

FISCAL YEAR ENDED:

12/31/2013

ANNUAL REPORT CHECKLIST

PROVIDER(S): Rancho San Antonio, RHC & RSI

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APR 30 2014

CCRC(S): DBA: The Forum at Rancho San Antonio

Healthcare Center at the Forum at Rancho San Antonio

CONTINUING CARE
CONTRACTS BRANCH

CONTACT PERSON: Nan Boyd

TELEPHONE NO.: (650) 944- 0264

EMAIL: nanboyd@theforumrsa.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: \$ \$24,742.00 chk# 12267
 - If applicable, late fee in the amount of: \$ N/A
- 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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April 25, 2014

Department of Social Services
Continuing Care Contract Program
744 P Street, MS 10-90
Sacramento, CA 95814

CERTIFICATION OF CHIEF EXECUTIVE OFFICER OF
RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION

The undersigned hereby certifies that (i) the materials enclosed with the annual report for 2013 and any amendments, submitted herewith to the California Department of Social Services is, to the best of her knowledge and belief, true and correct, (ii) and that the forms of the continuing care agreements at Rancho San Antonio in use or offered to residents are those which have theretofore been submitted to, and approved by, the California Department of Social Services, and (iii) The Forum at Rancho San Antonio is maintaining the required liquid reserve and a refund reserve trust fund was not required.


Mary Elizabeth O'Connor, President

April 25, 2014
Date

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1] Number at beginning of fiscal year		461
[2] Number at end of fiscal year		452
[3] Total Lines 1 and 2		913
[4] Multiply Line 3 by “.50” and enter result on Line 5. x .50		x.50
[5] Mean number of continuing care residents		457
All Residents		
[6] Number at beginning of fiscal year		483
[7] Number at end of fiscal year		469
[8] Total Lines 6 and 7		952
[9] Multiply Line 8 by “.50” and enter result on Line 10. x .50		x.50
[10] Mean number of all residents		476
[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).		0.96

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service – interest only)	30,343,566
[a] Depreciation	4,082,573
[b] Debt Service (Interest Only)	461,589
[2] Subtotal (add Line 1a and 1b)	4,544,162
[3] Subtract Line 2 from Line 1 and enter result.	25,799,404
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	24,742,496
[5] Total Operating Expense for Continuing Care Residents	
[6] Total Amount Due (multiply Line 5 by .001)	x.001 24,742
PROVIDER: <u>Rancho San Antonio, RHC & RSI</u>	
COMMUNITY: <u>Rancho San Antonio, dba, The Forum@Rancho San Antonio</u>	



EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

DATE (MM/DD/YYYY)
04/07/2014

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 AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

PRIMER NAME CONTACT PERSON AND ADDRESS Marcia L. Hahn Arthur J. Gallagher Risk Management Services, Inc. 300 South Riverside Plaza Suite 1900 Chicago, IL 60606 FAX (A/C, No.): 312-803-7443 E-MAIL ADDRESS: Marcia_Hahn@ajg.com CODE: _____ SUB CODE: _____ AGENCY CUSTOMER ID #: _____ NAMED INSURED AND ADDRESS The Forum at Rancho San Antonio 23500 Cristo Rey Drive Cupertino, CA 95014 ADDITIONAL NAMED INSURED(S)	PHONE (A/C, No. Ext): 1-312-704-0100 COMPANY NAME AND ADDRESS Lexington Ins Co and Various Excess Insurers 100 Summer Street Boston, MA 02110 NAIC NO: 19437 IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH POLICY TYPE LOAN NUMBER POLICY NUMBER 012 944 920 EFFECTIVE DATE 06/30/13 EXPIRATION DATE 06/30/14 CONTINUED UNTIL TERMINATED IF CHECKED <input type="checkbox"/> THIS REPLACES PRIOR EVIDENCE DATED:
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PROPERTY INFORMATION (Use REMARKS on page 2, if more space is required) BUILDING OR BUSINESS PERSONAL PROPERTY

LOCATION/DESCRIPTION
23600 Via Esplendor, Cupertino CA 95014

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 BASIC BROAD SPECIAL

COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: \$ 246,761,623 DED: \$5,000

	YES	NO	N/A	
<input checked="" type="checkbox"/> NETS INCOME <input type="checkbox"/> RENTAL VALUE	x			If YES, LIMIT: Actual Loss Sustained; # of months:
BLA...ET COVERAGE	x			If YES, indicate value(s) reported on property identified above: \$ 246,761,623
TERRORISM COVERAGE	x			Attach Disclosure Notice / DEC
IS THERE A TERRORISM-SPECIFIC EXCLUSION?				
IS DOMESTIC TERRORISM EXCLUDED?				
LIMITED FUNGUS COVERAGE		x		If YES, LIMIT: DED:
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: \$150,000,000 DED: \$5,000
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg	x			
- Demolition Costs	x			If YES, LIMIT: DED:
- Incr. Cost of Construction	x			If YES, LIMIT: DED:
EARTH MOVEMENT (If Applicable)	x			If YES, LIMIT: See Acord 24 DED: See Acord 24
FLOOD (If Applicable)	x			If YES, LIMIT: \$246,761,623 DED: \$25,000
WIND / HAIL (If Subject to Different Provisions)	x			If YES, LIMIT: \$246,761,623 DED: \$5,000
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.

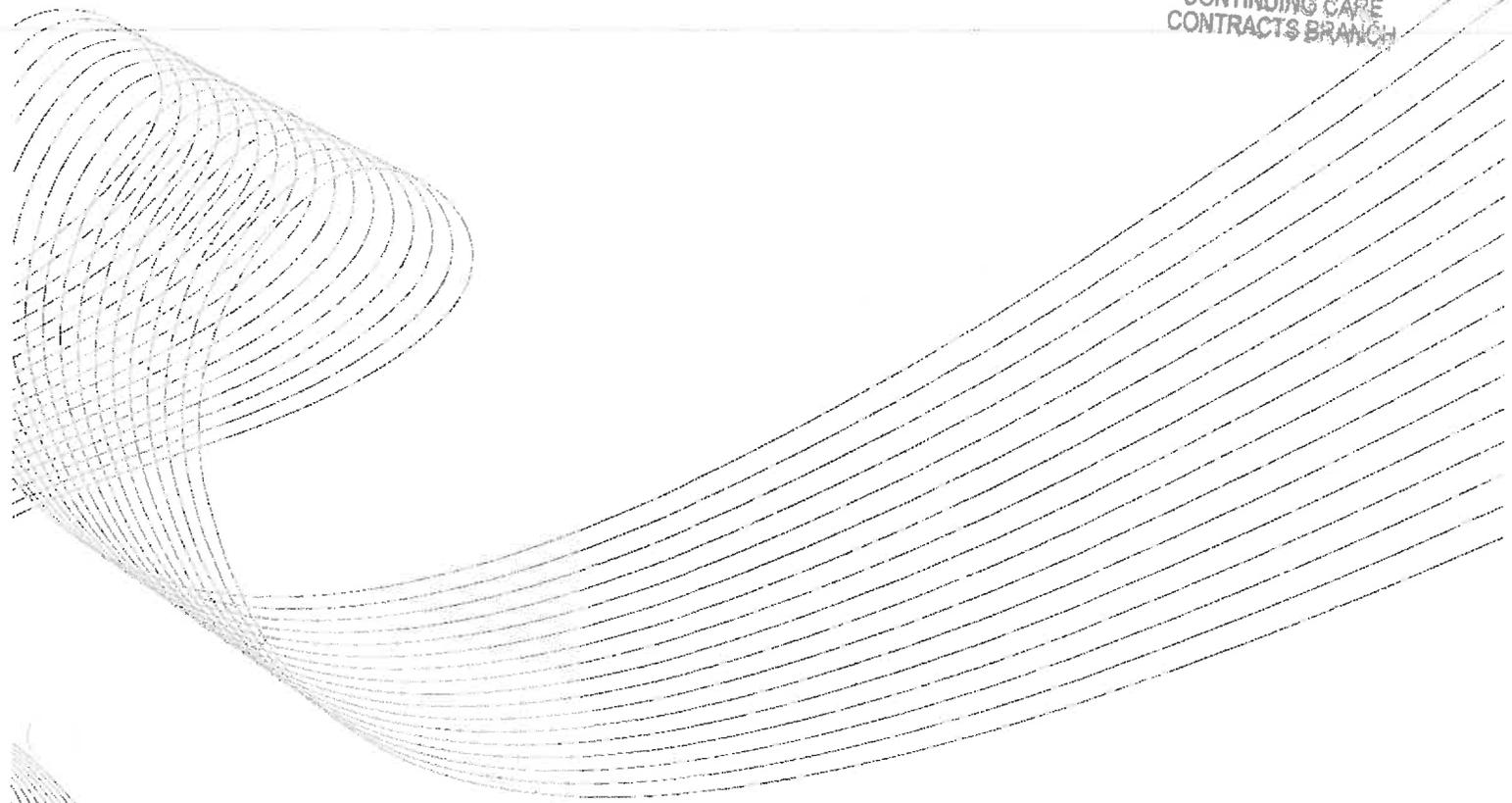
ADDITIONAL INTEREST

<input type="checkbox"/> MORTGAGEE <input type="checkbox"/> LENDERS LOSS PAYABLE NA* ND ADDRESS Tc m It May Concern	CONTRACT OF SALE	LENDER SERVICING AGENT NAME AND ADDRESS AUTHORIZED REPRESENTATIVE <i>John A. Denton</i>
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APR 30 2014

