

ANNUAL REPORT CHECKLIST

PROVIDER(S): La Costa Glen Carlsbad CCRC LLC

CCRC(S): La Costa Glen Carlsbad

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CONTACT PERSON: Darcie Gorman

CONTINUING CARE
CONTRACTS BRANCH

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EMAIL: gormand@lacostaglen.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: \$ 35,927
 - If applicable, late fee in the amount of: \$ _____
- Certification by the provider's **Chief Executive Officer** that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required *liquid* 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.

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	851
[2]	Number at end of fiscal year	838
[3]	Total Lines 1 and 2	1689
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	844.5
All Residents		
[6]	Number at beginning of fiscal year	851
[7]	Number at end of fiscal year	838
[8]	Total Lines 6 and 7	1689
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	844.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	1.00

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$43,680,679
[a] Depreciation	\$7,753,271
[b] Debt Service (Interest Only)	
[2] Subtotal (add Line 1a and 1b)	\$7,753,271
[3] Subtract Line 2 from Line 1 and enter result.	\$35,927,408
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	100%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$35,927,408
[6] Total Amount Due (multiply Line 5 by .001)	x .001 \$35,927

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



La Costa Glen

CARLSBAD

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STATEMENT OF CHIEF EXECUTIVE OFFICER

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES ANNUAL REPORT

LA COSTA GLEN CARLSBAD CCRC LLC

The undersigned does attest the 2015 Annual Report is correct to the best of my knowledge; each continuing care contract in use or offered to new residents has been approved by the Department, and La Costa Glen Carlsbad CCRC LLC is maintaining the required liquid reserves and, when applicable the required refund reserve pursuant to requirements of the California Health and Safety Code.

Richard Aschenbrenner
Chief Executive Officer

Date



LA COSTA GLEN CARLSBAD CCRC, LLC

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2015 AND 2014

WITH INDEPENDENT AUDITORS' REPORT

LA COSTA GLEN CARLSBAD CCRC, LLC
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DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of La Costa Glen Carlsbad CCRC, LLC (a Delaware limited liability company) (the "Company") which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, comprehensive income, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Costa Glen Carlsbad CCRC, LLC as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

White Nelson Dick Evans LLP

Irvine, California
April 14, 2016

LA COSTA GLEN CARLSBAD CCRC, LLC
BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

ASSETS

	2015	2014
Current Assets:		
Cash and cash equivalents	\$ 9,603,354	\$ 13,056,746
Marketable securities	6,125,384	5,502,250
Accounts receivable	61,826	80,146
Inventories	258,512	232,274
Prepaid expenses	409,629	454,058
Other receivables	264,136	139,524
Total Current Assets	16,722,841	19,464,998
Property and Equipment:		
Land	4,871,942	4,871,942
Land improvements	33,978,712	33,686,844
Buildings and improvements	165,959,415	165,959,415
Furniture, fixtures and equipment	27,858,023	26,669,143
Computer equipment and systems	715,933	658,911
Construction in process	133,443	232,256
Total Property and Equipment, at Cost	233,517,468	232,078,511
Less: Accumulated Depreciation	(83,284,469)	(75,531,198)
Property and Equipment, at Net Book Value	150,232,999	156,547,313
Other Assets:		
Other receivables, long-term	863,856	894,209
Deferred entrance fees receivable	55,359,617	57,412,569
Costs of acquiring initial continuing care contracts, net of accumulated amortization of \$3,010,556 in 2015 and \$2,927,533 in 2014	-	83,023
Total Other Assets	56,223,473	58,389,801
Total Assets	\$ 223,179,313	\$ 234,402,112

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

LA COSTA GLEN CARLSBAD CCRC, LLC
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2015 AND 2014

