30 days are considered delinquent and customary collection efforts are initiated. Uncollectible accounts are written-off at the advice of a collection attorney and with the approval of ownership.

The Company provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible. No allowance was necessary at December 31, 2013 and 2012.

**Inventories**

Inventories consist of food and supplies used in the operations and are valued at the lower of cost or market on a first-in, first-out basis.

**Property and Equipment**

Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Property and equipment are depreciated over estimated useful lives of 3 to 40 years. Depreciation for property and equipment is computed on the straight-line method for book purposes.

The estimated useful lives of the related assets are as follows:

Land improvements	15-20 years
Buildings and improvements	10-40 years
Furniture, fixtures and equipment	5-10 years
Computer equipment and systems	3-5 years

Depreciation expense for the years ended December 31, 2013 and 2012, totaled \$7,669,655 and \$8,484,970, respectively. At December 31, 2013 and 2012, fully depreciated property and equipment still in use totaled \$8,950,417 and \$8,864,005, respectively.

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Long-Lived Assets**

The Company accounts for impairment and disposition of long-lived assets in accordance with ASC 360-10, "*Property, Plant, and Equipment*". ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. There was no impairment of value of such assets for the years ended December 31, 2013 and 2012.

**Revenue Recognition**

Revenue from resident and non-resident services is accounted for on the accrual basis of accounting as earned. See Note 8 for a description of the revenue recognition policy of deferred entrance fees.

**Revenue and Expenses**

In accordance with the Residence and Care Agreement, future monthly fees due from residents for maintenance and operating expenses may be adjusted with appropriate notice as specified in the individual agreements.

**Income Taxes**

The Company is taxed as a Partnership for federal tax purposes and accordingly, pays no federal taxes. For California purposes, the Company pays an \$800 Limited Liability Company tax plus a fee based on its total revenue. The taxable income or loss is recognized on the individual income tax returns of the members.

**Advertising and Promotional Costs**

Advertising and promotional costs are charged to operations when incurred. For the years ended December 31, 2013 and 2012, advertising and promotional costs totaled \$1,110,397 and \$1,199,949, respectively, and are included in general and administrative expenses in the accompanying statements of operations.

**Comprehensive Income**

The Company accounts for other comprehensive income items in accordance with FASB ASC 220, "*Reporting Comprehensive Income*". Comprehensive income is a more inclusive financial reporting methodology that consists of net income and other gains or losses affecting equity that are excluded from net income.

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Note 2: Concentrations, Risks, and Uncertainties**

The Company maintains cash balances with one financial institution. At December 31, 2013, accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2012, accounts at the institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest bearing accounts and unlimited insurance for non-interest bearing accounts.

At December 31, 2013 and 2012, the Company also maintains its money market funds and investments in equity securities at brokerage firms which are not FDIC insured. The firms are insured by Securities Investor Protection Corporation (SIPC) up to \$500,000.

**Note 3: Marketable Securities**

At December 31, 2013 and 2012, the Company's investments consist primarily of publicly traded equity securities categorized as available-for-sale securities and are stated at fair market value.

At December 31, 2013, cost and fair market value of such investments are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Gross Unrealized Holding Gain</u>	<u>Gross Unrealized Holding Loss</u>
Equities	\$ 3,647,198	\$ 4,358,988	\$ 722,355	\$ 10,565
Total Marketable Securities	<u>\$ 3,647,198</u>	<u>\$ 4,358,988</u>	<u>\$ 722,355</u>	<u>\$ 10,565</u>

At December 31, 2013, the allowance for unrealized gains and losses has been recorded as a separate component of members' equity (deficit) under accumulated other comprehensive income. At December 31, 2013, the aggregate market value of marketable securities exceeds their aggregate cost by \$711,790. Other comprehensive income for the year ended December 31, 2013, includes net unrealized holding gains of \$666,138 and a reclassification adjustment for net realized (gains) included in net income of \$81,483.

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**Note 3: Marketable Securities (Continued)**

Sales of marketable securities classified as available-for-sale during the year ended December 31, 2013, resulted in proceeds of \$2,403,888, gross realized gains of \$179,871 and gross realized losses of \$98,929.