CONTINUING CARE
CONTRACTS BRANCH



Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

**Rancho San Antonio Retirement
Housing Corporation and
Rancho San Antonio Retirement
Services, Inc.**

December 31, 2013

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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REPORT OF INDEPENDENT AUDITORS

To the Members of the Audit Committee and the Board of Directors
Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rancho San Antonio Retirement Housing Corporation ("RHC") and Rancho San Antonio Retirement Services, Inc. ("RSI") (collectively referred to as the "Company"), which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations, changes in members equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rancho San Antonio Retirement Housing Corporation and Rancho San Antonio Retirement Services, Inc. as of December 31, 2013, and the results of its operations and changes in members' equity, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheet and consolidating statement of operations, as of and for the year ended December 31, 2013, for Rancho San Antonio Retirement Housing Corporation and Rancho San Antonio Retirement Services, Inc. presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California
April 25, 2014

CONSOLIDATED FINANCIAL STATEMENTS

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
CONSOLIDATED BALANCE SHEET
December 31, 2013**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 5,206,969
Investments	6,584,370
Accounts receivable, net of allowances of approximately \$35,000	954,108
Inventories	60,181
Interest receivable and other	44,024
Prepaid expenses	707,675
Member advances - investments	<u>11,088,513</u>
Total current assets	<u>24,645,840</u>

PROPERTY AND EQUIPMENT

Land rights and improvements	16,075,511
Buildings and improvements	114,396,711
Furniture and equipment	11,277,656
Construction in process	<u>2,003,622</u>
Property and equipment	143,753,500
Less accumulated depreciation	<u>(73,821,514)</u>
Property and equipment, net	<u>69,931,986</u>

BOARD-DESIGNATED CASH AND INVESTMENTS

6,207,392

**UNEXPENDED ESCROW TRANSACTION AND EXIT FEES FOR
HEALTHCARE CENTER PURPOSES**

6,767,125

Total assets

\$ 107,552,343

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Current portion of note payable to bank	\$ 371,125
Accrued liabilities	1,630,771
Current portion of deferred escrow transaction fees	313,650
Member advances	<u>16,738,931</u>
Total current liabilities	19,054,477

NOTE PAYABLE TO BANK, net of current portion

5,961,607

DEFERRED ESCROW TRANSACTION FEES, net of current portion

1,594,777

Total liabilities

26,610,861

MEMBERS' EQUITY

80,941,482

Total liabilities and members' equity

\$ 107,552,343

See accompanying notes.

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
Year Ended December 31, 2013**

REVENUES

Resident service revenue	\$ 20,965,302
Ancillary revenue	1,633,112
Appreciation on resale of memberships	3,538,500
Commission on sale of membership	985,365
	<hr/>
Total revenues	27,122,279

OPERATING EXPENSES

Salaries	11,444,319
Employee benefits and taxes	3,714,638
Insurance	545,946
Legal and professional	307,776
Depreciation	4,082,573
Management fees	1,228,237
Marketing	620,318
Property taxes	479,387
Utilities	1,224,512
Cable and IT services	469,655
Maintenance and supplies	1,303,460
Food and supplies	2,260,986
Ancillary	1,134,795
Other	1,065,375
	<hr/>
Total operating expenses	29,881,977

NET OPERATING LOSS

(2,759,698)

OTHER INCOME (EXPENSE)

Interest income	177,964
Escrow transaction and exit fees	1,242,872
Interest expense	(461,589)
Net unrealized gain on investments	285,332
Other income	2,276
	<hr/>

Loss before provision for income taxes (1,512,843)

PROVISION FOR INCOME TAXES

(1,600)

NET LOSS

\$ (1,514,443)

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
Year Ended December 31, 2013**

	<u>Cooperative Memberships, net</u>	<u>Accumulated Deficit in Retained Earnings</u>	<u>Total Members' Equity</u>
Balance, January 1, 2013	\$ 118,344,015	\$ (35,888,090)	\$ 82,455,925
Net loss	-	(1,514,443)	(1,514,443)
Balance, December 31, 2013	<u>\$ 118,344,015</u>	<u>\$ (37,402,533)</u>	<u>\$ 80,941,482</u>

See accompanying notes.

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from residents for housing services	\$ 10,122,651
Cash received from residents and third-party payers for medical services	7,937,140
Cash received from noncontract residents	1,491,004
Cash received from ancillary revenues and other income	2,980,596
Cash received for resale of memberships	3,538,500
Cash received from commission of sales of memberships	985,365
Cash paid for operating activities, including suppliers and employees	(26,023,495)
Cash received from interest	175,941
Cash paid for interest	(627,367)
	<u>580,335</u>
Net cash provided by operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Additions to property and equipment	(2,847,270)
Purchases of investments	(15,695,808)
Proceeds from investments	11,457,794
Net change in board-designated cash and investments	1,625,496
Net change in unexpended escrow transaction and exit fees for Healthcare Center purposes	682,532
Net change in member advances - investments	5,663,730
	<u>886,474</u>
Net cash provided by investing activities	
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from member advances	4,177,413
Repayment of member advances	(4,132,488)
Proceeds from escrow transaction fees	1,210,621
Repayment of note payable to bank	(346,122)
	<u>909,424</u>
Net cash provided by financing activities	
NET CHANGE IN CASH AND CASH EQUIVALENT	
	2,376,233
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,830,736</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,206,969</u>
RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net loss	\$ (1,514,443)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	4,082,573
Loss on disposal of equipment	16,062
Amortization of deferred escrow transaction fees	(1,242,872)
Changes in assets and liabilities	
Accounts receivable	144,464
Inventory	11,108
Other receivables	4,825
Prepaid expenses	(229,249)
Accrued liabilities and other current liabilities	(692,133)
	<u>\$ 580,335</u>
Net cash provided by operating activities	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for income taxes	<u>\$ 1,600</u>

See accompanying notes.

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 – DESCRIPTION OF THE ORGANIZATION

Rancho San Antonio Retirement Housing Corporation (“RHC”), a California taxable nonprofit mutual benefit corporation, owns the Forum at Rancho San Antonio (the “Community”), which contains 319 independent living units and a healthcare facility (the “Healthcare Center”) in Cupertino, California.

Rancho San Antonio Retirement Services, Inc. (“RSI”) is a separate California taxable nonprofit mutual benefit corporation that provides healthcare services to members of the Community and the general public. RSI leases the Healthcare Center from RHC. The Healthcare Center contains 48 nursing beds and 58 assisted living suites. Members of the Community pay a separate monthly fee to RSI for the Healthcare Center and its services. The California Department of Social Services (“DSS”) and the California Department of Health Services (“DHS”) have certified RHC and RSI to provide care to members of the Community and the public.

Residents of the independent living units of the Community are required to purchase memberships in RHC and to enter into occupancy and healthcare agreements with RHC and RSI, respectively. The memberships are nonrefundable but are transferable at the option of the member, with RHC receiving 50 percent of the appreciation, if any, upon resale of memberships. Members’ equity includes all capital raised from the initial sale of all available cooperative memberships in RHC. The initial sale of all memberships was completed by December 31, 1996.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation – The consolidated financial statements include the accounts of RHC and RSI, of which RHC is the sole member. RHC and RSI would be collectively referred to as the “Company”. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and cash equivalents – Cash and cash equivalents include demand deposit accounts and money market investment accounts with original maturities of three months or less.

Investments – The Company’s investments are included in the following captions on the consolidated balance sheet: investments, member advances – investments, board designated cash and investments and unexpended escrow transaction and exit fees for Healthcare Center purposes. Investments consist of money market funds, which are recorded at cost and approximate fair value, and United States government bonds and certificates of deposit which are classified as investments held to maturity and are recorded at amortized cost. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the net loss.

Accounts receivable – The Company provides services to residents and non-residents even though they may lack adequate funds or may participate in programs that do not pay full charges. The Company receives payments for health services from residents and non-residents, insurance companies, Medicare, Medi-Cal, Medicaid, HMOS, and other third-party payors. As a result, the Company is exposed to certain credit risk. The Company manages its risk by regularly reviewing its account, by providing appropriate allowances for uncollectible accounts.

Inventories – Inventories primarily consist of food and nursing supplies and are stated at the lower of cost or market on a first-in, first-out basis.

Member advances – Under the terms of the healthcare agreement, if a member has received more than 90 consecutive days of care in RSI and sells his or her membership in RHC, the resident is required to advance RSI the lesser of \$300,000 or the net proceeds from the sale. The advance is to be repaid, without interest, within 90 days after the termination of the member’s healthcare agreement. Member advances are available for use by RSI at the discretion of management and the Boards of Directors, and are presented as member advances - investments in the accompanying consolidated balance sheet.

