

ANNUAL REPORT CHECKLIST

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

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

Healthcare Center at the Forum at Rancho San Antonio

CONTINUING CARE
CONTRACTS BRANCH

CONTACT PERSON: Nan Boyd

TELEPHONE NO.: (650) 944-0264

EMAIL: nanboyd@theforumrsa.com

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

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ \$25,231.00 chk# 16923
 - If applicable, late fee in the amount of: \$ N/A
- Certification by the provider's *Chief Executive Officer* that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for *each* community.
- Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1] Number at beginning of fiscal year		456
[2] Number at end of fiscal year		453
[3] Total Lines 1 and 2		909
[4] Multiply Line 3 by “.50” and enter result on Line 5. x .50		x.50
[5] Mean number of continuing care residents		455
All Residents		
[6] Number at beginning of fiscal year		475
[7] Number at end of fiscal year		482
[8] Total Lines 6 and 7		957
[9] Multiply Line 8 by “.50” and enter result on Line 10. x .50		x.50
[10] Mean number of all residents		479
[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).		0.95

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service – interest only)	31,214,707
[a] Depreciation	4,249,017
[b] Debt Service (Interest Only)	402,068
[2] Subtotal (add Line 1a and 1b)	4,651,085
[3] Subtract Line 2 from Line 1 and enter result.	26,563,622
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	25,231,277
[5] Total Operating Expense for Continuing Care Residents	
[6] Total Amount Due (multiply Line 5 by .001)	x.001 25,231

PROVIDER: Rancho San Antonio, RHC & RSI

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

THE FORUM

AT RANCHO SAN ANTONIO

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MAY 02 2016

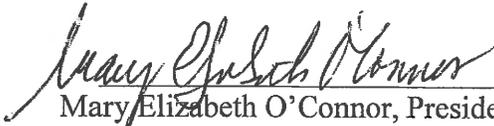
CONTINUING CARE
CONTRACTS BRANCH

April 27, 2016

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

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

The undersigned hereby certifies that (i) the materials enclosed with the annual report for 2015 and any amendments, submitted herewith to the California Department of Social Services is, to the best of her knowledge and belief, true and correct, (ii) and that the forms of the continuing care agreements at Rancho San Antonio in use or offered to residents are those which have theretofore been submitted to, and approved by, the California Department of Social Services, and (iii) The Forum at Rancho San Antonio is maintaining the required liquid reserve and a refund reserve trust fund was not required.


Mary Elizabeth O'Connor, President

4/27/16

Date



EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

DATE (MM/DD/YYYY)
10/13/2015

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

PRODUCER NAME, CONTACT PERSON AND ADDRESS Arthur J. Gallagher Risk Management Services, Inc. 300 South Riverside Plaza, Suite 1900 Chicago IL 60606		PHONE (A/C, No, Ext): 312-704-0100	COMPANY NAME AND ADDRESS Lexington Insurance Co and Various Excess Insurers 100 Summer Street Boston MA 02110		NAIC NO: 19437
FAX (A/C, No): 312-803-7443	E-MAIL ADDRESS:		IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH		
CODE:	SUB CODE:		POLICY TYPE Earthquake		
NAMED INSURED AND ADDRESS The Forum at Rancho San Antonio 23500 Cristo Rey Drive Cupertino, CA 95014			LOAN NUMBER	POLICY NUMBER Various policies	
ADDITIONAL NAMED INSURED(S)			EFFECTIVE DATE 06/30/2015	EXPIRATION DATE 06/30/2016	<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED
			THIS REPLACES PRIOR EVIDENCE DATED:		

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

LOCATION / DESCRIPTION
23500 Cristo Rey Drive, Cupertino CA 95014

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

COVERAGE INFORMATION

PERILS INSURED	BASIC	BROAD	SPECIAL	DED:
COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: \$251,691,194				DED: \$30,000
<input type="checkbox"/> BUSINESS INCOME <input type="checkbox"/> RENTAL VALUE	YES NO N/A			Actual Loss Sustained; # of months:
<input type="checkbox"/> BLANKET COVERAGE		X		If YES, LIMIT: Actual Loss Sustained; # of months: \$
<input type="checkbox"/> TERRORISM COVERAGE		X		Attach Disclosure Notice / DEC
IS THERE A TERRORISM-SPECIFIC EXCLUSION?		X		
IS DOMESTIC TERRORISM EXCLUDED?		X		
LIMITED FUNGUS COVERAGE		X		If YES, LIMIT: DED:
FUNGUS EXCLUSION (if "YES", specify organization's form used)		X		
REPLACEMENT COST	X			
AGREED VALUE		X		
COINSURANCE		X		If YES, %
EQUIPMENT BREAKDOWN (If Applicable)		X		If YES, LIMIT: DED:
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg		X		If YES, LIMIT: DED:
- Demolition Costs		X		If YES, LIMIT: DED:
- Incr. Cost of Construction		X		If YES, LIMIT: DED:
EARTH MOVEMENT (If Applicable)	X			If YES, LIMIT: \$30,000,000 DED: 2% of TIV
FLOOD (If Applicable)		X		If YES, LIMIT: DED:
WIND / HAIL INCL <input type="checkbox"/> YES <input type="checkbox"/> NO Subject to Different Provisions:		X		If YES, LIMIT: DED:
NAMED STORM INCL <input type="checkbox"/> YES <input type="checkbox"/> NO Subject to Different Provisions:		X		If YES, LIMIT: DED:
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS		X		

CANCELLATION

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

ADDITIONAL INTEREST

MORTGAGEE	CONTRACT OF SALE	LENDER SERVICING AGENT NAME AND ADDRESS
LENDERS LOSS PAYABLE		
NAME AND ADDRESS Rancho San Antonio Housing Corporation 23500 Cristo Rey Drive Cupertino CA 95014		AUTHORIZED REPRESENTATIVE <i>Patricia Gallagher</i>

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

This area is reserved for handwritten or typed remarks, including special conditions, related to the evidence of commercial property insurance. The page is currently blank.



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DATE (MM/DD/YYYY)
10/13/2015

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PRODUCER NAME, CONTACT PERSON AND ADDRESS Arthur J. Gallagher Risk Management Services, Inc. 300 South Riverside Plaza, Suite 1900 Chicago IL 60606		PHONE (A/C, No, Ext): 312-704-0100	COMPANY NAME AND ADDRESS Lexington Insurance Co and Various Excess Insurers 100 Summer Street Boston MA 02110		NAIC NO: 19437
FAX (A/C, No): 312-803-7443	E-MAIL ADDRESS:		IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH		
CODE:	SUB CODE:		POLICY TYPE		
AGENCY CUSTOMER ID #:			LOAN NUMBER		
NAMED INSURED AND ADDRESS The Forum at Rancho San Antonio 23500 Cristo Rey Drive Cupertino, CA 95014			POLICY NUMBER 012944920		
ADDITIONAL NAMED INSURED(S)			EFFECTIVE DATE 06/30/2015	EXPIRATION DATE 06/30/2016	CONTINUED UNTIL TERMINATED IF CHECKED
			THIS REPLACES PRIOR EVIDENCE DATED:		