At December 31, 2012, cost and fair market value of such investments are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Gross Unrealized Holding Gain</u>	<u>Gross Unrealized Holding Loss</u>
Equities	\$ 1,817,863	\$ 1,944,998	\$ 148,932	\$ 21,797
Total Marketable Securities	<u>\$ 1,817,863</u>	<u>\$ 1,944,998</u>	<u>\$ 148,932</u>	<u>\$ 21,797</u>

At December 31, 2012, the allowance for unrealized gains and losses has been recorded as a separate component of members' equity (deficit) under accumulated other comprehensive income. At December 31, 2012, the aggregate market value of marketable securities exceeds their aggregate cost by \$127,135. Other comprehensive income for the year ended December 31, 2012, includes net unrealized holding gains of \$127,135 and there is no reclassification adjustment for realized (gains) losses included in net income.

Sales of marketable securities classified as available-for-sale during the year ended December 31, 2012, resulted in proceeds of \$495,507, gross realized gains of \$9,865 and gross realized losses of \$26,512.

**Note 4: Costs of Acquiring Initial Continuing Care Contracts**

Costs of acquiring initial continuing care contracts were capitalized since they were expected to be recovered from future contract care revenues. Initial continuing-care contracts are defined as the resident contracts entered into within one year of the opening of the facility. These costs were amortized using a straight-line method over the average expected remaining lives of the residents under contract or the contract term, if shorter. The annual amortization related to these costs for both years ended December 31, 2013 and 2012, was \$254,568.

The following table represents the total estimated amortization of costs of acquiring initial continuing care contracts assets for each of the succeeding years:

2014	\$ 254,568
2015	<u>83,023</u>
	<u>\$ 337,591</u>

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**Note 5: Residence and Care Agreement**

Each new resident enters into a contract with the Company called the Residence and Care Agreement. The form of the agreement is in conformity with the statutes of the State of California Department of Social Services Continuing Care Contracts Branch. The provisions of the agreement include, but are not limited to, such items as the unit to be occupied, initial monthly fee, amount of contribution to the Master Trust (see Note 6), and methods of cancellation and refunds or contingent repayments subject to resale of the units.

Prior to actual occupancy by the resident, a contribution is required to be deposited with the Master Trust pursuant to the Residence and Care Agreement (the "Residence Agreement").

Under the Residence Agreement, the contribution received will be repayable under the following terms and conditions:

- (1) Cancellation During The Trial Residence Period - Under California law, there is a probationary period of 90 days after the date of the signed agreement during which either the Company or the resident may cancel the agreement with or without cause. Death of the resident during the period will cancel the agreement. In the event of cancellation, the resident shall be entitled to a refund in accordance with California law which states that the Company may deduct from the contribution amount a reasonable fee to cover costs and any charges incurred but not paid.
- (2) Cancellation After 90 Days - A resident may cancel his or her agreement at any time after the trial residence period for any reason by giving the Company 90 days written notice. Death of the resident will cancel the agreement. However, if an agreement applies to more than one resident, it will remain in effect after the death of one of the residents and be adjusted as described in the agreement. The Company may cancel the agreement at any time after the trial residence period for good cause, upon 90 days written notice to the resident. Examples of good cause are defined in the Residence Agreement.

Upon termination of the Residence Agreement, the resident or his or her estate will be entitled to a repayment of the contribution less a predetermined percentage and any charges incurred but not paid, as determined by the terms and conditions of the individual agreements.

**Note 6: Note Payable to Master Trust and Trust Agreement**

The La Costa Glen Master Trust was established to provide protection to the residents of the community by providing them with a vehicle through which they obtain a secured interest in the real property of the Company. New residents join in and become grantors under the trust agreement. At December 31, 2013 and 2012, the balance outstanding on the Master Trust note payable was \$348,230,071 and \$341,673,662, respectively.

**LA COSTA GLEN CARLSBAD CCRC LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**Note 6: Note Payable to Master Trust and Trust Agreement (Continued)**

A contribution amount, as specified in the Residence Agreement, is made to the Master Trust by the grantor (see Note 5). The trustee of the Master Trust is directed to invest virtually all of the funds in the form of an interest-free loan to the Company.

The loan which currently may not exceed \$452,000,000 is secured by the following:

- (1) A first priority deed of trust on the Company's real property and improvements thereon.
- (2) Security agreement creating a first security interest in the Company's current and hereafter acquired equity in all of the improvements, fixtures, personal property, and intangible property associated and used in connection with the real property described in the deed of trust.
- (3) First priority assignment of contracts including, but not limited to, any residence and care agreement and any management agreement entered into in conjunction with the operation of La Costa Glen Carlsbad.