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

	2015	2014
Current Liabilities:		
Accounts payable	\$ 829,319	\$ 676,281
Accrued expenses	903,674	846,604
Deposits on future occupancy	5,451,636	4,927,742
Current portion of note payable to Master Trust	8,800,494	8,713,327
Total Current Liabilities	15,985,123	15,163,954
Long-Term Liabilities:		
Note payable to Master Trust, net of current portion	344,719,248	340,819,742
Deferred revenue from unamortized deferred entrance fees, net	40,172,350	39,362,629
Total Long-Term Liabilities	384,891,598	380,182,371
Total Liabilities	400,876,721	395,346,325
Members' Equity (Deficit):		
Members' equity (deficit)	(178,896,813)	(162,174,812)
Accumulated other comprehensive income	1,199,405	1,230,599
Total Members' Equity (Deficit)	(177,697,408)	(160,944,213)
Total Liabilities and Members' Equity (Deficit)	\$ 223,179,313	\$ 234,402,112

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

LA COSTA GLEN CARLSBAD CCRC, LLC
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Revenues:		
Resident services	\$ 42,883,565	\$ 41,355,892
Amortization of deferred entrance fees	7,020,786	6,930,026
Deferred entrance fees on terminated contracts	2,404,644	3,296,898
Non-resident services	431,700	423,689
Total Revenues	52,740,695	52,006,505
Operating Expenses:		
Resident care	13,942,969	12,784,251
Food and beverage services	6,844,550	6,665,910
Environmental services	1,909,319	2,023,868
Plant facility operating costs	5,370,999	5,165,122
General and administrative expenses	7,776,548	7,689,320
Depreciation and amortization	7,836,294	7,953,714
Total Operating Expenses	43,680,679	42,282,185
Income from Operations	9,060,016	9,724,320
Other Income (Expense):		
Net realized gain on sale of marketable securities	71,245	21,434
Interest and dividend income	163,084	140,086
Other expense	(16,346)	(13,898)
Total Other Income (Expense)	217,983	147,622
Net Income	\$ 9,277,999	\$ 9,871,942

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

LA COSTA GLEN CARLSBAD CCRC, LLC
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Net Income	\$ 9,277,999	\$ 9,871,942
Other Comprehensive Income (Loss):		
Net unrealized holding gains arising during the year	49,701	583,551
Amounts reclassified from accumulated other comprehensive income	<u>(80,895)</u>	<u>(64,742)</u>
Total Other Comprehensive Income (Loss)	<u>(31,194)</u>	<u>518,809</u>
Comprehensive Income	<u>\$ 9,246,805</u>	<u>\$ 10,390,751</u>

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

LA COSTA GLEN CARLSBAD CCRC, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Members'</u> <u>Equity (Deficit)</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Income</u>	<u>Total</u>
Balance at December 31, 2013	\$ (147,546,754)	\$ 711,790	\$ (146,834,964)
Distributions	(24,500,000)	-	(24,500,000)
Net unrealized holding gains arising during the year	-	583,551	583,551
Amounts reclassified from accumulated other comprehensive income	-	(64,742)	(64,742)
Net income	<u>9,871,942</u>	<u>-</u>	<u>9,871,942</u>
Balance at December 31, 2014	(162,174,812)	1,230,599	(160,944,213)
Distributions	(26,000,000)	-	(26,000,000)
Net unrealized holding gains arising during the year	-	49,701	49,701
Amounts reclassified from accumulated other comprehensive income	-	(80,895)	(80,895)
Net income	<u>9,277,999</u>	<u>-</u>	<u>9,277,999</u>
Balance at December 31, 2015	<u>\$ (178,896,813)</u>	<u>\$ 1,199,405</u>	<u>\$ (177,697,408)</u>

