

FISCAL YEAR ENDED:

12/31/2014

ANNUAL REPORT CHECKLIST

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

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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: \$ \$24,752.00 chk# 14528
  - 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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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, 2014

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

**FORM 1-1  
RESIDENT POPULATION**

Line	Continuing Care Residents	TOTAL
[1] Number at beginning of fiscal year		452
[2] Number at end of fiscal year		456
[3] Total Lines 1 and 2		908
[4] Multiply Line 3 by “.50” and enter result on Line 5. x .50		x.50
[5] Mean number of continuing care residents		454
<b>All Residents</b>		
[6] Number at beginning of fiscal year		469
[7] Number at end of fiscal year		475
[8] Total Lines 6 and 7		944
[9] Multiply Line 8 by “.50” and enter result on Line 10. x .50		x.50
[10] Mean number of all residents		472
[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**

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service – interest only)	30,319,641
[a] Depreciation	4,155,407
[b] Debt Service (Interest Only)	431,017
[2] Subtotal (add Line 1a and 1b)	4,586,424
[3] Subtract Line 2 from Line 1 and enter result.	25,733,217
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	24,751,866
[5] Total Operating Expense for Continuing Care Residents	
[6] Total Amount Due (multiply Line 5 by .001)	x.001 24,752
PROVIDER: <u>Rancho San Antonio, RHC &amp; RSI</u>	
COMMUNITY: <u>Rancho San Antonio, dba, The Forum@Rancho San Antonio</u>	

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CONTRACTS BRANCH

April 24, 2015

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*  
Mary Elizabeth O'Connor, President

*April 28, 2015*  
Date



# EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

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OCT 13 2014

DATE (MM/DD/YYYY)  
10/10/2014

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

PRODUCER NAME, CONTACT PERSON AND ADDRESS Arthur J. Gallagher Risk Management Services, Inc. 300 S. Riverside Plaza, Suite 1900 Chicago IL 60606	PHONE (A/C, No, Ext): 312-704-0100	COMPANY NAME AND ADDRESS Insurance Company of the West P.O. Box 85563 San Diego CA	NAIC NO: 27847
FAX (A/C, No): 312-803-7443	E-MAIL ADDRESS: lauren_kovach@ajg.com	IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH	
CODE: AGENCY CUSTOMER ID #:	SUB CODE:	POLICY TYPE Property - Earthquake	
NAMED INSURED AND ADDRESS The Forum at Rancho San Antonio 23500 Cristo Rey Drive Cupertino, CA 95014	LOAN NUMBER	POLICY NUMBER various - see remark	
ADDITIONAL NAMED INSURED(S)	EFFECTIVE DATE 09/01/2014	EXPIRATION DATE 06/30/2015	<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED
	THIS REPLACES PRIOR EVIDENCE DATED: 09/01/2014		

### 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: \$ 30,000,000			DED: 5%/\$50k min
<input type="checkbox"/> BUSINESS INCOME <input type="checkbox"/> RENTAL VALUE	<input checked="" type="checkbox"/>		Actual Loss Sustained; # of months:
BLANKET COVERAGE	<input checked="" type="checkbox"/>		If YES, indicate value(s) reported on property identified above: \$
TERRORISM COVERAGE	<input checked="" type="checkbox"/>		Attach Disclosure Notice / DEC
IS THERE A TERRORISM-SPECIFIC EXCLUSION?	<input checked="" type="checkbox"/>		
IS DOMESTIC TERRORISM EXCLUDED?	<input checked="" type="checkbox"/>		
LIMITED FUNGUS COVERAGE	<input checked="" type="checkbox"/>		If YES, LIMIT: DED:
FUNGUS EXCLUSION (If "YES", specify organization's form used)	<input checked="" type="checkbox"/>		
REPLACEMENT COST	<input checked="" type="checkbox"/>		
AGREED VALUE	<input checked="" type="checkbox"/>		
COINSURANCE	<input checked="" type="checkbox"/>		If YES, %
EQUIPMENT BREAKDOWN (If Applicable)	<input checked="" type="checkbox"/>		If YES, LIMIT: DED:
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg	<input checked="" type="checkbox"/>		If YES, LIMIT: DED:
- Demolition Costs	<input checked="" type="checkbox"/>		If YES, LIMIT: DED:
- Incr. Cost of Construction	<input checked="" type="checkbox"/>		If YES, LIMIT: DED:
EARTH MOVEMENT (If Applicable)	<input checked="" type="checkbox"/>		If YES, LIMIT: 30,000,000 DED: 5%/\$50k min
FLOOD (If Applicable)	<input checked="" type="checkbox"/>		If YES, LIMIT: DED:
WIND / HAIL (If Subject to Different Provisions)	<input checked="" type="checkbox"/>		If YES, LIMIT: DED:
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS	<input checked="" type="checkbox"/>		

### CANCELLATION

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

### ADDITIONAL INTEREST

<input type="checkbox"/> MORTGAGEE	<input type="checkbox"/> CONTRACT OF SALE	LENDER SERVICING AGENT NAME AND ADDRESS
<input type="checkbox"/> LENDERS LOSS PAYABLE		
NAME AND ADDRESS The Forum at Rancho San Antonio 23600 Via Esplendor Cupertino CA 95014		AUTHORIZED REPRESENTATIVE <i>Pat Gallagher</i>

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

Coverage is split amongst 4 policies:  
NPR70195400 - \$5M part of \$10M  
XCH800042002 - \$5M part of \$10M  
34400002291141 - \$10M xs \$10M  
XCH800162300 - \$10M xs \$20M



# EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

DATE (MM/DD/YYYY)  
08/05/2014RECEIVED  
MAY 05 2015

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PRODUCER NAME, CONTACT PERSON AND ADDRESS Marcia L. Hahn Arthur J. Gallagher Risk Management Services, Inc. 300 South Riverside Plaza Suite 1900 Chicago, IL 60606		PHONE (A/C No., Ext): 1-312-704-0100	COMPANY NAME AND ADDRESS Lexington Ins Co and Various 100 Summer Street Boston, MA 02110		NAIC NO: CONTINUING CARE CONTRACTS BRANCH
FAX (A/C No.): 312-803-7443 E-MAIL ADDRESS:		IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH		POLICY TYPE	
CODE: AGENCY CUSTOMER ID #:		LOAN NUMBER		POLICY NUMBER 012944920	
NAMED INSURED AND ADDRESS The Forum at Rancho San Antonio 23500 Cristo Rey Drive Cupertino, CA 95014 ADDITIONAL NAMED INSURED(S)		EFFECTIVE DATE 06/30/14	EXPIRATION DATE 06/30/15	<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED	
THIS REPLACES PRIOR EVIDENCE DATED:					

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

LOCATION/DESCRIPTION  
23500 Cristo Rey Drive, Cupertino CA 95014

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## COVERAGE INFORMATION PERILS INSURED BASIC BROAD SPECIAL

COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: \$ 251,691,194		DED: \$5,000	
	YES	NO	N/A
<input checked="" type="checkbox"/> BUSINESS INCOME <input type="checkbox"/> RENTAL VALUE	x		
BLANKET COVERAGE	x		
TERRORISM COVERAGE	x		
IS THERE A TERRORISM-SPECIFIC EXCLUSION?			
IS DOMESTIC TERRORISM EXCLUDED?			
LIMITED FUNGUS COVERAGE		x	
FUNGUS EXCLUSION (If "YES", specify organization's form used)	x		
REPLACEMENT COST	x		
AGREED VALUE	x		
COINSURANCE		x	
EQUIPMENT BREAKDOWN (If Applicable)	x		
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg	x		
- Demolition Costs	x		
- Incr. Cost of Construction	x		
EARTH MOVEMENT (If Applicable)	x		
FLOOD (If Applicable)	x		
WIND / HAIL (If Subject to Different Provisions)	x		
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.