The security also includes any income generated from and any insurance proceeds recovered from the loss of any property serving as collateral for this loan.

Repayments of principal will be made in annual amounts for a period of forty years with final payment due December 31, 2050. Each annual payment or series of payments made during the year shall be equal to or greater than the amount of principal advanced on December 15 next preceding the payment due date divided by forty years. The next scheduled principal payment of \$8,697,002 was paid in January 2014.

Principal payments of the current outstanding Master Trust loan are estimated to mature as follows:

2014	\$ 8,697,002
2015	8,488,327
2016	8,276,119
2017	8,069,216
2018	7,867,485
Thereafter	<u>306,831,922</u>
Total	<u>\$ 348,230,071</u>

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**Note 7: Commitments and Contingencies**

**Obligation to Provide Future Services**

The Company annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the present value of monthly service fees and the unamortized deferred revenue from deferred entrance fees. If the present value of the net cost of future services and use of facilities exceeds the monthly service fees and deferred revenue from deferred entrance fees, a liability is recorded.

Using a discount rate at December 31, 2013 and 2012, of 5.75 percent for both years, the anticipated revenues are estimated to exceed the cost of future services by \$108,068,274 and \$102,943,462, for the years ended December 31, 2013 and 2012, respectively. Therefore, no liability was accrued.

**Reservations and Designations**

At December 31, 2013 and 2012, the Company maintains cash reserves in the amount of \$6,817,690 and \$6,158,723, respectively, for operating expense contingencies in accordance with requirements of the California Health and Safety Code under the State of California Department of Social Services. These reserves are included in cash and cash equivalents and marketable securities on the accompanying balance sheets.

**Litigation**

The Company experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

**Note 8: Deferred Revenue from Unamortized Deferred Entrance Fees**

At December 31, 2013 and 2012, deferred revenue from unamortized deferred entrance fees consists of the following:

	2013	2012
Deferred entrance fees before repayment	\$ 75,872,624	\$ 72,490,426
Less: accumulated amortization of deferred entrance fees	(36,730,166)	(33,587,550)
Deferred revenue from unamortized deferred entrance fees, net	\$ 39,142,458	\$ 38,902,876

The deferred entrance fees are amortized to income using the straight-line method over future periods based on the estimated life of the resident in accordance with ASC 954-430, "Health Care Entities - Deferred Revenue". The period of amortization is adjusted annually based on the actuarially determined estimated remaining life expectancy of each individual or joint and last survivor life expectancy of each pair of residents occupying the same unit.

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**Note 8: Deferred Revenue from Unamortized Deferred Entrance Fees (Continued)**

During 2013 and 2012, the deferred entrance fees amortized into income were \$6,676,903 and \$6,449,575, respectively, based on total deferred entrance fees of \$98,810,600 and \$93,640,253, respectively.

**Note 9: Related Party Transactions**

At December 31, 2013, the Company had an informal service agreement with a related company concerning the provision of administrative and operational oversight services, including use of brand, transaction processing, benefit and insurance administration, among others. The service agreement, which was formalized subsequent to year end, calls for an initial service fee totaling \$488,000, payable in equal monthly installments, plus additional fees for supplemental and out-of-pocket services, to commence on January 1, 2014 for an initial term of one year and is renewable annually thereafter unless cancelled. Total fees paid under this agreement for the year ended December 31, 2013 totaled \$275,633, and these fees are included in general and administrative expenses in the accompanying statements of operations.

During both years ended December 31, 2013 and 2012, the Company paid \$112,500 annually for management services rendered to an affiliated entity owned by the financing member. These expenses are included in the general and administrative expenses in the accompanying statements of operations. Additionally, at December 31, 2012, the Company had a net payable totaling \$115,508 for certain benefits and corporate expenses paid by this entity on behalf of the Company, which is included in accounts payable in the accompanying balance sheets.

The Company has an agreement for purchased health care costs with Glenbrook HC, LLC, an affiliated entity. The health care costs paid to this entity during the years ended December 31, 2013 and 2012, were \$11,264,060 and \$9,134,011, respectively, and are included in resident care expenses in the accompanying statements of operations. In addition, the Company had net payables for accrued health care costs totaling \$12,096 and \$14,229, at December 31, 2013 and 2012, respectively, which are included in accounts payable in the accompanying balance sheets.