A portion of the funds from member advances has been used to pay a mortgage note in full, as discussed in Note 4.

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Property and equipment – Property and equipment are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets as follows:

Land rights	85 years
Building	40 years
Land and building improvements	8 - 40 years
Furniture, fixtures and equipment	3 - 10 years

The land on which the Community is constructed is leased under an operating lease that expires in 2072. A total of \$13,080,000 has been paid to the property owner which represents the total lease payments required. Amounts paid under the lease are included in land rights and improvements and are amortized on the straight-line method over the term of the lease.

Impairment of long-lived assets and long-lived assets to be disposed of – Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company has determined that no such basis adjustment was necessary at December 31, 2013.

Board-designated cash and investments – Board-designated cash and investments are funds designated for property, equipment repairs and replacements and for insurance costs.

Unexpended escrow transaction and exit fees for Healthcare Center purposes – Unexpended escrow transaction and exit fees for Healthcare Center purposes are maintained by RHC for the purpose of funding operations of the Healthcare Center, including but not limited to general operating expenses, capital repairs, replacements and expansion and construction of new facilities.

Obligation to provide future services – Management annually calculates the present value of the net cost (difference between cost to operate and maintenance fees charged) of future services and use of the Continuing Care Retirement Community (“CCRC”) to be provided to current residents and compares the amount with the balance of deferred revenue from unamortized CCRC membership fees. If the present value of the net cost of future services and use of the CCRC exceeds the deferred escrow transaction fees, a liability is recorded with the corresponding charge to income. No liability was recorded at December 31, 2013.

Revenue recognition – Resident service revenues generated from monthly occupancy fees for independent living units, assisted living units, assisted living suites and nursing beds are recognized monthly based on the terms of the occupancy and service agreements. Ancillary revenues from supplementary services and other items requested by the resident are recognized as the services are provided.

Resident and ancillary revenues include amounts estimated by management to be reimbursable by the Medicare program. Reimbursements (cost-based or otherwise) are subject to examination by agencies administering the program, and provisions are made for potential retroactive adjustments. To the extent those provisions vary from settlements, operations are charged or credited as the adjustments become known.

RHC charges escrow transaction fees to buyers of occupancy rights and exit fees to sellers of occupancy rights as per the occupancy agreement. These fees are collected by RHC and are held for the purpose of funding the Healthcare Center operations. Escrow transaction fees of \$10,000 per resident, collected from buyers, are recognized over the estimated duration of each membership as determined by management to be 11 years. Exit fees collected from sellers, which are calculated as 4% of the greater of the carrying book value of the occupancy rights or the gross sales proceeds of the sale of such occupancy rights, are recognized at close of escrow.

Interest income includes earnings on cash and cash equivalents, board-designated cash and investments, unexpended escrow transaction fees, marketable securities and member advances and is recorded when earned.

Tax status of RHC and RSI – RHC qualifies as a cooperative under Section 216 of the Internal Revenue Code, as amended. To qualify as a cooperative, certain limitations must be met as to the nature of RHC’s revenue. For the year ended December 31, 2013, management believes that this requirement has been met because more than 80% of the revenue earned was from resident sources.

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

RHC and RSI are subject to federal and state income taxes and provide for income taxes under the asset and liability method in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*.

Fair value measurements – FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, prescribes fair value measurements and disclosures for financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements. FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The carrying amounts reported in the consolidated balance sheet for cash and cash equivalents, interest receivable and other prepaid expenses, unexpended escrow transaction and exit fees for Healthcare Center purposes, accrued liabilities, deferred escrow transaction fees, member advances, and long-term debt approximate fair value. The fair values of investments are disclosed in Note 3.

The Company's policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounting estimates include contractual and uncollectible accounts receivable, useful lives of fixed assets, deferred escrow transaction fees, and future service benefit obligation.

Concentration of risk – Financial instruments potentially subjecting the Company to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC") limits and accounts receivable.

The Company also grants credit without collateral to its patients, most of whom are individuals insured under third-party payor agreements. The Company manages its collection risk by regularly reviewing its accounts and contracts and by providing appropriate allowances.

Medicare	41%
Private pay	42%
Third-party insurance	12%
Other payors	5%
	100%

Professional liability insurance – The Company insures for professional liability claims under a claims-made policy. Under the policy, insurance premiums cover only those claims actually reported during the policy term, up to \$1,000,000 of coverage for each occurrence and \$3,000,000 in aggregate. Should the claims-made policy not be renewed, or replaced with equivalent insurance, claims related to occurrences during their terms but reported subsequent to their termination may be uninsured. Management is not aware of any pending claims that exceed the coverage limitations provided by their policy. Management is of the opinion that the impact, if any, is immaterial, and any settlement would not have a material adverse effect on the Company's consolidated financial position or results of operations. Management's estimate of the Company's liability for expected losses from reported and unreported incidents is based on the Company's historical claim experience within stop-loss coverage limits. The accrual for this liability is included in accrued liabilities on the consolidated balance sheet.

Advertising costs – The Company expenses advertising costs as incurred. Advertising cost totaled \$225,224 for the year ended December 31, 2013.

Net operating loss – The statement of operations include net operating loss. Other income and expenses which are excluded from net operating loss, consistent with industry practice, include interest income, escrow transaction and exit fees, interest expense, net unrealized gain on investments, and other income.

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 3 - INVESTMENTS

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement, in its entirety.

The fair values of the financial instruments as of December 31, 2013, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents – The carrying amounts at face value approximate fair value because of the short maturity of these instruments.

Marketable investment securities – Marketable equity securities, debt securities, and mutual funds are measured using quoted market prices at the reporting date multiplied by the quantity held.

Investments by level at December 31, 2013 are as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ 2,295,843	\$ -	\$ -	\$ 2,295,843
U.S. government securities	3,883,337	-	-	3,883,337
Equity				
Domestic	2,477,209	-	-	2,477,209
International	1,038,467	-	-	1,038,467
Fixed Income Funds				
Domestic	5,926,216	-	-	5,926,216
International	1,336,021	-	-	1,336,021
Certificates of deposit	-	1,776,000	-	1,776,000
Cash and cash equivalents	11,914,307	-	-	11,914,307
	<u>\$ 28,871,400</u>	<u>\$ 1,776,000</u>	<u>\$ -</u>	<u>\$ 30,647,400</u>

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Investments, at fair value, at December 31, 2013 include the following:

Investments	\$ 6,584,370
Member advances - investments	11,088,513
Board designated cash and investments	6,207,392
Unexpended escrow transaction and exit fees for healthcare center purposes	<u>6,767,125</u>
	<u>\$ 30,647,400</u>

NOTE 4 – NOTES PAYABLE

Note payable to bank – At December 31, 2013 note payable to the bank consist of the following:

Note payable to Comerica Bank maturing in 2026 with a fixed interest rate of 7.5% through April 2012. The rate was renegotiated to 6.9% effective May 2012 through the maturity date. Monthly principal payable of \$36,587. Collateralized with all assets of the Company.

	<u>\$ 6,332,732</u>
Less current portion	<u>371,125</u>
	<u>\$ 5,961,607</u>

Under the terms of the note payable to Comerica, the Company is required to maintain certain deposits with the lender. Such deposits are included in cash and cash equivalents. Management believes that the Company was in compliance with the requirement as of and for the year ended December 31, 2013.

Future principal payments required under the loan agreement above are as follows:

Year Ending December 31.

2014	\$ 371,125
2015	397,939
2016	425,578
2017	457,434
2018	490,481
Thereafter	<u>4,190,175</u>
	<u>\$ 6,332,732</u>

Long-term debt is carried at amortized cost. The fair value of Company's long-term debt is estimated to equal its carrying value based on Level 2 inputs, such as the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Note payable from RHC to RSI – During 2003, RHC borrowed \$4,500,000 from RSI in order to pay a loan in full. RHC has a note payable to RSI for the outstanding principal amount. The note bears interest at 6.5% and RHC makes monthly principal and interest payments to RSI for the term of the note, ending on February 1, 2033. At the option of RSI, the note is payable on 120 day demand. The note payable and related interest, which had an outstanding balance of \$2,553,789 as of December 31, 2013, has been eliminated upon consolidation of the financial statements.

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 5 - MANAGEMENT SERVICES

Through May 2012 the Company was managed by Sunrise Senior Living Services, Inc. ("Sunrise") for a base fee of 6.5% of gross revenue, as defined in the management agreement.

In June 2012, the Company entered into a management agreement with Life Care Services, LLC (the "Manager") for a term of five years. The fee paid to the Manager is 4.65% of gross revenue, as defined in the management agreement.

The Manager and Sunrise utilize their centralized payroll, purchasing and distribution functions, and employee benefit plans.

NOTE 6 - CONTINUING CARE RESERVE REQUIREMENTS

RHC is subject to statutory reserve requirements. At December 31, 2013 RHC's reserves, as calculated in accordance with Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements.