MORTGAGEE LENDERS LOSS PAYABLE NAME AND ADDRESS Comerica Bank PO Box 863299 Plano, TX 75086-3329 USA		CONTRACT OF SALE	LENDER SERVICING AGENT NAME AND ADDRESS  AUTHORIZED REPRESENTATIVE <i>John A. Decker</i>
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**CONTINUING CARE  
 CONTRACTS BRANCH**

## 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 the 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, 2014.

### ***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 reserves of the Company as of and for the year ended December 31, 2014, 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.



San Francisco, California  
April 24, 2015

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Report of Independent Auditors and  
Consolidated Financial Statements with  
Supplementary Information

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

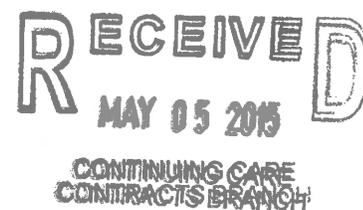
December 31, 2014 and 2013

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

### Report on the 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 sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in members' equity, and cash flows for the years 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 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 audits 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 we have 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, 2014 and 2013, and the results of their operations and changes in members' equity, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Supplementary Information***

Our audits were 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, 2014, 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 audits 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 "Mess Adams LLP".

San Francisco, California  
April 24, 2015

**CONSOLIDATED FINANCIAL STATEMENTS**

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**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND  
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.  
CONSOLIDATED BALANCE SHEETS  
December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,374,169	\$ 5,206,969
Investments	6,923,485	6,584,370
Accounts receivable, net of allowances of approximately \$35,000 in 2014 and 2013	895,787	954,108
Inventories	78,601	60,181
Interest receivable and other	357,860	359,197
Prepaid expenses	696,170	707,675
Member advances - investments	10,613,556	11,088,513
Total current assets	<u>26,939,628</u>	<u>24,961,013</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land rights and improvements	16,146,090	16,075,511
Buildings and improvements	115,946,631	114,396,711
Furniture and equipment	11,642,547	11,277,656
Construction in process	949,958	2,003,622
Property and equipment	144,685,226	143,753,500
Less accumulated depreciation	<u>(77,538,874)</u>	<u>(73,821,514)</u>
Property and equipment, net	<u>67,146,352</u>	<u>69,931,986</u>
<b>BOARD-DESIGNATED CASH AND INVESTMENTS</b>	5,442,620	5,892,219
<b>UNEXPENDED ESCROW TRANSACTION AND EXIT FEES FOR HEALTHCARE CENTER PURPOSES</b>	<u>6,899,803</u>	<u>6,767,125</u>
Total assets	<u>\$ 106,428,403</u>	<u>\$ 107,552,343</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of note payable to bank	\$ 397,939	\$ 371,125
Accrued liabilities	1,861,927	1,630,771
Current portion of deferred escrow transaction fees	285,630	313,650
Member advances	15,812,343	16,738,931
Total current liabilities	<u>18,357,839</u>	<u>19,054,477</u>
<b>NOTE PAYABLE TO BANK, net of current portion</b>	5,563,668	5,961,607
<b>DEFERRED ESCROW TRANSACTION FEES, net of current portion</b>	<u>1,666,699</u>	<u>1,594,777</u>
Total liabilities	<u>25,588,206</u>	<u>26,610,861</u>
<b>MEMBERS' EQUITY</b>	80,840,197	80,941,482
Total liabilities and members' equity	<u>\$ 106,428,403</u>	<u>\$ 107,552,343</u>

*See accompanying notes.*

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND  
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
Years Ended December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>REVENUES</b>		
Resident service revenue	\$ 21,800,402	\$ 20,965,302
Ancillary revenue	1,679,436	1,633,112
Appreciation on resale of memberships	3,551,800	3,538,500
Commission on sale of membership	1,235,100	985,365
Total revenues	28,266,738	27,122,279
<b>OPERATING EXPENSES</b>		
Salaries	11,557,416	11,444,319
Employee benefits and taxes	3,948,265	3,714,638
Insurance	581,685	545,946
Legal and professional	116,350	307,776
Depreciation	4,155,407	4,082,573
Management fees	1,224,074	1,228,237
Marketing	319,726	620,318
Property taxes	441,662	479,387
Utilities	1,314,167	1,224,512
Cable and IT services	466,797	469,655
Maintenance and supplies	1,114,292	1,303,460
Food and supplies	2,247,825	2,260,986
Ancillary	1,033,752	1,134,795
Other	1,365,606	1,065,375
Total operating expenses	29,887,024	29,881,977
<b>NET OPERATING LOSS</b>	(1,620,286)	(2,759,698)
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	195,256	177,964
Amortization of escrow transaction and exit fees	1,296,377	1,242,872
Interest expense	(431,017)	(461,589)
Net unrealized gain on investments	455,931	285,332
Other income	4,054	2,276
Loss before provision for income taxes	(99,685)	(1,512,843)
<b>PROVISION FOR INCOME TAXES</b>	(1,600)	(1,600)
<b>NET LOSS</b>	\$ (101,285)	\$ (1,514,443)

*See accompanying notes.*

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND  
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY  
Years Ended December 31, 2014 and 2013**

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	<u>Cooperative Memberships, net</u>	<u>Accumulated Deficit in Retained Earnings</u>	<u>Total Members' Equity</u>
<b>Balance, January 1, 2013</b>	\$ 118,344,015	\$ (35,888,090)	\$ 82,455,925
Net loss	-	(1,514,443)	(1,514,443)
<b>Balance, December 31, 2013</b>	<u>118,344,015</u>	<u>(37,402,533)</u>	<u>80,941,482</u>
Net loss	-	(101,285)	(101,285)
<b>Balance, December 31, 2014</b>	<u>\$ 118,344,015</u>	<u>\$ (37,503,818)</u>	<u>\$ 80,840,197</u>