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COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: \$ 251,691,194						DED: \$30,000
<input checked="" type="checkbox"/> BUSINESS INCOME <input type="checkbox"/> RENTAL VALUE		X				If YES, LIMIT: Actual Loss Sustained; # of months:
BLANKET COVERAGE		X				If YES, indicate value(s) reported on property identified above: \$ 251,691,194
TERRORISM COVERAGE		X				Attach Disclosure Notice / DEC
IS THERE A TERRORISM-SPECIFIC EXCLUSION?					X	
IS DOMESTIC TERRORISM EXCLUDED?					X	
LIMITED FUNGUS COVERAGE		X				If YES, LIMIT: DED:
FUNGUS EXCLUSION (If "YES", specify organization's form used)		X				
REPLACEMENT COST		X				
AGREED VALUE		X				
COINSURANCE			X			If YES, %
EQUIPMENT BREAKDOWN (If Applicable)		X				If YES, LIMIT: \$150,000,000 DED: \$5,000
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg		X				If YES, LIMIT: DED:
- Demolition Costs		X				If YES, LIMIT: DED:
- Incr. Cost of Construction		X				If YES, LIMIT: DED:
EARTH MOVEMENT (If Applicable)		X				If YES, LIMIT: \$185,000,000 DED: 2% of TIV
FLOOD (If Applicable)		X				If YES, LIMIT: \$185,000,000 DED: \$30,000
WIND / HAIL INCL <input type="checkbox"/> YES <input type="checkbox"/> NO Subject to Different Provisions:		X				If YES, LIMIT: DED:
NAMED STORM INCL <input type="checkbox"/> YES <input type="checkbox"/> NO Subject to Different Provisions:				X		If YES, LIMIT: DED:
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS					X	

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MORTGAGEE	CONTRACT OF SALE	LENDER SERVICING AGENT NAME AND ADDRESS
LENDERS LOSS PAYABLE		
NAME AND ADDRESS Rancho San Antonio Housing Corporation 23500 Cristo Rey Drive Cupertino CA 95014		AUTHORIZED REPRESENTATIVE <i>Patricia Gallagher</i>

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Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

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

December 31, 2015 and 2014

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rancho San Antonio Retirement Housing Corporation ("RHC") and Rancho San Antonio Retirement Services, Inc. ("RSI") (collectively referred to as the "Company"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rancho San Antonio Retirement Housing Corporation and Rancho San Antonio Retirement Services, Inc. as of December 31, 2015 and 2014, and the results of their operations and changes in members' equity, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheet and consolidating statement of operations, as of and for the year ended December 31, 2015, for Rancho San Antonio Retirement Housing Corporation and Rancho San Antonio Retirement Services, Inc., presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



San Francisco, California
April 28, 2016

CONSOLIDATED FINANCIAL STATEMENTS

—

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,373,665	\$ 7,374,169
Investments	6,582,407	6,923,485
Accounts receivable, net of allowances of approximately \$35,000 in 2015 and 2014	1,003,344	895,787
Inventories	83,793	78,601
Interest receivable and other	60,826	357,860
Prepaid expenses	616,662	696,170
Member advances - investments	10,576,996	10,613,556
Total current assets	<u>26,297,693</u>	<u>26,939,628</u>
PROPERTY AND EQUIPMENT		
Land rights and improvements	16,188,224	16,146,090
Buildings and improvements	117,256,752	115,946,631
Furniture and equipment	11,921,043	11,642,547
Construction in process	1,114,579	949,958
Property and equipment	146,480,598	144,685,226
Less accumulated depreciation	<u>(81,644,012)</u>	<u>(77,538,874)</u>
Property and equipment, net	<u>64,836,586</u>	<u>67,146,352</u>
BOARD-DESIGNATED CASH AND INVESTMENTS	5,534,801	5,442,620
UNEXPENDED ESCROW TRANSACTION AND EXIT FEES FOR HEALTHCARE CENTER PURPOSES	7,936,282	6,899,803
Total assets	<u>\$ 104,605,362</u>	<u>\$ 106,428,403</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current portion of note payable to bank	\$ 425,578	\$ 397,939
Accrued liabilities	1,696,658	1,861,927
Current portion of deferred escrow transaction fees	303,823	285,630
Member advances	14,047,052	15,812,343
Total current liabilities	16,473,111	18,357,839
NOTE PAYABLE TO BANK, net of current portion	5,138,091	5,563,668
DEFERRED ESCROW TRANSACTION FEES, net of current portion	1,823,938	1,666,699
Total liabilities	<u>23,435,140</u>	<u>25,588,206</u>
MEMBERS' EQUITY	81,170,222	80,840,197
Total liabilities and members' equity	<u>\$ 104,605,362</u>	<u>\$ 106,428,403</u>

See accompanying notes.

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2015 and 2014**

	2015	2014
REVENUES		
Resident service revenue	\$ 23,060,163	\$ 21,800,402
Ancillary revenue	2,424,089	1,679,436
Appreciation on resale of memberships	3,708,750	3,551,800
Commission on sale of membership	1,285,500	1,235,100
Total revenues	30,478,502	28,266,738
OPERATING EXPENSES		
Salaries	11,838,453	11,557,416
Employee benefits and taxes	3,754,108	3,948,265
Insurance	355,072	581,685
Legal and professional	171,878	116,350
Depreciation	4,249,017	4,155,407
Management fees	1,314,100	1,224,074
Marketing	476,056	319,726
Property taxes	394,616	441,662
Utilities	1,404,162	1,314,167
Cable and IT services	473,598	466,797
Maintenance and supplies	1,302,469	1,114,292
Food and supplies	2,452,398	2,247,825
Ancillary	1,210,495	1,033,752
Other	1,416,217	1,365,606
Total operating expenses	30,812,639	29,887,024
NET OPERATING LOSS	(334,137)	(1,620,286)
OTHER INCOME (EXPENSE)		
Interest income	361,560	195,256
Amortization of escrow transaction and exit fees	1,333,168	1,296,377
Interest expense	(402,068)	(431,017)
Net unrealized (loss) gain on investments	(628,941)	455,931
Other income	1,958	4,054
Gain (loss) before provision for income taxes	331,540	(99,685)
PROVISION FOR INCOME TAXES	(1,515)	(1,600)
NET INCOME (LOSS)	\$ 330,025	\$ (101,285)

See accompanying notes.