The Company also shares certain expenses with related companies. At December 31, 2013, the Company had net amounts due from these companies for certain shared expenses totaling \$18,936 and are included in other receivables in the accompanying balance sheets. At December 31, 2012, the Company had net amounts due to these companies for certain shared expenses totaling \$36,195 and are included in accounts payable and accrued expenses in the accompanying balance sheets.

**Note 10: Employee Benefit Plan**

The Company sponsors a qualified 401(k) plan (the "Plan") for all eligible employees. Employees may contribute up to 100 percent of their yearly compensation, up to the maximum amount prescribed by law. The Company may annually elect to make discretionary matching or non-elective contributions to the Plan. For the years ended December 31, 2013 and 2012, employer contributions to the Plan totaled \$79,375 and \$71,341, respectively, with corresponding plan administrative expenses totaling \$1,677 and \$5,462, respectively. Both expenses are included in general and administrative expenses in the accompanying statements of operations.

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**Note 11: Fair Value Measurements**

The Company accounts for marketable securities in accordance with ASC 820, “*Fair Value Measurements and Disclosures*”. ASC 820-10 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurement. ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs in the valuation of an asset as of the measurement date. The three levels are defined as follows:

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

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis comprise of available-for-sale securities. The fair value of the assets at December 31, 2013 is determined as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities:			
Large Value	\$ 2,067,906	\$ -	\$ -
Large Growth	218,384	-	-
Large Core	<u>2,072,698</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value	<u>\$ 4,358,988</u>	<u>\$ -</u>	<u>\$ -</u>

Assets measured at fair value on a recurring basis comprise of available-for-sale securities. The fair value of the assets at December 31, 2012 was determined as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities:			
Large Value	\$ 951,396	\$ -	\$ -
Large Growth	91,394	-	-
Large Core	799,595	-	-
Mid Growth	54,313	-	-
Mid Core	<u>48,300</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value	<u>\$ 1,944,998</u>	<u>\$ -</u>	<u>\$ -</u>

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**Note 12: One-Time Endowment**

In accordance with guidelines of the City of Carlsbad Habitat Management Plan, the Company provided a cash endowment to a designated non-profit conservation entity to fund in perpetuity the management and conservation of adjacent open space.

**Note 13: Subsequent Events**

Events occurring after December 31, 2013, have been evaluated for possible adjustment to the financial statements or disclosure as of April 10, 2014, which is the date the financial statements were available to be issued. There were no adjustments to the financial statements or additional disclosures as a result of this evaluation.

**R E C E I V E D**  
APR 28 2014

CONTINUING CARE  
CONTRACTS BRANCH

**SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

To the Members of  
La Costa Glen Carlsbad CCRC, LLC  
Carlsbad, California

Our report on our audits of the basic financial statements of La Costa Glen Carlsbad CCRC, LLC (the "Company") for the years ended December 31, 2013 and 2012, appears on pages 1 and 2. The audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the accompanying Schedules of Form 5-1 through Form 5-5 and Form 7-1 has been prepared for filing with the State of California Department of Social Services, in accordance with Section 1792 of the California Health and Safety Code, and is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, presents fairly in all material respects the continuing care reserve requirements of the Company at December 31, 2013, in conformity with the report preparation provisions of the California Health and Safety Code Section 1792.

This report is intended solely for the information and use of the members and management of the Company and for filing with the California Department of Social Services and should not be used for any other purposes. However, this report is a matter of public record and its distribution is not limited.

