FISCAL YEAR ENDED: 12 / 31 / 15

ANNUAL REPORT CHECKLIST

PROVIDER(S): Freedom Properties-Hemet, LLC

RECEIVED
APR 29 2016
CONTINUING CARE CONTRACTS BRANCH

CCRC(S): The Village

CONTACT PERSON: Barb Johnston

TELEPHONE NO.: (949) 340-8103 **EMAIL:** bjohnston@freedomvillage.org

• •

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

- [x] Annual Report Checklist.
- [x] Annual Provider Fee in the amount of: $ 7,929.00
    - [ ] If applicable, late fee in the amount of: $ ________
- [x] Certification by the provider's ***Chief Executive Officer*** that:
    - [x] The reports are correct to the best of his/her knowledge.
    - [x] Each continuing care contract form in use or offered to new residents has been approved by the Department.
    - [x] The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- [x] Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- [x] Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- [x] Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- [x] 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.

The Village

Continuing Care Retirement Community

April 27, 2016

RECEIVED
APR 29 2016
CONTINUING CARE CONTRACTS BRANCH

Department of Social Services
Continuing Care Contracts Program
744 P Street, M/S 17-90
Sacramento, CA 95814

RE: Freedom Properties-Hemet, dba The Village

Enclosed is the 2015 annual report for The Village. As Chief Executive Officer, I certify to the following:

1. That the annual report and any amendments thereto are correct to the best of my knowledge,

2. That each continuing care contract in use for new residents has been approved by the Department,

3. The Village is maintaining the required liquid reserves,

4. A line of credit exists to cover the agreed amount of the refund reserve requirement under the Health and Safety Code Section 1793c.

Sincerely,

Tom Stringer
Chief Executive Officer
The Village

TS/js

ACORD

CERTIFICATE OF LIABILITY INSURANCE

FREED-2 OP ID:

DATE (MM/DD/YYYY) 04/27/2016

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

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

PRODUCER
Robert Bell Ins. Brokers Inc.
605 E. Alvarado St., Suite 200
Fallbrook, CA 92028
Michael Bell

CONTACT NAME: Michael Bell
PHONE (A/C, No, Ext): 800-426-2634
FAX (A/C, No): 760-451-8613
E-MAIL ADDRESS: mbell@robertbellinsurance.com

INSURED
Casa Pacifica DBA The Village
Healthcare Ctr. - Freedom
Properties Hemet - Freedom
Properties Hemet LLC DBA
The Village Healthcare
27122B Paseo Espada, Ste 1024
San Juan Capistrano, CA 92675

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A :	
INSURER B : Columbia Casualty Company	31127
INSURER C : Continental Insurance Co.	35289
INSURER D : Lloyd's of London	
INSURER E : Markel Insurance Company	38970
INSURER F :	

COVERAGES

CERTIFICATE NUMBER: REVISION NUMBER:

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
B	X COMMERCIAL GENERAL LIABILITY; CLAIMS-MADE X OCCUR	X		4022531770	06/15/2015	06/15/2016	EACH OCCURRENCE	$ 1,000,000
B	X Professional			4022531770	06/15/2015	06/15/2016	DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 100,000
	GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC; OTHER:						MED EXP (Any one person)	$ 50,000
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 3,000,000
							PRODUCTS - COMP/OP AGG	$ 3,000,000
							Prof Aggr	$ 3,000,000
C	AUTOMOBILE LIABILITY; X ANY AUTO; ALL OWNED AUTOS; SCHEDULED AUTOS; X HIRED AUTOS; X NON-OWNED AUTOS; X Insurer B			4022531767	06/15/2015	06/15/2016	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
							Excess Auto	$
B	X UMBRELLA LIAB; EXCESS LIAB; OCCUR; CLAIMS-MADE; DED X RETENTION $ 10,000			4022531798	06/15/2015	06/15/2016	EACH OCCURRENCE	$ 5,000,000
							AGGREGATE	$ 4,000,000
								$ 4,000,000
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY; ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) Y/N Y; N/A; If yes, describe under DESCRIPTION OF OPERATIONS below						PER STATUTE / OTH-ER	
							E.L. EACH ACCIDENT	$
							E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
E	D&O			GPL1425276-15	04/25/2015	04/25/2016	D&O Limit	2,000,000
D	EPLI			GPL1425276-15	04/25/2015	04/25/2016	EPLI Limi	1,000,000

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

Certificate holder is listed as an Additional Insured under the general liability policy GSL6484XX Endorsement attached

CERTIFICATE HOLDER	CANCELLATION
STATECA State of CA, Health & Welfare Agency, Office of Statewide Health Planning & Development 1800 9th Street Sacramento, CA 96814	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE Mike B