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
Years Ended December 31, 2015 and 2014**

	<u>Cooperative Memberships, net</u>	<u>Accumulated Deficit in Retained Earnings</u>	<u>Total Members' Equity</u>
Balance, January 1, 2014	\$ 118,344,015	\$ (37,402,533)	\$ 82,455,925
Net loss	-	(101,285)	(101,285)
Balance, December 31, 2014	<u>118,344,015</u>	<u>(37,503,818)</u>	<u>80,840,197</u>
Net income	-	330,025	330,025
Balance, December 31, 2015	<u>\$ 118,344,015</u>	<u>\$ (37,173,793)</u>	<u>\$ 81,170,222</u>

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents for housing services	\$ 11,160,725	\$ 10,655,653
Cash received from residents and third-party payers for medical services	9,992,517	11,820,592
Cash received from noncontract residents	1,559,178	1,624,509
Cash received from ancillary revenues and other income	2,424,089	1,679,436
Cash received for resale of memberships	3,708,750	3,551,800
Cash received from commission of sales of memberships	1,285,500	1,235,100
Cash paid for operating activities, including suppliers and employees	(26,675,061)	(27,263,255)
Cash received from interest	361,560	195,256
Cash paid for interest	(402,068)	(431,017)
Net cash provided by operating activities	3,415,190	3,068,074
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(2,010,043)	(1,396,203)
Purchases of investments	(4,822,571)	(16,578,962)
Proceeds from investments	4,468,024	13,352,724
Net change in board-designated cash and investments	344,293	219,743
Net change in unexpended escrow transaction and exit fees for Healthcare Center purposes	(943,400)	572,614
Net change in member advances - investments	202,632	2,886,644
Net cash used in investing activities	(2,761,065)	(943,440)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from member advances	3,900,000	4,773,412
Repayment of member advances	(5,665,291)	(5,700,000)
Proceeds from escrow transaction fees	1,508,600	1,340,279
Repayment of note payable to bank	(397,938)	(371,125)
Net cash (used in) provided by financing activities	(654,629)	42,566
NET CHANGE IN CASH AND CASH EQUIVALENTS	(504)	2,167,200
CASH AND CASH EQUIVALENTS, beginning of year	7,374,169	5,206,969
CASH AND CASH EQUIVALENTS, end of year	\$ 7,373,665	\$ 7,374,169
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income (loss)	\$ 330,025	\$ (101,285)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	4,249,017	4,155,407
Loss on disposal of equipment	70,792	26,430
Amortization of deferred escrow transaction fees	(1,333,168)	(1,296,377)
Changes in assets and liabilities:		
Accounts receivable	(107,557)	58,321
Inventories	(5,192)	(18,420)
Other receivables	297,034	1,337
Prepaid expenses	79,508	11,505
Accrued liabilities	(165,269)	231,156
Net cash provided by operating activities	\$ 3,415,190	\$ 3,068,074
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for income taxes	\$ 1,515	\$ 1,600

See accompanying notes.

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

NOTE 1 – DESCRIPTION OF THE ORGANIZATION

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Investments – The Company’s investments are included in the following captions on the consolidated balance sheets: investments, member advances – investments, board designated cash and investments and unexpended escrow transaction and exit fees for Healthcare Center purposes. Investments consist of money market funds, which are recorded at cost and approximate fair value, and United States government bonds and certificates of deposit, which are classified as investments held to maturity and are recorded at amortized cost. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the net income (loss). As of December 31, 2015 and 2014, the net accumulated unrealized gains and losses on investments were \$112,322 and \$741,263, respectively.

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

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

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

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

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

Impairment of long-lived assets and long-lived assets to be disposed of – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company has determined that no such basis adjustment was necessary at December 31, 2015 and 2014.

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

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

Obligation to provide future services – Management annually calculates the present value of the net cost (difference between cost to operate and maintenance fees charged) of future services and use of the Continuing Care Retirement Community (“CCRC”) to be provided to current residents and compares the amount with the balance of deferred revenue from unamortized CCRC membership fees. If the present value of the net cost of future services and use of the CCRC exceeds the deferred escrow transaction fees, a liability is recorded with the corresponding charge to income. No liability was recorded at December 31, 2015 and 2014.

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

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

RHC charges escrow transaction fees to buyers of occupancy rights and exit fees to sellers of occupancy rights as per the occupancy agreement. These fees are collected by RHC and are held for the purpose of funding the Healthcare Center operations. Escrow transaction fees of \$15,000 per resident, collected from buyers, are recognized on a straight-line basis over the actuarially determined life expectancy of the resident. Exit fees collected from sellers, which are calculated as 4% of the greater of the carrying book value of the occupancy rights or the gross sales proceeds of the sale of such occupancy rights, are recognized at close of escrow.

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

Tax status of RHC and RSI – RHC qualifies as a cooperative under Section 216 of the Internal Revenue Code, as amended. To qualify as a cooperative, certain limitations must be met as to the nature of RHC’s revenue. For the years ended December 31, 2015 and 2014, management believes that this requirement has been met because more than 80% of the revenue earned was from resident sources.

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

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

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

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

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

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

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

	<u>2015</u>	<u>2014</u>
Medicare	40%	31%
Private pay	49%	53%
Third-party insurance	10%	12%
Other payors	<u>1%</u>	<u>4%</u>
	<u>100%</u>	<u>100%</u>

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

Advertising costs – The Company expenses advertising costs as incurred. Advertising cost totaled \$285,137 and \$217,143 for the years ended December 31, 2015 and 2014, respectively.

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

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Recent accounting pronouncements –In August 2014, the FASB issued Accounting Standards Update (“ASU”) No 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40)*. The amendment in this update provides guidance in generally accepted accounting principles (“GAAP”) about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. In connection with preparing financial statements for each annual and interim reporting period, an entity’s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). FASB ASU No. 2014-15 is effective for the Company in the fiscal year ending December 31, 2016. It is not anticipated that FASB ASU No. 2014-15 will have an impact on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30)*. The amendment in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. FASB ASU No. 2015-03 is effective for the Company in the fiscal year ending December 31, 2016. It is not anticipated that FASB ASU No. 2015-03 will have a material impact on the Company’s consolidated financial statements.

NOTE 3 – INVESTMENTS

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

- Level 1** – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2** – Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3** – Inputs are unobservable inputs for the asset or liability.

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

The fair values of the financial instruments as of December 31, 2015 and 2014, represent management’s best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management’s own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

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

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

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

Investments by level at December 31, 2015 and 2014, are as follows:

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Description	2015			Total
	Level 1	Level 2	Level 3	
Corporate bonds	\$ 2,857,690	\$ -	\$ -	\$ 2,857,690
U.S. government securities	252,608	-	-	252,608
Equity				
Domestic	8,894,884	-	-	8,894,884
International	2,041,202	-	-	2,041,202
Fixed Income Funds				
Domestic	6,505,856	-	-	6,505,856
International	1,549,022	-	-	1,549,022
Cash and cash equivalents	8,529,224	-	-	8,529,224
	<u>\$ 30,630,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,630,486</u>

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

Investments, at fair value, at December 31, 2015 and 2014, include the following:

	2015	2014
Investments	\$ 6,582,407	\$ 6,923,485
Member advances - investments	10,576,996	10,613,556
Board designated cash and investments	5,534,801	5,442,620
Unexpended escrow transaction and exit fees for Healthcare Center purposes	7,936,282	6,899,803
	<u>\$ 30,630,486</u>	<u>\$ 29,879,464</u>

NOTE 4 - NOTES PAYABLE

Note payable to bank - At December 31, 2015 and 2014, note payable to the bank consist of the following:

	2015	2014
Note payable to Comerica Bank maturing in 2026 with a fixed interest rate of 6.9% through the maturity date. Monthly principal payable of \$36,587. Collateralized with all assets of the Company.	\$ 5,563,669	\$ 5,961,607
Less current portion	425,578	397,939
	<u>\$ 5,138,091</u>	<u>\$ 5,563,668</u>

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
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Under the terms of the note payable to Comerica, the Company is required to maintain certain deposits with the lender. Such deposits are included in cash and cash equivalents. Management believes that the Company was in compliance with the requirement as of and for the years ended December 31, 2015 and 2014.

