

ANNUAL REPORT  
CHECKLIST  
for  
FISCAL YEAR ENDED:  
12/31/2014

RECEIVED  
APR 30 2015  
CONTINUING CARE  
CONTRACTS BRANCH

PROVIDER: La Costa Glen Carlsbad CCRC, LLC

FACILITY(IES): La Costa Glen Carlsbad

CONTACT PERSON: Darcie Gorman

TELEPHONE NO.: ( 760 ) 704-1035

✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

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

- ✓ This cover sheet.
- ✓ Annual Provider Fee in the amount of: \$ 34,583
  - ✓ If applicable, late fee in the amount of: \$ \_\_\_\_\_
- ✓ Certification by the provider's chief *executive* officer that:
  - ✓ The reports are correct to the best of his/her knowledge.
  - ✓ Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - ✓ The provider is maintaining the required liquid reserve and refund reserve, if applicable.
- ✓ Evidence of the provider's fidelity bond.
- ✓ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community. (4 copies total)

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

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

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	859
[2]	Number at end of fiscal year	851
[3]	Total Lines 1 and 2	1710
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	855
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	859
[7]	Number at end of fiscal year	851
[8]	Total Lines 6 and 7	1710
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	855
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	1.00

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

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$42,282,185
[a]	Depreciation	\$7,699,146
[b]	Debt Service (Interest Only)	
[2]	Subtotal (add Line 1a and 1b)	\$7,699,146
[3]	Subtract Line 2 from Line 1 and enter result.	\$34,583,039
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	100%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$34,583,039
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$34,583

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



La Costa Glen  
CARLSBAD  
A CONTINUING LIFE® COMMUNITY

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CONTINUING CARE  
CONTRACTS BRANCH

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

The undersigned does attest the 2014 Annual Report is correct; the contract in use for new residents has been approved by the Department, and is maintaining liquid and refund reserves pursuant to requirements of the California Health and Safety Code.

Richard Aschenbrenner  
Chief Executive Officer

Date



Client#: 114921

CONTLIFE

ACORD™

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 4/16/2015

RECEIVED APR 17 2015

CONTINUING CARE CONTRACTS BRANCH

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

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

PRODUCER: Propel Insurance, Tacoma Commercial Insurance, 1201 Pacific Ave, Suite 1000, Tacoma, WA 98402. CONTACT NAME: Shannon Wang, PHONE: 253.310.4060, FAX: 866.577.1326, E-MAIL ADDRESS: shannon.wang@propelinsurance.com. INSURER(S) AFFORDING COVERAGE: INSURER A: Columbia Casualty Company, INSURER B: Continental Insurance Company, INSURER C: , INSURER D: , INSURER E: , INSURER F: .

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

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

Table with columns: INSR LTR, TYPE OF INSURANCE, ADDL INSR, SUBR WVD, POLICY NUMBER, POLICY EFF (MM/DD/YYYY), POLICY EXP (MM/DD/YYYY), LIMITS. Rows include: A GENERAL LIABILITY (5087056186), B AUTOMOBILE LIABILITY (5087056155), A UMBRELLA LIAB (5087056172), WORKERS COMPENSATION AND EMPLOYERS' LIABILITY (N/A), A Professional Liability (5087056186).

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

Named Insureds Continued: Morningside Core Care Associates, LP, Morningside SP Associates, Inc. a California Corp., Core Care Inc., a CA Corporation dba Core Care I, Core Care II, LP (See Attached Descriptions)

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

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## DESCRIPTIONS (Continued from Page 1)

Core Care III, LP dba: Morningside of Fullerton  
Core Care V, LP dba Park Vista  
Stoneridge Creek Pleasanton CCRC LLC DBA Stoneridge Creek  
GlenBrook At Home LLC  
ParkVista at Home LLC  
OakView At Home LLC  
University Village Thousand Oaks CCRC LLC DBA University Village Thousand Oaks  
Oakview HC LLC DBA Oakview  
La Costa Glen Carlsbad CCRC LLC DBA LaCosta Glen  
Glenbrook HC LLC DBA Glenbrook  
Spieker Senior Development Services LLC DBA Spieker Senior Development Partners  
CreekView HC LLC DBA CreekView Health Center  
Laguna Glen San Juan Capistrano CCRC LLC  
The Glen at Scripps Ranch CCRC LLC

**ACORD™ EVIDENCE OF COMMERCIAL PROPERTY INSURANCE** DATE (MM/DD/YYYY)  
04/16/2015

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 THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

PRODUCER NAME, CONTACT PERSON AND ADDRESS <b>Propel Insurance</b> Tacoma Commercial Insurance 1201 Pacific Ave, Suite 1000 Tacoma, WA 98402	PHONE (A/C, No, Ext): <b>253.310.4079</b>	COMPANY NAME AND ADDRESS <b>Continental Casualty Company</b>	NAIC NO: <b>20443</b>
FAX (A/C, No): <b>866.577.1326</b>		E-MAIL ADDRESS: <b>shannon.wang@propelinsurance.com</b>	
CODE: _____ SUB CODE: _____		IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH	
AGENCY CUSTOMER ID #: <b>114921</b>		POLICY TYPE	
NAMED INSURED AND ADDRESS <b>Continuing Life LLC</b> 1940 Levante Street Carlsbad, CA 92009		LOAN NUMBER	POLICY NUMBER <b>RMP5087064868</b>
ADDITIONAL NAMED INSURED(S)		EFFECTIVE DATE <b>06/30/2014</b>	EXPIRATION DATE <b>06/30/2015</b>
		CONTINUED UNTIL TERMINATED IF CHECKED <input type="checkbox"/>	
		THIS REPLACES PRIOR EVIDENCE DATED:	