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	237
[2]	Number at end of fiscal year	250
[3]	Total Lines 1 and 2	487
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	243.5
	All Residents	
[6]	Number at beginning of fiscal year	306
[7]	Number at end of fiscal year	315
[8]	Total Lines 6 and 7	621
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	310.5
[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).	0.78

FORM 1-2
ANNUAL PROVIDER FEE

Line				TOTAL
[1]		Total Operating Expenses (including debt service)		$11,314,702
	[a]	Depreciation	$1,203,780	
	[b]	Debt Service (Interest Only)		
[2]		Subtotal (add Line 1a and 1b)		$1,203,780
[3]		Subtract Line 2 from Line 1 and enter result.		$10,110,922
[4]		Percentage allocated to continuing care residents (Form 1-1, Line 11)		78%
[5]		Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$7,929,177
				x .001
[6]		**Total Amount Due** (multiply Line 5 by .001)		$7,929

PROVIDER: Freedom Properties-Hemet, LLC
COMMUNITY: The Village

FREEDOM PROPERTIES - HEMET, LLC

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2015

WITH INDEPENDENT AUDITORS' REPORT

FREEDOM PROPERTIES - HEMET, LLC
TABLE OF CONTENTS
DECEMBER 31, 2015

Page

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Members of
Freedom Properties - Hemet, LLC
Hemet, California

We have audited the accompanying financial statements of Freedom Properties - Hemet, LLC (a California limited liability company) (the "Company"), which comprise the balance sheet as of December 31, 2015, and the related statements of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893
Offices located in Orange and San Diego Counties

Basis for Qualified Opinion

As more fully described in Note 7 to the financial statements, the Company recognizes income from deferred entrance fees when the funds are constructively received. Accounting principles generally accepted in the United States of America require that a deferred entrance fee be amortized to income over future periods based on the estimated life expectancy of the resident. If the financial statements were corrected for that departure from accounting principles, assets would increase by approximately $9,486,000, liabilities would increase by approximately $5,375,000, beginning members' equity would increase by approximately $4,208,000, and revenue from resident services, including deferred entrance fees and nonrefundable advance fees, would decrease by approximately $97,000.

Qualified Opinion

In our opinion, except for the effects of recognition of deferred entrance fees as income upon constructive receipt of payment as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Freedom Properties - Hemet, LLC as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

White Nelson Diehl Evans LLP

Irvine, California
April 27, 2016

FREEDOM PROPERTIES - HEMET, LLC
BALANCE SHEET
DECEMBER 31, 2015

ASSETS

Current Assets:		
Cash and cash equivalents	$	1,386,100
Accounts receivable		1,610,242
Related party receivable		53,789
Inventories		157,505
Prepaid expenses		135,517
Total Current Assets		3,343,153
Property and Equipment:		
Land		2,153,427
Building and improvements		24,665,165
Machinery and equipment		3,628,799
Furniture and fixtures		6,248,253
Vehicles		132,891
Total property and equipment, at cost		36,828,535
Less: Accumulated depreciation		(23,078,381)
Property and Equipment, at Net Book Value		13,750,154
Receivables from Residents		269,966
Total Assets	$	17,363,273

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

FREEDOM PROPERTIES - HEMET, LLC
BALANCE SHEET (CONTINUED)
DECEMBER 31, 2015

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:		
Accounts payable	$	180,484
Accrued expenses		542,965
Deposits from residents		7,702
Current portion of note payable to master trust		500,000
Current portion of notes payable to related parties		77,490
Total Current Liabilities		1,308,641
Long-Term Liabilities:		
Note payable to master trust, net of current portion		10,320,000
Notes payable to related parties, net of current portion		655,308
Total Long-Term Liabilities		10,975,308
Total Liabilities		12,283,949
Members' Equity		5,079,324
Total Liabilities and Members' Equity	$	17,363,273

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

FREEDOM PROPERTIES - HEMET, LLC
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2015

Revenues:	
Resident services, including deferred entrance fees and non-refundable advance fees of $1,984,128	$ 7,346,067
Patient services, net	6,289,466
Miscellaneous revenue	189,233
Total Revenues	13,824,766
Caregiver and Ancillary Service Costs	1,141,413
Net Revenues	12,683,353
Operating Expenses:	
Resident care	1,905,538
Dietary	1,984,696
Housekeeping	477,296
Plant facility operating costs	1,432,628
General and administrative expenses	4,310,764
Depreciation and amortization	1,203,780
Total Operating Expenses	11,314,702
Income from Operations	1,368,651
Other Income (Expense):	
Interest expense	(51,851)
Interest income	2,807
Total Other Income (Expense)	(49,044)
Income before Provision for Income Taxes	1,319,607
Provision for Income Taxes	17,790
Net Income	$ 1,301,817

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

FREEDOM PROPERTIES - HEMET, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2015

Balance at December 31, 2014	$	5,177,507
Net Income		1,301,817
Distributions to Members		(1,400,000)
Balance at December 31, 2015	$	5,079,324