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

<u>Year Ending December 31,</u>	
2016	\$ 425,578
2017	457,434
2018	490,481
2019	525,917
2020	563,190
Thereafter	<u>3,101,069</u>
	<u>\$ 5,563,669</u>

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

Line of credit – On April 6, 2015, the Company obtained a \$10,000,000 revolving line of credit due May 1, 2017, from Comerica Bank. Monthly payments of accrued interest began on May 6, 2015, with a final payment of unpaid principal and interest due on May 1, 2017. Accrued interest is calculated at a variable interest rate of no less than 3.15%. The line of credit is secured with all assets of the Company. The Company has no outstanding borrowing as of December 31, 2015.

Note payable from RHC to RSI – During 2003, RHC borrowed \$4,500,000 from RSI in order to pay a loan in full. RHC has a note payable to RSI for the outstanding principal amount. The note bears interest at 6.5% and RHC makes monthly principal and interest payments to RSI for the term of the note, ending on February 1, 2033. At the option of RSI, the note is payable on 120 day demand. The note payable and related interest, which had an outstanding balance of \$2,379,185 and \$2,469,355 as of December 31, 2015 and 2014, has been eliminated upon consolidation of the financial statements.

NOTE 5 – MANAGEMENT SERVICES

In June 2012, the Company entered into a management agreement with Life Care Services, LLC (the "Manager") for a term of five years. The fee paid to the Manager is 4.65% of gross revenue, as defined in the management agreement. Management fee totaled \$1,314,100 and \$1,224,074 for the years ended December 31, 2015 and 2014, respectively.

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

NOTE 6 – CONTINUING CARE RESERVE REQUIREMENTS

RHC is subject to statutory reserve requirements. At December 31, 2015 and 2014, RHC's reserves, as calculated in accordance with Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements.

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 7 – INCOME TAXES

The provision for tax expenses were \$24,916 and \$1,600 for the years ended December 31, 2015 and 2014, respectively.

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

	<u>2015</u>	<u>2014</u>
Deferred income tax assets (liabilities):		
Net operating loss, capital loss, and contributions carryover	\$ 5,567,604	\$ 6,030,606
Buyers fees	866,977	795,496
Depreciation	751,836	619,702
Bad debts	14,058	14,058
Accrued liabilities and change in accounting method	242,765	233,397
Unrealized gains on securities	(45,461)	(299,882)
Total deferred income tax assets	<u>7,397,779</u>	<u>7,393,377</u>
Valuation allowance	<u>(7,397,779)</u>	<u>(7,393,377)</u>
Net deferred income taxes	<u>\$ -</u>	<u>\$ -</u>

The valuation allowance decreased by \$4,402 during the year ended December 31, 2015, and decreased by \$452,559 during the year ended December 31, 2014.

Net operating loss carryforwards for federal tax purposes amount to approximately \$14,886,309 and begin to expire in 2018. Net operating loss carryforwards for California tax purposes amount to approximately \$5,307,675 and begin to expire in 2029.

Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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

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

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

NOTE 10 – SUBSEQUENT EVENTS

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

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
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On January 1, 2016, the Company amended and restated the existing commercial loan with Comerica Bank. The unpaid principal balance outstanding of \$5,529,861 as of January 1, 2016 will bear interest at the LIBOR-based Rate plus the applicable margin of 2.50% per annum. Accrued and unpaid interest will be payable monthly, in arrears, on the first business day of each month, commencing on February 1, 2016, until the maturity date.

Subsequent events have been evaluated through April 28, 2016, which is the date the consolidated financial statements are available to be issued.

SUPPLEMENTARY INFORMATION

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**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
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CONSOLIDATING BALANCE SHEET
December 31, 2015**

	<u>RHC</u>	<u>RSI</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,766,852	\$ 1,606,813	\$ -	\$ 7,373,665
Investments	6,582,407	-	-	6,582,407
Accounts receivable, net	56,487	946,857	-	1,003,344
Account receivable from RSI	894,083	-	(894,083)	-
Inventories	53,801	29,992	-	83,793
Interest receivable and other	50,209	10,617	-	60,826
Prepaid expenses	397,521	219,141	-	616,662
Member advances - investments	-	10,576,996	-	10,576,996
Total current assets	<u>13,801,360</u>	<u>13,390,416</u>	<u>(894,083)</u>	<u>26,297,693</u>
PROPERTY AND EQUIPMENT				
Land rights and improvements	16,188,224	-	-	16,188,224
Buildings and improvements	117,256,752	-	-	117,256,752
Furniture and equipment	11,921,043	-	-	11,921,043
Construction in process	1,114,579	-	-	1,114,579
Property and equipment	146,480,598	-	-	146,480,598
Less accumulated depreciation	<u>(81,644,012)</u>	<u>-</u>	<u>-</u>	<u>(81,644,012)</u>
Property and equipment, net	64,836,586	-	-	64,836,586
NOTE RECEIVABLE FROM RHC	-	2,379,185	(2,379,185)	-
BOARD-DESIGNATED CASH AND INVESTMENTS	5,534,801	-	-	5,534,801
UNEXPENDED ESCROW TRANSACTION AND EXIT FEES FOR HEALTHCARE CENTER PURPOSES	<u>7,936,282</u>	<u>-</u>	<u>-</u>	<u>7,936,282</u>
Total assets	<u>\$ 92,109,029</u>	<u>\$ 15,769,601</u>	<u>\$ (3,273,268)</u>	<u>\$ 104,605,362</u>
LIABILITIES AND MEMBERS' EQUITY				
CURRENT LIABILITIES				
Current portion of note payable to bank	\$ 425,578	\$ -	\$ -	\$ 425,578
Note payable to RSI	2,379,185	-	(2,379,185)	-
Accrued liabilities	988,144	708,514	-	1,696,658
Accounts payable to RHC	-	894,083	(894,083)	-
Current portion of deferred escrow transaction fees	303,823	-	-	303,823
Member advances	-	14,047,052	-	14,047,052
Total current liabilities	4,096,730	15,649,649	(3,273,268)	16,473,111
NOTE PAYABLE TO BANK, net of current portion	5,138,091	-	-	5,138,091
DEFERRED ESCROW TRANSACTION FEES, net of current portion	<u>1,823,938</u>	<u>-</u>	<u>-</u>	<u>1,823,938</u>
Total liabilities	11,058,759	15,649,649	(3,273,268)	23,435,140
MEMBERS' EQUITY	<u>81,050,270</u>	<u>119,952</u>	<u>-</u>	<u>81,170,222</u>
Total liabilities and members' equity	<u>\$ 92,109,029</u>	<u>\$ 15,769,601</u>	<u>\$ (3,273,268)</u>	<u>\$ 104,605,362</u>

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
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CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2015**