NOTE 7 - INCOME TAXES

The current provision for tax expenses was \$1,600 for the year ended December 31, 2013.

Deferred taxes are recorded for differences in the timing of the recognition of revenues and expenses for financial reporting and income tax purposes. A deferred tax asset is recognized for all deductible temporary differences and operating loss carry forwards. A valuation allowance is recognized if it is more likely than not that some portion or all of the deferred tax asset will not be recognized.

Deferred income tax assets (liabilities):	
Net operating loss, capital loss, and contributions carryover	\$ 6,641,327
Buyers fees	777,608
Depreciation	413,094
Bad debts	14,058
Accrued liabilities and change in accounting method	115,200
Unrealized gains on securities	<u>(115,351)</u>
Total deferred income tax assets	7,845,936
Valuation allowance	<u>(7,845,936)</u>
Net deferred income taxes	<u>\$ -</u>

The valuation allowance increased by \$982,690 during the year ended December 31, 2013.

Net operating loss carryforwards for federal tax purposes amount to approximately \$17,662,666 and begin to expire in 2017. Net operating loss carryforwards for California tax purposes amount to approximately \$7,331,086 and begin to expire in 2015.

Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the consolidated financial statements. With few exceptions, the Company is no longer subject to income tax examinations by federal and state authorities for the years before 2010 and 2009, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company may be a party to claims and legal actions. While the outcome cannot be determined at this time, management's opinion is the liability, if any, from these actions will not have a material adverse effect on the Company's consolidated financial position or results of operations.

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 9 - HEALTH AND SAFETY CODE SECTION 1790(A)(3) DISCLOSURE

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health and Safety Code: no reserves are being accumulated for identified projects or contingencies.

NOTE 10 - SUBSEQUENT EVENTS

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

Subsequent events have been evaluated through April 25, 2014, which is the date the consolidated financial statements are available to be issued.

SUPPLEMENTARY INFORMATION

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2013**

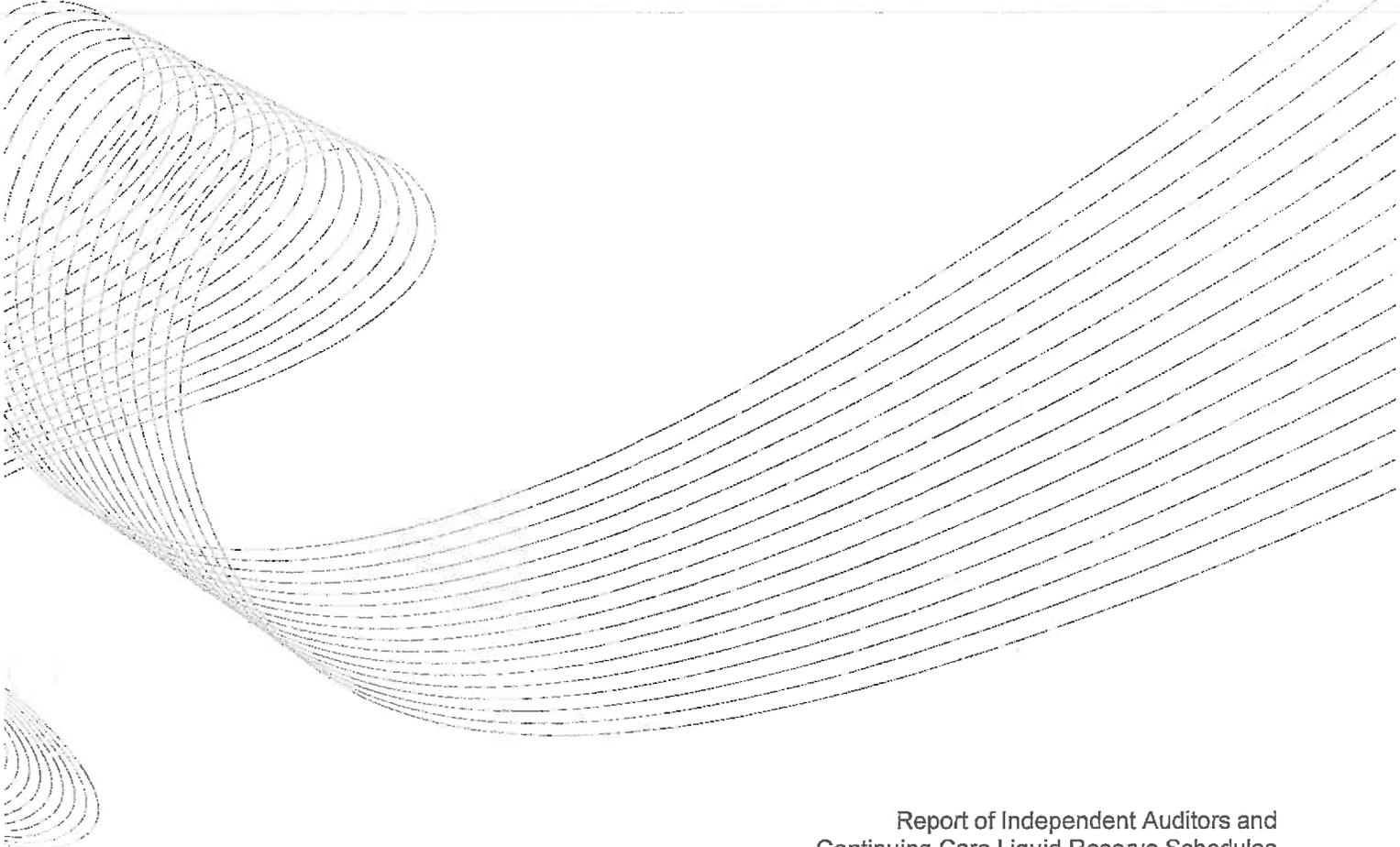
	<u>RHC</u>	<u>RSI</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,854,835	\$ 3,352,134	\$ -	\$ 5,206,969
Investments	6,584,370	-	-	6,584,370
Accounts receivable, net	72,827	881,281	-	954,108
Account receivable from RSI	964,855	-	(964,855)	-
Current portion of note receivable from RHC	-	84,434	(84,434)	-
Inventories	32,234	27,947	-	60,181
Interest receivable and other	27,917	16,107	-	44,024
Prepaid expenses	434,650	273,025	-	707,675
Member advances - investments	-	11,088,513	-	11,088,513
Total current assets	<u>9,971,688</u>	<u>15,723,441</u>	<u>(1,049,289)</u>	<u>24,645,840</u>
PROPERTY AND EQUIPMENT				
Land rights and improvements	16,075,511	-	-	16,075,511
Buildings and improvements	114,396,711	-	-	114,396,711
Furniture and equipment	11,277,656	-	-	11,277,656
Construction in process	2,003,622	-	-	2,003,622
Property and equipment	143,753,500	-	-	143,753,500
Less accumulated depreciation	<u>(73,821,514)</u>	<u>-</u>	<u>-</u>	<u>(73,821,514)</u>
Property and equipment, net	69,931,986	-	-	69,931,986
NOTE RECEIVABLE FROM RHC	-	2,469,355	(2,469,355)	-
BOARD-DESIGNATED CASH AND INVESTMENTS	6,008,313	199,079	-	6,207,392
UNEXPENDED ESCROW TRANSACTION AND EXIT FEES FOR HEALTHCARE CENTER PURPOSES	<u>6,767,125</u>	<u>-</u>	<u>-</u>	<u>6,767,125</u>
Total assets	<u>\$ 92,679,112</u>	<u>\$ 18,391,875</u>	<u>\$ (3,518,644)</u>	<u>\$ 107,552,343</u>
LIABILITIES AND MEMBERS' EQUITY				
CURRENT LIABILITIES				
Current portion of note payable to bank	\$ 371,125	\$ -	\$ -	\$ 371,125
Current portion of note payable to RSI	84,434	-	(84,434)	-
Accrued liabilities	849,701	781,070	-	1,630,771
Accounts payable to RHC	-	964,855	(964,855)	-
Current portion of deferred escrow transaction fees	313,650	-	-	313,650
Member advances	-	16,738,931	-	16,738,931
Total current liabilities	1,618,910	18,484,856	(1,049,289)	19,054,477
NOTE PAYABLE TO BANK, net of current portion	5,961,607	-	-	5,961,607
NOTE PAYABLE TO RSI, net of current portion	2,469,355	-	(2,469,355)	-
DEFERRED ESCROW TRANSACTION FEES, net of current portion	<u>1,594,777</u>	<u>-</u>	<u>-</u>	<u>1,594,777</u>
Total liabilities	11,644,649	18,484,856	(3,518,644)	26,610,861
MEMBERS' EQUITY	<u>81,034,463</u>	<u>(92,981)</u>	<u>-</u>	<u>80,941,482</u>
Total liabilities and members' equity	<u>\$ 92,679,112</u>	<u>\$ 18,391,875</u>	<u>\$ (3,518,644)</u>	<u>\$ 107,552,343</u>

