PACIFICA
COMPANIES

RECEIVED
MAY 01 2014
CONTINUING CARE
CONTRACTS BRANCH

April 25, 2014

State of California
Continuing Care Contracts Branch
California Department of Social Services
744 P. Street, M.S. 10-90
Sacramento, CA 95814

Ladies and Gentlemen,

Re: Pacifica Concordia LP CCRC Annual Report

Please find enclosed the requested three (3) copies of the 2013 CCRC Annual Report and the Disclosure Statement for Pacifica Concordia LP.

Also enclosed is the annual fee check of $1,152.03.

Sincerely,

Choosit Thanungchooshilp
Controller

1775 Hancock Street, Suite 200 • San Diego, CA 92110
(619) 296-9000 • Fax (619) 296-9090
www.pacificahost.com • www.pacificacompanies.com

FISCAL YEAR ENDED:
12/31/2013

ANNUAL REPORT CHECKLIST

PROVIDER(S): Pacifica Concordia LP

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CCRC(S): Pacifica Senior Living Country Crest

CONTACT PERSON: Choosit Thanungchooshilp

TELEPHONE NO.: (619) 296-9000 **EMAIL:** choosit@pacificacompanies.com

● ●

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

- ☑ Annual Report Checklist.
- ☑ Annual Provider Fee in the amount of: $ 1,152.03
  - ☐ If applicable, late fee in the amount of: $ 0
- ☑ 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* reserves and, when applicable, the required refund reserve.
- ☑ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☑ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☑ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ☑ Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for ***each*** community.
- ☑ Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.

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State of California
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744 P. Street, M.S. 10-90
Sacramento, CA 95814

This Certification Notice is submitted by Pacifica Concordia LP; to The State of California, Community Care Licensing Division, Continue Care Contracts Branch, pursuant to the requirements of the Continuing Care Contract Annual Reserve Report, for the year ending December 31, 2013.

To the best of my knowledge, after a review of the enclosed information I certify the following to be true, complete and correct:

1) The Annual Report is correct.
2) Each continuing care contract form in use has been approved by the Department
3) The required reserves are being maintained.
4) There was no Fidelity bond/insurance policy in 2013.

Authorized Representative

Deepak Israni

Managing Partner

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PACIFICA CONCORDIA, LP

INDEPENDENT AUDITORS'
MANAGEMENT LETTER
DECEMBER 31, 2013

D. H. SCOTT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY PARTNERSHIP

David H. Scott, APC, CPA
Keith F. Hunting, CPA
Vivian R. Piche', CPA
Paul J. Catanese, APC, CPA/MBA
Larry T. Dahl, CPA

Charlie J. Burns, CPA
Casey M. Cancilla, CPA
Lori Goyne, CPA/ABV
Cheryl Hull, CPA
Gerald R. Tadina, CPA

To the Partners and Management
Pacifica Concordia, LP
San Diego, California

In planning and performing our audit of the financial statements of Pacifica Concordia, LP as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We noted no deficiencies as a result of our engagement that we consider to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The significant deficiencies in internal control identified in the audit are discussed on pages 3 through 5 of this report.

900 Market Street, Redding, CA 96001 | 530.243.4300 | FAX 530.243.4306
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This communication is intended solely for the information and use of management, the Partners, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

D. H. Scott & Company LLP

Redding, California
April 25, 2014

PRIOR YEAR
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

SIGNIFICANT DEFICIENCY

CASH DISBURSEMENTS

Finding

During our cash disbursement testing in the prior year we noted that two check requests sent from the San Diego office lacked any coding or signature of approval. We were also informed that the Company does not require additional support other than a check request form with the Executive Director's signature of approval in certain situations such as a payment to an event's entertainer or annual dues to a local organization. During our testing in the current year we noted additional invoices that lacked coding or a signature of approval.

Continuing Recommendation

To reduce the risk of fraudulent payments towards fabricated invoices and similar situations of asset misappropriation, we believe that further support such as a contract or email correspondence should be included with all check requests and all invoices should have a written signature of approval before being paid.

Status

While we found no instances in the current year where the only supporting documentation for an invoice was a check request, we did find instances where check requests lacked coding or approval signatures. The Partnership has not fully implemented our recommendation.