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

LA COSTA GLEN CARLSBAD CCRC, LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash received from residents	\$ 55,619,623	\$ 59,640,962
Interest and dividend income	163,084	140,086
Other expense	(16,346)	(13,898)
Reimbursements for services to non-residents	431,700	423,689
Cash paid to suppliers and employees	<u>(35,616,086)</u>	<u>(34,358,284)</u>
Net Cash Provided by Operating Activities	20,581,975	25,832,555
Cash Flows from Investing Activities:		
Payments made on purchases of property and equipment	(1,438,957)	(740,700)
Purchases of marketable securities	(1,465,822)	(1,212,538)
Proceeds from redemption of marketable securities	<u>882,739</u>	<u>609,519</u>
Net Cash Used in Investing Activities	(2,022,040)	(1,343,719)
Cash Flows from Financing Activities:		
Proceeds from note payable to Master Trust	13,200,000	10,320,000
Payments on note payable to Master Trust	(9,213,327)	(9,017,002)
Distributions to members	<u>(26,000,000)</u>	<u>(24,500,000)</u>
Net Cash Used in Financing Activities	<u>(22,013,327)</u>	<u>(23,197,002)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,453,392)	1,291,834
Cash and Cash Equivalents, Beginning of Year	<u>13,056,746</u>	<u>11,764,912</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,603,354</u>	<u>\$ 13,056,746</u>

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

LA COSTA GLEN CARLSBAD CCRC, LLC
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of Net Income to Net Cash		
Provided by Operating Activities:		
Net Income	\$ 9,277,999	\$ 9,871,942
Non-Cash Items Included in Net Income:		
Depreciation and amortization	7,836,294	7,953,714
Amortization of deferred entrance fees	(7,020,786)	(6,930,026)
Deferred entrance fees on terminated contracts	(2,404,644)	(3,296,898)
Net realized gain on sale of marketable securities	(71,245)	(21,434)
Changes In:		
Accounts receivable	18,320	(20,794)
Inventories	(26,238)	(1,948)
Prepaid expenses	44,429	9,668
Other receivables	(94,259)	(229,036)
Deferred entrance fees receivable	12,085,025	13,906,558
Accounts payable	153,038	(72,786)
Accrued expenses	260,148	35,253
Deposits on future occupancy	523,894	4,628,342
Net Cash Provided by Operating Activities	<u>\$ 20,581,975</u>	<u>\$ 25,832,555</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Deferred entrance fees receivable and deferred revenue from unamortized deferred entrance fees recorded to reflect additional amounts due from resident contributions	<u>\$ 10,032,073</u>	<u>\$ 10,447,095</u>

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

LA COSTA GLEN CARLSBAD CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

Nature of Business

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

Limited Liability Company Agreement

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

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

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

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

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

Basis of Presentation

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

Cash and Cash Equivalents

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

LA COSTA GLEN CARLSBAD CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

Marketable Securities

Marketable securities held by the Company at December 31, 2015 and 2014, are classified in accordance with ASC 320-10, "*Investments - Debt and Equity Securities*", as available-for-sale and stated at their fair market value based on quoted market prices. Realized gains or losses from the sale of marketable securities are computed based on specific identification of historical cost. Unrealized gains or losses of marketable securities are reported as a separate component of members' equity (deficit) and as a separate component of other comprehensive income.

Accounts Receivable

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

The Company provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible. No allowance was necessary at December 31, 2015 and 2014.

Inventories

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

Property and Equipment

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

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

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

Depreciation expense for the years ended December 31, 2015 and 2014, totaled \$7,753,271 and \$7,699,146, respectively. At December 31, 2015 and 2014, fully depreciated property and equipment still in use totaled \$9,421,520 and \$9,221,669, respectively.

LA COSTA GLEN CARLSBAD CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

Long-Lived Assets

The Company accounts for impairment and disposition of long-lived assets in accordance with ASC 360-10, "*Property, Plant, and Equipment*". ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. There was no impairment of value of such assets for the years ended December 31, 2015 and 2014.

Deposits on Future Occupancy

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

Revenue Recognition

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

Revenue and Expenses

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

Income Taxes

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

Advertising and Promotional Costs

Advertising and promotional costs are charged to operations when incurred. For the years ended December 31, 2015 and 2014, advertising and promotional costs totaled \$758,160 and \$803,007, respectively, and are included in general and administrative expenses in the accompanying statements of operations.

Comprehensive Income

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

LA COSTA GLEN CARLSBAD CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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” or “Update”) 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.