*See accompanying notes.*

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND  
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.  
CONSOLIDATED 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 for housing services	\$ 10,655,653	\$ 10,122,651
Cash received from residents and third-party payers for medical services	11,820,592	7,937,140
Cash received from noncontract residents	1,624,509	1,491,004
Cash received from ancillary revenues and other income	1,679,436	2,980,596
Cash received for resale of memberships	3,551,800	3,538,500
Cash received from commission of sales of memberships	1,235,100	985,365
Cash paid for operating activities, including suppliers and employees	(27,263,255)	(26,189,273)
Cash received from interest	195,256	175,941
Cash paid for interest	(431,017)	(461,589)
Net cash provided by operating activities	<u>3,068,074</u>	<u>580,335</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(1,396,203)	(2,847,270)
Purchases of investments	(16,578,962)	(15,695,808)
Proceeds from investments	13,352,724	11,457,794
Net change in board-designated cash and investments	219,743	1,625,496
Net change in unexpended escrow transaction and exit fees for Healthcare Center purposes	572,614	682,532
Net change in member advances - investments	2,886,644	5,663,730
Net cash (used in) provided by investing activities	<u>(943,440)</u>	<u>886,474</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from member advances	4,773,412	4,177,413
Repayment of member advances	(5,700,000)	(4,132,488)
Proceeds from escrow transaction fees	1,340,279	1,210,621
Repayment of note payable to bank	(371,125)	(346,122)
Net cash provided by financing activities	<u>42,566</u>	<u>909,424</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,167,200	2,376,233
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	5,206,969	2,830,736
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 7,374,169</u>	<u>\$ 5,206,969</u>
<b>RECONCILIATION OF NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net loss	\$ (101,285)	\$ (1,514,443)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	4,155,407	4,082,573
Loss on disposal of equipment	26,430	16,062
Amortization of deferred escrow transaction fees	(1,296,377)	(1,242,872)
Changes in assets and liabilities:		
Accounts receivable	58,321	144,464
Inventories	(18,420)	11,108
Other receivables	1,337	4,825
Prepaid expenses	11,505	(229,249)
Accrued liabilities	231,156	(692,133)
Net cash provided by operating activities	<u>\$ 3,068,074</u>	<u>\$ 580,335</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for income taxes	<u>\$ 1,600</u>	<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**

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**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 sheets: 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. As of December 31, 2014 and 2013, the net accumulated unrealized gains on investments were \$741,263 and \$285,332, respectively.

**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 sheets.

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**

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**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 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, 2014 and 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, 2014 and 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 on a straight-line basis over the actuarially determined life expectancy of the resident. 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 years ended December 31, 2014 and 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**

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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 sheets 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, liability for deferred escrow transaction fees, calculation of future service benefit obligation, and useful lives of fixed assets,

**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.

	<u>2014</u>	<u>2013</u>
Medicare	31%	41%
Private pay	53%	42%
Third-party insurance	12%	12%
Other payors	4%	5%
	<u>100%</u>	<u>100%</u>

**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 sheets.

**Advertising costs** – The Company expenses advertising costs as incurred. Advertising cost totaled \$217,143 and \$232,041 for the years ended December 31, 2014 and 2013, respectively.

**Net operating loss** – The statements 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, 2014 and 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, 2014 and 2013, are as follows:

Description	2014			Total
	Level 1	Level 2	Level 3	
Corporate bonds	\$ 3,614,237	\$ -	\$ -	\$ 3,614,237
Equity				
Domestic	8,480,204	-	-	8,480,204
International	2,823,212	-	-	2,823,212
Fixed Income Funds				
Domestic	5,989,903	-	-	5,989,903
International	1,537,714	-	-	1,537,714
Cash and cash equivalents	7,434,194	-	-	7,434,194
	<u>\$ 29,879,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,879,464</u>

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

Description	2013			Total
	Level 1	Level 2	Level 3	
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	11,599,134	-	-	11,599,134
	<u>\$ 28,556,227</u>	<u>\$ 1,776,000</u>	<u>\$ -</u>	<u>\$ 30,332,227</u>

Investments, at fair value, at December 31, 2014 and 2013, include the following:

	2014	2013
Investments	\$ 6,923,485	\$ 6,584,370
Member advances - investments	10,613,556	11,088,513
Board designated cash and investments	5,442,620	5,892,219
Unexpended escrow transaction and exit fees for Healthcare Center purposes	6,899,803	6,767,125
	<u>\$ 29,879,464</u>	<u>\$ 30,332,227</u>

**NOTE 4 - NOTES PAYABLE**

**Note payable to bank** - At December 31, 2014 and 2013, note payable to the bank consist of the following:

	2014	2013
Note payable to Comerica Bank maturing in 2026 with a fixed interest rate of 6.9% through the maturity date. Monthly principal payable of \$36,587. Collateralized with all assets of the Company.	\$ 5,961,607	\$ 6,332,732
Less current portion	397,939	371,125
	<u>\$ 5,563,668</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 years ended December 31, 2014 and 2013.

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

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

**Year Ending December 31.**

2015	\$	397,939
2016		425,578
2017		457,434
2018		490,481
2019		525,917
Thereafter		<u>3,664,258</u>
	<u>\$</u>	<u>5,961,607</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 \$2,469,355 and \$2,553,789 as of December 31, 2014 and 2013, has been eliminated upon consolidation of the financial statements.

**NOTE 5 – MANAGEMENT SERVICES**

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. Management fee totaled \$1,224,074 and \$1,228,237 for the years ended December 31, 2014 and 2013, respectively.

The Manager utilizes 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, 2014 and 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 provision for tax expenses were \$1,600 for the years ended December 31, 2014 and 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.

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

	<u>2014</u>	<u>2013</u>
Deferred income tax assets (liabilities):		
Net operating loss, capital loss, and contributions carryover	\$ 6,030,606	\$ 6,641,327
Buyers fees	795,496	777,608
Depreciation	619,702	413,094
Bad debts	14,058	14,058
Accrued liabilities and change in accounting method	233,397	115,200
Unrealized gains on securities	<u>(299,882)</u>	<u>(115,351)</u>
Total deferred income tax assets	7,393,377	7,845,936
Valuation allowance	<u>(7,393,377)</u>	<u>(7,845,936)</u>
Net deferred income taxes	<u>\$ -</u>	<u>\$ -</u>

The valuation allowance decreased by \$452,559 during the year ended December 31, 2014, and increased by \$982,690 during the year ended December 31, 2013.

Net operating loss carryforwards for federal tax purposes amount to approximately \$15,951,599 and begin to expire in 2018. Net operating loss carryforwards for California tax purposes amount to approximately \$7,111,646 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 2011 and 2010, 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.

**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 24, 2015, which is the date the consolidated financial statements are available to be issued.

**SUPPLEMENTARY INFORMATION**

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**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND  
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.  
CONSOLIDATING BALANCE SHEET  
December 31, 2014**