TIME CARD APPROVALS

Finding

During our payroll walkthrough we noted that supervisors are not required to approve their employees' time cards. The Business Office Manager sends a group email to all supervisors containing a list of employees and the total hours worked for the pay period. Supervisors have the remainder of the day to send any corrections to the list. If the Business Office Manager does not receive a response from the supervisor, she assumes the listing is correct. In the current year we also noted that one employee failed to sign off on several of his timecards which is a crucial control that is needed to verify the accuracy of each pay check.

Continuing Recommendation

We recommend that the Partnership require both the employee and the supervisor's signature on each employee's time card. Negative confirmation is not a strong control in this case and increases the risk of fraudulent misrepresentation of an employee's time on the job.

Status

The Partnership has not fully implemented our recommendation.

YEAR-END ACCRUALS

Finding

During our search for unrecorded liabilities in the prior year we discovered five invoices that arrived after year-end for 2012 events that were not correctly accrued, and in the current year we discovered nine invoices that arrived after year-end for 2013 events that were not correctly accrued. There is a system in place to accrue items in the normal course of business through January of the following year, but the exceptions we noted were typically for nonoperational events such as management's bonus and quarterly payments to the Lake Oroville Retirement Community; we also noted several operational invoices that were received after January 31st of the subsequent year that were also incorrectly not accrued. The sum of the misstatements was material in both years.

Continuing Recommendation

We recommend that the Company strengthen their accrual review process by lengthening their year-end accrual period and by establishing a review of nonoperational payments near year-end.

Status

The Partnership has not fully implemented our recommendation.

REFUNDABLE ENTRANCE FEES

Finding

Upon inquiry of how the refundable entrance fees were monitored in the prior year, no one was certain of who was reviewing the balances or who was in charge of initiating the refunds. While reviewing client contracts, we noted that one resident had moved out of their unit and did not receive the refundable portion of their entrance fee by the deadline specified in their contract. In the current year refundable entrance fees appeared to have been closely monitored, and we all refunds were paid in a timely manner.

Recommendation

We recommended that the Company establish an entrance fee review policy to be performed at the time a resident vacates their unit in order to avoid noncompliance with the continuing care contracts.

Status

The Partnership has fully implemented our recommendation, and we no longer consider this a significant control deficiency.

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PACIFICA CONCORDIA L.P.
(A California Limited Partnership)

Financial Statements
For the Year Ended December 31, 2013

PACIFICA CONCORDIA L.P.

TABLE OF CONTENTS

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Cheryl Hull, CPA
Gerald R. Tadina, CPA

REPORT OF INDEPENDENT AUDITORS

To the Partners
Pacifica Concordia LP
San Diego, CA

We have audited the accompanying financial statements of Pacifica Concordia LP, which comprise the balance sheet as of December 31, 2013, and the related statements of operations, changes in partners' equity and cash flows for the year ended December 31, 2013, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacifica Concordia LP as of December 31, 2013, and the results of its operations and its cash flows for the year ended December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

D. H. Scott & Company LLP

Redding, California
April 25, 2014

PACIFICA CONCORDIA L.P.
(A California Limited Partnership)
Balance Sheet
As of December 31, 2013

		2013
Assets		
Current assets		
Cash	$	403,861
Accounts receivable trade		78,952
Prepaid expenses		8,090
Total current assets		490,903
Property and equipment, at cost		
Land and Land Improvement		1,747,122
Building and improvements		7,873,993
Furniture and Fixtures		342,834
Machinery and equipment		102,535
		10,066,484
Less: Accumulated depreciation		(444,385)
Property and equipment - net		9,622,099
Other assets		
Refund Escrow accounts - restricted cash		403,725
Loan fees - net		28,091
Due from related party		156,475
Goodwill		1,500,000
Total other assets		2,088,291
Total assets	$	12,201,293
Liabilities and Partners' Equity		
Current liabilities		
Accounts payable and accrued expenses	$	148,100
Deferred rental revenue		35,835
Current portion of long-term debt		84,000
Total current liabilities		267,935
Long-term liabilities		
Refundable Contracts	$	1,879,787
Long-term debt		5,718,000
Due to related party		274,424
Total long-term liabilities		7,872,211
Total liabilities		8,140,146
Partners' equity		4,061,147
Total liabilities and partners' equity	$	12,201,293

See accompanying notes to financial statements.