*White Nelson Diehl Evans LLP*

Irvine, California  
April 10, 2014

**FORM 1-1**  
**RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	842
[2]	Number at end of fiscal year	859
[3]	Total Lines 1 and 2	1701
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	850.5
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	842
[7]	Number at end of fiscal year	859
[8]	Total Lines 6 and 7	1701
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	850.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	1.00

**FORM 1-2**  
**ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$41,450,074
[a]	Depreciation	\$7,669,655
[b]	Debt Service (Interest Only)	
[2]	Subtotal (add Line 1a and 1b)	\$7,669,655
[3]	Subtract Line 2 from Line 1 and enter result.	\$33,780,419
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	100%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$33,780,419
		x .001
[6]	Total Amount Due (multiply Line 5 by .001)	\$33,780

**PROVIDER** La Costa Glen Carlsbad CCRC, LLC  
**COMMUNITY** La Costa Glen Carlsbad

**FORM 5-1  
LONG-TERM DEBT INCURRED  
IN A PRIOR FISCAL YEAR  
(Including Balloon Debt)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	11/16/01				\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>					\$0

*(Transfer this amount to Form 5-3, Line 1)*

**NOTE:** For column (b), do not include voluntary payments made to pay down principal.

**PROVIDER:** La Costa Glen Carlsbad CCRC, LLC

**FORM 5-1**  
**LONG-TERM DEBT INCURRED DURING FISCAL YEAR**  
**Supporting Calculation for Line 1(b)**

Line 1(b) Debt Service Reserve is waived as per the attached letter.

**PROVIDER:** La Costa Glen Carlsbad CCRC, LLC  
**COMMUNITY:** La Costa Glen Carlsbad



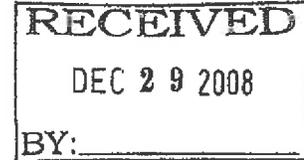
JOHN A. WAGNER  
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY  
**DEPARTMENT OF SOCIAL SERVICES**  
744 P Street • Sacramento, CA 95814 • [www.cdss.ca.gov](http://www.cdss.ca.gov)



ARNOLD SCHWARZENEGGER  
GOVERNOR

December 18, 2008



Mr. E. Justin Wilson III  
Chief Operating Officer  
Continuing Life Communities LLC  
1940 Levante Street  
Carlsbad, California 92009

Dear Mr. Wilson:

**SUBJECT: CONTINUING LIFE COMMUNITIES DBA LA COSTA GLEN CARLSBAD  
LONG-TERM DEBT RESERVE REQUIREMENT WAIVER**

The California Department of Social Services (Department) has received notification from Bank of America that Continuing Life Communities, LLC (CLC) dba La Costa Glen Carlsbad's (LCGC) loan has been paid off in full as of November 21, 2008. Therefore, as provided for in Health and Safety Code (H&SC) section 1792.3(c), the Department has agreed to waive the debt service reserve for CLC.

Please note that CLC is required to notify the Department and obtain its approval prior to closing any transaction that results in an encumbrance or lien on LCGC's property. At which time, CLC will be required to comply with the debt service reserve requirement for the new debt.

If you have any questions, you may contact Allison Nakatomi, your new continuing care program analyst, at (916) 657-2592.

Sincerely,

JOHN R. RODRIQUEZ, Chief  
Continuing Care Contracts Branch

c: Robert Thompson  
Attorney for Continuing Care Contracts

**FORM 5-2  
LONG-TERM DEBT INCURRED  
DURING FISCAL YEAR  
(Including Balloon Debt)**

	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
Long-Term Debt Obligation					
1	03/14/05	\$0	\$0	0	\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>		\$0	\$0	0	\$0

*(Transfer this amount to  
Form 5-3, Line 2)*

**NOTE:** For column (b), do not include voluntary payments made to pay down principal.

**PROVIDER:** La Costa Glen Carlsbad CCRC, LLC

**FORM 5-2**  
**LONG-TERM DEBT INCURRED DURING FISCAL YEAR**  
**Supporting Calculation for Line 1(b)**

Line 1(b) Long term debt on the construction loan was paid in full in 2008.

**PROVIDER:** La Costa Glen Carlsbad CCRC, LLC  
**COMMUNITY:** La Costa Glen Carlsbad

**FORM 5-3  
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT**

<b>Line</b>	<b>TOTAL</b>
1	Total from Form 5-1 bottom of Column (e) \$0
2	Total from Form 5-2 bottom of Column (e) \$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance) [REDACTED]
4	<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b> \$0

**PROVIDER:** La Costa Glen Carlsbad CCRC, LLC

**FORM 5-4  
CALCULATION OF NET OPERATING EXPENSES**

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$41,450,074
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$0
	b. Credit enhancement premiums paid for long-term debt (see instructions)	
	c. Depreciation	\$7,669,655
	d. Amortization	\$254,568
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$346,426
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$8,270,649
4	Net Operating Expenses	\$33,179,425
5	Divide Line 4 by 365 and enter the result.	\$90,903
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$6,817,690