	<u>RHC</u>	<u>RSI</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 3,562,675	\$ 3,811,494	\$ -	\$ 7,374,169
Investments	6,923,485	-	-	6,923,485
Accounts receivable, net	70,812	824,975	-	895,787
Account receivable from RSI	1,385,576	-	(1,385,576)	-
Inventories	49,062	29,539	-	78,601
Interest receivable and other	153,143	204,717	-	357,860
Prepaid expenses	450,094	246,076	-	696,170
Member advances - investments	-	10,613,556	-	10,613,556
Total current assets	<u>12,594,847</u>	<u>15,730,357</u>	<u>(1,385,576)</u>	<u>26,939,628</u>
<b>PROPERTY AND EQUIPMENT</b>				
Land rights and improvements	16,146,090	-	-	16,146,090
Buildings and improvements	115,946,631	-	-	115,946,631
Furniture and equipment	11,642,547	-	-	11,642,547
Construction in process	949,958	-	-	949,958
Property and equipment	144,685,226	-	-	144,685,226
Less accumulated depreciation	<u>(77,538,874)</u>	<u>-</u>	<u>-</u>	<u>(77,538,874)</u>
Property and equipment, net	67,146,352	-	-	67,146,352
NOTE RECEIVABLE FROM RHC	-	2,469,355	(2,469,355)	-
BOARD-DESIGNATED CASH AND INVESTMENTS	5,442,620	-	-	5,442,620
UNEXPENDED ESCROW TRANSACTION AND EXIT FEES FOR HEALTHCARE CENTER PURPOSES	6,899,803	-	-	6,899,803
Total assets	<u>\$ 92,083,622</u>	<u>\$ 18,199,712</u>	<u>\$ (3,854,931)</u>	<u>\$ 106,428,403</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Current portion of note payable to bank	\$ 397,939	\$ -	\$ -	\$ 397,939
Note payable to RSI	2,469,355	-	(2,469,355)	-
Accrued liabilities	1,009,786	852,141	-	1,861,927
Accounts payable to RHC	-	1,385,576	(1,385,576)	-
Current portion of deferred escrow transaction fees	285,630	-	-	285,630
Member advances	-	15,812,343	-	15,812,343
Total current liabilities	4,162,710	18,050,060	(3,854,931)	18,357,839
NOTE PAYABLE TO BANK, net of current portion	5,563,668	-	-	5,563,668
DEFERRED ESCROW TRANSACTION FEES, net of current portion	1,666,699	-	-	1,666,699
Total liabilities	11,393,077	18,050,060	(3,854,931)	25,588,206
MEMBERS' EQUITY	80,690,545	149,652	-	80,840,197
Total liabilities and members' equity	<u>\$ 92,083,622</u>	<u>\$ 18,199,712</u>	<u>\$ (3,854,931)</u>	<u>\$ 106,428,403</u>

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND  
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.  
CONSOLIDATING STATEMENT OF OPERATIONS  
Year Ended December 31, 2014**

	RHC	RSI	Eliminations	Total
<b>REVENUES</b>				
Resident service revenue	\$ 10,569,192	\$ 11,231,210	\$ -	\$ 21,800,402
Ancillary revenue	347,234	1,332,202	-	1,679,436
Appreciation on resale of memberships	3,551,800	-	-	3,551,800
Commission on sale of memberships	1,235,100	-	-	1,235,100
Rental income from RSI	1,510,125	-	(1,510,125)	-
Total revenues	<u>17,213,451</u>	<u>12,563,412</u>	<u>(1,510,125)</u>	<u>28,266,738</u>
<b>OPERATING EXPENSES</b>				
Salaries	5,778,166	5,779,250	-	11,557,416
Employee benefits and taxes	1,889,552	2,058,713	-	3,948,265
Insurance	457,524	124,161	-	581,685
Legal and professional	68,628	47,722	-	116,350
Depreciation	4,155,407	-	-	4,155,407
Management fees	656,690	567,384	-	1,224,074
Marketing	303,055	16,671	-	319,726
Property taxes	441,662	-	-	441,662
Utilities	887,571	426,596	-	1,314,167
Cable and IT services	313,141	153,656	-	466,797
Maintenance and supplies	890,540	223,752	-	1,114,292
Food and supplies	1,499,123	748,702	-	2,247,825
Ancillary	-	1,033,752	-	1,033,752
Other	201,274	1,164,332	-	1,365,606
Rental expense to RHC	-	1,510,125	(1,510,125)	-
Total operating expenses	<u>17,542,333</u>	<u>13,854,816</u>	<u>(1,510,125)</u>	<u>29,887,024</u>
<b>NET OPERATING LOSS</b>	(328,882)	(1,291,404)	-	(1,620,286)
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	192,945	166,032	(163,721)	195,256
Amortization of escrow transaction and exit fees	63,877	1,232,500	-	1,296,377
Interest expense	(594,785)	47	163,721	(431,017)
Net unrealized gain on investments	320,342	135,589	-	455,931
Other income	3,376	678	-	4,054
Loss before provision for income taxes	<u>(343,127)</u>	<u>243,442</u>	<u>-</u>	<u>(99,685)</u>
<b>PROVISION FOR INCOME TAXES</b>	(800)	(800)	-	(1,600)
<b>NET LOSS</b>	<u>\$ (343,927)</u>	<u>\$ 242,642</u>	<u>\$ -</u>	<u>\$ (101,285)</u>

**RECEIVED**  
MAY 05 2015

CONTINUING CARE  
CONTRACTS BRANCH

**CONTINUING CARE LIQUID RESERVE SCHEDULES**

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**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	\$371,125	\$431,017		\$802,142
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
	<b>TOTAL:</b>	\$371,125	\$431,017	\$0	\$802,142

*(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)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$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:** 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**

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**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)	<u>\$802,142</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>\$0</u>
4	<b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<u><u>\$802,142</u></u>

**PROVIDER:** Rancho San Antonio, RHC & RSI

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**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		<u>\$30,318,041</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$431,017</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
	c. Depreciation	<u>\$4,155,407</u>	
	d. Amortization	<u>\$0</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$1,624,509</u>	
	f. Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$6,210,933</u>
4	Net Operating Expenses		<u>\$24,107,108</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$66,047</u>
6	<b>Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.</b>		<u>\$4,953,525</u>
<b>PROVIDER:</b>	<u>Rancho San Antonio, RHC &amp; RSI</u>		
<b>COMMUNITY:</b>	<u>Rancho San Antonio, dba, The Forum at Rancho San Antonio</u>		

**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: December 31, 2014

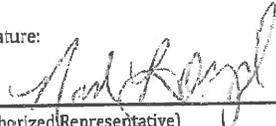
We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2014 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$802,142</u>
[2] Operating Expense Reserve Amount	<u>\$4,953,525</u>
[3] <b>Total Liquid Reserve Amount:</b>	<u>\$5,755,667</u>

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

<u>Qualifying Asset Description</u>	<u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$802,142</u>	<u>\$13,471,830</u>
[5] Investment Securities	<u>\$0</u>	<u>\$6,923,485</u>
[6] Equity Securities	<u>\$0</u>	<u>\$0</u>
[7] Unused/Available Lines of Credit	<u>\$0</u>	<u>\$0</u>
[8] Unused/Available Letters of Credit	<u>\$0</u>	<u>\$0</u>
[9] Debt Service Reserve	<u>\$0</u>	<u>(not applicable)</u>
[10] Other: Board Designated Cash & Investments	<u>\$0</u>	<u>\$5,442,620</u>
<hr/>		
<u>(describe qualifying asset)</u>		
<b>Listed for Reserve Obligation:</b> [11]	<u>\$802,142</u> [12]	<u>\$25,837,935</u>
<b>Reserve Obligation Amount:</b> [13]	<u>\$802,142</u> [14]	<u>\$4,953,525</u>
<b>Surplus/(Deficiency):</b> [15]	<u>\$0</u> [16]	<u>\$20,884,410</u>

Signature:   
(Authorized Representative)

Date: April 24, 2015

Chief Financial Officer  
(Title)

**SUPPLEMENTARY SCHEDULES**

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**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND  
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.  
SUPPLEMENTARY FORM 5-4  
RECONCILIATION TO AUDIT REPORT  
December 31, 2014**

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Total Operating Expenses	\$ 29,887,024
Add: Interest Expense	<u>431,017</u>
Total operating expenses from financial statements	<u><u>\$ 30,318,041</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, 2014**