PACIFICA CONCORDIA L.P.
(A California Limited Partnership)
Statement of Operations
For the Year Ended December 31, 2013

	2013
Revenues	
Rental income	$ 2,408,582
Skilled Nursing Facility income	610,500
Other Income	363
Total revenues	3,019,445
Expenses	
Operating expenses - senior living care	1,404,333
Depreciation and amortization	293,604
Interest expenses	175,386
Administrative and marketing	67,463
Management fees	111,876
Property taxes	31,600
Utilities	136,603
Repairs and maintenance	26,990
Insurance	80,068
Professional fees	60,304
Total expenses	2,388,227
Net income (loss) before income tax	631,218
Income tax	800
Net income (loss)	$ 630,418

See accompanying notes to financial statements.

PACIFICA CONCORDIA L.P.
(A California Limited Partnership)
Statement of Changes in Partners' Equity
For the Year Ended December 31, 2013

	Limited Partners			General Partner	
	Individual Partners	Pacifica Hosts Inc	Total	Pac Concordia LLC	Total
Partners' Equity January 1, 2013	$ 1,715,365	$ 1,681,057	$ 3,396,422	$ 34,307	$ 3,430,729
Contributions	-	-	-	-	-
Distributions	-	-	-	-	-
Net income	315,209	308,905	624,114	6,304	630,418
Partners' Equity December 31, 2013	$ 2,030,574	$ 1,989,962	$ 4,020,536	$ 40,611	$ 4,061,147

See accompanying notes to financial statements.

PACIFICA CONCORDIA L.P.
(A California Limited Partnership)
Statement of Cash Flows
For the Year Ended December 31, 2013

		2013
Cash flows from operating activities:		
Net income (loss)	$	630,418
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization		293,604
Changes in current assets and liabilities:		
Accounts receivable trade - net		170,360
Prepaid expenses and Inventory		2,910
Accounts payable and accrued expenses		(9,436)
Deferred rental revenue		(32,073)
Construction in Progress		-
Security Deposit		-
Net cash provided by operating activities		1,055,783
Cash flows used in investing activities:		
Acquisition of property and equipment		(31,591)
Initial Contributions		-
Increase in refund escrow accounts - restricted cash		203,789
Due from related party		(61,302)
Loan fees		(2,330)
Net cash used in investing activities		108,566
Cash flows used in financing activities:		
Long-term borrowings		-
Refundable Contracts		(659,802)
Payments on long-term borrowings		(84,000)
Principal payment on R/P Notes		(225,576)
Distributions paid		-
Net cash used in financing activities		(969,378)
Net increase (decrease) in cash		194,971
Cash and cash equivalents at beginning of period		208,890
Cash and cash equivalents at end of period	$	403,861

See accompanying notes to financial statements.

Note 1 – General Information and Summary of Significant Accounting Policies

General Information:

General – Pacifica Concordia LP is a California limited partnership that was formed on February 15, 2012 (the "Company"). The special purpose for which the Company was formed was to acquire an approximate 61 room, 65 maximum resident assisted living residence and 59-bed skilled nursing facility licensed by the State of California, commonly known as Country Crest ("Country Crest"). The Country Crest acquisition was completed by the Company on June 14, 2012. Pacifica Concordia entered via Deed of Trust as of October 1, 2012 with Old Republic National Title Insurance Company, as trustee, for the benefit of U.S. Bank National Association, the lender.

The Company's general partner is Pac Concordia, LLC. (the "General Partner") owning 1%, and limited partners are Pacifica Hosts, Inc., at 49% and three individuals (the "Limited Partners"), owning 40%, 5% and 5% of the Company, respectively.

Management of Pacifica Concordia LP is with Northstar Senior Living, Inc., an independent third party, with agreement dated April 1, 2012 ("Northstar" see Note 2).

The term of the Company shall dissolve on December 31, 2060, unless any of the following events shall occur prior thereto (in which event the Partnership shall dissolve on the first to occur of such events) under Pacifica Concordia LP Agreement Section 1.6.2.1 to 1.6.2.5.

Allocations - Net profits, losses and cash flows from the operations, sale or liquidation, refinancing, or any other change in the Company are allocated to the General and Limited Partners as provided in the Partnership Agreement.

Summary of Significant Accounting Polices:

Basis of Accounting – The financial statements have been prepared using the accrual method in conformity with United States of America Generally Accepted Accounting Principles ("GAAP").

Cash and Cash Equivalents – The Company considers financial instruments with a fixed maturity date of less than three months to be cash equivalents.