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

LOCATION/DESCRIPTION

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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: <b>\$ 515,719,381</b> <span style="float: right;"><b>Blanket Building and BPP</b> DED: <b>\$10,000</b></span>					
<input checked="" type="checkbox"/> BUSINESS INCOME	<input type="checkbox"/> RENTAL VALUE	X			If YES, LIMIT: <b>\$45,000,000</b> Actual Loss Sustained; # of months <b>12</b>
BLANKET COVERAGE <b>Combined BLDG and BPP</b>		X			If YES, indicate value(s) reported on property identified above: \$
TERRORISM COVERAGE		X			Attach Disclosure Notice / DEC
IS THERE A TERRORISM-SPECIFIC EXCLUSION?			X		
IS DOMESTIC TERRORISM EXCLUDED?			X		
LIMITED FUNGUS COVERAGE		X			If YES, LIMIT: <b>\$100,000</b> DED: <b>\$10,000</b>
FUNGUS EXCLUSION (IF "YES", specify organization's form used)			X		
REPLACEMENT COST		X			
AGREED VALUE		X			
COINSURANCE			X		If Yes, %
EQUIPMENT BREAKDOWN (If Applicable)		X			If YES, LIMIT: DED:
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg		X			If YES, LIMIT: <b>Included</b> DED:
- Demolition Costs		X			If YES, LIMIT: <b>SEEBELOW</b> DED:
- Incr. Cost of Construction		X			If YES, LIMIT: <b>SEEBELOW</b> DED:
EARTH MOVEMENT (If Applicable)		X			If YES, LIMIT: <b>SEEBELOW</b> DED:
FLOOD (If Applicable)		X			If YES, LIMIT: <b>10000000</b> DED:
WIND/HAIL (If Subject to Different Provisions)		X			If YES, LIMIT: DED:
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS					

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

**ADDITIONAL INTEREST**

<input type="checkbox"/> MORTGAGEE <input type="checkbox"/> LENDERS LOSS PAYABLE NAME AND ADDRESS <b>Evidence of Insurance</b>	<input type="checkbox"/> CONTRACT OF SALE LENDER SERVICING AGENT NAME AND ADDRESS   AUTHORIZED REPRESENTATIVE 
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\*\*\*\*\* Description of Operations \*\*\*\*\*

Named Insureds Continued:

Morningside Core Care Associates, LP  
Morningside SP Associates, Inc. a California Corporation  
Core Care Inc., a CA Corporation dba Core Care I  
Core Care II, LP  
Core Care III, LP dba Morningside of Fullerton  
Core Care V, LP dba Park Vista  
Stoneridge Creek Pleasanton CCRC LLC DBA Stoneridge Creek  
GlenBrook At Home LLC  
ParkVista at Home LLC  
OakView At Home LLC  
University Village Thousand Oaks CCRC LLC DBA University Village Thousand Oaks  
Oakview HC LLC DBA Oakview  
La Costa Glen Carlsbad CCRC LLC DBA LaCosta Glen  
Glenbrook HC LLC DBA Glenbrook  
Spieker Senior Development Services LLC DBA Spieker Senior Development Partners  
CreekView HC LLC DBA CreekView Health Center  
Laguna Glen San Juan Capistrano CCRC LLC  
The Glen at Scripps Ranch CCRC LLC

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

Blanket Earthquake Amt: \$1,000,000 Ded: \$10,000

Cause of Loss: Earthquake Sprinkler Leakage  
Valuation: Replacement Cost  
Agreed Amount Applies

Flood Amt: \$18,300,000 Ded: \$10,300,000

Cause of Loss: Flood  
Valuation: Replacement Cost Agreed Amount Applies  
Stoneridge Creek

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APR 30 2015  
CONTINUING CARE  
CONTRACTS BRANCH

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

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2014 AND 2013**

**WITH INDEPENDENT AUDITORS' REPORT**

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
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**DECEMBER 31, 2014 AND 2013**

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of La Costa Glen Carlsbad CCRC, LLC (a Delaware limited liability company) (the "Company") which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of operations, comprehensive income, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Costa Glen Carlsbad CCRC, LLC as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*White Nelson Dick Evans LLP*

Irvine, California  
April 2, 2015

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**

**ASSETS**

	2014	2013
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 13,056,746	\$ 11,764,912
Marketable securities	5,502,250	4,358,988
Accounts receivable	80,146	59,352
Inventories	232,274	230,326
Prepaid expenses	454,058	463,726
Other receivables	139,524	42,982
	19,464,998	16,920,286
<b>Property and Equipment:</b>		
Land	4,871,942	4,871,942
Land improvements	33,686,844	33,686,844
Buildings and improvements	165,959,415	165,959,415
Furniture, fixtures and equipment	26,669,143	26,182,388
Computer equipment and systems	658,911	634,543
Construction in process	232,256	2,680
	232,078,511	231,337,812
Less: Accumulated Depreciation	(75,531,198)	(67,832,053)
	156,547,313	163,505,759
<b>Other Assets:</b>		
Other receivables, long-term	894,209	761,715
Deferred entrance fees receivable	57,412,569	60,872,032
Costs of acquiring initial continuing care contracts, net of accumulated amortization of \$2,927,533 in 2014 and \$2,672,965 in 2013	83,023	337,591
	58,389,801	61,971,338
<b>Total Other Assets</b>	<b>58,389,801</b>	<b>61,971,338</b>
<b>Total Assets</b>	<b>\$ 234,402,112</b>	<b>\$ 242,397,383</b>