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	<u>Total</u>
Cash and cash equivalents	\$ 7,374,169
Unexpended escrow transaction and exit fees for Healthcare Center purposes	<u>6,899,803</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 14,273,972</u></b>
<b>TOTAL CASH AND CASH EQUIVALENTS FOR DEBT SERVICE RESERVE</b>	<b>\$ 802,142</b>
<b>TOTAL CASH AND CASH EQUIVALENTS FOR OPERATING RESERVE</b>	<u>13,471,830</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 14,273,972</u></b>

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<b>RESIDENTIAL LIVING</b>	<b>ASSISTED LIVING</b>	<b>SKILLED NURSING</b>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<b>1889-3998 plus 625 HC Fee</b>	<b>3711 plus 625 HC Fee</b>	<b>4988 plus 625 HC Fee</b>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<b>5.7% and 2.5% HC Fee</b>	<b>6.1% and 2.5% HC Fee</b>	<b>5.8% and 2.5% HC Fee</b>

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: 4/24/2015

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 CODE: 95074

PHONE: 650-944-0100

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-CONTINUING CARE OTHER: CONTRACTS BRANCH

MILES TO SHOPPING CTR: 1.5

MILES HOSPITAL: 5

**NUMBER OF UNITS:**

**RESIDENTIAL LIVING**

**HEALTH CARE**

APARTMENTS - STUDIO \_\_\_\_\_  
APARTMENTS - 1 BDRM 135  
APARTMENTS - 2 BDRM 124  
COTTAGES/HOUSES 60

ASSISTED LIVING 58 units  
SKILLED NURSING 48 licensed beds  
SPECIAL CARE \_\_\_\_\_  
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"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA (Jacuzzi)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	OTHER High Speed Internet	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP (Hobby Shop)	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input 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

	2011	2012	2013	2014
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$ 20,431,759	\$ 21,730,943	\$ 27,122,279	\$ 28,266,738
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, & interest)	-\$23,967,723	-\$25,299,275	-\$25,799,404	-\$25,731,617
<b>NET INCOME FROM OPERATIONS</b>	<u>-\$ 3,535,964</u>	<u>-\$ 3,568,332</u>	<u>\$ 1,322,875</u>	<u>\$ 2,535,121</u>
<b>LESS INTEREST EXPENSE</b>	-\$ 539,747	-\$ 492,852	-\$ 461,589	-\$ 431,017
<b>PLUS CONTRIBUTIONS</b>				
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	\$ 5,202,034	\$ 7,195,900	\$ 1,423,112	\$ 1,951,618
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	<u>\$ 1,126,323</u>	<u>\$ 3,134,716</u>	<u>\$ 2,282,798</u>	<u>\$ 4,054,122</u>
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (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 <sup>th</sup> Percentile (optional)	2012	2013	2014
<b>DEBT TO ASSET RATIO</b>		.058	.055	.052
<b>OPERATING RATIO</b>		.89	.92	.87
<b>DEBT SERVICE COVERAGE RATIO</b>		10.6	4.8	9.02
<b>DAYS CASH-ON-HAND RATIO</b>		334.49	344.20	371.64

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

	2011	%	2012	%	2013	%	2014
STUDIO	1606	5.8	1699	5.2	1787	5.7	1899
ONE BEDROOM	2588	5.8	2737	5.2	2880	5.7	3043
TWO BEDROOM	2677	5.8	2832	5.2	2979	5.7	3148
COTTAGE/HOUSE	3224	4.1	3355	4.3	3498	6.1	3711
ASSISTED LIVING	4206	7.7	4423	6.6	4715	5.8	4988
SKILLED NURSING							
SPECIAL CARE							

**COMMENTS FROM PROVIDER:** HC Fee \$575 1.7% \$585 4.3% \$610 2.5% \$625  
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.

# KEY INDICATORS REPORT

Date Prepared: 4/27/15

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

Chief Financial Officer Signature



	2010	2011	2012	2013	2014	Projected 2015	2016	2017	2018	2019	Preferred Trend Indicator
<b>OPERATIONAL STATISTICS</b>											
1. Average Annual Occupancy by Site (%)	93.14%	91.31%	91.20%	93.80%	93.01%	94.00%	94.00%	94.00%	94.00%	94.00%	N/A
<b>MARGIN (PROFITABILITY) INDICATORS</b>											
2. Net Operating Margin (%)	-16.23%	-17.29%	-16.41%	4.88%	8.97%	10.70%	11.56%	12.41%	13.25%	14.09%	↑
3. Net Operating Margin - Adjusted (%)	-16.23%	-17.29%	-16.41%	4.88%	8.97%	10.70%	11.56%	12.41%	13.25%	14.09%	↑
<b>LIQUIDITY INDICATORS</b>											
4. Unrestricted Cash and Investments (\$000)	\$23,203	\$22,315	\$23,636	\$24,766	\$26,640	\$27,129	\$27,632	\$28,150	\$28,684	\$29,234	↑
5. Days Cash on Hand (Unrestricted)	363	340	342	350	378	374	369	365	362	358	↓
<b>CAPITAL STRUCTURE INDICATORS</b>											
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)	\$86,295	\$83,426	\$82,456	\$80,941	\$80,840	\$80,759	\$80,679	\$80,598	\$80,517	\$80,437	N/A
9. Annual Capital Asset Expenditure (\$000)	\$1,841	\$2,565	\$2,265	\$3,237	\$1,761	\$2,114	\$2,748	\$2,720	\$2,693	\$2,666	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	-1.30	-3.50	-1.22	-2.16	-0.12	0.74	1.27	1.83	2.42	4.14	↑
11. Annual Debt Service Coverage (x)	-1.30	-3.50	-1.22	-2.16	4.82	9.02	10.78	10.99	11.13	11.27	↑
12. Annual Debt Service/Revenue (%)	39.60%	41.24%	32.90%	25.37%	21.28%	18.87%	16.54%	15.61%	14.74%	13.92%	↓
13. Average Annual Effective Interest Rate (%)	7.74%	7.75%	7.35%	7.28%	7.23%	7.12%	7.12%	7.12%	7.12%	7.12%	↓
14. Unrestricted Cash & Investments/Long-Term Debt (%)	333.32%	332.90%	373.01%	415.42%	478.82%	510.99%	564.37%	574.96%	585.86%	597.10%	↑
15. Average Age of Facility (years)	13.87	16.49	17.04	17.99	18.89	19.9	20.89	21.89	22.89	23.89	↑


  
 MAY 05 2015

## **Addendum to Annual Report**

### **2014 Checklist**

- ✓ 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.