Accounts Receivable - Trade – An allowance for doubtful accounts is recorded for possible uncollectible accounts receivable. The amount of the allowance for doubtful accounts netted against accounts receivable-trade as of December 31, 2013 totaled $78,952.

Fair Value of Financial Instruments and Concentrations of Credit Risk – The following disclosure of estimated fair value was determined by available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret market data and develop the related estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. The Company's accounts receivable at December 31, 2013, are potentially exposed to concentration of credit risk since two customers account for approximately $76,199 (or 94%) of the total accounts receivable balance. However, the Company believes the credit risk is nominal as the customers are well-established and have excellent payment histories.

Accounts receivable trade, prepaid expenses, accounts payable and accrued expenses, deferred rental revenue and security deposits carrying cost reasonably approximates their fair value because of the short maturities of these instruments.

Other assets are carried at cost, which, in management's opinion, approximates fair value.

The carrying value of long-term debt approximates fair value at December 31, 2013, as the related interest rate is in line with market rates.

At December 31, 2013 the Company had deposits in excess of federally insured limits totaling $586,671 for cash and cash equivalents.

Due from related party – Ashok Israni, one of the limited partners, owes the Company expenses incurred during acquisition of the property. The balance is $156,475 as of December 31, 2013.

Refund Reserve Escrow Accounts – Restricted Cash – The Company has an escrow reserve account – restricted cash for Entrance Fees on Refundable Continuing Care Contracts as required under Country Crest Refund Reserve Escrow Agreement (see Note 3). Use of funds in the escrow reserve accounts-restricted cash is subject to Escrow Agent approval. The escrow account total is $403,725 at December 31, 2013.

Property and Equipment – Property and equipment are carried at cost. Depreciation is computed using accelerated and straight-line methods of depreciation over the assets' estimated useful lives of 5 to 27.5 years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in operations. The amount of depreciation expense recognized for the year-ended December 31, 2013, was $278,802.

Continuing Care Contracts- Prior ownership of the community had sold Continuing Care Contracts (CCC) to certain residents. The CCC's provide for life time care for the resident including rent and meals. The CCC's are governed by the regulations set forth by the State of California Department of Social Services. The Company must meet certain conditions as set forth by the Department for the proper care of the residents.

One of the requirements is to provide evidence of fidelity bond and the Company is out of compliance as of December 31, 2013. Upon separation from the facility those residents with CCC's are entitled to a refund as prescribed by the Department. The "Entrance fees on Continuing Care" at December 31, 2013 of $1,879,787 represents the liability for providing care under the CCC's. The Department requires The Company to place cash or cash equivalents in a Refund Reserve Escrow account of an amount as calculated in accordance with the Department regulations in a Trust account. The amount in the Trust account at December 31, 2013 was $403,725 and $659,802 was refunded to residents.

Loan Fees - Net – Loan fees include fees paid to lender to obtain the loan: legal, escrow and other loan closing costs. The amount of amortization expense recognized for the year-ended December 31, 2013, was $14,802.

The long-term debt on the property was placed on October 1, 2012. New loan fees totaling $44,250 were incurred on the Secured Promissory Note (see Note 4). The loan fee on the Secured Promissory Note is amortized over the term of the loan using the straight-line method. The loan fee net as of December 31, 2013 is $28,091.

Goodwill – $1.5M in goodwill was recorded on the books at acquisition of the property. There is no adjustment to the value as of December 31, 2013.

Deferred Rental Revenue – Deferred rental revenue represents rental income prepaid by tenants deferred and recognized in accordance with the tenants' lease terms.

Revenues – Revenues are recognized as earned. Rental income is recognized as rental amounts become due on the first of the month. Rental payments received in advance are deferred until earned. The deferred rental income was recorded or recognized in 2013 was $35,835.

Rental income includes monthly rent (includes room, three (3) meals per day, prescription dispensing, personal care, laundry, local transportation for doctor care visits and activities), special diet supplies, guest meals, hair salon, room service, medical supplies (not drugs or prescriptions, but supplies), ceramic supplies, level of care charges and other charges as appropriate.

Standard rental terms for apartment tenants are generally month to month. There are no leases or new continuing care contracts offered.

The Company has entered a lease contract with Country Crest, LLC to lease the Skilled Nurse Facility located on Company's premises (see Note 5).

Advertising Costs – Advertising costs are expensed as incurred in administrative and marketing and totaled $25,924 and $41,539 in 2013, respectively.