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

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**BALANCE SHEETS (CONTINUED)**  
**DECEMBER 31, 2014 AND 2013**

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

	<u>2014</u>	<u>2013</u>
<b>Current Liabilities:</b>		
Accounts payable	\$ 676,281	\$ 749,067
Accrued expenses	846,604	811,351
Deposits on future occupancy	4,927,742	299,400
Current portion of note payable to Master Trust	<u>8,713,327</u>	<u>8,697,002</u>
Total Current Liabilities	15,163,954	10,556,820
<b>Long-Term Liabilities:</b>		
Note payable to Master Trust, net of current portion	340,819,742	339,533,069
Deferred revenue from unamortized deferred entrance fees, net	<u>39,362,629</u>	<u>39,142,458</u>
Total Long-Term Liabilities	<u>380,182,371</u>	<u>378,675,527</u>
Total Liabilities	395,346,325	389,232,347
<b>Members' Equity (Deficit):</b>		
Members' equity (deficit)	(162,174,812)	(147,546,754)
Accumulated other comprehensive income	<u>1,230,599</u>	<u>711,790</u>
Total Members' Equity (Deficit)	<u>(160,944,213)</u>	<u>(146,834,964)</u>
Total Liabilities and Members' Equity (Deficit)	<u>\$ 234,402,112</u>	<u>\$ 242,397,383</u>

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

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Revenues:</b>		
Resident services	\$ 41,355,892	\$ 39,665,715
Amortization of deferred entrance fees	6,930,026	6,676,903
Deferred entrance fees on terminated contracts	3,296,898	3,089,508
Non-resident services	<u>423,689</u>	<u>346,426</u>
Total Revenues	<u>52,006,505</u>	<u>49,778,552</u>
<b>Operating Expenses:</b>		
Resident care	12,784,251	12,570,775
Food and beverage services	6,665,910	6,369,532
Environmental services	2,023,868	1,968,864
Plant facility operating costs	5,165,122	4,864,975
General and administrative expenses	7,689,320	7,751,705
Depreciation and amortization	<u>7,953,714</u>	<u>7,924,223</u>
Total Operating Expenses	<u>42,282,185</u>	<u>41,450,074</u>
Income from Operations	9,724,320	8,328,478
<b>Other Income (Expenses):</b>		
Net realized gain on sale of marketable securities	21,434	80,942
Interest and dividend income	140,086	115,575
Other expense	(13,898)	(9,599)
One-time endowment expense	<u>-</u>	<u>(777,000)</u>
Total Other Income (Expenses)	<u>147,622</u>	<u>(590,082)</u>
Net Income	<u>\$ 9,871,942</u>	<u>\$ 7,738,396</u>

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

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Net Income	\$ 9,871,942	\$ 7,738,396
Other Comprehensive Income:		
Net unrealized holding gains arising during the year	583,551	666,138
Amounts reclassified from accumulated other comprehensive income	<u>(64,742)</u>	<u>(81,483)</u>
Total Other Comprehensive Income	<u>518,809</u>	<u>584,655</u>
Comprehensive Income	<u>\$ 10,390,751</u>	<u>\$ 8,323,051</u>

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

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>Members'</u> <u>Equity (Deficit)</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Income</u>	<u>Total</u>
Balance at December 31, 2012	\$ (130,285,150)	\$ 127,135	\$ (130,158,015)
Distributions	(25,000,000)	-	(25,000,000)
Net unrealized holding gains arising during the year	-	666,138	666,138
Amounts reclassified from accumulated other comprehensive income	-	(81,483)	(81,483)
Net income	<u>7,738,396</u>	<u>-</u>	<u>7,738,396</u>
Balance at December 31, 2013	(147,546,754)	711,790	(146,834,964)
Distributions	(24,500,000)	-	(24,500,000)
Net unrealized holding gains arising during the year	-	583,551	583,551
Amounts reclassified from accumulated other comprehensive income	-	(64,742)	(64,742)
Net income	<u>9,871,942</u>	<u>-</u>	<u>9,871,942</u>
Balance at December 31, 2014	<u>\$ (162,174,812)</u>	<u>\$ 1,230,599</u>	<u>\$ (160,944,213)</u>

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

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from residents	\$ 59,640,962	\$ 54,037,668
Interest and dividend income	140,086	115,575
Other income (expense)	(13,898)	(9,599)
One-time endowment expense	-	(777,000)
Reimbursements for services to non-residents	423,689	346,426
Cash paid to suppliers and employees	<u>(34,358,284)</u>	<u>(33,895,421)</u>
Net Cash Provided by Operating Activities	25,832,555	19,817,649
<b>Cash Flows from Investing Activities:</b>		
Payments made on purchases of property and equipment	(740,700)	(295,711)
Purchases of marketable securities	(1,212,538)	(4,152,281)
Proceeds from redemption of marketable securities	<u>609,519</u>	<u>2,403,888</u>
Net Cash Used in Investing Activities	(1,343,719)	(2,044,104)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from note payable to Master Trust	10,320,000	16,550,000
Payments on note payable to Master Trust	(9,017,002)	(9,993,592)
Distributions to members	<u>(24,500,000)</u>	<u>(25,000,000)</u>
Net Cash Used in Financing Activities	(23,197,002)	(18,443,592)
Net Increase (Decrease) in Cash and Cash Equivalents	1,291,834	(670,047)
Cash and Cash Equivalents, Beginning of Year	<u>11,764,912</u>	<u>12,434,959</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13,056,746</u>	<u>\$ 11,764,912</u>