**2014 Assisted Living Rates For  
The Forum at Rancho San Antonio (Members)**

	HC Occu- pancy Fee Daily	HC Occupancy Fee	HC Fee	Other Applicable fees	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
AL Permanent 1st member standard fee's	\$ 122.00	\$ 3,710.83 per month	\$ 625.00 per month	add Dementia fee as shown on next page	add as shown below		\$ 4,335.83
AL Permanent 2nd member standard fee's	\$ 63.00	\$ 1,916.25 per month	\$ 625.00 per month	add Dementia fee as shown on next page	add as shown below		\$ 2,541.25
Charge for Temporary Days, 2nd and 3rd Meal	\$ 22.00	\$ 669.17 per month	plus HC Fee per month	plus IL Occupancy Fee	add as shown below		
<b>Room Type</b>	<b>Sq Ft</b>				<b>Room Premium - Differential Per Day</b>	<b>Room Premium Differential (differential per month)</b>	
A-1 18 Studio	358				\$ -	\$ -	
A-2 14 Studio (with Patio)	358				\$ 12.00	\$ 365.00	
A-3 8 Studio	388				waived	waived	
A-4 2 Studio	391				waived	waived	
B-1 8 Single Studio / Double Studio (without Kitchen)	435				\$ 33.00	\$ 1,003.75	
B-2 4 Single Studio / Double Studio (with Kitchen)	435				\$ 33.00	\$ 1,003.75	
C-1 1 One Bed Room	520				\$ 132.00	\$ 4,015.00	
C-2 1 One Bed Room (with Patio)	520				\$ 142.00	\$ 4,319.17	
C-3 2 One Bed Room Deluxe	780				\$ 205.00	\$ 6,235.42	

**2014 Assisted Living Rates For  
The Forum at Rancho San Antonio (Members)**

Additional Service Charges to add to Room Charge		Per Day	Avg Monthly Rate
Dementia Fee Level 1		\$ 48.00	\$1,460.00
Dementia Fee Level 2		\$ 65.00	\$1,977.08

Other Clarifying charges	HC Occupancy Fee	HC Fee	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
Posted Base Rate, for conditional member contract	\$ 253.00				\$7,695.42
Conditional Member 90% of Posted Base Rate plus room premium as applicable (90% scales down 5% for every year of membership starting in Year 2 of membership)	\$ 227.70		add as above		\$6,925.88
	HC Occupancy Fee	HC Fee	Meal Credit		
Healthcare Occupancy Fee's for maintaining membership	\$122.00	\$ 20.55	\$ (28.50)		\$3,468.96
Healthcare Occupancy Fee's for maintaining membership	\$63.00	\$ 20.55	\$ (28.50)		\$1,674.38

(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 Care Center Occupancy Fee's for maintaining membership is the member rate for Model A1 AL Studio less applicable meal credits)

**2014 Skilled Nursing Rates For  
The Forum at Rancho San Antonio (Members)**

	HC Occu- pancy Fee Daily	HC Occupancy Fee	per month	HC Fee per month	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
SNF Permanent 1st member standard fee's	\$164.00	\$4,988.33	per month	\$ 625.00	add as shown below		\$ 5,613.33
SNF Permanent 2nd member standard fee's	\$95.00	\$2,889.58	per month	\$ 625.00	add as shown below		\$ 3,514.58
Charge for Temporary Days, 2nd and 3rd Meal	\$22.00	\$669.17	per month	plus HC Fee	add as shown below		
Member room premium					Differential Per Day	(differential per month)	
Private Room					\$135.00	\$4,106.25	



**2014 Assisted Living Rates For  
The Forum at Rancho San Antonio (Non-Members)**

MODEL		SQ FT	DAILY RATE		AVG MONTHLY RATE
A . 1	Studio	358	\$ 253.00	per day	\$7,695
A . 2	Studio (with Patio)	358	\$ 265.00	per day	\$8,060
A . 3	Studio	388	\$ 265.00	per day	\$8,060
A . 4	Studio	391	\$ 265.00	per day	\$8,060
B . 1	Single Studio / Double Studio (without Kitchen)	435	\$ 286.00	per day	\$8,699
B . 2	Single Studio / Double Studio (with Kitchen)	435	\$ 286.00	per day	\$8,699
C . 1	One Bed Room	520	\$ 385.00	per day	\$11,710
C . 2	One Bed Room (with Patio)	520	\$ 395.00	per day	\$12,015
C . 3	One Bed Room Deluxe	780	\$ 458.00	per day	\$13,931
<b>Additional Charges to add to Room Charge</b>					
	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			

**2014 Skilled Nursing Rates For  
The Forum at Rancho San Antonio (Non-Members)**

	DAILY RATE
Semi private Room	\$380.00
Private Room	\$515.00

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

Comparative Fee Schedule for 2014  
Occupancy Fees:

Unit Style	2014	%Increase	2013	%Increase	2012	%Increase	2011	%Increase	2010	%Increase	2009	%Increase
A	1889	5.71%	1787	5.18%	1699	5.76%	1606	2.06%	1574	0.00%	1574	0.00%
AD	2099	5.69%	1986	5.20%	1888	5.76%	1785	2.06%	1749	0.00%	1749	0.00%
B	2414	5.69%	2284	5.21%	2171	5.76%	2053	2.02%	2012	0.00%	2012	0.00%
C	2728	5.65%	2582	5.21%	2454	5.76%	2320	2.04%	2274	0.00%	2274	0.00%
D	2938	5.68%	2780	5.19%	2643	5.76%	2499	2.04%	2449	0.00%	2449	0.00%
E	3043	5.66%	2880	5.21%	2737	5.76%	2588	2.02%	2537	0.00%	2537	0.00%
F	3148	5.67%	2979	5.20%	2832	5.76%	2677	2.04%	2624	0.00%	2624	0.00%
G	3148	5.67%	2979	5.20%	2832	5.76%	2677	2.04%	2624	0.00%	2624	0.00%
V	3148	5.67%	2979	5.20%	2832	5.76%	2677	2.04%	2624	0.00%	2624	0.00%
VD	3988	5.70%	3773	5.19%	3587	5.76%	3391	2.03%	3324	0.00%	3324	0.00%
2ND Person	735	5.76%	695	5.19%	661	5.76%	625	2.08%	612	0.00%	612	0.00%

Health Care Fee

Per Person	625	2.5%	610	4.3%	585	1.7%	575	4.5%	550	10.0%	500	-9.1%
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Alternate Summary

Combined Fee, by IL Occupancy Fee plus HealthCare Fee												
A	2514	4.88%	2397	4.95%	2284	4.70%	2181	2.71%	2124	2.41%	2074	-2.35%
AD	2724	4.93%	2596	4.98%	2473	4.78%	2360	2.65%	2299	2.22%	2249	-2.17%
B	3039	5.01%	2894	5.01%	2756	4.88%	2628	2.57%	2562	1.99%	2512	-1.95%
C	3353	5.04%	3192	5.03%	3039	4.96%	2895	2.53%	2824	1.80%	2774	-1.77%
D	3563	5.10%	3390	5.02%	3228	5.01%	3074	2.50%	2999	1.70%	2949	-1.67%
E	3668	5.10%	3490	5.05%	3322	5.03%	3163	2.47%	3087	1.65%	3037	-1.62%
F	3773	5.13%	3589	5.04%	3417	5.05%	3252	2.47%	3174	1.60%	3124	-1.58%
G	3773	5.13%	3589	5.04%	3417	5.05%	3252	2.47%	3174	1.60%	3124	-1.58%
V	3773	5.13%	3589	5.04%	3417	5.05%	3252	2.47%	3174	1.60%	3124	-1.58%
VD	4613	5.25%	4383	5.06%	4172	5.18%	3966	2.39%	3874	1.31%	3824	-1.29%
2ND Person	1360	4.21%	1305	4.76%	1246	3.81%	1200	3.27%	1162	4.50%	1112	-4.30%