Income Taxes – In accordance with the provisions of the Internal Revenue Code, the Company is taxed as a partnership and is not subject to the payment of federal and California income taxes, and no provision, therefore, is required to be made herein.

The Company accounts for income taxes in accordance with the Income Taxes Topics of the FASB ASC 948 and 950 ("Income Taxes Topics"). No tax returns of the Company are under audit examination. Tax returns are subject to audits by federal and California taxing authorities for calendar years dating back to December 31, 2012.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impairment of Long-Lived Assets – The Company accounts for impairment of long-lived assets in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 360, "Property, Plant, and Equipment." ASC No. 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. The Company evaluates at each balance sheet date whether events and circumstances have occurred that indicate possible operational impairment. In accordance with ASC No. 360, the Company uses an estimate of the future undiscounted net cash flows of the related asset or asset grouping over the remaining life in measuring whether its operating assets are recoverable. An impairment is recognized when future undiscounted cash flows of assets are estimated to be insufficient to recover their related carrying value. The Company considers continued operating losses, or significant and long-term changes in business conditions, to be its primary indicators of potential impairment. In measuring impairment, the Company looks to quoted market prices, if available, or the best information available in the circumstances. At December 31, 2013 the Company has determined that there is no impairment of assets.

Recent Accounting Pronouncements – The FASB codifies the various sources of GAAP into the ASC. Any changes to the ASC are now communicated through Accounting Standards Updates ("ASU").

In 2010, 2011, 2012 and 2013, the FASB issued ASU 2010-01 through 2010-29, ASU 2011-01 through ASU 2011-12, ASU 2012-01 through ASU 2012-07 and ASU 2013-01 through ASU 2013-11. The majority of these updates are not pertinent to the operations of the Company. Those updates that are pertinent have been or will be adopted in calendar years ended 2010, 2011, 2012 or 2013 and are not expected to have any impact on the financial condition, results of operations or cash flows of the Company.

Date of Managements Review – Subsequent events were evaluated through April 25, 2014, which is the financial statement issuance date.

Note 2 – Management Contract Northstar and Related Party and Due to Related Party

Management Contract Northstar and Related Party

The Company had a management contract with Northstar to manage the operations of Country Crest during 2013. The term of the contract shall began on the date escrow closed on the building (the Effective Date"), shall terminate (five) 5 years following the escrow closing date (the "Initial Term").

Under the Contract, Northstar received a Base Management Fee equal to 4% of revenues, as defined ("Base Management Fee"). Base Management Fees for 2013 were $100,487.

Northstar may also receive an incentive management fee of 10% of EBITDA (earnings, i.e. net operating income, before interest, taxes, depreciation and amortization) in excess of 35% of gross revenue for any fiscal quarter. In the event EBITDA exceeds 40% of gross revenue, Northstar is entitled to an additional incentive fee of 15% of EBITDA in excess of 40% of gross revenue. The incentive management fee totaled $6,389 in 2013.

Northstar will receive an Annual bonus of $5,000 if the agreed-upon budget is met or exceed for the calendar year. There is $5,000 annual bonus in 2013.

Due to Related Party

The Company has entered into a Promissory Note on June 14, 2012 with Pac Enterprises Inc. totaling $500,000. This note has interest rate based on Prime Rate as reported by The Wall Street Journal's bank survey. The rate is 3.25%. All principal and accrued interest will be due June 8, 2015 with no penalty on prepayment. There was a principal pay down of $225,576 in 2013 and the note balance is $274,424 as of December 31, 2013.

Note 3 – Refund Reserve Escrow Agreement

Pacific has purchased the Community from its former owner/operator, Lake Oroville Country Retirement. Incidental to the sale, the Company has agreed to assume existing continuing care contracts with existing residents of the Community. All of those contracts were previously repayable contracts, meaning that repayment of a specified percentage of the resident's entrance fee was not due until a new resident paid an entrance fee for the same living unit. Department of Social Services ("DSS") requires that such repayable agreements are subject to a refund reserve in accordance with health & Safety Code 1792.6 ("Refundable Contracts").

The refund reserve amount is to be maintained in the escrow account and it is calculated annually with DSS approval. A 6% interest rate is use to determine the present value for entrance fee refund. The Refundable Contract amount is $1,879,787 as of December 31, 2013.