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2013**

	<u>RHC</u>	<u>RSI</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES				
Resident service revenue	\$ 10,031,435	\$ 10,933,867	\$ -	\$ 20,965,302
Ancillary revenue	211,585	1,421,527	-	1,633,112
Appreciation on resale of memberships	3,538,500	-	-	3,538,500
Commission on sale of memberships	985,365	-	-	985,365
Rental income from RSI	1,495,174	-	(1,495,174)	-
Total revenues	<u>16,262,059</u>	<u>12,355,394</u>	<u>(1,495,174)</u>	<u>27,122,279</u>
OPERATING EXPENSES				
Salaries	5,748,401	5,695,918	-	11,444,319
Employee benefits and taxes	1,764,567	1,950,071	-	3,714,638
Insurance	429,750	116,196	-	545,946
Legal and professional	290,197	17,579	-	307,776
Depreciation	4,082,573	-	-	4,082,573
Management fees	652,770	575,467	-	1,228,237
Marketing	615,059	5,259	-	620,318
Property taxes	479,387	-	-	479,387
Utilities	850,679	373,833	-	1,224,512
Cable and IT services	324,497	145,158	-	469,655
Maintenance and supplies	1,087,415	216,045	-	1,303,460
Food and supplies	1,540,954	720,032	-	2,260,986
Ancillary	-	1,134,795	-	1,134,795
Other	(77,047)	1,142,422	-	1,065,375
Rental expense to RHC	-	1,495,174	(1,495,174)	-
Total operating expenses	<u>17,789,202</u>	<u>13,587,949</u>	<u>(1,495,174)</u>	<u>29,881,977</u>
NET OPERATING LOSS	<u>(1,527,143)</u>	<u>(1,232,555)</u>	<u>-</u>	<u>(2,759,698)</u>
OTHER INCOME (EXPENSE)				
Interest income	177,964	163,721	(163,721)	177,964
Escrow transaction and exit fees	342,872	900,000	-	1,242,872
Interest expense	(625,310)	-	163,721	(461,589)
Net unrealized gain on investments	185,443	99,889	-	285,332
Other income	1,393	883	-	2,276
Loss before provision for income taxes	<u>(1,444,781)</u>	<u>(68,062)</u>	<u>-</u>	<u>(1,512,843)</u>
PROVISION FOR INCOME TAXES	<u>(800)</u>	<u>(800)</u>	<u>-</u>	<u>(1,600)</u>
NET LOSS	<u>\$ (1,445,581)</u>	<u>\$ (68,862)</u>	<u>\$ -</u>	<u>\$ (1,514,443)</u>

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CONTINUING CARE
CONTRACTS BRANCH



Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

**Rancho San Antonio Retirement
Housing Corporation and
Rancho San Antonio Retirement
Services, Inc.**

December 31, 2013

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Members of the Audit Committee and the Board of Directors of
Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Rancho San Antonio Retirement Housing Corporation ("RHC") and Rancho San Antonio Retirement Services, Inc. ("RSI") (collectively referred to as the "Company"), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 as of and for the year ended December 31, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements 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 continuing care reserve of the Company as of and for the year ended December 31, 2013, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by the Company on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying Supplementary Form 5-4, Reconciliation to Audit Report; and Supplementary Form 5-5, Reconciliation to Audit Report; presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Rancho San Antonio Retirement Housing Corporation and Rancho San Antonio Retirement Services, Inc., and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
April 25, 2014

CONTINUING CARE LIQUID RESERVE SCHEDULES

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
FORM 5-1
LONG-TERM DEBT INCURRED IN PRIOR FISCAL YEAR**

**FORM 5-1
LONG-TERM DEBT INCURRED
IN 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	01/17/06	\$346,122	\$461,589		\$807,711
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$346,122	\$461,589	\$0	\$807,711

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

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

PROVIDER: Rancho San Antonio, RHC & RSI

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
FORM 5-2
LONG-TERM DEBT INCURRED DURING FISCAL YEAR**

**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					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
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: Rancho San Antonio, RHC & RSI

RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
 RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
 FORM 5-3
 CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$807,711
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)	\$0
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$807,711

PROVIDER: Rancho San Antonio, RHC & RSI

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES**

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$30,343,566
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$461,589
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0
	c. Depreciation	\$4,082,573
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$1,491,004
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$6,035,166
4	Net Operating Expenses	\$24,308,400
5	Divide Line 4 by 365 and enter the result.	\$66,598
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$4,994,850

PROVIDER: Rancho San Antonio, RHC & RSI

COMMUNITY: Rancho San Antonio, dba, The Forum at Rancho San Antonio

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: Rancho San Antonio, RHC & RSI
 Fiscal Year Ended: 31-Dec-13

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:

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$807,711
[2] Operating Expense Reserve Amount	\$4,994,850
[3] Total Liquid Reserve Amount:	\$5,802,561

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

<u>Qualifying Asset Description</u>	<u>Amount</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$807,711	\$11,166,383
[5] Investment Securities	\$0	\$6,584,370
[6] Equity Securities	\$0	\$0
[7] Unused/Available Lines of Credit	\$0	\$0
[8] Unused/Available Letters of Credit	\$0	\$0
[9] Debt Service Reserve	\$0	(not applicable)
[10] Other: Board Designated Cash & Investments	\$0	\$6,207,392
(describe qualifying asset)		
Total Amount of Qualifying Assets	\$807,711 [12]	\$23,958,145
Reserve Obligation Amount: [13]	\$807,711 [14]	\$4,994,850
Surplus/(Deficiency): [15]	\$0 [16]	\$18,963,295

Signature:



 (Authorized Representative)

Date: April 25, 2014

Chief Financial Officer

 (Title)

SUPPLEMENTARY SCHEDULES

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
SUPPLEMENTARY FORM 5-4
RECONCILIATION TO AUDIT REPORT
DECEMBER 31, 2013**

Total Operating Expenses	\$ 29,881,977
Add: Interest Expense	<u>461,589</u>
Total operating expenses from financial statements	<u><u>\$ 30,343,566</u></u>

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
SUPPLEMENTARY FORM 5-5
RECONCILIATION TO AUDIT REPORT
DECEMBER 31, 2013**

	<u>Total</u>
Cash and cash equivalents	\$ 5,206,969
Unexpended escrow transaction and exit fees for healthcare center purposes	<u>6,767,125</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 11,974,094</u>
TOTAL CASH AND CASH EQUIVALENTS FOR DEBT SERVICE RESERVE	\$ 807,711
TOTAL CASH AND CASH EQUIVALENTS FOR OPERATING RESERVE	<u>11,166,383</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 11,974,094</u>

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)	1787-3773 plus 610 HC Fee	3498 plus 610 HC Fee	4715 plus 610 HC Fee
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	5.2% and 4.3% HC Fee	4.3% and 4.3% HC Fee	6.6% and 4.3% HC Fee

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: Jan 1, 2013
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

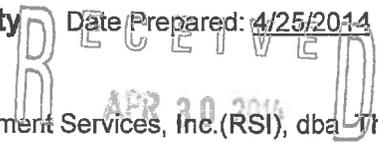
- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, 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: Rancho San Antonio, RHC & RSI
COMMUNITY: Rancho San Antonio, RHC & RSI

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

Date Prepared: 4/25/2014



FACILITY NAME: Rancho San Antonio- Retirement Housing Corp.(RHC) & Retirement Services, Inc.(RSI), dba The Forum at Rancho San Antonio

ADDRESS: 23500 Cristo Rey Dr. ZIP: 95014 PHONE: 650-944-0100
 CODE: CONTINUING CARE CONTRACTS BRANCH

PROVIDER NAME: RSA, RHC & RSI FACILITY OPERATOR: Managed by Life Care Services

RELATED FACILITIES: RELIGIOUS AFFILIATION: None

YEAR OPENED: 1991 NO. OF ACRES: 54 MULTI-STORY MULTI-STORY OTHER:

MILES TO SHOPPING CTR: 1.5 MILES HOSPITAL: <5

NUMBER OF UNITS: RESIDENTIAL LIVING HEALTH CARE

APARTMENTS - STUDIO	ASSISTED LIVING	58 units
APARTMENTS - 1 BDRM 135	SKILLED NURSING	48 licensed beds
APARTMENTS - 2 BDRM 124	SPECIAL CARE	
COTTAGES/HOUSES 60	DESCRIBE SPECIAL CARE:	

RLU OCCUPANCY (%) AT YEAR END 94%

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY:

FORM OF CONTRACT: CONTINUING CARE LIFE CARE ENTRY FEE FEE FOR SERVICE
 ASSIGNMENT OF ASSETS EQUITY MEMBERSHIP RENTAL

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

RANGE OF ENTRANCE FEES: \$ n/a TO \$ LONG-TERM CARE INSURANCE REQUIRED? Y N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 90 temporary care days, and discounted membership fee

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: OTHER: Application

RESIDENT REPRESENTATIVE TO THE BOARD: Per bylaws of RHC – Board directors are elected by the resident membership (Board members elected are residents within the community nominated by the Nominating Committee); Per bylaws of RSI – RHC is the sole member and appoints 7 RSI board directors of which 5 are required to be residents.