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

FREEDOM PROPERTIES - HEMET, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

Cash Flows from Operating Activities:	
Cash received from residents	$ 7,421,118
Interest income	2,807
Reimbursements for services to non-residents	5,663,504
Cash paid to suppliers and employees	(11,331,338)
Interest paid	(51,851)
Income taxes paid	(17,790)
Net Cash Provided by Operating Activities	1,686,450
Cash Flows from Investing Activities:	
Purchase of property and equipment	(882,881)
Net Cash Used in Investing Activities	(882,881)
Cash Flows from Financing Activities:	
Payments on note payable to master trust	(500,000)
Proceeds from note payable to master trust	50,000
Payments on notes payable to related parties	(652,067)
Distributions to members	(1,400,000)
Net Cash Used in Financing Activities	(2,502,067)
Net Change in Cash and Cash Equivalents	(1,698,498)
Cash and Cash Equivalents, Beginning of Year	3,084,598
Cash and Cash Equivalents, End of Year	$ 1,386,100

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

FREEDOM PROPERTIES - HEMET, LLC
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

Reconciliation of Net Income to Cash Provided by Operating Activities:		
Net Income	$	1,301,817
Non-Cash Items Included in Net Income:		
Depreciation and amortization		1,203,780
Change an allowance for doubtful accounts		(7,875)
Changes In:		
Accounts receivable		(293,991)
Inventories		4,845
Prepaid expenses		26,285
Receivables from residents		99,199
Accounts payable		(103,628)
Related party amounts		(545,469)
Accrued expenses		1,370
Deposits from residents		117
Net Cash Provided by Operating Activities	$	1,686,450

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

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

Nature of Business

Freedom Properties - Hemet, LLC (the "Company") is a California limited liability company which owns and operates a continuing care retirement community known as The Village.

The Village provides permanent living, assisted living, skilled nursing, and other ancillary services through the operation of a retirement facility (the "Retirement Center") which includes 245 residential units and a health care facility (the "Health Care Center") which includes 104 beds.

Limited Liability Company Agreement

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

The Company was organized as a Limited Liability Company in the State of California on July 31, 1999, and will continue until December 31, 2050, unless dissolved prior to that date in accordance with its Operating Agreement. The members' liability to general creditors is limited to their investments in the Company. Profits and losses for financial statement purposes are allocated to the members in proportion to their percentage interests.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), with the exception of the effects of recognition of deferred entrance fees as discussed in Note 7. References to the "ASC" hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board ("FASB") as the source of authoritative U.S. GAAP.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly-liquid debt instruments with original maturities of three months or less. At December 31, 2015, cash balances include a refund reserve escrow account of $50,000.

Accounts Receivable

Accounts receivable consist of amounts due from residents, occupants, or third-party payers for monthly service fees, skilled nursing services, assisted living services and other ancillary services. These services and fees are primarily due on a net 30 day term. Accounts for which no payments have been received are contacted after 60 days and customary collection efforts are taken.

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

Accounts Receivable (Continued)

Accounts receivable are periodically evaluated for collectability based on past credit history with residents, occupants, or third-party payers and their current financial condition. After six months of unsatisfactory contact, the Company writes off what they believe will be uncollectible after obtaining approval from management.

The Company provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible. An allowance was not deemed necessary at December 31, 2015.

Inventories

Inventories consist of food, service ware, linen and other necessary supplies. These inventories are valued at the lower of cost or market on a first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Property and equipment are depreciated over estimated useful lives of 5 to 40 years. Depreciation is computed using the straight-line method for financial purposes and accelerated methods for income tax purposes.

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

Building and improvements	7-40 years
Machinery and equipment	5-12 years
Furniture and fixtures	7-12 years
Vehicles	5 years

Depreciation and amortization expense for the year ended December 31, 2015, totaled $1,203,780. At December 31, 2015, fully depreciated property improvements and equipment totaled $5,785,870 and are still in use.

Long-Lived Assets

The Company accounts for impairment and disposition of long-lived assets in accordance with ASC 360-10, "*Property, Plant, and Equipment*". ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. There was no impairment of value of such assets for the year ended December 31, 2015.

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

Receivables from Residents

Residents, who entered the Retirement Center prior to June 1993, are provided up to 360 days of health care at no additional charge ("free days"). A resident may use 22 free days of health care during a 90-day period. The cost of days in excess of the 22 free days of health care used is charged to the resident. The residents are allowed to accrue the additional cost over their monthly service fee against their refundable deferred entrance fee. Accrued receivables are due and paid upon termination of the resident's occupancy.

Revenue and Expenses

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

Revenue Recognition

Revenue from resident and patient services is accounted for on the accrual basis of accounting as earned. See Note 7 for a description of the revenue recognition policy on deferred entrance fees.