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

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>Reconciliation of Net Income to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Net Income	\$ 9,871,942	\$ 7,738,396
<b>Non-Cash Items Included in Net Income:</b>		
Depreciation and amortization	7,953,714	7,924,223
Amortization of deferred entrance fees	(6,930,026)	(6,676,903)
Deferred entrance fees on terminated contracts	(3,296,898)	(3,089,508)
Net realized gain on sale of marketable securities	(21,434)	(80,942)
<b>Changes In:</b>		
Accounts receivable	(20,794)	(16,000)
Inventories	(1,948)	(48,084)
Prepaid expenses	9,668	(216,684)
Other receivables	(229,036)	(123,562)
Deferred entrance fees receivable	13,906,558	14,212,115
Accounts payable	(72,786)	(192,734)
Accrued expenses	35,253	87,932
Deposits on unoccupied units	4,628,342	299,400
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 25,832,555</b>	<b>\$ 19,817,649</b>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>		
Deferred entrance fees receivable and deferred revenue from unamortized deferred entrance fees recorded to reflect additional amounts due from resident contributions	\$ 10,447,095	\$ 10,005,993

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

**LA COSTA GLEN CARLSBAD CCRC, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

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

**Nature of Business**

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

**Limited Liability Company Agreement**

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

The Company has four members, one of whom is designated as the financing member. No member other than the financing member is required to contribute capital to the Company at any time.

One appointed Manager is responsible for the management of the day-to-day business and affairs of the Company. Certain matters that require unanimous or majority approval are specified in the Operating Agreement.

The members’ liability to general creditors is limited to their investments in the Company. In accordance with the Operating Agreement, the Company will continue until dissolved pursuant to the terms of the Agreement.

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

**Basis of Presentation**

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

**Cash and Cash Equivalents**

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

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

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

**Marketable Securities**

Marketable securities held by the Company at December 31, 2014 and 2013, are classified in accordance with ASC 320-10, "*Investments - Debt and Equity Securities*", as available-for-sale and stated at their fair market value based on quoted market prices. Realized gains or losses from the sale of marketable securities are computed based on specific identification of historical cost. Unrealized gains or losses of marketable securities are reported as a separate component of members' equity (deficit) and as a separate component of other comprehensive income.

**Accounts Receivable**

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

The Company provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible. No allowance was necessary at December 31, 2014 and 2013.

**Inventories**

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

**Property and Equipment**

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

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

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

Depreciation expense for the years ended December 31, 2014 and 2013, totaled \$7,699,146 and \$7,669,655, respectively. At December 31, 2014 and 2013, fully depreciated property and equipment still in use totaled \$9,221,669 and \$8,950,417, respectively.

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

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

**Long-Lived Assets**

The Company accounts for impairment and disposition of long-lived assets in accordance with ASC 360-10, "*Property, Plant, and Equipment*". ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. There was no impairment of value of such assets for the years ended December 31, 2014 and 2013.

**Deposits on Future Occupancy**

Deposits on future occupancy represent deposits on future contracts from prospective residents that are fully refundable upon demand.

**Revenue Recognition**

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

**Revenue and Expenses**

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

**Income Taxes**

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

**Advertising and Promotional Costs**

Advertising and promotional costs are charged to operations when incurred. For the years ended December 31, 2014 and 2013, advertising and promotional costs totaled \$803,007 and \$1,110,397, respectively, and are included in general and administrative expenses in the accompanying statements of operations.

**Comprehensive Income**

Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. The Company has presented separate statements of comprehensive income. An analysis of changes in components of accumulated other comprehensive income is presented in the statements of changes in members' equity (deficit).

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

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

**Use of Estimates**

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

**Recently Adopted Accounting Guidance**

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, “*Revenue from Contracts with Customers (Topic 606)*”. As compared to existing guidance on revenue recognition, ASU 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The ASU core principal is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services.

The guidance in ASU 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. ASU 2014-09 is effective for annual periods beginning after December 15, 2017. Early adoption is permitted but no earlier than periods beginning after December 15, 2016.

The Company is currently evaluating the impact of the provisions of ASU 2014-09 on the presentation of its financial statements.

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

The Company maintains cash balances with one financial institution. At December 31, 2014 and 2013, accounts at the institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000.

At December 31, 2014 and 2013, the Company also maintains its money market funds and investments in equity securities at brokerage firms which are not FDIC insured. The firms are insured by Securities Investor Protection Corporation (“SIPC”) up to \$500,000.

**Note 3: Marketable Securities**

At December 31, 2014 and 2013, the Company’s investments consist primarily of publicly traded equity securities categorized as available-for-sale securities and are stated at fair market value.