FACILITY SERVICES AND AMENITIES

Common Area Amenities	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	4	+X
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	1	+X
BOWLING GREEN (Bocce Ball)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	X	+X
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 checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA (Jacuzzi)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/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 type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP (Hobby Shop)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER High Speed Internet	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER	<input type="checkbox"/>	<input type="checkbox"/>		<input 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: ___ Rancho San Antonio- RHC & RSI, dba The Forum at Rancho San Antonio _____

CCRCs

LOCATION (City, State)

PHONE (with area code)

Forum at Rancho San Antonio, RHC

23500 Cristo Rey Dr.
Cupertino, CA 95014

650-944-0100

Forum at Rancho San Antonio, RSI

23600 Via Esplendor
Cupertino, CA 95014

650-944-0200

Not a Life care

MULTI-LEVEL RETIREMENT COMMUNITIES

Forum at Rancho San Antonio, RHC

23500 Cristo Rey Dr.
Cupertino, CA 95014

650-944-0100

Forum at Rancho San Antonio, RSI

23600 Via Esplendor
Cupertino, CA 95014

650-944-0200

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: Rancho San Antonio- RHC & RSI, dba The Forum at Rancho San Antonio

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$ 20,057,157	\$ 20,431,759	\$ 21,730,943	\$ 27,122,279
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	-\$23,291,873	-\$23,967,723	-\$25,299,275	-\$25,799,404
NET INCOME FROM OPERATIONS	<u>-\$ 3,234,716</u>	<u>-\$ 3,535,964</u>	<u>-\$ 3,568,332</u>	<u>\$ 1,322,875</u>
LESS INTEREST EXPENSE	-\$ 559,277	-\$ 539,747	-\$ 492,852	-\$ 461,589
PLUS CONTRIBUTIONS	_____	_____	_____	_____
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	\$ 7,198,208	\$ 5,202,034	\$ 7,195,900	\$ 1,423,112
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>\$ 3,404,215</u>	<u>\$ 1,126,323</u>	<u>\$ 3,134,716</u>	<u>\$ 2,282,798</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	_____	_____	_____	_____

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
N/A	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

FINANCIAL RATIOS (see next page for ratio formulas)

	2012 CCAC Medians 50 th Percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO	_____	.062	.058	.055
OPERATING RATIO	_____	.96	.89	.92
DEBT SERVICE COVERAGE RATIO	_____	5.96	10.6	4.8
DAYS CASH-ON-HAND RATIO	_____	225.34	334.49	344.20

**HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE**

	2010	%	2011	%	2012	%	2013
STUDIO	1574	2.0	1606	5.8	1699	5.2	1699
ONE BEDROOM	2537	2.0	2588	5.8	2737	5.2	2737
TWO BEDROOM	2624	2.0	2677	5.8	2832	5.2	2832
COTTAGE/HOUSE	3042	6.0	3224	4.1	3355	4.3	3355
ASSISTED LIVING	3772	8.9	4206	7.7	4423	6.6	4423
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: HC Fee \$550 4.5% \$575 1.7% \$585 4.3% \$610
Rates for 3 of 10 specific unit styles are listed above. See attached fee schedules for each rate.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash} \\ \text{And Investments} \\ \text{+ Unrestricted Non-Current Cash} \\ \text{and Investments} \end{array}}{(\text{Operating Expenses} - \text{Depreciation} \\ - \text{Amortization})/365}$$

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.

Addendum to Annual Report

2014 Checklist

R E C E I V E D
APR 30 2014

CONTINUING CARE
CONTRACTS BRANCH

- ✓ Disclosure required by Health & Safety Code Section 1790(a)(2) and (3) regarding fixed assets and reserves
- ✓ Fees
- ✓ Budgeted Cash Reserves
- ✓ Budget

The Forum at Rancho San Antonio
Assessment and Reserve Funding Disclosure Summary
Reserve Study - Fiscal Year Ending 2013
For Budget Year Beginning 2014

(1) The regular assessment per ownership interest is \$394.15 per month.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page N/A of the attached summary.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date assessment will be due:	Amount per ownership interest per month or year (If assessments are variable, see note immediately below):	Purpose of the assessment:
_____	N/A	_____
_____	_____	_____
_____	_____	_____
_____	Total: N/A	_____

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page N/A of the attached report.

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes X No

(4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members?

Approximate date assessment will be due:	Amount per ownership interest per month or year:
_____	_____
_____	_____
_____	_____
_____	Total: N/A

(5) All major components are included in the reserve study and are included in its calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$12,085,361, based in whole or in part on the last reserve study or update prepared by **zumBrunnen, Inc** as of **July 2013**. The projected reserve fund cash balance at the end of the current fiscal year is \$5,000,000 resulting in reserves being 35.62 percent funded in December 2014.

If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$N/A.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is \$See Below.

Year	2014	2015	2016	2017	2018
Estimated Amount Req'd In Fund	\$12,127,120	\$14,102,156	\$16,025,527	\$16,890,315	\$18,817,421
Proj. Reserve Balance (Approved)	\$4,319,698	\$4,334,439	\$4,328,505	3,727,881	\$5,038,085
Percent Funded	35.62%	30.74%	27.01%	22.07%	26.77%

Note: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 4% percent per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.5% percent per year.

(b) For the purposes of preparing a summary pursuant to this section:

(1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.

(2) "Major component" has the meaning used in Section 55530. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.

(3) The form set out in subdivision (a) shall accompany each annual budget report or summary thereof that is delivered pursuant to Section 5300. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.

(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

**2013 Assisted Living Rates For
The Forum at Rancho San Antonio (Members)**

		HC Occu- pancy Fee Daily	HC Occupancy Fee	HC Fee	see dementia fees	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
	AL Permanent 1st member standard fee's	\$ 115.00	\$ 3,497.92	\$ 610.00		add as shown below		\$ 4,107.92
	AL Permanent 2nd member standard fee's	\$ 60.00	\$ 1,825.00	\$ 610.00		add as shown below		\$ 2,435.00
	Charge for Temporary Days, 2nd and 3rd Meal	\$ 20.50	\$ 623.54	plus HC Fee	plus IL Occupancy Fee	add as shown below		
			per month	per month				
			per month	per month				
			per month	per month				
	Room Type	Sq Ft				Room Premium - Differential Per Day	Room Premium Differential (differential per month)	
A-1	18 Studio	358	\$ 60.00	\$ 60.00		\$ -	\$ -	
A-2	14 Studio (with Patio)	358	\$ 72.00	\$ 72.00		\$ 12.00	\$ 365.00	
A-3	8 Studio	388	\$ 72.00	\$ 60.00		waived		
A-4	2 Studio	391	\$ 72.00	\$ 60.00		waived		
B-1	8 Single Studio / Double Studio (without Kitchen)	435	\$ 93.00	\$ 93.00		\$ 33.00	\$ 1,003.75	
B-2	4 Single Studio / Double Studio (with Kitchen)	435	\$ 92.00	\$ 93.00		\$ 33.00	\$ 1,003.75	
C-1	1 One Bed Room	520	\$ 188.00	\$ 188.00		\$ 128.00	\$ 3,893.33	
C-1	1 One Bed Room (with Patio)	520	\$ 198.00	\$ 198.00		\$ 138.00	\$ 4,197.50	
C-2	2 One Bed Room Deluxe	780	\$ 260.00	\$ 260.00		\$ 200.00	\$ 6,083.33	

**2013 Skilled Nursing Rates For
The Forum at Rancho San Antonio (Members)**

	HC Occu- pancy Fee Daily	HC Occupancy Fee	HC Fee per month	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
SNF Permanent 1st member standard fee's	\$155.00	\$4,714.58	\$ 610.00 per month	add as shown below		\$ 5,324.58
SNF Permanent 2nd member standard fee's	\$92.00	\$2,798.33	\$ 610.00 per month	add as shown below		\$ 3,408.33
Charge for Temporary Days, 2nd and 3rd Meal	\$20.50	\$623.54	plus HC Fee	plus IL Occupancy Fee		
Member room premium				Differential Per Day	(differential per month)	
Private Room				\$141.00	\$4,288.75	

**2013 Skilled Nursing Rates For
The Forum at Rancho San Antonio (Members)**

Other Clarifying charges									
		HC Occupancy Fee	HC Fee	Room Premium Differential	Room Premium Differential	Avg Monthly Rate			
	Posted Base Rate, for conditional member contract	\$366.00							
	Conditional Member 90% of Posted Base Rate rate plus room premium as applicable (90% scales down 5% for every year of membership starting in Year 2 of membership)	\$ 329.40		add as above		\$ 10,019.25			
		HC Occupancy Fee	HC Occupancy Fee	Meal Credit					
	Health Center Occupancy Fee's for maintaining membership	1st member AL Fee	\$ 115.00	\$ 20.05	\$ (27.00)	\$3,286.67			
	Health Center Occupancy Fee's for maintaining membership	2nd member AL Fee	\$ 60.00	\$ 20.05	\$ (27.00)	\$1,613.75			
	(To maintain "Membership" at the Forum, either in Independent Living or the Health Care Center, one must pay an Occupancy Fee and a Health Care Fee. These fees entitle you to all Forum activities, services and other amenities. These fees must be paid, irrespective of payments from Medicare or other personal insurance benefits. The minimum Health Center Occupancy Fee's for maintaining membership is the member rate for Model A1 AL Studio less applicable meal credits)								