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered. Revenue from third-party payers is calculated based on specified rates per agreement. The difference between charges generated by third party program patients and the estimated amounts to be received is reflected as provision for contractual discounts as shown below:

Gross patient charges	$ 7,702,976
Provision for contractual discounts	(1,413,510)
Patient Services, Net	$ 6,289,466

Advertising and Promotional Costs

Advertising and promotional costs are charged to operations when incurred. For the year ended December 31, 2015, advertising and promotional costs and related expenses totaled $176,076 and are included in general and administrative expenses in the accompanying statement of operations.

Income Taxes

The Company is organized as a limited liability company. Taxation of a limited liability company passes the burden of income taxes from the Company to its members. The State of California imposes a minimum franchise tax plus an annual fee on limited liability companies with annual revenues in excess of $5,000,000.

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

Use of Estimates

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

New Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "*Revenue from Contracts with Customers (Topic 606)*". As compared to existing guidance on revenue recognition, ASU 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets.

The ASU core principal is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. In August 2015, the FASB issued ASU 2015-14, *"Revenue from Contracts with Customers (ASC 606): Deferral of the Effective Date"*, as an update for entities to apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact of the provisions of ASU 2014-09 and ASU 2015-14 on the presentation of its financial statements.

Note 2: Concentrations, Risks and Uncertainties

The Company maintains cash balances at several banks. At December 31, 2015, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2015, the Company's uninsured cash balances at these institutions totaled $1,215,186.

Prior to actual occupancy by the resident, a contribution referred to as a Loan Deposit is required to be deposited with the Master Trust pursuant to a residency agreement (the "Residence Agreement"). Under the Residence Agreement, the contribution received will be refundable under the following terms and conditions:

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

Note 2: Concentrations, Risks and Uncertainties (Continued)

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

Upon termination of the agreement, during the period from 90 days to 2 years of occupancy, the resident or his or her estate will be entitled to a repayment of a portion of his or her Loan Deposit, less a pre-determined percentage per month of occupancy and any charges incurred but not paid, as determined by the terms and conditions of the individual agreements.

C. Cancellation After 2 Years - The criteria for cancellation after 2 years is the same as the criteria described above for cancellation after 90 days and before 2 years. If termination occurs after 2 years, the resident or his or her estate may be entitled to a portion of his or her Loan Deposit, less any charges incurred but not paid, as determined per the terms and conditions of the individual agreements.

Note 3: Prepaid Expenses

Prepaid expenses at December 31, 2015, consist of the following:

Prepaid insurance	$ 123,104
Other	12,413
Total Prepaid Expenses	$ 135,517

Note 4: Receivables from Residents

Pursuant to the terms discussed in Note 1, the Company has receivables due from residents associated with past healthcare services provided. At December 31, 2015, resident receivables related to past healthcare services totaled $269,966.

Note 5: Accrued Expenses

Accrued expenses at December 31, 2015, consist of the following:

Accrued salaries and wages	$ 212,176
Accrued payroll taxes	80,405
Accrued vacation	127,792
Workers' compensation reserve	122,592
Total Accrued Expenses	$ 542,965

Note 6: Line of Credit

The Company has an unsecured revolving line of credit with a bank whereby the Company may borrow a maximum of $1,500,000 with an interest rate at the bank's reference rate but no less than 4.00 percent per annum. At December 31, 2015, there was no balance outstanding under this line of credit. The line expires in July 2017 and is guaranteed by all members of the Company. The Company has agreed to certain covenants with the bank. As of December 31, 2015, the Company was in compliance with respect to the agreement covenants.

Note 7: Note Payable to Master Trust and Trust Arrangement

The residents of The Village established a trust fund for the purpose of providing permanent financing, operating capital and statutory reserves for the benefit of the Retirement Center. The residents sign a Joinder in Master Trust Agreement, joining in and becoming grantors under a Master Trust Agreement between the trustee and the grantors. At December 31, 2015, the Master Trust note payable balance outstanding was $10,820,000.

In addition, each grantor upon execution of a Joinder in Master Trust Agreement must deposit with the trustee the contribution amount required of such grantor as set forth in the Residence Agreement and the Deposit Subscription Agreement.

The grantors deposit the required contribution amount into the trust and acknowledge in a Commitment Letter that the trustee of the Master Trust is directed to transfer all requested funds in the form of an interest-free loan to the Company for the purpose of providing permanent financing and operating capital for the Retirement Center, subject to availability and specific loan limits described below. This loan is secured by the following:

A. A first priority deed of trust on The Village Retirement Center's real property and improvements.

B. A security agreement creating a fast security interest in all of the improvements, fixtures and personal property associated and used in connection with The Village Retirement Center.

C. An assignment of rents, leases, profits and contracts including, but not limited to, any residence agreement and any management agreements entered into in conjunction with the operation of The Village Retirement Center.