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

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

At December 31, 2014, cost and fair market value of such investments are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Gross Unrealized Holding Gain</u>	<u>Gross Unrealized Holding Loss</u>
Equities	\$ 4,271,651	\$ 5,502,250	\$ 1,261,281	\$ 30,682
Total Marketable Securities	<u>\$ 4,271,651</u>	<u>\$ 5,502,250</u>	<u>\$ 1,261,281</u>	<u>\$ 30,682</u>

At December 31, 2014, the allowance for unrealized gains and losses has been recorded as a separate component of members' equity (deficit) under accumulated other comprehensive income. At December 31, 2014, the aggregate market value of marketable securities exceeds their aggregate cost by \$1,230,599. Other comprehensive income for the year ended December 31, 2014, includes net unrealized holding gains arising during the year of \$583,551, and amounts reclassified from accumulated other comprehensive income totaling of \$64,742. The amounts reclassified from accumulated comprehensive income totaling \$64,742 affect the net realized gain on sale of marketable securities on the accompanying statements of operations.

Sales of marketable securities classified as available-for-sale during the year ended December 31, 2014, resulted in proceeds of \$609,519, gross realized gains of \$36,455 and gross realized losses of \$15,021.

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

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

At December 31, 2013, the allowance for unrealized gains and losses has been recorded as a separate component of members' equity (deficit) under accumulated other comprehensive income. At December 31, 2013, the aggregate market value of marketable securities exceeds their aggregate cost by \$711,790. Other comprehensive income for the year ended December 31, 2013, includes net unrealized holding gains arising during the year of \$666,138, and amounts reclassified from accumulated other comprehensive income totaling \$81,483. The amounts reclassified from accumulated comprehensive income totaling \$81,483 affect the net realized gain on sale of marketable securities on the accompanying statements of operations.

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

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

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

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

Costs of acquiring initial continuing care contracts were capitalized since they were expected to be recovered from future contract care revenues. Initial continuing-care contracts are defined as the resident contracts entered into within one year of the opening of the facility. These costs were amortized using a straight-line method over the average expected remaining lives of the residents under contract or the contract term, if shorter. The annual amortization related to these costs for both years ended December 31, 2014 and 2013, was \$254,568.

Expected amortization of costs of acquiring initial continuing care contracts assets for 2015 is \$83,023.

**Note 5: Residence and Care Agreement**

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

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

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

- (1) Cancellation During The Trial Residence Period - Under California law, there is a probationary period of 90 days after the date of the signed agreement during which either the Company or the resident may cancel the agreement with or without cause. Death of the resident during the period will cancel the agreement. In the event of cancellation, the resident shall be entitled to a refund in accordance with California law which states that the Company may deduct from the contribution amount a reasonable fee to cover costs and any charges incurred but not paid.

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 5: Residence and Care Agreement (Continued)**

- (2) Cancellation After 90 Days - A resident may cancel his or her agreement at any time after the trial residence period for any reason by giving the Company 90 days written notice. Death of the resident will cancel the agreement. However, if an agreement applies to more than one resident, it will remain in effect after the death of one of the residents and be adjusted as described in the agreement. The Company may cancel the agreement at any time after the trial residence period for good cause, upon 90 days written notice to the resident. Examples of good cause are defined in the Residence Agreement.

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

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

The La Costa Glen Carlsbad Master Trust was established to provide protection to the residents of the community by providing them with a vehicle through which they obtain a secured interest in the real property of the Company. New residents join in and become grantors under the trust agreement. At December 31, 2014 and 2013, the balance outstanding on the Master Trust note payable was \$349,533,069 and \$348,230,071, respectively.

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

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

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

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

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

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

Repayments of principal will be made in annual amounts for a period of forty years with final payment due December 31, 2050. Each annual payment or series of payments made during the year shall be equal to or greater than the amount of principal advanced on December 15 next preceding the payment due date divided by forty years. The next scheduled principal payment of \$8,713,327 was paid in January 2015.

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

2015	\$ 8,713,327
2016	8,520,494
2017	8,307,481
2018	8,099,794
2019	7,897,299
Thereafter	<u>307,994,674</u>
Total	<u>\$ 349,533,069</u>

**Note 7: Commitments and Contingencies**

**Obligation to Provide Future Services**

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

Using a discount rate at December 31, 2014 and 2013, of 5.75 percent for both years, the anticipated revenues are estimated to exceed the cost of future services by \$110,273,973 and \$108,068,274, for the years ended December 31, 2014 and 2013, respectively. Therefore, no liability was accrued.

**Reservations and Designations**

At December 31, 2014 and 2013, the Company maintains cash reserves in the amount of \$6,966,736 and \$6,817,690, respectively, for operating expense contingencies in accordance with requirements of the California Health and Safety Code under the State of California Department of Social Services. These reserves are included in cash and cash equivalents and marketable securities on the accompanying balance sheets.

**Litigation**

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

**LA COSTA GLEN CARLSBAD CCRC LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

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

At December 31, 2014 and 2013, deferred revenue from unamortized deferred entrance fees consists of the following:

	2014	2013
Deferred entrance fees before repayment	\$ 79,065,931	\$ 75,872,624
Less: Accumulated amortization of deferred entrance fees	(39,703,302)	(36,730,166)
 Deferred Revenue from Unamortized Deferred Entrance Fees, Net	 \$ 39,362,629	 \$ 39,142,458

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

During 2014 and 2013, the deferred entrance fees amortized into income were \$6,930,026 and \$6,676,903, respectively, based on total deferred entrance fees of \$102,035,018 and \$98,810,600, respectively.