Note: 2012 is a Leap Year. Average Month is based on 365 days

**2013 Assisted Living Rates For
The Forum at Rancho San Antonio (Non-Members)**

MODEL		SQ FT	DAILY RATE		AVG MONTHLY RATE
A . 1	Studio	358	\$ 242.00	per day	\$7,361
A . 2	Studio (with Patio)	358	\$ 254.00	per day	\$7,726
A . 3	Studio	388	\$ 254.00	per day	\$7,726
A . 4	Studio	391	\$ 254.00	per day	\$7,726
B . 1	Single Studio / Double Studio (without Kitchen)	435	\$ 275.00	per day	\$8,365
B . 2	Single Studio / Double Studio (with Kitchen)	435	\$ 275.00	per day	\$8,365
C . 1	One Bed Room	520	\$ 370.00	per day	\$11,254
C . 1	One Bed Room (with Patio)	520	\$ 380.00	per day	\$11,558
C . 2	One Bed Room Deluxe	780	\$ 442.00	per day	\$13,444
Additional Charges to add to Room Charge					
	Dementia Fee Level 1		48.00	per day	\$1,460.00
	Dementia Fee Level 2		65.00	per day	\$1,977.08
	Community Service Fee			Equal to One Months Rental Fee	

**APPENDIX D
THE FORUM AT RANCHO SAN ANTONIO
CURRENT YEAR & FIVE-YEAR HISTORIC SCHEDULE OF MONTHLY FEES**

Comparative Fee Schedule for 2013

Occupancy Fee's:

Unit Style	2013	%Increase	2012	%Increase	2011	%Increase	2010	%Increase	2009	%Increase	2008	%Increase
A	1787	5.18%	1699	5.76%	1606	2.06%	1574	0.00%	1574	0.00%	1574	2.47%
AD	1986	5.20%	1888	5.76%	1785	2.06%	1749	0.00%	1749	0.00%	1749	2.52%
B	2284	5.21%	2171	5.76%	2053	2.02%	2012	0.00%	2012	0.00%	2012	2.55%
C	2582	5.21%	2454	5.76%	2320	2.04%	2274	0.00%	2274	0.00%	2274	2.52%
D	2780	5.19%	2643	5.76%	2499	2.04%	2449	0.00%	2449	0.00%	2449	2.51%
E	2880	5.21%	2737	5.76%	2588	2.02%	2537	0.00%	2537	0.00%	2537	2.55%
F	2979	5.20%	2832	5.76%	2677	2.04%	2624	0.00%	2624	0.00%	2624	2.50%
G	2979	5.20%	2832	5.76%	2677	2.04%	2624	0.00%	2624	0.00%	2624	2.50%
V	2979	5.20%	2832	5.76%	2677	2.04%	2624	0.00%	2624	0.00%	2624	2.50%
VD	3773	5.19%	3587	5.76%	3391	2.03%	3324	0.00%	3324	0.00%	3324	2.53%
2ND Person	695	5.19%	661	5.76%	625	2.08%	612	0.00%	612	0.00%	612	2.51%

Health Care Fee

Per Person	610	4.3%	585	1.7%	575	4.5%	550	10.0%	500	-9.1%	550	0.0%
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RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
RSI CASH RESERVE REVIEW
2013 Budget - FINAL

Operations and reserved cash FBO RSI

Expenses as budgeted	\$ 12,254,583	
75 days required reserve for DSS		\$ 2,518,065
75 days operating reserve		<u>\$ 2,518,065</u>
Required cash reserve		<u>\$ 5,036,130</u>

Estimated Cash

EOY 2012 Est cash Balance	\$ 25,000
Liability to Healthcare Loan	\$ (610,000)
EOY 2012 est e/e cash fund	\$ 5,922,737
2013 e/e income	\$ 930,000
2013 e/e expense to RSI	<u>\$ (980,000)</u>
	<u>\$ 5,287,737</u>

Estimated (Shortfall)/ Excess of RSI requested cash reserves	<u>\$ 251,606</u>
-----------------------------------------------------------------	-------------------

Days (short)/excess in reserve: 7

RANCH C AN ANTONIO RETIREMENT HOUSING CORPORATION
Analysis of Cash Reserves to Cash Requirement for RHC
2013 Budget - FINAL

Guided by Policy 31: Operating Cash Requirements

A. Budget – Short Term Threshold Test	
1 Total Expenses as budgeted for 2013	\$ 13,930,088
2 75 days required reserve for DSS	\$ 2,862,347
3 75 days operating expenses	\$ 2,862,347
4 1 years loan payments	\$ 1,028,979
5 Required cash reserve	\$ 6,753,673
6 Estimated Cash	
7 EOY 2012 est. cash*	\$ 9,300,000
8 Liability for expenses	\$ (550,000)
9 Est. use of Cash for 2013 Budget	\$ 215,883
10 Estimated Cash	\$ 8,965,883
11 difference of cash to cash requirements	\$ 2,212,210

Comments:

- (1) 5 Year Outlook assumes higher level of resale appreciation in 2013O through 2014O with reduced resale in coming years.
- (2) By the end of the 3-5 year outlook there is an assumption that resale appreciation per unit average will start diminishing as average length of stay decreases per unit.
- (3) POA's is currently at approximately 12 and assuming 13 for 2013 with 12 assumed number of POAs each year thereafter in the 5 year outlook.
- (4) A 5% IL Occupancy assumed in the 5 Yr Outlook in order to keep up with cash outflow from Fixed Asset requirements in the coming years as well as offsetting budgeted deficits and cash on hand declining trend.

	2013B	2014O	2015O	2016O	2017O	2018O
12 Fixed Asset Reserve Requirement		4,152,704	4,074,785	2,155,932	2,928,414	3,527,987
13 Fixed Asset Reserve Balance, end of year 2012 est. (See Summary of Reserve Balances for 2012 Budget)	4,213,669					
14						
15 Insurance Reserve Requirement (Business Continuity)		\$ 1,323,932	\$ 1,330,552	\$ 1,337,204	\$ 1,343,890	\$ 1,350,610
16 Insurance Reserve Balance, end of year 2012 est.	\$ 1,317,345					
17 B. Five Year Outlook – Long Term Threshold Test						
18 Cash on Hand Calculation for RHC:						
19 Cash	8,965,883	9,295,063	8,863,800	8,538,800	8,243,800	8,288,800
20 Board Designated, Component Reserve Fund	4,213,669	4,152,704	4,074,785	2,155,932	2,928,414	3,527,987
21 Less 25% for HCC for Fixed Assets	(1,053,417)	(1,038,176)	(1,018,696)	(538,983)	(732,104)	(881,997)
22 Board Designated, Insurance Reserve Fund	1,317,345	1,323,932	1,330,552	1,337,204	1,343,890	1,350,610
23 Total Unrestricted Cash (for Cash on Hand) [A]	15,550,315	15,809,875	15,287,833	12,570,919	13,248,208	14,049,393
24 Operating Expenses (excl depreciation) [B]	13,930,088	14,347,991	14,778,430	15,221,783	15,678,437	16,148,790
25 Operating Expenses Per Day [B]/365	38,165	39,310	40,489	41,704	42,955	44,243
26 Days Cash on Hand Ratio: [A]/[B]/365	407	402	378	301	308	318

Rancho San Antonio Retirement Housing Corporation
Year over Year Operating Statement