**PROVIDER:** La Costa Glen Carlsbad CCRC, LLC  
**COMMUNITY:** La Costa Glen Carlsbad

**FORM 5-4**  
**CALCULATION OF NET OPERATING EXPENSES**  
**Supporting Explanation for Line 2e**

Line 2e is made up of the following line from the audited statement of cash flows:

Reimbursements for services to non-residents \$ 346,426

Categories included in the above revenues:

\$	89,801	Guest Meals
	23,394	Employee Meals
	42,445	Catering
	186,736	Guest Room
	<u>4,050</u>	<u>Space Rental</u>

\$ 346,426

**PROVIDER:** La Costa Glen Carlsbad CCRC, LLC

**COMMUNITY:** La Costa Glen Carlsbad



**FORM 5-5**  
**Description of Reserves under SB 1212**

**Total Qualifying Assets as Filed:**

Cash and Cash Equivalents	\$	16,123,900
Investment Securities	\$	-
Total Qualifying Assets as Filed:	\$	16,123,900

**Reservations and Designations:**

Reserved for Debt Service	\$	-
Reserved for Operating Expenses	\$	6,817,690
Total Reservations and Designations:	\$	6,817,690
Remaining Liquid Reserves	\$	9,306,210

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**Per Capita Cost of Operations**

Operating Expenses (Form 5-4 line # 1)	\$	41,450,074
Mean # of CCRC Residents (Form 1-1 line 10)		850.5
Per Capita Cost of Operations	\$	48,736

**PROVIDER:** Continuing Life Communities LLC

**COMMUNITY:** La Costa Glen Carlsbad

**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$2,585-\$6,376	N/A	N/A
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	2.9%		

Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: January 1, 2013  
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider’s projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: La Costa Glen Carlsbad CCRC, LLC  
 COMMUNITY: La Costa Glen Carlsbad

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**  
**Supporting Explanation for Line 5**

The regular first person monthly fee increase is reflected at 2.9% and the second person fee increase is reflected at 2.9% in fiscal year 2013. La Costa Glen (La Costa Glen Carlsbad CCRC, LLC) had a two point nine percent (2.9%) monthly fee increase in fiscal year 2012. The main cost drivers of the monthly fee increase in 2013 continue to be related to increases in health insurance, workers compensation premiums, and utilities rate increases.

**Continuing Care Retirement Community  
Disclosure Statement  
General Information**

**RECEIVED** Date Prepared: 04/17/2014  
**APR 28 2014**

FACILITY NAME: La Costa Glen Carlsbad  
 ADDRESS: 1950 Silverleaf Circle ZIP CODE: 92009 PHONE: 760-734-1000  
 PROVIDER NAME: La Costa Glen Carlsbad CCRC, LLC FACILITY OPERATOR: Life Care Services, Inc. CONTRACTS BRANCH  
 RELATED FACILITIES: Glenbrook HC LLC RELIGIOUS AFFILIATION: N/A  
 YEAR OPENED: 2003 # OF ACRES:       SINGLE STORY  MULTI-STORY  OTHER: Both MILES TO SHOPPING CTR: 50  
 MILES TO HOSPITAL: 3

NUMBER OF UNITS:	RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO:	<u>1</u>	ASSISTED LIVING: _____
APARTMENTS — 1 BDRM:	<u>220</u>	SKILLED NURSING: _____
APARTMENTS — 2 BDRM:	<u>318</u>	SPECIAL CARE: _____
COTTAGES/HOUSES:	<u>106</u>	DESCRIBE SPECIAL CARE: _____
RLU OCCUPANCY (%) AT YEAR END:	<u>98.14%</u>	

TYPE OF OWNERSHIP:  NOT-FOR-PROFIT  FOR-PROFIT ACCREDITED?:  YES  NO BY: \_\_\_\_\_

FORM OF CONTRACT:  CONTINUING CARE  LIFE CARE  ENTRANCE FEE  FEE FOR SERVICE  
 (Check all that apply)  ASSIGNMENT OF ASSETS  EQUITY  MEMBERSHIP  RENTAL

REFUND PROVISIONS: (Check all that apply)  90%  75%  50%  PRORATED TO 0%  OTHER: 25%

RANGE OF ENTRANCE FEES: \$ 235,200 TO \$ 1,215,000 LONG-TERM CARE INSURANCE REQUIRED?  YES  NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Assisted Living, Skilled Nursing and Memory Support

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: N/A OTHER: N/A

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): A resident representative from the Resident Council is involved in bi-weekly management meetings to to serve as (a) the liaison between Resident Council and management and (b) to provide input and suggestions to management and ownership from the resident perspective.