In January 2016, the FASB issued ASU 2016-01, “*Financial Instruments - Overall (Subtopic 825-10)*”. The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities to be measured at fair value with changes in the fair value recognized through net income. The amendments also require enhanced disclosures about those investments. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact of the provisions of ASU 2016-01 on the presentation of its financial statements.

Note 2: Concentrations, Risks, and Uncertainties

The Company maintains cash balances with one financial institution. At December 31, 2015 and 2014, accounts at the institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000.

At December 31, 2015 and 2014, the Company also maintains its money market funds and investments in equity securities at brokerage firms which are not FDIC insured. The firms are insured by Securities Investor Protection Corporation (“SIPC”) up to \$500,000.

LA COSTA GLEN CARLSBAD CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 3: Marketable Securities

At December 31, 2015 and 2014, the Company's investments consist primarily of publicly traded equity securities categorized as available-for-sale securities and are stated at fair market value.

At December 31, 2015, cost and fair market value of such investments are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Gross Unrealized Holding Gain</u>	<u>Gross Unrealized Holding Loss</u>
Equities	\$ 4,925,979	\$ 6,125,384	\$ 1,279,358	\$ 79,953
Total Marketable Securities	<u>\$ 4,925,979</u>	<u>\$ 6,125,384</u>	<u>\$ 1,279,358</u>	<u>\$ 79,953</u>

At December 31, 2015, the allowance for unrealized gains and losses has been recorded as a separate component of members' equity (deficit) under accumulated other comprehensive income. At December 31, 2015, the aggregate market value of marketable securities exceeds their aggregate cost by \$1,199,405. Other comprehensive income for the year ended December 31, 2015, includes net unrealized holding gains arising during the year of \$49,701, and amounts reclassified from accumulated other comprehensive income totaling of \$80,895. The amounts reclassified from accumulated comprehensive income totaling \$80,895 affect the net realized gain on sale of marketable securities on the accompanying statements of operations.

Sales of marketable securities classified as available-for-sale during the year ended December 31, 2015, resulted in proceeds of \$882,739, gross realized gains of \$145,212 and gross realized losses of \$73,967.

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

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

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

LA COSTA GLEN CARLSBAD CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 3: Marketable Securities (Continued)

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

Note 4: Costs of Acquiring Initial Continuing Care Contracts

Costs of acquiring initial continuing care contracts were capitalized since they were expected to be recovered from future contract care revenues. Initial continuing-care contracts are defined as the resident contracts entered into within one year of the opening of the facility. These costs were amortized using a straight-line method over the average expected remaining lives of the residents under contract or the contract term, if shorter. The annual amortization related to these costs for the years ended December 31, 2015 and 2014, was \$83,023 and \$254,568, respectively. The costs of acquiring initial continuing care contracts were fully amortized in April 2015.

Note 5: Residence and Care Agreement

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

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

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

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

LA COSTA GLEN CARLSBAD CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 5: Residence and Care Agreement (Continued)

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

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

Note 6: Note Payable to Master Trust and Trust Agreement

The La Costa Glen Carlsbad Master Trust was established to provide protection to the residents of the community by providing them with a vehicle through which they obtain a secured interest in the real property of the Company. New residents join in and become grantors under the trust agreement. At December 31, 2015 and 2014, the balance outstanding on the Master Trust note payable was \$353,519,742 and \$349,533,069, respectively.

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

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

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

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

LA COSTA GLEN CARLSBAD CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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

Repayments of principal will be made in annual amounts for a period of forty years with final payment due December 31, 2050. Each annual payment or series of payments made during the year shall be equal to or greater than the amount of principal advanced on December 15 next preceding the payment due date divided by forty years. The next scheduled principal payment of \$8,800,494 was paid in January 2016.

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

2016	\$ 8,800,494
2017	8,617,981
2018	8,402,532
2019	8,192,468
2020	7,987,657
Thereafter	<u>311,518,610</u>
Total	<u>\$ 353,519,742</u>

In addition to the annual principal payment, the Company provides the Master Trust temporary loans to fund grantor distributions when necessary. These temporary loans are refunded to the Company upon subsequent sale of a unit or when the Master Trust has excess liquidity.