	<u>RHC</u>	<u>RSI</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES				
Resident service revenue	\$ 11,103,429	\$ 11,956,734	\$ -	\$ 23,060,163
Ancillary revenue	291,850	2,132,239	-	2,424,089
Appreciation on resale of memberships	3,708,750	-	-	3,708,750
Commission on sale of memberships	1,285,500	-	-	1,285,500
Rental income from RSI	1,510,125	-	(1,510,125)	-
Total revenues	<u>17,899,654</u>	<u>14,088,973</u>	<u>(1,510,125)</u>	<u>30,478,502</u>
OPERATING EXPENSES				
Salaries	5,805,105	6,033,348	-	11,838,453
Employee benefits and taxes	1,847,938	1,906,170	-	3,754,108
Insurance	377,574	(22,502)	-	355,072
Legal and professional	129,424	42,454	-	171,878
Depreciation	4,249,017	-	-	4,249,017
Management fees	666,239	647,861	-	1,314,100
Marketing	446,912	29,144	-	476,056
Property taxes	394,616	-	-	394,616
Utilities	949,777	454,385	-	1,404,162
Cable and IT services	321,036	152,562	-	473,598
Maintenance and supplies	1,021,094	281,375	-	1,302,469
Food and supplies	1,578,530	873,868	-	2,452,398
Ancillary	-	1,210,495	-	1,210,495
Other	85,950	1,330,267	-	1,416,217
Rental expense to RHC	-	1,510,125	(1,510,125)	-
Total operating expenses	<u>17,873,212</u>	<u>14,449,552</u>	<u>(1,510,125)</u>	<u>30,812,639</u>
NET OPERATING INCOME (LOSS)	26,442	(360,579)	-	(334,137)
OTHER INCOME (EXPENSE)				
Interest income	363,499	158,071	(160,010)	361,560
Amortization of escrow transaction and exit fees	958,168	375,000	-	1,333,168
Interest expense	(562,078)	-	160,010	(402,068)
Net unrealized loss on investments	(426,340)	(202,601)	-	(628,941)
Other income	692	1,266	-	1,958
Income (loss) before provision for income tax	360,383	(28,843)	-	331,540
PROVISION FOR INCOME TAXES	(750)	(765)	-	(1,515)
NET INCOME (LOSS)	<u>\$ 359,633</u>	<u>\$ (29,608)</u>	<u>\$ -</u>	<u>\$ 330,025</u>

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Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

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

December 31, 2015

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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CONTINUING CARE
CONTRACTS BRANCH

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Rancho San Antonio Retirement Housing Corporation ("RHC") and Rancho San Antonio Retirement Services, Inc. ("RSI") (collectively referred to as the "Company"), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 as of and for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of the Company as of and for the year ended December 31, 2015, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

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

Other Matter

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

Restriction on Use

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



San Francisco, California
April 28, 2016

CONTINUING CARE LIQUID RESERVE SCHEDULES

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

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	01/17/06	\$397,938	\$402,068		\$800,006
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
	TOTAL:	\$397,938	\$402,068	\$0	\$800,006

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

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

PROVIDER: Rancho San Antonio, RHC & RSI

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

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

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

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

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

PROVIDER: Rancho San Antonio, RHC & RSI

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

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$800,006
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$0
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$800,006

PROVIDER: Rancho San Antonio, RHC & RSI

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

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$31,214,707
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$402,068
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0
	c. Depreciation	\$4,249,017
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$1,559,178
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$6,210,263
4	Net Operating Expenses	\$25,004,444
5	Divide Line 4 by 365 and enter the result.	\$68,505
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$5,137,875

PROVIDER:

Rancho San Antonio, RHC & RSI

COMMUNITY:

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

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

Provider Name: Rancho San Antonio, RHC & RSI
Fiscal Year Ended: December 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 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$800,006</u>
[2] Operating Expense Reserve Amount	<u>\$5,137,875</u>
[3] Total Liquid Reserve Amount:	<u>\$5,937,881</u>

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

<u>Qualifying Asset Description</u>	(market value at end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$800,006</u>	<u>\$14,509,941</u>
[5] Investment Securities	<u>\$0</u>	<u>\$6,582,407</u>
[6] Equity Securities	<u>\$0</u>	<u>\$0</u>
[7] Unused/Available Lines of Credit	<u>\$0</u>	<u>\$0</u>
[8] Unused/Available Letters of Credit	<u>\$0</u>	<u>\$0</u>
[9] Debt Service Reserve	<u>\$0</u>	<u>(not applicable)</u>
[10] Other: Board Designated Cash & Investments	<u>\$0</u>	<u>\$5,534,801</u>
<hr/>		
<u>(describe qualifying asset)</u>		
Listed for Reserve Obligation: [11]	<u>\$800,006</u> [12]	<u>\$26,627,149</u>
Reserve Obligation Amount: [13]	<u>\$800,006</u> [14]	<u>\$5,137,875</u>
Surplus/(Deficiency): [15]	<u>\$0</u> [16]	<u>\$21,489,274</u>

Signature: 
(Authorized Representative)

Date: April 28, 2016

Chief Financial Officer
(Title)

SUPPLEMENTARY SCHEDULES

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
SUPPLEMENTARY FORM 5-4
RECONCILIATION TO AUDIT REPORT
December 31, 2015**

Total Operating Expenses	\$ 30,812,639
Add: Interest Expense	<u>402,068</u>
Total operating expenses from financial statements	<u>\$ 31,214,707</u>

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND
RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
SUPPLEMENTARY FORM 5-5
RECONCILIATION TO AUDIT REPORT
December 31, 2015**

	<u>Total</u>
Cash and cash equivalents	\$ 7,373,665
Unexpended escrow transaction and exit fees for Healthcare Center purposes	<u>7,936,282</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 15,309,947</u>
TOTAL CASH AND CASH EQUIVALENTS FOR DEBT SERVICE RESERVE	\$ 800,006
TOTAL CASH AND CASH EQUIVALENTS FOR OPERATING RESERVE	<u>14,509,941</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 15,309,947</u>

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

Date Prepared: 4/24/2016

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

ADDRESS: 23500 Cristo Rey Dr. ZIP: 95014 PHONE: 650-944-0100
CODE: _____

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

RELATED FACILITIES: _____ RELIGIOUS AFFILIATION: None

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

MILES TO SHOPPING CTR: 1.5 MILES HOSPITAL: <5

NUMBER OF UNITS:		RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS - STUDIO	_____		ASSISTED LIVING <u>58 units</u>
APARTMENTS - 1 BDRM	<u>135</u>		SKILLED NURSING <u>48 licensed beds</u>
APARTMENTS - 2 BDRM	<u>124</u>		SPECIAL CARE _____
COTTAGES/HOUSES	<u>60</u>		DESCRIBE SPECIAL CARE: _____
RLU OCCUPANCY (%) AT YEAR END	<u>94%</u>		

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

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

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

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

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

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

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

FACILITY SERVICES AND AMENITIES

Common Area Amenities	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<u>4</u>	+X
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>1</u>	+X
BOWLING GREEN (Bocce Ball)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>X</u>	+X
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA (Jacuzzi)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP (Hobby Shop)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER <u>High Speed Internet</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