**Note 9: Related Party Transactions**

At December 31, 2013, the Company had an informal service agreement with a related company concerning the provision of administrative and operational oversight services, including use of brand, transaction processing, benefit and insurance administration, among others. The service agreement, which was formalized January 1, 2014, called for an initial service fee totaling \$488,000, payable in equal monthly installments, commencing on January 1, 2014 for an initial term of one year and automatically renews annually thereafter unless cancelled. For the years ended December 31, 2014 and 2013, services paid under this agreement totaled \$488,000 and \$275,633, respectively. The service agreement also provides for additional fees for supplemental services and out-of-pocket expenses, as needed. For the years ended December 31, 2014 and 2013, the additional fees paid under this agreement totaled \$224,067 and \$514,173, respectively. Furthermore, the service agreement also provides for insurance premiums to be paid to a related company. Insurance premiums paid under this agreement for the years ended December 31, 2014 and 2013 totaled \$838,475 and \$846,600, respectively.

During the years ended December 31, 2014 and 2013, the Company paid \$50,000 and \$112,500, respectively, for management services rendered to an affiliated entity owned by the financing member. These expenses are included in the general and administrative expenses in the accompanying statements of operations.

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 9: Related Party Transactions (Continued)**

The Company has an agreement for purchased health care costs with Glenbrook HC, LLC, an affiliated entity. The health care costs paid to this entity during the years ended December 31, 2014 and 2013, were \$11,357,087 and \$11,264,060, respectively, and are included in resident care expenses in the accompanying statements of operations. In addition, the Company had net payables for accrued health care costs totaling \$0 and \$12,096, at December 31, 2014 and 2013, respectively, which are included in accounts payable in the accompanying balance sheets.

**Note 10: Employee Benefit Plan**

The Company sponsors a qualified 401(k) plan (the "Plan") for all eligible employees. Employees may contribute up to 100 percent of their yearly compensation, up to the maximum amount prescribed by law. Effective January 1, 2014, the Company will make a safe harbor matching contribution equal to 100 percent of the first 3 percent of the participant's compensation and 50 percent of the next 2 percent of the participant's compensation which is deferred as an elective deferral. Prior to January 1, 2014, the Company may annually elect to make discretionary matching or non-elective contributions to the Plan. For the years ended December 31, 2014 and 2013, employer contributions to the Plan totaled \$118,472 and \$79,375, respectively, with corresponding plan administrative expenses totaling \$643 and \$1,677, respectively. Both expenses are included in general and administrative expenses in the accompanying statements of operations.

**Note 11: Fair Value Measurements**

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

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

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

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

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

**LA COSTA GLEN CARLSBAD CCRC LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**Note 11: Fair Value Measurements (Continued)**

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

Assets measured at fair value on a recurring basis comprise of available-for-sale securities. The fair value of the assets at December 31, 2014 is determined as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities:			
Large Value	\$ 2,200,125	\$ -	\$ -
Large Growth	207,968	-	-
Large Core	<u>3,094,157</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value	<u>\$ 5,502,250</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

**Note 12: One-Time Endowment**

In accordance with guidelines of the City of Carlsbad Habitat Management Plan, the Company provided a cash endowment to a designated non-profit conservation entity during 2013 to fund in perpetuity the management and conservation of adjacent open space.

**Note 13: Subsequent Events**

Events occurring after December 31, 2014, have been evaluated for possible adjustment to the financial statements or disclosure as of April 2, 2015, which is the date the financial statements were available to be issued. There were no adjustments to the financial statements or additional disclosures as a result of this evaluation.

**R** E C E I V E **D**  
APR 30 2015

CONTINUING CARE  
CONTRACTS BRANCH

**SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

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

We have audited the financial statements of La Costa Glen Carlsbad CCRC, LLC (the "Company") as of and for the years ended December 31, 2014 and 2013, and our report thereon dated April 2, 2015, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. The audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the accompanying schedules of Form 5-1 through Form 5-5 and Form 7-1 has been prepared for filing with the State of California, Department of Social Services, in accordance with Section 1792 of the California Health and Safety Code, and is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements as a whole and presents fairly in all material respects the continuing care reserve requirements of the Company at December 31, 2014, in conformity with the report preparation provisions of the California Health and Safety Code Section 1792.

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

*White Nelson Diehl Evans LLP*

Irvine, California  
April 2, 2015

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

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

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

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

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

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

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

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



CDSS

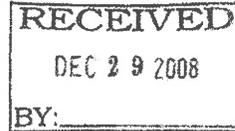
JOHN A. WAGNER  
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY  
**DEPARTMENT OF SOCIAL SERVICES**  
744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



ARNOLD SCHWARZENEGGER  
GOVERNOR

December 18, 2008



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

Dear Mr. Wilson:

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

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

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

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

Sincerely,

JOHN R. RODRIQUEZ, Chief  
Continuing Care Contracts Branch

c: Robert Thompson  
Attorney for Continuing Care Contracts

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

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

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

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

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

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

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

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

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$42,282,185
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$0
	b. Credit enhancement premiums paid for long-term debt (see instructions)	
	c. Depreciation	\$7,699,146
	d. Amortization	\$254,568
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$423,689
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$8,377,403
4	Net Operating Expenses	\$33,904,782
5	Divide Line 4 by 365 and enter the result.	\$92,890
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$6,966,736

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

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

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

Reimbursements for services to non-residents \$ 423,689

Categories included in the above revenues:

\$	112,028	Guest Meals
	22,578	Employee Meals
	46,791	Catering
	194,780	Guest Room
	<u>47,512</u>	<u>Space Rental</u>
<u>\$</u>	<u>423,689</u>	