Note 7: Commitments and Contingencies

Obligation to Provide Future Services

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

Using a discount rate at December 31, 2015 and 2014, of 4.00 and 5.75 percent, respectively, the anticipated revenues are estimated to exceed the cost of future services by \$93,854,952 and \$110,273,973, for the years ended December 31, 2015 and 2014, respectively. Therefore, no liability was accrued.

Reservations and Designations

At December 31, 2015 and 2014, the Company maintains cash reserves in the amount of \$7,276,579 and \$6,966,736, respectively, for operating expense contingencies in accordance with requirements of the California Health and Safety Code under the State of California Department of Social Services. These reserves are included in cash and cash equivalents and marketable securities on the accompanying balance sheets.

LA COSTA GLEN CARLSBAD CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 7: Commitments and Contingencies (Continued)

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 8: Deferred Revenue from Unamortized Deferred Entrance Fees

At December 31, 2015 and 2014, deferred revenue from unamortized deferred entrance fees consists of the following:

	2015	2014
Deferred entrance fees before repayment	\$ 83,645,476	\$ 79,065,931
Less: Accumulated amortization of deferred entrance fees	(43,473,126)	(39,703,302)
 Deferred Revenue from Unamortized Deferred Entrance Fees, Net	 \$ 40,172,350	 \$ 39,362,629

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

During 2015 and 2014, the deferred entrance fees amortized into income were \$7,020,786 and \$6,930,026, respectively, based on total deferred entrance fees of \$106,729,404 and \$102,035,018, respectively.

Note 9: Related Party Transactions

At December 31, 2015 and 2014, the Company has a formal service agreement with a related company concerning the provision of administrative and operational oversight services, including use of brand, transaction processing, benefit and insurance administration, among others. The service agreement calls for annual service fees payable in equal monthly installments, and the agreement renews annually unless cancelled. For the years ended December 31, 2015 and 2014, service fees paid under this agreement totaled \$453,252 and \$488,000, respectively. The service agreement also provides for additional fees for supplemental services and out-of-pocket expenses, as needed. For the years ended December 31, 2015 and 2014, the additional fees paid under this agreement totaled \$244,160 and \$224,067, respectively. Furthermore, the service agreement also provides for insurance premiums to be paid to a related company. Insurance premiums paid under this agreement for the years ended December 31, 2015 and 2014 totaled \$448,283 and \$838,475, respectively.

LA COSTA GLEN CARLSBAD CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 9: Related Party Transactions (Continued)

During both years ended December 31, 2015 and 2014, the Company paid \$50,000 for management services rendered to an affiliated entity owned by the financing member. These expenses are included in the general and administrative expenses in the accompanying statements of operations.

The Company has an agreement for purchased health care costs with Glenbrook HC, LLC, an affiliated entity. The health care costs paid to this entity during the years ended December 31, 2015 and 2014, were \$12,539,433 and \$11,357,087, respectively, and are included in resident care expenses in the accompanying statements of operations.

Note 10: Employee Benefit Plan

The Company sponsors a qualified 401(k) plan (the "Plan") for all eligible employees. Employees may contribute up to 80 percent of their yearly compensation, up to the maximum amount prescribed by law. Effective January 1, 2014, the Company will make a safe harbor matching contribution equal to 100 percent of the first 3 percent of the participant's compensation and 50 percent of the next 2 percent of the participant's compensation which is deferred as an elective deferral. For the years ended December 31, 2015 and 2014, employer contributions to the Plan totaled \$134,522 and \$118,472, respectively, which are included in general and administrative expenses in the accompanying statements of operations.

Note 11: Fair Value Measurements

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

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

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

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

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

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

LA COSTA GLEN CARLSBAD CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 11: Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis comprise of available-for-sale securities. The fair value of the assets at December 31, 2015 is determined as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities:			
Large Value	\$ 2,411,825	\$ -	\$ -
Large Growth	468,304	-	-
Large Core	<u>3,245,255</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value	<u>\$ 6,125,384</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Note 12: Subsequent Events

Events occurring after December 31, 2015, have been evaluated for possible adjustment to the financial statements or disclosure as of April 14, 2016, which is the date the financial statements were available to be issued. There were no adjustments to the financial statements or additional disclosures as a result of this evaluation.