Note 4 – Long Term Debt

Long-term Debt and Contingencies

Long term debt as of December 31 consisted of the following:

	2013
The Company, "Borrower", has a secured promissory note with U.S. Bank National Association, "Lender", in the amount of $5,900,000 on October 1, 2012. Principal is payable in monthly installment of $7,000 each beginning November 1, 2012. The interest rate will be based two and one-half percent (2.50%) plus LIBOR rate quoted by Lender from Reuters Screen LIBOR01Page or any successor. The Maturity date under the term of the Loan Documents is due and payable on October 1, 2015 or October 1, 2016, if extended pursuant to Section 1.4 of the Loan Agreement. As of December 31, 2013, the principal balance is $5,802,000.	
	$ 5,802,000
Less current portion	84,000
Long-term debt	$ 5,718,000

Principal payments required for the years ending December 31 are as follows:

2014	84,000
2015	5,718,000
Total	$ 5,802,000

Note 5 – Facility Lease

On May 9, 2012, The Company entered a Lease and Security Agreement with Country Crest, LLC to provide skilled nursing services. This Facility has 59 skilled nursing beds. The Effective date is May 31, 2012 and is for 120 months term ending June 1, 2022. Tenant shall have option to renew this Lease for one (1) additional, successive term of ten (10) years in duration. First year rental rate is $50,000/month and 3% increase thereafter.

Tenant shall be responsible for all the expenses related to maintaining and operating the facility. On the third anniversary of the Effective Date, tenant shall expend a minimum of $20,000 per year of the Term on FF&E Expenditures.

This contract assumes the existing residents who have Life Care Contracts with the Company, which provides priority access to the skilled nurse facility and twenty (20) days per year at no cost to such Life Care Resident other than ancillary costs.

Note 6 – Partners' Equity

Contribution from Partners

There were no contributions made in 2013.

Distribution to Partners

There were no distributions made in 2013.

Note 7 – Operating Leases

On June 26, 2012, the Company entered into a lease for office equipment with Tozier's Office Products. The original lease expired on May 30, 2013, and was renewed for another 12-month term expiring May 30, 2014. The new lease provides for twelve minimum monthly payments of $57. Included in rent expense for the period ending December 31, 2013 for this rental was $1,497.

Note 9 – Licensing

The Company is subject to licensing and inspections by the State of California Department of Social Services ("DSS") to operate a Residential Care Facility ("RCF"). The RCF license does not expire and is subject to DSS. The DSS performed inspection on June 11, 2012. There was no inspection in 2013.

The Skilled Nurse Facility operated by Country Crest LLC is subject to licensing and inspections by Department of Health and Human Services.

Note 10 – Income Taxes

Income taxes are not payable or provided for by the partnership. Partners are taxed individually on their share of partnership earnings.

The Company is subject to routine audits by taxing jurisdictions. In general, the Company's tax returns are subject to examination by Federal tax authorities for a period of three years beginning with the alter of the due date of the return or the date they are filed and period of four years for California taxing authorities. There are currently no examinations in progress. The Company has recognized $800 in income tax expense in 2013 as this is California's annual tax on limited partnerships.

Note 11 – Litigations, Contingencies and Subsequent Events

There are no existing and foreseeable legal matters.

D. H. SCOTT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY PARTNERSHIP

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CONTINUING CARE
CONTRACTS BRANCH

David H. Scott, APC, CPA
Keith F. Hunting, CPA
Vivian R. Piche', CPA
Paul J. Catanese, APC, CPA/MBA
Larry T. Dahl, CPA
Charlie J. Burns, CPA
Casey M. Cancilla, CPA
Lori Goyne, CPA/ABV
Cheryl Hull, CPA
Gerald R. Tadina, CPA

INDEPENDENT AUDITORS' REPORT ON RESERVE REPORT

To the Partners
Pacifica Concordia, LP
San Diego, California

We have audited the accompanying continuing care reserve report ("Report") of Pacifica Concordia, LP as of December 31, 2013. The accompanying Report was prepared for the purpose of complying with California Health & Safety Code Section 1792 and is not intended to be a complete presentation of the Company's assets, liabilities, revenue and expenses.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Report in accordance with the report preparation provisions of California Health & Safety Code Section 1792. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Report that is free from material misstatement.

Auditors' Responsibility

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

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

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 Report referred to above presents fairly, in all material respects, the liquid reserve requirements of Pacifica Concordia, LP as of December 31, 2013, in conformity with the report preparation provisions of California Health & Safety Code Section 1792.