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

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$ 21,730,943	\$ 27,122,279	\$ 28,266,738	\$ 30,478,502
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	-\$25,299,275	-\$25,799,404	-\$25,731,617	-\$26,565,137
NET INCOME FROM OPERATIONS	<u>-\$ 3,568,332</u>	<u>\$ 1,322,875</u>	<u>\$ 2,535,121</u>	<u>\$ 3,913,365</u>
LESS INTEREST EXPENSE	-\$ 492,852	-\$ 461,589	-\$ 431,017	-\$ 402,068
PLUS CONTRIBUTIONS	_____	_____	_____	_____
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	\$ 7,195,900	\$ 1,423,112	\$ 1,951,618	\$ 1,067,745
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>\$ 3,134,716</u>	<u>\$ 2,282,798</u>	<u>\$ 4,054,122</u>	<u>\$ 4,579,042</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	_____	_____	_____	_____

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

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

FINANCIAL RATIOS (see next page for ratio formulas)

	2012 CCAC Medians 50 th Percentile (optional)	2013	2014	2015
DEBT TO ASSET RATIO		.055	.052	.049
OPERATING RATIO		.92	.87	.86
DEBT SERVICE COVERAGE RATIO		4.8	9.02	9.35
DAYS CASH-ON-HAND RATIO		344.20	371.64	371.23

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

	2012		2013		2014		2015	
		%		%		%		%
STUDIO								
ONE BEDROOM	1699	5.2	1787	5.7	1899	5.9	2000	
TWO BEDROOM	2737	5.2	2880	5.7	3043	5.9	3223	
COTTAGE/HOUSE	2832	5.2	2979	5.7	3148	5.9	3334	
ASSISTED LIVING	3355	4.3	3498	6.1	3711	5.7	3924	
SKILLED NURSING	4423	6.6	4715	5.8	4988	11.0	5536	
SPECIAL CARE								

COMMENTS FROM PROVIDER: HC Fee \$585 4.3% \$610 2.5% \$625 1.6% \$635
Rates for 3 of 10 specific unit styles are listed above. See attached fee schedules for each rate.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

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)	2000-3148 plus 635 HC Fee	3924 plus 635 HC Fee	5536 plus 635 HC Fee
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	5.9% and 1.6% HC Fee	4.7% and 1.6% HC Fee	11.0% and 1.6% HC Fee

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

[3] Indicate the date the fee increase was implemented: Jan 1, 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: Rancho San Antonio, RHC & RSI
COMMUNITY: Rancho San Antonio, RHC & RSI

KEY INDICATORS REPORT

Date Prepared: 4/28/16

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

Ann D'Amico
Chief Financial Officer Signature

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Forecast
Trend
Indicator
2018 2019 2020
CONTINUING CARE
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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	91.31%	91.20%	93.80%	93.01%	92.90%	93.00%	93.00%	93.00%	93.00%	93.00%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	-17.29%	-16.41%	4.88%	8.97%	12.84%	13.26%	13.68%	14.10%	14.51%	14.92%	↑
3. Net Operating Margin - Adjusted (%)	-17.29%	-16.41%	4.88%	8.97%	12.84%	13.26%	13.68%	14.10%	14.51%	14.92%	↑
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments (\$000)	\$22,315	\$23,636	\$24,766	\$26,640	\$27,427	\$27,006	\$27,498	\$28,005	\$28,526	\$30,055	↑
5. Days Cash on Hand (Unrestricted)	340	342	350	378	377	359	353	347	342	348	↓
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees (\$000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A
7. Net Annual E/F proceeds (\$000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A
8. Unrestricted Net Assets (\$000)	\$83,426	\$82,456	\$80,941	\$80,840	\$81,170	\$81,089	\$81,008	\$80,927	\$80,846	\$80,765	N/A
9. Annual Capital Asset Expenditure (\$000)	\$2,565	\$2,265	\$3,237	\$1,761	\$2,033	\$2,440	\$2,415	\$2,391	\$2,367	\$2,343	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	-3.50	-1.22	-2.16	-0.12	0.40	0.70	1.02	1.36	1.72	2.10	↑
11. Annual Debt Service Coverage (x)	-3.50	-1.22	-2.16	4.82	9.02	10.78	10.99	11.13	11.27	19.04	↑
12. Annual Debt Service/Revenue (%)	41.24%	32.90%	25.37%	21.28%	17.98%	16.34%	15.51%	14.72%	13.97%	13.25%	↓
13. Average Annual Effective Interest Rate (%)	7.75%	7.35%	7.28%	7.23%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	↓
14. Unrestricted Cash & Investments/Long-Term Debt (%)	332.90%	373.01%	415.42%	478.82%	533.80%	551.59%	561.64%	571.98%	582.63%	613.86%	↑
15. Average Age of Facility (years)	16.49	17.04	17.99	18.89	19.89	20.9	21.89	22.89	23.89	24.89	↑

Addendum to Annual Report

2015 Checklist

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

**The Forum at Rancho San Antonio - IL & HCC
ASSESSMENT and RESERVE FUNDING DISCLOSURE SUMMARY
Reserve Study – Fiscal Year Ending 2014
For Budget Year Beginning 2015**

(1) The current regular assessment per ownership interest is \$ **551.37** per month.
Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page N/A of the attached summary.

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

Date assessment will be due assessment	Amount per ownership interest per year:	Purpose of assessment
_____	N/A	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

TOTAL N/A

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

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

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

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

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is **\$14,052,156** based in whole or in part on the last reserve study or update prepared by **zumBrunnen, Inc.** as of **July, 2013**. The projected reserve fund cash balance at the end of the current fiscal year is **\$4,461,040**, resulting in reserves being **25.4%** funded in December 2015.

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

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

Year	2015	2016	2017	2018	2019
Estimated Amount Req'd In Fund	14,102,156	15,975,527	16,840,315	18,817,421	20,624,739
Projected Reserve Balance (Approved)	3,573,355	4,190,675	4,207,157	4,976,385	6,044,366
Percent Funded	25.4%	26.2%	25.0%	26.4%	29.3%

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

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

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

(2) "Major component" has the meaning used in Section 55530. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary. Civil Code §5570. Reserve Funding Disclosure Form

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

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

**2015 Assisted Living Rates For
The Forum at Rancho San Antonio (Members)**

	HC Occu-pancy Fee Daily	HC Occupancy Fee	HC Fee	Other Applicable fees	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
AL Permanent 1st member standard fee's	\$ 129.00	\$ 3,923.75 per month	\$ 635.00 per month	add Dementia fee as shown on next page	add as shown below		\$ 4,558.75
AL Permanent 2nd member standard fee's	\$ 65.00	\$ 1,977.08 per month	\$ 635.00 per month	add Dementia fee as shown on next page	add as shown below		\$ 2,612.08
Charge for Temporary Days, 2nd and 3rd Meal	\$ 23.00	\$ 699.58 per month	plus HC Fee per month	plus IL Occupancy Fee	add as shown below		
Room Type	Sq Ft				Room Premium - Differential Per Day	(differential per month)	
A-1 18 Studio	358				\$ -	\$ -	
A-2 14 Studio (with Patio)	358				\$ 13.00	\$ 395.42	
A-3 8 Studio	388				waived		
A-4 2 Studio	391				waived		
B-1 8 Single Studio / Double Studio (without Kitchen)	435				\$ 28.00	\$ 851.67	
B-2 4 Single Studio / Double Studio (with Kitchen)	435				\$ 28.00	\$ 851.67	
C-1 1 One Bed Room	520				\$ 126.00	\$ 3,832.50	
C-2 1 One Bed Room (with Patio)	520				\$ 136.00	\$ 4,136.67	
C-3 2 One Bed Room Deluxe	780				\$ 199.00	\$ 6,052.92	