Budget Fiscal Year Ending: 2013
Entity 2787

2013 Budget - FINAL	2012		2013	% Total	Yr ovr Yr S	Yr ovr Yr %
	Budget	Projected	Budget		2012P vs 2013B	2012P vs 2013B
1 Occupancy Fees	9,315,000	9,337,574	9,928,713	67%	591,139	6.3%
2 Membership Resale Income	3,250,000	4,373,438	3,780,000	25%	(593,438)	-13.6%
3 Resale Commissions	225,750	262,975	910,000	6%	647,025	246.0%
4 Interest & Dividends	105,705	90,705	92,519	1%	1,814	2.0%
5 Other Operating Revenue	289,709	220,895	212,856	1%	(8,039)	-3.6%
6 Total Operating Revenue	13,186,164	14,285,587	14,924,088		638,502	4.5%
				% Total		
7 Wages	5,252,763	4,812,331	5,361,961	41%	549,630	11.4%
8 Employee Taxes/Benefits/Empl Related Expenses	1,417,104	1,631,678	1,796,741	14%	165,063	10.1%
9 Insurance - General	708,930	624,419	440,414	3%	(184,004)	-29.5%
10 Legal and Professional	146,316	225,497	296,163	2%	70,666	31.3%
11 Management Fees	659,904	652,523	637,455	5%	(15,068)	-2.3%
12 Marketing	260,638	330,207	338,000	3%	7,793	2.4%
13 Taxes - Real Estate & Other	363,985	369,343	372,520	3%	3,177	0.9%
14 Telephone	29,300	37,096	32,146	0%	(4,950)	-13.3%
15 Supplies (Plant)	61,668	114,551	114,600	1%	49	0.0%
16 Maintenance Contracts (Plant)	891,871	863,070	857,888	7%	(5,182)	-0.6%
17 Cable TV Costs	304,189	234,189	241,164	2%	6,975	3.0%
18 Utilities	841,528	808,608	823,335	6%	14,727	1.8%
19 Food	1,147,971	1,191,772	1,250,277	10%	58,505	4.9%
20 Supplies (Food & Beverage)	162,760	169,022	168,850	1%	(172)	-0.1%
Sub Total	12,248,925	12,064,306	12,731,515	97%	667,209	5.5%
21 All Other General and Admin.	158,434	423,846	343,222	3%	(80,624)	-19.0%
23 All Other Plant	(23,757)	(24,088)	(237,922)	-2%	(213,834)	887.7%
24 All Other Environmental Svcs.	204,666	168,327	171,793	1%	3,466	2.1%
25 All Other Food & Beverage Svcs.	58,450	42,163	45,850	0%	3,687	8.7%
26 All Other Resident Services	48,893	47,100	48,000	0%	900	1.9%
27 All Other Clinic (Wellness Center)	-	1,283	1,500	0%	217	16.9%
28 Sub Total	446,686	658,631	372,443	3%	(286,188)	-43.5%
29 Total Operating Expense	12,695,611	12,722,937	13,103,958		381,021	3.0%
30 Net Operating Income	490,552	1,562,650	1,820,130		257,481	16.5%
31 Total Other Income	1,478,370	1,478,370	1,493,154		14,784	1.0%
32 Other Non Operating Expenses	714,732	730,716	826,130		95,414	13.1%
33 Net Income/(Loss) [excluding Depreciation]	1,254,190	2,310,304	2,487,155		176,850	7.7%
34 Add: Exit/Entrance Fee Amortization & Expense	60,000	60,000	50,000			
35 Less: Depreciation	3,956,468	4,044,282	4,074,597			
36 Net Income/(Loss)	(2,642,278)	(1,673,978)	(1,537,442)			
Other Cash Requirements						
37 Net Income/(Loss) [excluding Depreciation]	1,254,190	2,310,304	2,487,155			
38 Debt Related	412,669	412,669	402,849			
39 Fixed Asset Replacement Reserve Contributions	1,823,259	1,823,259	1,914,423			
40 Insurance Reserve						
Maint. Expenses Paid by Reserve	(449,820)	(359,856)	(196,000)			
Other Fixed Asset Purchase (New CapEx)	150,000	450,000	150,000			
Subtotal	1,936,108	2,326,072	2,271,272			
44 Net Operating Cash Flow	(681,918)	(15,768)	215,883			

Rancho San Antonio Retirement Services, Inc.
Year over Year Operating Statement

Budget Fiscal Year Ending: 2013
Entity 2786

2013 Budget - FINAL	2012 Budget	2012 Projected	2013 Budget	% Total	Yr ovr Yr \$	Yr ovr Yr %
					2012P vs 2013B	2012P vs 2013B
Occupancy Fees						
1 Skilled Nursing Revenues (net of contractual)	3,882,505	3,804,855	4,165,019	37.2%	360,164	9.5%
2 Assisted Living Revenues (net of contractual)	2,480,540	2,515,480	2,652,456	23.7%	136,976	5.4%
3 Subtotal	6,363,045	6,320,335	6,817,475		497,140	7.9%
4 Healthcare Fees	3,166,020	3,181,850	3,323,280	29.7%	141,430	4.4%
5 Other Census Related Revenue						
6 Memory Care Revenues	198,925	119,355	84,356	0.8%	(34,999)	-29.3%
7 Medicare A/Therapy/Ancillary (net of costs)	772,555	965,694	975,351	8.7%	9,657	1.0%
8 Subtotal	971,480	1,085,049	1,059,707	9.5%	(25,342)	-2.3%
9 Total Revenues (net of ancill direct costs)	10,500,545	10,587,234	11,200,462		613,228	5.8%
				% Total		
10 Wages	5,068,408	5,117,726	5,286,606	49%	168,880	3.3%
11 Employee Taxes/Benefits & Related Expenses	1,780,110	1,720,669	1,968,670	18%	248,001	14.4%
12 Insurance - General	375,237	326,334	118,896	1%	(207,438)	-63.6%
13 Legal and Professional	125,384	104,388	116,500	1%	12,112	11.6%
14 Management Fees	662,586	717,549	692,877	6%	(24,673)	-3.4%
15 Marketing	12,677	11,650	24,000	0%	12,350	106.0%
16 Telephone	14,627	28,100	28,181	0%	81	0.3%
17 Supplies (Plant)	109,409	81,412	81,207	1%	(205)	-0.3%
18 Maintenance Contracts (Plant)	231,063	184,440	190,537	2%	6,098	3.3%
19 Cable TV Costs	91,462	82,828	80,136	1%	(2,692)	-3.2%
20 Utilities	335,143	319,950	335,948	3%	15,997	5.0%
21 Food	498,145	525,029	551,000	5%	25,971	4.9%
22 Supplies (Food & Beverage)	87,199	91,008	91,008	1%	0	0.0%
Sub Total	9,391,451	9,311,085	9,565,566		254,481	2.7%
23 All Other General and Admin.	754,101	706,236	866,937	8%	160,700	22.8%
24 All Other Plant	92,064	146,599	223,298	2%	76,699	52.3%
25 All Other Environmental Svcs.	23,333	1,175	(42,117)	0%	(43,292)	-3685.1%
26 All Other Food & Beverage Svcs.	9,934	47,423	47,423	0%	(1)	0.0%
27 All Other Health Center	15,700	23,813	24,104	0%	291	1.2%
28 All Other Resident Services	73,355	72,416	74,200	1%	1,784	2.5%
29 Operating Expense	10,359,937	10,308,759	10,759,410		450,651	4.4%
30 Net Operating Income	140,608	278,475	441,052		162,577	58.4%
31 Other Revenues/Expenses						
32 Interest Income	236,081	165,257	165,257		0	0.0%
33 Entrance/Exit Fees	1,040,000	1,040,000	900,000		(140,000)	-13.5%
34 Rent Expense	(1,480,370)	(1,480,370)	(1,495,174)		(14,803)	1.0%
35 Net Income	(63,682)	3,361	11,135		7,774	231.3%

KEY INDICATORS REPORT

Date Prepared: 4/25/14

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

Mark Ford
Chief Financial Officer Signature

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CENTERS BRANCH

Rancho San Antonio, RHC & RSI

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	94.60%	93.14%	91.31%	91.20%	93.80%	95.00%	95.00%	95.00%	95.00%	95.00%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	-15.59%	-16.23%	-17.29%	-16.41%	4.88%	6.69%	8.47%	10.21%	11.92%	13.60%	↑
3. Net Operating Margin - Adjusted (%)	-15.59%	-16.23%	-17.29%	-16.41%	4.88%	6.69%	8.47%	10.21%	11.92%	13.60%	↑
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments (\$000)	\$21,739	\$23,203	\$22,315	\$23,636	\$24,766	\$25,486	\$26,239	\$27,028	\$27,855	\$28,720	↑
5. Days Cash on Hand (Unrestricted)	350	363	340	342	350	350	350	350	350	350	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees (\$000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A
7. Net Annual E/F proceeds (\$000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A
8. Unrestricted Net Assets (\$000)	\$87,359	\$86,295	\$83,426	\$82,456	\$80,941	\$80,861	\$80,780	\$80,699	\$80,618	\$80,538	N/A
9. Annual Capital Asset Expenditure (\$000)	\$2,192	\$1,841	\$2,565	\$2,265	\$3,237	\$3,205	\$3,173	\$3,141	\$3,109	\$3,078	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	-1.25	-1.30	-3.50	-1.22	-2.16	-1.49	-0.67	0.21	1.16	2.18	↑
11. Annual Debt Service Coverage (x)	-1.25	-1.30	-3.50	-1.22	-2.16	4.82	6.44	7.58	8.67	9.65	↑
12. Annual Debt Service/Revenue (%)	42.00%	39.60%	41.24%	32.90%	25.37%	22.42%	19.45%	16.70%	15.46%	14.32%	↓
13. Average Annual Effective Interest Rate (%)	7.70%	7.74%	7.75%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	300.95%	333.32%	332.90%	373.01%	415.42%	447.84%	494.23%	552.04%	568.92%	586.60%	↑
15. Average Age of Facility (years)	15.11	13.87	16.49	17.04	17.99	19.0	19.99	20.99	21.99	22.99	↓