Print Date: 4/27/2015

Appendix D - 5 Yr. Historic Fees Year Historic Fee  
(Update to Section 1 of Resident Document Binder)

**RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.  
RSI CASH RESERVE REVIEW  
2014 Budget - Final**

<b>Operations and reserved cash FBO RSI</b>	
Expenses as budgeted	\$ 12,255,633
75 days required reserve for DSS	\$ 2,518,281
75 days operating reserve	\$ 2,518,281
Required cash reserve	<u>\$ 5,036,562</u>

<b>Estimated Cash</b>	
EOY 2013 Est cash Balance	\$ 450,000
Accrued Liabilities	\$ (600,000)
EOY 2013 estimated Entrance/Exit Fee cash fund	\$ 5,936,815
2014 Entrance/Exit income	\$ 1,116,000
2014 Entrance/Exit expense to RSI	<u>\$ (1,800,000)</u>
Estimated	<u>\$ 5,102,815</u>
(Shortfall)/ Excess of RSI requested cash reserves	<u>\$ 66,253</u>

Days (short)/excess in reserve:

2

RANCH SAN ANTONIO RETIREMENT HOUSING CORPORATION  
 Analysis Cash Requirement for RHC  
 2014 Budget - FINAL

Guided by Policy 31: Operating Cash Requirements

A. Budget - Short Term Threshold Test	
1 Total Expenses as budgeted for 2014	\$ 15,295,826
2 75 days required reserve for DSS	\$ 3,142,978
3 75 days operating expenses	\$ 3,142,978
4 1 years loan payments	\$ 1,028,979
Required cash reserve	\$ 7,314,935
1 Estimated Cash	\$ 9,187,842
2 EOY 2013 est. cash*	\$ (650,000)
3 Liability for expenses	\$ 1,202,659
4 Est. increase/decrease of Cash for 2014 Budget	\$ 9,740,501
5 Estimated Cash	\$ 2,425,566
11 difference of cash to cash requirements	

Comments:

- (1) 5 Year Outlook assumes higher level of resale appreciation in 2014B through 2017O 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 12 for 2013 including units potentially listed longer than 18 months (as per Sect 10 Res Doc Binder - Resale Information)
- (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.

	2014B	2015O	2016O	2017O	2018O	2019O
12 Fixed Asset Reserve Requirement	4,319,698	4,334,439	4,328,505	3,727,881	5,038,085	6,422,425
13 Fixed Asset Reserve Balance, end of year						
14 (See Summary of Reserve Balances for 2014 Budget)						
15 Insurance Reserve Requirement (Business Continuity)						
16 Insurance Reserve Balance, end of year	\$ 1,324,212	\$ 1,363,938	\$ 1,404,857	\$ 1,447,002	\$ 1,490,412	\$ 1,535,125

17 B. Five Year Outlook - Long Term Threshold Test

	2014B	2015O	2016O	2017O	2018O	2019O
18 Cash on Hand Calculation for RHC:						
19 Cash	10,676,999	10,427,581	10,213,924	10,671,690	9,775,691	8,835,415
20 Board Designated, Component Reserve Fund	4,319,698	4,334,439	4,328,505	3,727,881	5,038,085	6,422,425
21 Less 25% for HCC for Fixed Assets	(1,079,925)	(1,083,610)	(1,082,126)	(931,970)	(1,259,521)	(1,605,606)
22 Board Designated, Insurance Reserve Fund	1,324,212	1,363,938	1,404,857	1,447,002	1,490,412	1,535,125
23 Total Unrestricted Cash (for Cash on Hand) [A]	15,240,985	15,042,349	14,865,159	14,914,603	15,044,667	15,187,359
24 Operating Expenses (excl depreciation) [B]	15,295,826	15,754,700	16,227,341	16,714,162	17,215,586	17,732,054
25 Operating Expenses Per Day [B]/365	41,906	43,164	44,458	45,792	47,166	48,581
26 Days Cash on Hand Ratio: [A]/[B]/365	364	348	334	326	319	313

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

2014 Budget - Final	2011		2012		2013		2014		Budget Fiscal Year Ending:	
	Actual	Budget	Actual	Budget	Budget	Projected	Budget	Budget	Yr Ovr Yr \$ 2013P vs 2014B	Yr Ovr Yr % 2013P vs 2014B
24 Other G&A	770,073		670,700	609,861	663,852	675,440			11,588	1.7%
25 Other Operating Expenses	203,263		347,385	332,872	624,393	509,156			(115,236)	-18.5%
26 Total Operating Expenses	11,376,376		11,588,063	12,054,855	12,085,729	12,255,633			169,904	1.4%
27 Net Operating Income	(4,632)		286,475	275,794	262,159	(531,593)			(793,752)	-302.8%
31 Other Revenues/Expenses										
32 Interest Income	-		105,533	165,257	171,994	241,789			69,796	40.6%
33 Entrance Exit/Fees	1,010,000		1,039,998	900,000	1,045,000	1,800,000			755,000	72.2%
34 Rent Expense	(1,247,414)		(1,478,370)	(1,495,174)	(1,495,174)	(1,510,125)			(14,952)	1.0%
35 Net Income	(242,046)		(46,364)	(154,123)	(16,021)	71			16,092	100.4%

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

Budget Fiscal Year Ending:  
Entity

	2011		2012		2013		2014		Yr ovr Yr \$		Yr ovr Yr %	
	Actual	Actual	Actual	Budget	Projected	Budget	Budget	2013P vs 2014B	2013P vs 2014B	% Total	2013P vs 2014B	2014B
<b>Occupancy Fees</b>												
1 Skilled Nursing Revenues (net of contractual)	2,267,694	2,631,745	2,644,063	2,944,059	2,332,296	(611,763)	19.9%	-20.8%				
2 Assisted Living Revenues (net of contractual)	2,530,243	2,484,048	2,652,456	2,667,729	2,777,384	109,655	23.7%	4.1%				
3 Medicare A (net of ancillary)	2,385,170	2,596,622	2,764,515	2,295,179	2,109,546	(185,633)	18.0%	-8.1%				
4	7,183,107	7,712,415	8,061,034	7,906,968	7,219,226	(687,742)	61.6%	-8.7%				
5 Healthcare Fees	3,083,449	3,160,221	3,407,636	3,387,674	3,432,824	45,150	29.3%	1.3%				
6 Other Census Related Revenue												
7 Memory Care Revenues	176,612	127,436	125,000	104,247	141,252	37,005	1.2%	35.5%				
8 Medicare Part B	287,494	370,440	445,564	491,461	465,812	(25,649)	4.0%	-5.2%				
9 Other Ancillary Revenues	641,082	504,026	291,415	457,538	464,926	7,389	4.0%	1.6%				
10	1,105,188	1,001,902	861,979	1,053,246	1,071,990	18,744	9.1%	1.8%				
9 Total Operating Revenues	11,371,744	11,874,538	12,330,649	12,347,888	11,724,040	(623,847)	%Total	-5.1%				
10 Wages	5,122,277	5,234,929	5,418,476	5,611,265	5,732,158	120,893	47%	2.2%				
11 Employee Taxes/Benefits & Related Expense	1,420,985	1,765,425	1,992,514	1,860,736	2,079,058	218,322	17%	11.7%				
12 Insurance - General	437,078	278,970	118,896	118,462	122,901	4,439	1%	3.7%				
13 Legal and Professional	140,292	92,419	116,500	76,271	77,350	1,079	1%	1.4%				
14 Management Fees	750,103	666,015	692,877	587,095	545,168	(41,927)	4%	-7.1%				
15 Marketing	20,969	9,461	24,000	25,597	25,600	3	0%	0.0%				
16 Telephone	29,754	65,862	123,581	47,520	50,500	2,980	0%	6.3%				
17 Supplies (Plant)	102,204	65,542	64,207	101,484	103,900	2,416	1%	2.4%				
18 Maintenance Contracts (Plant)	159,296	177,106	207,537	137,807	142,545	4,738	1%	3.4%				
19 Cable TV Costs	91,984	64,460	80,136	77,904	82,100	4,196	1%	5.4%				
20 Utilities	314,008	299,139	335,948	331,059	338,480	7,421	3%	2.2%				
21 Food	485,833	551,434	551,000	633,264	654,342	21,078	5%	3.3%				
22 Supplies (Food & Beverage)	76,660	107,051	91,008	102,176	103,500	1,324	1%	1.3%				
23 Healthcenter Ancillaries	1,173,202	1,192,165	1,295,443	1,086,845	1,013,436	(73,409)	8%	-6.8%				
Sub Total	10,403,040	10,569,978	11,112,123	10,797,485	11,071,037	273,553	90%	2.5%				