This Report is intended solely for the use of the partners and for filing with the California Department of Social Services and is not intended to be and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

D. H. Scott & Company LLP

Redding, California
April 25, 2014

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	35
[2]	Number at end of fiscal year	29
[3]	Total Lines 1 and 2	64
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	32
	All Residents	
[6]	Number at beginning of fiscal year	48
[7]	Number at end of fiscal year	59
[8]	Total Lines 6 and 7	107
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	53.50
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	.60

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service-interest only)		2,389,027
[a]	Depreciation	293,604	
[b]	Debt Service (Interest Only)	175,386	
[2]	Subtotal (add Line 1a and 1b)		468,990
[3]	Subtract Line 2 from Line 1 and enter result.		1,920,037
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		.60
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		1,152,022
[6]	**Total Amount Due** (multiply Line 5 by .001)		x .001 1,152.03

PROVIDER: Pacifica Concordia LP

COMMUNITY: Country Crest

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	10/1/2012	84,000	159,170	0	243,170
2	6/14/2012	0	16,198		16,198
3					
4					
5					
6					
7					
8					
		TOTAL:	175,386	0	259,368

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

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

PROVIDER: Pacifica Concordia LP

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

Long-Term Debt Obligation	(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))
1					
2					
3					
4					
5					
6					
7					
8					
	TOTAL:	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: Pacifica Concordia LP

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	259,368
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)	259,368
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	259,386

PROVIDER: Pacifica Concordia LP

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		2,389,027
2		Deductions		
	a	Interest paid on long-term debt (see instructions)	175,386	
	b	Credit enhancement premiums paid for long-term debt (see instructions)	0	
	c	Depreciation	278,802	
	d	Amortization	14,802	
	e	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	1,720,830	
	f	Extraordinary expenses approved by the Department	0	
3		Total Deductions		2,189,820
4		Net Operating Expenses		199,207
5		Divide Line 4 by 365 and enter the result.		546
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve mount.		40,950

ROVIDER: Pacifica Concordia LP
COMMUNITY: Pacifica Senior Living Country Crest

FORM 5-4

Pacifica Concordia LP
Year Ended December 31, 2013
CCRC Revenue Allocation
Attachment to Form 5-4
Line 2e

	As of Dec 31, 2013	CCRC Amount	Non-CCRC Amount	Total Amount
Assisted Living	1,430,621	751,424	679,197	1,430,621
AL - Respite	12,700	-	12,700	12,700
AL - Resident Care	243,315	172,834	70,481	243,315
Independent living	295,138	-	295,138	295,138
SNF Facility Lease Revenue	610,500	-	610,500	610,500
Contract allowances	(18,717)	(5,941)	(12,776)	(18,717)
		-		-
Gross Anciliary Revenue	445,525	380,298	65,227	445,525
Other Operating Revenue	363	-	363	363
Total Room & Board Revenue	**3,019,445**	**1,298,615**	**1,720,830**	**3,019,445**

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Pacifica Concordia LP
Fiscal Year Ended: December 31, 2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2013 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

		Amount
[1]	Debt Service Reserve Amount	259,386
[2]	Operating Expense Reserve Amount	40,950
[3]	**Total Liquid Reserve Amount:**	300,336

Qualifying assets sufficient to fulfill the above requirements are held as follows:

	Qualifying Asset Description	Amount (market value at end of quarter) Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents	353,725		50,000
[5]	Investment Securities			
[6]	Equity Securities			
[7]	Unused/Available Lines of Credit			
[8]	Unused/Available Letters of Credit			
[9]	Debt Service Reserve			(not applicable)
[10]	Other: (describe qualifying asset)			
	Total Amount of Qualifying Assets Listed for Liquid Reserve:	[11] 353,725	[12]	50,000
	Total Amount Required:	[13] 259,386	[14]	40,950
	Surplus/(Deficiency):	[15] 94,339	[16]	9,050

Signature:

(Authorized Representative)

Date: 4/25/14

Managing Partner
(Title)

FORM 5-5

FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	N/A	1,373-3,737	N/A
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	N/A	0%	N/A

☒ 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: ____________________
(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: Pacifica Concordia LP

COMMUNITY: Pacifica Senior Living Country Crest

FORM 7-1

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CONTINUING CARE CONTRACTS BRANCH