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

**COMMUNITY:** La Costa Glen Carlsbad

**FORM 5-5  
ANNUAL RESERVE CERTIFICATION**

Provider Name: La Costa Glen Carlsbad CCRC, LLC  
 Fiscal Year Ended: 12/31/2014

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2014 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 12/31/2014 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$0</u>
[2] Operating Expense Reserve Amount	<u>\$6,966,736</u>
[3] Total Liquid Reserve Amount:	<u>\$6,966,736</u>

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

<u>Qualifying Asset Description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents		<u>\$13,056,746</u>
[5] Investment Securities		<u>\$5,502,250</u>
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		
<u>(describe qualifying asset)</u>		
<b>Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]</b>	<u>\$0 [12]</u>	<u>\$18,558,996</u>
<b>Reserve Obligation Amount: [13]</b>	<u>\$0 [14]</u>	<u>\$6,966,736</u>
<b>Surplus/(Deficiency): [15]</b>	<u>\$0 [16]</u>	<u>\$11,592,260</u>

Signature:

  
 (Authorized Representative)

Date: 4-3-2015

CEO  
 (Title)

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

**Total Qualifying Assets as Filed:**

Cash and Cash Equivalents	\$ 13,056,746
Investment Securities	\$ 5,502,250
Total Qualifying Assets as Filed:	\$ 18,558,996

**Reservations and Designations:**

Reserved for Debt Service	\$ -
Reserved for Operating Expenses	\$ 6,966,736
Total Reservations and Designations:	\$ 6,966,736
Remaining Liquid Reserves	\$ 11,592,260

---

**Per Capita Cost of Operations**

Operating Expenses (Form 5-4 line # 1)	\$ 42,282,185
Mean # of CCRC Residents (Form 1-1 line 10)	855.0
Per Capita Cost of Operations	\$ 49,453

**PROVIDER:** Continuing Life Communities LLC

**COMMUNITY:** La Costa Glen Carlsbad

FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$2,663-\$6,567	N/A	N/A
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.0%		

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

[3] Indicate the date the fee increase was implemented: January 1, 2014  
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

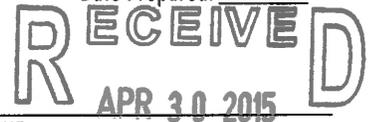
PROVIDER: La Costa Glen Carlsbad CCRC, LLC  
COMMUNITY: La Costa Glen Carlsbad

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

The regular first person monthly fee increase is reflected at 3.0% and the second person fee increase is reflected at 3.0% in fiscal year 2014. La Costa Glen (La Costa Glen Carlsbad CCRC, LLC) had a two point nine percent (2.9%) monthly fee increase in fiscal year 2013. The main cost drivers of the monthly fee increase in 2014 continue to be related to increases in health insurance, workers compensation premiums, and utilities rate increases.

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

Date Prepared: 3/26/2015



FACILITY NAME: La Costa Glen Carlsbad  
 ADDRESS: 1950 Silverleaf Circle, Carlsbad ZIP CODE: 92009 PHONE: 760-704-1000  
 PROVIDER NAME: La Costa Glen Carlsbad CCRC, LLC FACILITY OPERATOR: Life Care Services, Inc.  
 RELATED FACILITIES: Gienbrook HC LLC RELIGIOUS AFFILIATION: N/A  
 YEAR OPENED: 2003 # OF ACRES: \_\_\_\_\_ STORY \_\_\_\_\_  SINGLE  MULTI-  OTHER: Both MILES TO SHOPPING CTR: .50  
 MILES TO HOSPITAL: 3

NUMBER OF UNITS: **RESIDENTIAL LIVING** **HEALTH CARE**  
 APARTMENTS — STUDIO: 1 ASSISTED LIVING: \_\_\_\_\_  
 APARTMENTS — 1 BDRM: 218 SKILLED NURSING: \_\_\_\_\_  
 APARTMENTS — 2 BDRM: 318 SPECIAL CARE: \_\_\_\_\_  
 COTTAGES/HOUSES: 106 DESCRIPTION: > \_\_\_\_\_  
 RLU OCCUPANCY (%) AT YEAR END: 100% > \_\_\_\_\_

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

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

REFUND PROVISIONS: (Check all that apply)  90%  75%  50%  FULLY AMORTIZED  OTHER: 25%

RANGE OF ENTRANCE FEES: \$ 290,030 - \$ 2,058,970 LONG-TERM CARE INSURANCE REQUIRED?  YES  NO

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

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

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

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 ( <u>bi-weekly</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS ( <u>one</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Croquet, Bocce Ball</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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



PROVIDER NAME: La Costa Glen Carlsbad CCRC, LLC

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b>				
(Excluding amortization of entrance fee income)	35,542,078	37,371,157	40,012,141	41,779,581
<b>LESS OPERATING EXPENSES</b>				
(Excluding depreciation, amortization, and interest)	28,362,914	30,317,043	33,525,851	34,328,471
<b>NET INCOME FROM OPERATIONS</b>	<u>7,179,164</u>	<u>7,054,114</u>	<u>6,486,290</u>	<u>7,451,110</u>
<b>LESS INTEREST EXPENSE</b>				
<b>PLUS CONTRIBUTIONS</b>				
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b>				
(excluding extraordinary items)	44,097	93,764	(590,082)	147,622
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	<u>7,223,261</u>	<u>7,147,878</u>	<u>5,896,208</u>	<u>7,598,732</u>
<b>NET CASH FLOW FROM ENTRANCE FEES</b>				
(Total Deposits Less Refunds)	17,035,540	18,452,114	15,615,063	10,178,894