SUPPLEMENTARY INFORMATION

RECEIVED
APR 29 2016

CONTINUING CARE
CONTRACTS BRANCH

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

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

We have audited the financial statements of La Costa Glen Carlsbad CCRC, LLC (the "Company") as of and for the years ended December 31, 2015 and 2014, and our report thereon dated April 14, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. The audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the accompanying schedules of Form 5-1 through Form 5-5 and Form 7-1 has been prepared for filing with the State of California, Department of Social Services, in accordance with Section 1792 of the California Health and Safety Code, and is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole and presents fairly in all material respects the continuing care reserve requirements of the Company at December 31, 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 14, 2016

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

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

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

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

PROVIDER: La Costa Glen Carlsbad CCRC, LLC

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

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

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



JOHN A. WAGNER
DIRECTOR

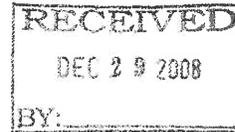
STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES

744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



ARNOLD SCHWARZENEGGER
GOVERNOR

December 18, 2008



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

Dear Mr. Wilson:

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

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

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

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

Sincerely,

JOHN R. RODRIQUEZ, Chief
Continuing Care Contracts Branch

c: Robert Thompson
Attorney for Continuing Care Contracts

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

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	03/14/05	\$0	\$0	0	\$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: La Costa Glen Carlsbad CCRC, LLC

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

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

PROVIDER: La Costa Glen Carlsbad CCRC, LLC

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$43,680,679
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$0
	b. Credit enhancement premiums paid for long-term debt (see instructions)	
	c. Depreciation	\$7,753,271
	d. Amortization	\$83,023
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$431,700
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$8,267,994
4	Net Operating Expenses	\$35,412,685
5	Divide Line 4 by 365 and enter the result.	\$97,021
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$7,276,579

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

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

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

Reimbursements for services to non-residents \$ 431,700

Categories included in the above revenues:

\$	94,341	Guest Meals
	28,563	Employee Meals
	42,361	Catering
	211,235	Guest Room
	<u>55,200</u>	<u>Space Rental</u>
<u>\$</u>	<u>431,700</u>	

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

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: La Costa Glen Carlsbad CCRC, LLC

Fiscal Year Ended: 12/31/2015

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.

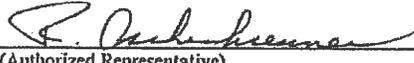
Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 12/31/2015 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$0</u>
[2] Operating Expense Reserve Amount	<u>\$7,276,579</u>
[3] Total Liquid Reserve Amount:	<u>\$7,276,579</u>

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

<u>Qualifying Asset Description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$9,603,354</u>	<u>\$6,125,384</u>
[5] Investment Securities		
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		
<u>(describe qualifying asset)</u>		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	<u>\$0 [12]</u>	<u>\$15,728,738</u>
Reserve Obligation Amount: [13]	<u>\$0 [14]</u>	<u>\$7,276,579</u>
Surplus/(Deficiency): [15]	<u>\$0 [16]</u>	<u>\$8,452,159</u>

Signature:


(Authorized Representative)

Date: 4/14/16

CEO
(Title)

FORM 5-5
Description of Reserves under SB 1212

Total Qualifying Assets as Filed:

Cash and Cash Equivalents	\$ 15,728,738
Investment Securities	\$ -
Total Qualifying Assets as Filed:	\$ 15,728,738

Reservations and Designations:

Reserved for Debt Service	\$ -
Reserved for Operating Expenses	\$ 7,276,579
Total Reservations and Designations:	\$ 7,276,579
Remaining Liquid Reserves	\$ 8,452,159