Continuing Care Retirement Community Disclosure Statement General Information

Date Prepared: 4/25/14

FACILITY NAME: Pacifica Senior Living Country Crest

ADDRESS: 55 Concordia Lane ZIP CODE: 95966 PHONE: 530-712-3100

PROVIDER NAME: Pacifica Concordia LP FACILITY OPERATOR: Northstar Senior Living, Inc

RELATED FACILITIES: ____ RELIGIOUS AFFILIATION: ____

YEAR OPENED: 2012 # OF ACRES: 15.03 ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ____ MILES TO SHOPPING CTR: 1.0 MILES TO HOSPITAL: 1.4

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS — STUDIO:	0	ASSISTED LIVING:	48
APARTMENTS — 1 BDRM:	13	SKILLED NURSING:	
APARTMENTS — 2 BDRM:	0	SPECIAL CARE:	
COTTAGES/HOUSES:	0	DESCRIBE SPECIAL CARE:	
RLU OCCUPANCY (%) AT YEAR END:	82%		

TYPE OF OWNERSHIP: ☐ NOT-FOR-PROFIT ☑ FOR- PROFIT ACCREDITED?: ☐ YES ☐ NO BY: ____

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

REFUND PROVISIONS: (Check all that apply) ☐ 90% ☐ 75% ☐ 50% ☐ PRORATED TO 0% ☑ OTHER: Varies w/ contract

RANGE OF ENTRANCE FEES: $ 81,000 TO $ 127,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☑ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 20 days skilled per calendar year

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: none OTHER: none

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): n/a

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☑	☑
BILLIARD ROOM	☐	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☑	☐
CHAPEL	☐	☐
COFFEE SHOP	☑	☐
CRAFT ROOMS	☑	☐
EXERCISE ROOM	☐	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☐	☐
PUTTING GREEN	☐	☐
SHUFFLEBOARD	☐	☐
SPA	☐	☐
SWIMMING POOL-INDOOR	☐	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☐	☐
OTHER ____	☐	☐

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (4 TIMES/MONTH)	☑	☑
MEALS (3/DAY)	☑	☑
SPECIAL DIETS AVAILABLE	☑	☐
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☐
ALL UTILITIES EXCEPT PHONE	☑	☐
APARTMENT MAINTENANCE	☑	☐
CABLE TV	☐	☑
LINENS FURNISHED	☐	☐
LINENS LAUNDERED	☑	☑
MEDICATION MANAGEMENT	☐	☑
NURSING/WELLNESS CLINIC	☐	☐
PERSONAL HOME CARE	☑	☑
TRANSPORTATION-PERSONAL	☐	☑
TRANSPORTATION-PREARRANGED	☑	☐
OTHER ____	☐	☐

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: Pacifica Concordia LP

CCRCs	LOCATION (City, State)	PHONE (with area code)
none		

MULTI-LEVEL RETIREMENT COMMUNITIES

none

FREE-STANDING SKILLED NURSING

none

SUBSIDIZED SENIOR HOUSING

none

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

PROVIDER NAME: Pacifica Concordia LP

	2010	2011	6/15-12/31/12 2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)			1,785,787	3,019,445
LESS OPERATING EXPENSES (excluding depreciation, amortization, and interest)			1,315,879	1,919,237
NET INCOME FROM OPERATIONS			469,908	1,100,208
LESS INTEREST EXPENSE			0	0
PLUS CONTRIBUTIONS			0	0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)			0	0
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION			469,908	1,100,208
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)			-137,502	-659,802

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
US Bank	5,802,000	2.50% + libor	10/1/2012	10/1/2015	3 years

FINANCIAL RATIOS

(see next page for ratio formulas)

	2012 CCAC Medians 50th Percentile *(optional)*	2011	6/15-12/31/12 2012	2013
DEBT TO ASSET RATIO			.47	.47
OPERATING RATIO			.77	.71
DEBT SERVICE COVERAGE RATIO			2.37	4.52
DAYS CASH-ON-HAND RATIO			88.77	70.38

HISTORICAL MONTHLY SERVICE FEES

(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO							
ONE BEDROOM	0		0		2,050		2,050
TWO BEDROOM							
COTTAGE/HOUSE							
ASSISTED LIVING	0		0		3,166		3,166
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER:

PROVIDER NAME: Pacifica Concordia LP

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

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

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.