2015 Assisted Living Rates For The Forum at Rancho San Antonio (Members)

Additional Service Charges to add to Room Charge				Avg Monthly Rate
	Per Day			
Dementia Fee Level 1	\$ 50.00			\$1,520.83
Dementia Fee Level 2	\$ 67.00			\$2,037.92
Respite Daycare	\$ 55.00			

Other Clarifying charges		HC Fee	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
Posted Base Rate, for conditional member contract		\$ 259.00			\$7,877.92
Conditional Member 90% of Posted Base Rate rate plus room premium as applicable (90% scales down 5% for every year of membership starting in Year 2 of membership)		\$ 233.10	add as above		\$7,090.13
Healthcare Occupancy Fee's for maintaining membership	1st member	\$ 129.00	\$ 20.88	Meal Credit	\$3,669.06
Healthcare Occupancy Fee's for maintaining membership	2nd member	\$ 65.00	\$ 20.88	\$ (29.25)	\$1,722.40
(To maintain "Membership" at the Forum, either in Independent Living or the Health Care Center, one must pay an Occupancy Fee and a Health Care Fee. These fees entitle you to all Forum activities, services and other amenities. These fees must be paid, irrespective of payments from Medicare or other personal insurance benefits. The minimum Health Center Occupancy Fee's for maintaining membership is the member rate for Model A1 AL Studio less applicable meal credits)					

THE FORUM
AT RANCHO SAN ANTONIO

**2015 Assisted Living Rates For
The Forum at Rancho San Antonio (Non-Members)**

MODEL		SQ FT	DAILY RATE		AVG MONTHLY RATE
A . 1	Studio	358	\$ 259.00	per day	\$7,878
A . 2	Studio (with Patio)	358	\$ 272.00	per day	\$8,273
A . 3	Studio	388	\$ 272.00	per day	\$8,273
A . 4	Studio	391	\$ 272.00	per day	\$8,273
B . 1	Single Studio / Double Studio (without Kitchen)	435	\$ 287.00	per day	\$8,730
B . 2	Single Studio / Double Studio (with Kitchen)	435	\$ 287.00	per day	\$8,730
C . 1	One Bed Room	520	\$ 385.00	per day	\$11,710
C . 2	One Bed Room (with Patio)	520	\$ 395.00	per day	\$12,015
C . 3	One Bed Room Deluxe	780	\$ 458.00	per day	\$13,931
Additional Charges to add to Room Charge					
	Dementia Fee Level 1		50.00	per day	\$1,520.83
	Dementia Fee Level 2		67.00	per day	\$2,037.92
	*Second Person Fee <i>(Varies upon unit size)</i>		91.00	per day	\$2,767.92
	Community Service Fee	Equal to One Months Rental Fee			

***Second Person Fee is shown above based on A.1 model unit. Other unit prices vary based on 35% of Daily Rate**

**2015 Skilled Nursing Rates For
The Forum at Rancho San Antonio (Members)**

	HC Occu- pancy Fee Daily	HC Occupancy Fee	HC Fee per month	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
SNF Permanent 1st member standard fee's	\$182.00	\$5,535.83	\$ 635.00	add as shown below		\$ 6,170.83
SNF Permanent 2nd member standard fee's	\$95.00	\$2,889.58	\$ 635.00	add as shown below		\$ 3,524.58
Charge for Temporary Days, 2nd and 3rd Meal	\$23.00	\$699.58	plus HC Fee	add as shown below		
Member room premium					(differential per month)	
Private Room					\$4,106.25	

**2015 Skilled Nursing Rates For
The Forum at Rancho San Antonio (Members)**

Other Clarifying charges									
		HC Occupancy Fee		HC Fee	Room Premium Differential	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE	
	Posted Base Rate, for conditional member contract	\$380.00							
	Conditional Member 90% of Posted Base Rate rate plus room premium as applicable (90% scales down 5% for every year of membership starting in Year 2 of membership)	\$ 342.00			add as above			\$ 10,402.50	
		HC Occupancy Fee	HC Occupancy Fee	HC Fee		Meal Credit			
	Health Center Occupancy Fee's for maintaining membership	1st member	\$ 129.00	\$ 20.88		\$ (29.25)		\$3,669.06	
	Health Center Occupancy Fee's for maintaining membership	2nd member	\$ 65.00	\$ 20.88		\$ (29.25)		\$1,722.40	
	(To maintain "Membership" at the Forum, either in Independent Living or the Health Care Center, one must pay an Occupancy Fee and a Health Care Fee. These fees entitle you to all Forum activities, services and other amenities. These fees must be paid, irrespective of payments from Medicare or other personal Insurance benefits. The minimum Health Center Occupancy Fee's for maintaining membership is the member rate for Model A1 AL Studio less applicable meal credits)								

THE FORUM
AT RANCHO SAN ANTONIO

2015 Skilled Nursing Rates For The Forum at Rancho San Antonio (Non-Members)	
	DAILY RATE
Semi private Room	\$380.00
Private Room	\$515.00

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

Comparative Fee Schedule for 2015

Occupancy Fees:

Unit Style	2015	%Increase	2014	%Increase	2013	%Increase	2012	%Increase	2011	%Increase	2010	%Increase
A	2000	5.88%	1889	5.71%	1787	5.18%	1699	5.76%	1606	2.06%	1574	0.00%
AD	2223	5.91%	2099	5.69%	1986	5.20%	1888	5.76%	1785	2.06%	1749	0.00%
B	2556	5.88%	2414	5.69%	2284	5.21%	2171	5.76%	2053	2.02%	2012	0.00%
C	2889	5.90%	2728	5.65%	2582	5.21%	2454	5.76%	2320	2.04%	2274	0.00%
D	3112	5.92%	2938	5.68%	2780	5.19%	2643	5.76%	2499	2.04%	2449	0.00%
E	3223	5.92%	3043	5.66%	2880	5.21%	2737	5.76%	2588	2.02%	2537	0.00%
F	3334	5.91%	3148	5.67%	2979	5.20%	2832	5.76%	2677	2.04%	2624	0.00%
G	3334	5.91%	3148	5.67%	2979	5.20%	2832	5.76%	2677	2.04%	2624	0.00%
V	3334	5.91%	3148	5.67%	2979	5.20%	2832	5.76%	2677	2.04%	2624	0.00%
VD	4223	5.89%	3988	5.70%	3773	5.19%	3587	5.76%	3391	2.03%	3324	0.00%
2ND Person	778	5.85%	735	5.76%	695	5.19%	661	5.76%	625	2.08%	612	0.00%