Per Capita Cost of Operations

Operating Expenses (Form 5-4 line # 1)	\$ 43,680,679
Mean # of CCRC Residents (Form 1-1 line 10)	844.5
Per Capita Cost of Operations	\$ 51,724

PROVIDER: Continuing Life Communities LLC

COMMUNITY: La Costa Glen Carlsbad

REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$2,754-\$6,790	N/A	N/A
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.4%		

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

[3] Indicate the date the fee increase was implemented: January 1, 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: La Costa Glen Carlsbad CCRC, LLC
COMMUNITY: La Costa Glen Carlsbad

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

The regular first person monthly fee increase is reflected at 3.4% and the second person fee increase is reflected at 3.4% in fiscal year 2015. La Costa Glen (La Costa Glen Carlsbad CCRC, LLC) had a three percent (3.0%) monthly fee increase in fiscal year 2014. The main cost drivers of the monthly fee increase in 2015 is related to increases in health insurance, utilities rate increases, and food cost.

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

Date Prepared: 3/25/2016

FACILITY NAME: La Costa Glen Carlsbad
 ADDRESS: 1950 Silverleaf Circle, Carlsbad ZIP CODE: 92009 PHONE: 760-704-1000
 PROVIDER NAME: La Costa Glen Carlsbad CCRC LLC FACILITY OPERATOR: Life Care Services, Inc.
 RELATED FACILITIES: Glenbrook HC LLC RELIGIOUS AFFILIATION: N/A
 YEAR OPENED: 2003 # OF SINGLE MULTI- MILES TO SHOPPING CTR: .5
 ACRES: _____ STORY _____ STORY OTHER: Both MILES TO HOSPITAL: 3

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>1</u>	ASSISTED LIVING: _____
APARTMENTS — 1 BDRM: <u>218</u>	SKILLED NURSING: _____
APARTMENTS — 2 BDRM: <u>318</u>	SPECIAL CARE: _____
COTTAGES/HOUSES: <u>106</u>	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: <u>98.17%</u>	> _____

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

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

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

RANGE OF ENTRANCE FEES: \$290,030 - \$3,249,000 LONG-TERM CARE INSURANCE REQUIRED? YES NO

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

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

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

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

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

PROVIDER NAME: La Costa Glen Carlsbad CCRC LLC

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

N/A

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

N/A

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

N/A

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

N/A

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

PROVIDER NAME: La Costa Glen Carlsbad CCRC LLC

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	37,371,157	40,012,141	41,779,581	43,315,265
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	30,317,043	33,525,851	34,328,471	35,844,385
NET INCOME FROM OPERATIONS	7,054,114	6,486,290	7,451,110	7,470,880
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	93,765	(590,082)	147,622	217,983
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	7,147,878	5,896,208	7,598,732	7,688,863
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	18,452,114	15,615,063	10,178,894	11,616,448

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
La Costa Glen Carlsbad Master Trust	353,519,742	0%	11/16/2001	12/31/2050	40 Years

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile (optional)	<u>2013</u>	<u>2014</u>	<u>2015</u>
DEBT TO ASSET RATIO		0%	0%	0%
OPERATING RATIO		81.12%	82.17%	82.75%
DEBT SERVICE COVERAGE RATIO		0	0	0
DAYS CASH ON HAND RATIO		173.01	197.33	160.16

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>
STUDIO	\$2,644	2.9	\$2,721	3.0	\$2,803	3.4	\$2,898
ONE BEDROOM	\$3,181	2.9	\$3,273	3.0	\$3,371	3.4	\$3,486
TWO BEDROOM	\$3,939	2.9	\$4,053	3.0	\$4,174	3.4	\$4,316
COTTAGE/HOUSE	\$4,622	2.9	\$4,756	3.0	\$4,899	3.4	\$5,066
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: > La Costa Glen Carlsbad Master Trust has a first priority deed of trust against La Costa Glen, which provides the
 > residents collateral protection. The \$353,519,742 recorded on the books as a Note Payable to the Master Trust is repayable to the residents or their
 > estates upon termination of their contracts and resale of their units per the contract.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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