The security shall also include any after-acquired collateral, as well as any insurance proceeds recovered for the loss of any property serving as collateral for this loan.

Upon the resale of a resident's unit, any proceeds over and above the departing resident's loan balance remaining in the trust after admission of a new resident may be loaned to the Company. The total loans to the Company shall not exceed the lesser of $25,000,000 or 80 percent of the appraised value of the property.

Note 7: Note Payable to Master Trust and Trust Arrangement (Continued)

Payments of principal are made on an annual basis and are calculated based on a forty-year loan amortization with the final payment due March 31, 2038. The Company is required to make minimum annual principal payments of approximately $500,000 for each of the next five years.

A resident's balance is repaid upon termination of the Residence Agreement. In accordance with the Joinder in Master Trust Agreement, the residents request and direct that all principal payments received be paid directly to the Company for the benefit of the resident. The purpose of this provision is to effectuate partial payment of the deferred entrance fee amount owed by the resident to the Company under the Residence Agreement. The deferred entrance fee is included in the accompanying statement of operations as deferred entrance fees and non-refundable advance fees.

The Master Trust also distributes to the Company any excess funds that are not invested in the form of an interest-free loan to the Company or held as reserves. Distributions of this kind also serve to effectuate partial payment of the deferred entrance fee amount owed by the resident to the Company under the Residence Agreement. These fees are included in the accompanying statement of operations as deferred entrance fees and non-refundable advance fees.

Since the Company received an unsecured promise from the residents to pay the deferred entrance fee at the termination of the agreement, the fee does not become due until all the other services required to be rendered under the contract have, in fact, been fulfilled.

Upon termination of the Residence Agreement, the grantor or his/her estate instructs the Master Trust to distribute the balance of the grantor's Loan Deposit, partially to the grantor and partially to the Company, as a deferred entrance fee.

The amount of the fee constructively received by the Company is, at that time, recognized as income and is considered a net payment upon termination. These fees are included in the accompanying statement of operations as deferred entrance fees and non-refundable advance fees.

Deferred entrance fees and non-refundable advance fees for the year ended December 31, 2015, consist of the following:

Annual principal payment	$ 500,000
Deferred entrance fees	1,484,128
Total Deferred Entrance Fees and Non-Refundable Advance Fees	$ 1,984,128

Accounting principles generally accepted in the United States of America require that a deferred entrance fee be amortized to income over future periods based on the estimated life expectancy of the resident. As described in the preceding paragraphs, the Company recognizes income from deferred entrance fees upon constructive receipt of payment or on the cash basis method which is not in accordance with accounting principles generally accepted in the United States of America.

Note 8: Commitments and Contingencies

Obligation to Provide Future Services

The Company annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of monthly service fees and revenue from deferred entrance fees based upon the cash basis method. If the present value of the net cost of future services and use of facilities exceeds the present value of the future cash inflows from the monthly service fees and revenue from deferred entrance fees, a liability is recorded. Using a discount rate of 8 percent, the anticipated revenues are estimated to exceed the anticipated cost of future services by $10,344,907 for the year ended December 31, 2015. Therefore, no liability was accrued.

The obligation of the Company to provide future health services will probably increase as some residents experience financial difficulties and are unable to pay 100 percent for their health care charges. Management has identified one resident experiencing financial difficulty. Management has reasonably estimated that the Company's total future revenues might be reduced by $433,125 over 4.2 years, the residents' average life expectancy.

Reservations and Designations

At December 31, 2015, there are no cash reserves maintained for contingencies or accumulated for specific projects or purposes.

Litigation

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

Note 9: Related Party Transactions

The Company has a long-term note payable to a commonly-owned company for certain remodeling expenses, totaling $510,798, with interest accruing at a fixed rate of 4.232%, payable monthly. The note is being paid in 59 monthly payments of principal and interest totaling $8,163, and annual option payments totaling 20% of the outstanding balance, with one balloon payment required on or before the maturity date of October 2, 2018. The note is included in notes payable to related parties in the accompanying balance sheet.

Additionally, the Company shares certain expenses with the same commonly-owned entity. At December 31, 2015, the Company had a net receivable from this entity for certain shared expenses totaling $53,789, which is included in related party receivable in the accompanying balance sheet.

Note 9: Related Party Transactions (Continued)

Freedom Management Company, an affiliate, functions as the management company of the Company under a formal management agreement. Under the agreement, the Company pays Freedom Management Company compensation equal to five percent of the gross monthly receipts of the Company's operation and deferred entrance fees. Included in accounts payable in the accompanying balance sheet is $72,661, representing management fees due to Freedom Management Company at December 31, 2015. Management fees expensed during 2015 in the amount of $610,785 are included in general and administrative expenses in the accompanying statement of operations.