\*\*\*\*\*  
**DESCRIPTION OF SECURED DEBT** *(as of most recent fiscal year end)*

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
La Costa Glen Carlsbad Master Trust	349,533,069	0%	11/16/2001	12/31/2050	40 Years

\*\*\*\*\*  
**FINANCIAL RATIOS** (see next page for ratio formulas)

	<b>2013 CCAC Medians 50<sup>th</sup> Percentile <i>(optional)</i></b>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>DEBT TO ASSET RATIO</b>		0%	0%	0%
<b>OPERATING RATIO</b>		81.12%	83.79%	82.17%
<b>DEBT SERVICE COVERAGE RATIO</b>		0	0	0
<b>DAYS CASH ON HAND RATIO</b>		173.01	175.54	197.33

\*\*\*\*\*  
**HISTORICAL MONTHLY SERVICE FEES** (Average Fee and Change Percentage)

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>
STUDIO	\$2,569	2.9	\$2,644	2.9	\$2,721	3.0	\$2,803
ONE BEDROOM	\$3,091	2.9	\$3,181	2.9	\$3,273	3.0	\$3,371
TWO BEDROOM	\$3,828	2.9	\$3,939	2.9	\$4,053	3.0	\$4,174
COTTAGE/HOUSE	\$4,492	2.9	\$4,622	2.9	\$4,756	3.0	\$4,899
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

\*\*\*\*\*  
**COMMENTS FROM PROVIDER:** > La Costa Glen Carlsbad Master Trust has a first priority deed of trust against La Costa Glen, which provides the residents collateral protection. The \$349,533,069 recorded on the books at a Note Payable to the Master Trust is repayable to the residents or their estates upon termination of their contracts and resale of their units per the contract.

**FINANCIAL RATIO FORMULAS**

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

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

**OPERATING RATIO**

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

**DEBT SERVICE COVERAGE RATIO**

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

**DAYS CASH ON HAND RATIO**

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

**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.

# KEY INDICATORS REPORT

## La Costa Glen Carlsbad CCRC, LLC

Date Prepared: 3/27/2015

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

*S. R. [Signature]*  
Chief Executive Officer Signature

**RECEIVED**  
Forecast  
**APR 30 2015**  
2018 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Preferred Trend Indicator
<b>OPERATIONAL STATISTICS</b>											
1. Average Annual Occupancy by Site (%)	92.71%	97.25%	96.71%	99.04%	99.54%	98.44%	98.44%	98.44%	98.44%	98.44%	N/A
<b>MARGIN (PROFITABILITY) INDICATORS</b>											
2. Net Operating Margin (%)	18.03%	19.38%	18.12%	15.48%	16.99%	15.48%	14.42%	13.70%	13.26%	13.05%	↑
3. Net Operating Margin - Adjusted (%)	52.26%	45.68%	45.35%	39.35%	33.39%	38.47%	33.84%	31.43%	30.05%	29.33%	↓
<b>LIQUIDITY INDICATORS</b>											
4. Unrestricted Cash and Investments (\$000)	\$15,307	\$13,197	\$14,380	\$16,124	\$18,559	\$19,702	\$19,441	\$17,983	\$16,113	\$13,881	↑
5. Days Cash on Hand (Unrestricted)	209.68	169.83	173.13	175.54	197.33	198.81	185.44	163.86	140.86	116.57	↑
<b>CAPITAL STRUCTURE INDICATORS</b>											
6. Deferred Revenue from Entrance Fees (\$000)	\$6,035	\$6,407	\$6,450	\$6,677	\$6,930	\$7,069	\$7,210	\$7,354	\$7,501	\$7,651	N/A
7. Net Annual E/F proceeds (\$000)	\$23,304	\$17,035	\$18,452	\$15,615	\$10,179	\$16,000	\$13,128	\$12,006	\$11,553	\$11,516	N/A
8. Unrestricted Net Assets (\$000)	\$259,905	\$258,849	\$252,084	\$242,397	\$234,402	\$234,614	\$234,889	\$235,164	\$235,439	\$236,189	N/A
9. Annual Capital Asset Expenditure (\$000)	\$468	\$405	\$879	\$296	\$511	\$212	\$275	\$275	\$275	\$750	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	0.00	0.00	1.10	0.80	0.90	0.80	0.80	0.70	0.70	0.70	↑
11. Annual Debt Service Coverage (x)	0	0	0	0	0	0	0	0	0	0	↑
12. Annual Debt Service/Revenue (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	↓
13. Average Annual Effective Interest Rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	4.87%	4.09%	4.32%	4.75%	5.45%	5.66%	5.52%	5.07%	4.51%	3.86%	↑
15. Average Age of Facility (years)	5.17	6.13	7.09	8.84	9.81	10.81	11.8	12.8	13.8	14.78	↓



Key Indicators Report  
Continuing Life Communities LLC  
2014 Trends and Variances

2007 Completion Phase IV, Move-In Phase IV Mid-December  
2008 Move-In Phase IV - 89% occupancy 12-31-08  
2009 Move-In Phase IV - 90.94% occupancy 12-31-09  
2010 Move-In Phase IV - 95.19% occupancy 12-31-10  
2011 Move-In Phase IV - 97.52% occupancy 12-31-11.

Phase IV Move-In Phase completed in 2011. 95% average occupancy requirement has been met, accordingly Annual debt payment commences January 2012.

A CONTINUING LIFE® COMMUNITY

CARLSBAD

La Costa Glen