Rancho San Antonio Retirement Housing Corporation  
Year over Year Operating Statement

Budget Fiscal Year Ending:  
Entity

2014  
2787

	2011		2012		2013		2014		Yr ovr Yr %	
	Actual	Actual	Actual	Budget	Projected	Budget	Budget	2014B vs 2013P	2014B vs 2013P	2014B vs 2013P
<b>2014 Budget - FINAL</b>										
1 Occupancy Fees	8,800,945	9,417,230	9,928,713	10,106,186	10,504,293			398,107		3.9%
2 Membership Resale Income	3,783,625	5,621,344	3,780,000	3,694,286	3,898,892			204,607		5.5%
3 Marketing & Sales Commissions	192,858	326,430	910,000	879,583	980,560			100,977		11.5%
4 Interest & Dividends	107,648	91,450	92,519	95,159	98,014			2,855		3.0%
5 Other Operating Revenue	201,433	202,299	212,856	168,162	217,103			48,941		29.1%
<b>6 Total Operating Revenue</b>	<b>13,086,509</b>	<b>15,658,753</b>	<b>14,924,088</b>	<b>14,943,375</b>	<b>15,698,862</b>			<b>755,487</b>		<b>5.1%</b>
7 Wages	4,782,744	4,973,092	5,518,117	5,678,541	5,838,769			160,228		2.8%
8 Employee Taxes/Benefits/Empl Related Expenses	1,305,194	1,719,652	1,788,542	1,744,833	1,895,575			150,742		8.6%
9 Insurance - General	662,662	595,879	440,414	440,370	456,741			16,371		3.7%
10 Legal and Professional	176,248	324,924	296,163	452,408	298,696			(153,711)		-34.0%
11 Management Fees	764,997	791,027	637,455	641,800	641,722			(78)		0.0%
12 Marketing	418,295	418,193	338,000	639,247	342,250			(296,997)		-46.5%
13 Taxes - Real Estate & Other	363,656	414,000	372,520	529,193	469,037			(60,156)		-11.4%
14 Telephone	29,200	70,547	32,146	63,759	67,000			3,241		5.1%
15 Supplies (Plant)	108,055	146,487	90,600	167,681	170,343			2,662		1.6%
16 Maintenance Contracts (Plant)	1,121,393	1,031,063	881,888	837,844	875,424			37,580		4.5%
17 Cable TV Costs	286,739	248,664	241,164	248,883	258,300			9,417		3.8%
18 Utilities	766,507	756,088	823,335	790,164	800,744			10,580		1.3%
19 Food	1,178,222	1,281,949	1,250,277	1,216,919	1,278,404			61,485		5.1%
20 Supplies (Food & Beverage)	152,346	181,201	168,850	211,629	221,650			10,021		4.7%
<b>21 Sub Total</b>	<b>12,116,258</b>	<b>12,952,766</b>	<b>12,879,472</b>	<b>13,663,271</b>	<b>13,614,655</b>			<b>(48,616)</b>		<b>-0.4%</b>
22 Other Operating Expenses	273,960	415,414	214,487	166,374	104,196			(62,177)		-37.4%
<b>23 Total Operating Expense</b>	<b>12,390,218</b>	<b>13,368,180</b>	<b>13,093,958</b>	<b>13,829,644</b>	<b>13,718,852</b>			<b>(110,793)</b>		<b>-0.8%</b>
<b>24 Net Operating Income (NOI)</b>	<b>696,291</b>	<b>2,290,573</b>	<b>1,830,130</b>	<b>1,113,731</b>	<b>1,980,010</b>			<b>866,280</b>		<b>77.8%</b>
<b>NOI %</b>	<b>5%</b>	<b>15%</b>	<b>12%</b>	<b>7%</b>	<b>13%</b>					

Rancho San Antonio Retirement Housing Corporation  
Year over Year Operating Statement

Budget Fiscal Year Ending:  
Entity

2014  
2787

2014 Budget - FINAL

Yr ovr Yr \$ Yr ovr Yr %  
2014B vs 2014B vs  
2013P 2013P

	2011 Actual	2012 Actual	2013 Budget	2013 Projected	2014 Budget	% Total	Yr ovr Yr \$ 2014B vs 2013P	Yr ovr Yr % 2014B vs 2013P
25 Rental Income	1,463,733	1,482,181	1,493,154	1,480,370	1,495,174		14,804	1.0%
26 Amortization Income (Entrance/Exit Fees)	797,170	1,689,360	1,400,000	1,212,800	1,147,777		(65,023)	-5.4%
27 Total Other Income	2,260,903	3,171,541	2,893,154	2,693,170	2,642,951		(50,219)	-1.9%
28 Depreciation Expense	3,995,737	4,104,416	4,074,597	4,137,720	4,220,474		82,754	2.0%
29 Amortization/Non Operating Interest Expense	1,588,835	1,946,805	2,176,130	1,513,789	1,576,974		63,185	4.2%
30 Other Non Operating Expenses	5,584,572	6,051,221	6,250,727	5,651,509	5,797,448		145,939	2.6%
31 Net Income/(Loss) [excluding Depreciation]	1,368,359	3,515,309	2,547,154	2,293,112	3,045,987		752,875	32.8%
32 Net Income/(Loss)	(2,627,378)	(589,107)	(1,527,443)	(1,844,608)	(1,174,487)		670,121	36.3%
33 Operations Cash Flow								
34 Add Back Depreciation	3,995,737	4,104,416	4,074,597	4,137,720	4,220,474			
35 Debt Related	(329,910)	(377,658)	(421,337)	(421,337)	(451,354)			
36 Incr/Decr Expense & Capital/Reserves Related	#####	(1,234,414)	(1,909,934)	(1,855,542)	(2,328,543)			
39 Subtotal	1,053,089	2,492,344	1,743,326	1,860,841	1,440,578			
40 Defined Cash Flow	(1,574,289)	1,903,237	215,883	16,232	266,090		249,858	1539.3%