At December 31, 2015, the Company has notes outstanding with two members. The notes currently bear interest at 4.232 percent due in monthly payments of interest only through January 31, 2020, at which time any unpaid principal and interest is due. Prior to maturity, principal payments may be made at the Company's discretion, but no more than once per month. Any payments made during a month will be deemed to have been made on the last day of that month, for purposes of calculating interest due. As of December 31, 2015, the outstanding balances on these notes payable totaled $222,000 and are included in notes payable to related parties in the accompanying balance sheet. The interest expense paid to the members during the year ended December 31, 2015, was $7,215 and is included in interest expense in the accompanying statement of operations.

Note 10: Employee Benefit Plan

The Company sponsors a qualified 401(k) plan for all eligible employees. Employees may contribute a percentage of their compensation up to the maximum amounts prescribed by law, with the employer matching a discretionary contribution equal to a percentage of the amount of the employee deferral as determined each year by the employer. Also, the Company may make a discretionary profit sharing contribution as determined each year by the employer. There were no employer matching or profit sharing contributions for the year ended December 31, 2015. Plan administrative expenses totaled $4,254 for the year ended December 31, 2015, and are included in general and administrative expenses in the accompanying statement of operations.

Note 11: Subsequent Events

Events occurring after December 31, 2015, have been evaluated for possible adjustment to the financial statements or disclosure as of April 27, 2016, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

RECEIVED
APR 29 2016
CONTINUING CARE
CONTRACTS BRANCH

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Members of
Freedom Properties - Hemet, LLC
Hemet, California

We have audited the financial statements of Freedom Properties - Hemet, LLC (the "Company") as of and for the year ended December 31, 2015, and our report thereon dated April 27, 2016, which appears on pages 1 and 2, was qualified, as the Company recognizes income from deferred entrance fees when the funds are constructively received, yet accounting principles generally accepted in the United States of America require that deferred entrance fees be amortized into income over future periods based on the estimated life expectancy of the resident. The information included in the accompanying schedules of Form 5-1 through Form 5-5 and Form 7-1 has been prepared for filing with the State of California, Department of Social Services, in accordance with Section 1792 of the California Health and Safety Code, and is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole and presents fairly in all material respects the continuing care reserve requirements of the Company at December 31, 2015, in conformity with the report preparation provisions of the California Health and Safety Code Section 1792.

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

White Nelson Diehl Evans LLP

Irvine, California
April 27, 2016

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893
Offices located in Orange and San Diego Counties

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	12/01/89	$500,000	$0		$500,000
2	09/13/04	$0	$7,215		$7,215
3	11/01/13	$652,067	$44,636		$696,703
4					$0
5					$0
6					$0
7					$0
8					$0
		TOTAL:	$51,851	$0	$1,203,918

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

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

PROVIDER: Freedom Properties-Hemet, LLC

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
	TOTAL:	$0	$0	0	$0

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

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

PROVIDER: Freedom Properties-Hemet, LLC

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$1,203,918
2	Total from Form 5-2 bottom of Column (e)	$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$1,203,918

PROVIDER: Freedom Properties-Hemet, LLC

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$11,314,702
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$51,851	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c.	Depreciation	$1,203,780	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$5,663,504	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$6,919,135
4		Net Operating Expenses		$4,395,567
5		Divide Line 4 by 365 and enter the result.		$12,043
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$903,199

PROVIDER: Freedom Properties-Hemet, LLC
COMMUNITY: The Village

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Freedom Properties-Hemet, LLC
Fiscal Year Ended: 12/31/2015

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2015 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 2015 are as follows:

		Amount
[1]	Debt Service Reserve Amount	$703,918
[2]	Operating Expense Reserve Amount	$903,199
[3]	**Total Liquid Reserve Amount:**	$1,607,117

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

	Qualifying Asset Description	Amount (market value at end of quarter) Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents	$1,000,000		$386,100
[5]	Investment Securities			$0
[6]	Equity Securities			
[7]	Unused/Available Lines of Credit			$1,500,000
[8]	Unused/Available Letters of Credit			
[9]	Debt Service Reserve			(not applicable)
[10]	Other: Receivables from Residents (see Auditor's Note 4) These receivables are amounts due for Healthcare services, secured by the residents' refund from the Master Trust, in turn secured by first trust deed against the Retirement Center of The Village.	$269,966		
	Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	$1,269,966	[12]	$1,886,100
	Reserve Obligation Amount: [13]	$703,918	[14]	$903,199
	Surplus/(Deficiency): [15]	$566,048	[16]	$982,901

Signature:

(Authorized Representative)

Date: 4-27-16

Partner/Chief Financial Officer
(Title)

Provider Name: Freedom Properties-Hemet, LLC
Fiscal Year Ended: 12/31/2015

DSS - Reserve Report - Part of Form 5-5
Description of Reserves under SB 1212

Total Qualifying Assets as Filed:

Cash and Cash Equivalents	1,386,100	
Line of Credit	1,500,000	Only drawn when necessary.
Other	269,966	Receivables from Residents (see Auditor's Note 4). These receivables are amounts due for Healthcare services, secured by the residents' refund from the Master Trust, in turn secured by first trust deed against the Retirement Center of The Village.
Total Qualifying Assets as Filed	3,156,066	

Reservations and Designations: None

Per Capita Cost of Operations Operating Expenses (Form 5-4 line #1)	11,314,702
Mean # of CCRC Residents (Form 1-1 line #10)	310.5
Per Capita Cost of Operations	36,440

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	**$1,630-$3,541**	**$3,780**	**$6,900**
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**2.9%**	**2.01%**	**4.35%**

☐ 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: RC in May, 2015 & HC in February, 2015
(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: Freedom Properties-Hemet, LLC
COMMUNITY: The Village, Hemet, California

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

Reasons for increase in monthly service fees:

1. Increase in CPI All Consumers from Oct, 2013 thru Oct, 2014 = 1.4%
2. Increase in CPI Health Care from Oct, 2013 thru Oct, 2014 = 0.6%

PROVIDER: Freedom Properties-Hemet, LLC
COMMUNITY: The Village, Hemet, California

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 04/25/16

FACILITY NAME: The Village

ADDRESS: 2200 W. Acacia Avenue, Hemet, CA ZIP CODE: 92545 PHONE: (651) 658-3369

PROVIDER NAME: Freedom Properties - Hemet, LLC FACILITY OPERATOR: Freedom Management Company

RELATED FACILITIES: Freedom Village RELIGIOUS AFFILIATION: None

YEAR OPENED: 1989 # OF ACRES: 12 ☐ SINGLE STORY ☑ MULTI-STORY ☑ OTHER: HC is Single Story MILES TO SHOPPING CTR: 1/8 MILES TO HOSPITAL: 3

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS — STUDIO:	6	ASSISTED LIVING:	52
APARTMENTS — 1 BDRM:	122	SKILLED NURSING:	54
APARTMENTS — 2 BDRM:	117	SPECIAL CARE:	
COTTAGES/HOUSES:		DESCRIPTION: >	
RLU OCCUPANCY (%) AT YEAR END:	70.9%	>	

* *

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

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

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

RANGE OF ENTRANCE FEES: $ 60,000 - $ 195,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 25% discount

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: None OTHER:

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > One resident, nominated by the residents' council, > joins the table at each partnership meeting to offer feedback, advice and resident perspective on all agenda items.

* *

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	☐	☑	HOUSEKEEPING (4 TIMES/MONTH)	☑	☐
BILLIARD ROOM	☑	☐	MEALS (1 /DAY)	☑	☐
BOWLING GREEN	☐	☐	SPECIAL DIETS AVAILABLE	☑	☐
CARD ROOMS	☑	☐			
CHAPEL	☑	☐	24-HOUR EMERGENCY RESPONSE	☑	☐
COFFEE SHOP	☐	☑	ACTIVITIES PROGRAM	☑	☐
CRAFT ROOMS	☑	☐	ALL UTILITIES EXCEPT PHONE	☑	☐
EXERCISE ROOM	☑	☐	APARTMENT MAINTENANCE	☑	☐
GOLF COURSE ACCESS	☐	☐	CABLE TV	☑	☐
LIBRARY	☑	☐	LINENS FURNISHED	☑	☐
PUTTING GREEN	☑	☐	LINENS LAUNDERED	☑	☐
SHUFFLEBOARD	☑	☐	MEDICATION MANAGEMENT	☐	☑
SPA	☑	☐	NURSING/WELLNESS CLINIC	☑	☐
SWIMMING POOL-INDOOR	☐	☐	PERSONAL HOME CARE	☐	☑
SWIMMING POOL-OUTDOOR	☑	☐	TRANSPORTATION-PERSONAL	☑	☐
TENNIS COURT	☐	☐	TRANSPORTATION-PREARRANGED	☑	☐
WORKSHOP	☑	☐	OTHER Transportation - Special	☐	☑
OTHER	☐	☐			

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

PROVIDER NAME: Freedom Properties - Hemet, LLC

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

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

PROVIDER NAME: Freedom Properties - Hemet, LLC

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	8,937,471	8,845,766	9,982,514	10,699,225
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	-8,498,767	-8,725,577	-9,275,507	-10,110,922
NET INCOME FROM OPERATIONS	438,704	120,189	707,007	588,303
LESS INTEREST EXPENSE	-29,360	-31,335	-71,898	-51,851
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	-9,071	-6,102	-7,094	-14,983
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	400,273	82,752	628,015	521,469
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	126,500	1,256,262	2,270,686	2,489,875