COMMON AREA AMENITIES	FACILITY SERVICES AND AMENITIES		SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
	AVAILABLE	FEE FOR SERVICE			
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING ( <u>2</u> TIMES/MONTH) ( <u>for weekly</u> )	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS ( <u>ONE</u> /DAY) ( <u>1</u> )	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Croquet, Bocce Ball</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

**PROVIDER NAME:** La Costa Glen Carlsbad CCRC, LLC

**CCRCs**

**LOCATION (City, State)**

**PHONE (with area code)**

N/A

**MULTI-LEVEL RETIREMENT COMMUNITIES**

N/A

**FREE-STANDING SKILLED NURSING**

N/A

**SUBSIDIZED SENIOR HOUSING**

N/A

**NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.**

PROVIDER NAME: La Costa Glen Carlsbad CCRC, LLC

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	30,841,643	35,542,078	37,371,157	40,012,141
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, and interest)	27,204,654	28,362,914	30,317,043	33,525,851
<b>NET INCOME FROM OPERATIONS</b>	5,636,989	7,179,164	7,054,114	6,486,290
<b>LESS INTEREST EXPENSE</b>				
<b>PLUS CONTRIBUTIONS</b>				
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	90,044	44,097	93,764	(590,082)
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	5,727,033	7,223,261	7,147,878	5,896,208
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	23,303,868	17,035,540	18,452,114	15,615,063

**DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)**

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
La Costa Glen Carlsba	348,230,071	0%	11/16/2001	12/31/2050	40 Years

**FINANCIAL RATIOS**

(see next page for ratio formulas)

2012 CCAC Medians  
50<sup>th</sup> Percentile  
(optional)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>DEBT TO ASSET RATIO</b>	0%	0%	0%
<b>OPERATING RATIO</b>	79.80%	81.12%	83.79%
<b>DEBT SERVICE COVERAGE RATIO</b>	0	0	0
<b>DAYS CASH-ON-HAND RATIO</b>	169.83	173.01	175.54

**HISTORICAL MONTHLY SERVICE FEES**

(AVERAGE FEE AND PERCENT CHANGE)

	<u>2010</u>	<u>%</u>	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>
STUDIO	\$2,497		\$2,569		\$2,644		\$2,721
ONE BEDROOM	\$3,003		\$3,091	2.9	\$3,181	2.9	\$3,273
TWO BEDROOM	\$3,730	2.9	\$3,828	2.9	\$3,939	2.9	\$4,053
COTTAGE/HOUSE	\$4,365	2.9	\$4,492	2.9	\$4,622	2.9	\$4,756
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

**COMMENTS FROM PROVIDER:**

La Costa Glen Carlsbad Master Trust has a first priority deed of trust against La Costa Glen, which provides the residents collateral protection. The \$348,230,071 recorded on the books as a Note Payable to the Master Trust is repayable to the residents or their estates upon termination of their contracts and resale of their units per the contracts.

**FINANCIAL RATIO FORMULAS**

**LONG-TERM DEBT TO TOTAL ASSETS RATIO**

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

**OPERATING RATIO**

$$\frac{\text{Total Operating Expenses} \\ - \text{Depreciation Expense} \\ - \text{Amortization Expense}}{\text{Total Operating Revenues} \\ - \text{Amortization of Deferred Revenue}}$$

**DEBT SERVICE COVERAGE RATIO**

$$\frac{\text{Total Excess of Revenues over Expenses} \\ + \text{Interest, Depreciation,} \\ \text{and Amortization Expenses} \\ - \text{Amortization of Deferred Revenue} \\ + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

**DAYS CASH ON HAND RATIO**

$$\frac{\text{Unrestricted Current Cash \& Investments} \\ + \text{Unrestricted Non-Current Cash \& Investments}}{(\text{Operating Expenses} \\ - \text{Depreciation} - \text{Amortization})/365}$$

**NOTE:** These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.