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
TV of CA Trust	10,820,000	0%	01/01/1989	03/31/2038	40 years

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO		65%	59%	60%
OPERATING RATIO		99%	94%	95%
DEBT SERVICE COVERAGE RATIO		237%	480%	487%
DAYS CASH ON HAND RATIO		201	135	59

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2012	%	2013	%	2014	%	2015
STUDIO	1,568	2.5	1,608	2.5	1,636	2.5	1,681
ONE BEDROOM	2,066	2.5	2,100	2.5	2,156	2.5	2,206
TWO BEDROOM	2,530	2.5	2,618	2.5	2,684	2.5	2,741
COTTAGE/HOUSE							
ASSISTED LIVING	3,700	0.0	3,700	2.2	3,780	2.0	3,856
SKILLED NURSING	215	4.7	225	2.2	230	4.3	240
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: > The Village's Resident Master Trust has a permanent first trust deed against the Retirement Center.
> Of the $10.82 million recorded on the books as Note Payable to Master Trust, only $2.15 million is refundable to residents. Therefore,
> the true liabilities against Freedom Properties-Hemet total approximately $2.88 million and represent a debt to asset ratio = 17%.

PROVIDER NAME: Freedom Properties - Hemet, LLC

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

KEY INDICATORS REPORT

Freedom Properties - Hemet, LLC

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

Chief Financial Officer Signature

RECEIVED APR 29 2016 CONTINUING CARE CONTRACTS BRANCH

	2009	2010	2011	2012	2013	2014	2015	Projected 2016	2017	2018	2019	2020	2021
OPERATIONAL STATISTICS													
1. Average Annual Occupancy by Site (%)	74.4%	68.2%	65.8%	63.4%	63.5%	68.2%	72.8%	70.0%	72.0%	74.0%	76.0%	78.0%	80.0%
MARGIN (PROFITABILITY) INDICATORS													
2. Net Operating Margin (%)	12.81%	13.49%	11.21%	7.91%	2.26%	12.51%	9.52%	9.24%	9.54%	9.86%	10.19%	10.53%	10.88%
3. Net Operating Margin - Adjusted (%)	25.80%	27.10%	20.81%	18.07%	22.13%	32.13%	31.52%	32.06%	32.70%	33.36%	34.02%	34.70%	35.40%
LIQUIDITY INDICATORS													
4. Unrestricted Cash and Investments ($000)	$1,823	$2,609	$2,789	$2,651	$4,822	$3,454	$1,656	$1,980	$2,190	$2,150	$2,110	$2,070	$2,030
5. Days Cash on Hand (Unrestricted)	75.12	109.24	119.60	113.86	201.69	135.91	59.78	69.16	73.58	69.49	65.60	61.91	58.41
CAPITAL STRUCTURE INDICATORS													
6. Deferred Revenue from Entrance Fees ($000)	$1,208	$1,203	$707	$688	$1,358	$1,633	$1,984	$2,000	$2,100	$2,205	$2,315	$2,431	$2,553
7. Net Annual E/F proceeds ($000)	$164	$190	$300	$127	$1,256	$2,271	$2,490	$2,400	$2,520	$2,646	$2,778	$2,917	$3,063
8. Unrestricted Net Assets ($000)	$18,666	$18,883	$18,343	$18,258	$19,952	$19,157	$17,363	$17,750	$18,000	$18,000	$18,000	$18,000	$18,000
9. Annual Capital Asset Expenditure ($000)	$190	$284	$230	$356	$1,362	$1,175	$883	$1,256	$1,313	$1,351	$1,391	$1,431	$1,473
10. Annual Debt Service Coverage Revenue Basis (x)	176.92%	173.68%	130.69%	87.74%	21.97%	129.22%	101.87%	95.24%	100.82%	106.75%	113.04%	119.71%	126.78%
11. Annual Debt Service Coverage (x)	209.75%	211.65%	190.66%	113.04%	251.57%	544.22%	533.03%	510.83%	537.20%	564.94%	594.14%	624.86%	657.19%
12. Annual Debt Service/Revenue (%)	4.32%	4.37%	4.83%	4.98%	5.14%	4.88%	4.57%	4.46%	4.22%	3.99%	3.78%	3.57%	3.38%
13. Average Annual Effective Interest Rate (%)	0.18%	0.20%	0.22%	0.24%	0.23%	0.61%	0.47%	0.40%	0.32%	0.23%	0.00%	0.00%	0.00%
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	13.87%	20.64%	22.98%	22.34%	37.41%	30.48%	15.93%	20.00%	23.30%	24.16%	25.13%	26.21%	27.44%
15. Average Age of Facility (years)	18.36	19.31	19.99	21.02	21.63	20.44	19.17	19.67	20.10	20.51	20.92	21.31	21.69

Notes of unusual activity