Health Care Fee

Per Person	635	1.6%	625	2.5%	610	4.3%	585	1.7%	575	4.5%	550	10.0%
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Alternate Summary

Combined Fee, by IL Occupancy Fee plus HealthCare Fee

A	2635	4.81%	2514	4.88%	2397	4.95%	2284	4.70%	2181	2.71%	2124	2.41%
AD	2858	4.92%	2724	4.93%	2596	4.98%	2473	4.78%	2360	2.65%	2299	2.22%
B	3191	5.00%	3039	5.01%	2894	5.01%	2756	4.88%	2628	2.57%	2562	1.99%
C	3524	5.10%	3353	5.04%	3192	5.03%	3039	4.96%	2895	2.53%	2824	1.80%
D	3747	5.16%	3563	5.10%	3390	5.02%	3228	5.01%	3074	2.50%	2999	1.70%
E	3858	5.18%	3668	5.10%	3490	5.05%	3322	5.03%	3163	2.47%	3087	1.65%
F	3969	5.19%	3773	5.13%	3589	5.04%	3417	5.05%	3252	2.47%	3174	1.60%
G	3969	5.19%	3773	5.13%	3589	5.04%	3417	5.05%	3252	2.47%	3174	1.60%
V	3969	5.19%	3773	5.13%	3589	5.04%	3417	5.05%	3252	2.47%	3174	1.60%
VD	4858	5.31%	4613	5.25%	4383	5.06%	4172	5.18%	3966	2.39%	3874	1.31%
2ND Person	1413	3.90%	1360	4.21%	1305	4.76%	1246	3.81%	1200	3.27%	1162	4.50%

**RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
RSI CASH RESERVE REVIEW
2015 Budget - Draft 1**

Guided by Policy 34: RSI Operating Cash Requirements

A. Budget - Short Term Threshold Test	
Operations and reserved cash FBO RSI	
Expenses as budgeted	\$ 2,736,709
75 days required reserve for DSS	\$ 2,736,709
75 days operating reserve	\$ 5,473,419
Required cash reserve	
Estimated Cash	
EOY 2014 Est cash Balance	\$ 550,000
Accrued Liabilities (excluding intercompany)	\$ (600,000)
EOY 2014 estimated Entrance/Exit Fee cash fund	\$ 6,651,262
2015 Entrance/Exit income (for RSI)	\$ 1,300,000
2015 Entrance/Exit expense to RSI	\$ (1,500,000)
Estimated	\$ 6,401,262
(Shortfall)/ Excess of RSI requested cash reserves	\$ 927,843

B. Five Year Outlook - Long Term Threshold Test						
Cash on Hand Calculation for RSI						
	2015B	2016O	2017O	2018O	2019O	2020O
Cash	\$ 579,585	\$ 585,381	\$ 591,234	\$ 597,147	\$ 603,118	\$ 609,149
E/E Fee Balances for the benefit of RSI	6,517,774	6,553,852	6,585,146	6,625,511	6,675,125	6,734,168
25% for HCC for Fixed Assets	893,339	1,047,669	1,051,789	1,244,096	1,511,092	1,569,663
Total Unrestricted Cash (for Cash on Hand) [A]	\$ 7,990,698	\$ 8,186,901	\$ 8,228,169	\$ 8,466,754	\$ 8,789,335	\$ 8,912,980
Operating Expenses [B]	13,318,652	13,718,212	14,129,758	14,553,651	14,990,261	15,439,968
Operating Expenses Per Day [B]/365	36,489	37,584	38,712	39,873	41,069	42,301
Days Cash on Hand Ratio: [A]/[B]/365	219	218	213	212	214	211

Note: HC Loan not included in Cash on Hand Calculation. However, considered unrestricted in terms of financial benchmarks

RAN... SAN ANTONIO RETIREMENT HOUSING CORPORATION
 Analysis Cash Requirement for RHC
 2015 Budget

Guided by Policy 31: Operating Cash Requirements

A. Budget – Short Term Threshold Test	
1 Total Expenses as budgeted for 2015	\$ 14,921,863
2 75 days required reserve for DSS	\$ 3,066,136
3 75 days operating expenses	\$ 3,066,136
4 1 years loan payments	\$ 1,085,608
Required cash reserve	\$ 7,217,881
1 Estimated Cash	
2 EOY 2014 est. cash*	\$ 8,933,082
3 Liability for expenses	\$ (850,000)
4 Est. increase/decrease of Cash for 2016 Budget	\$ 1,202,659
5 Estimated Cash	\$ 9,285,741
11 difference of cash to cash requirements	\$ 2,067,860

Comments:

- (1) 5 Year Outlook assumes continued high level of appreciation in 2015B through 2019O with reduced resale in coming years.
- (2) By the end of the 3-5 year outlook there is an assumption that resale appreciation per unit average will start diminishing as average length of stay decreases per unit.
- (3) POA is currently approximately 12 and assuming 12 for 2015 including units potentially listed longer than 18 months (as per Sect 10 Res Doc Binder - Resale Information)
- (4) A 5% IL Occupancy assumed in the 5 Yr Outlook in order to keep up with cash outflow from Fixed Asset requirements in the coming years as well as offsetting budgeted deficits and cash on hand declining trend.

	2015B	2016O	2017O	2018O	2019O	2020O
12 Fixed Asset Reserve Requirement	3,573,355	4,190,675	4,207,157	4,976,385	6,044,366	6,278,651
13 Fixed Asset Reserve Balance, end of year						
14 (See Summary of Reserve Balances for 2014 Budget)						
15 Insurance Reserve Requirement (Business Continuity)	\$ 1,333,574	\$ 1,360,245	\$ 1,387,450	\$ 1,415,199	\$ 1,443,503	\$ 1,472,373
16 Insurance Reserve Balance, end of year						
17 B. Five Year Outlook – Long Term Threshold Test						
18 Cash on Hand Calculation for RHC:	2015B	2016O	2017O	2018O	2019O	2020O
19 Cash	10,619,315	10,348,624	9,970,296	9,733,566	9,600,082	9,514,320
20 Board Designated, Component Reserve Fund	3,573,355	4,190,675	4,207,157	4,976,385	6,044,366	6,278,651
21 Less 25% for HCC for Fixed Assets	(893,339)	(1,047,669)	(1,051,789)	(1,244,096)	(1,511,092)	(1,569,663)
22 Board Designated, Insurance Reserve Fund	1,333,574	1,360,245	1,387,450	1,415,199	1,443,503	1,472,373
23 Total Unrestricted Cash (for Cash on Hand) [A]	14,632,905	14,851,876	14,513,115	14,881,054	15,576,860	15,695,682
24 Operating Expenses (excl depreciation) [B]	14,921,863	15,369,519	15,830,605	16,305,523	16,794,689	17,298,529
25 Operating Expenses Per Day [B]/365	40,882	42,108	43,372	44,673	46,013	47,393
26 Days Cash on Hand Ratio: [A]/[B]/365	358	353	335	333	339	331

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

Budget Fiscal Year Ending:
 Entity

	2012		2013		2014		2015		Yr ovr Yr %	
	Actual	Budget	Actual	Budget	Projected	Budget	2014P vs 2015B	2014P vs 2015B	2014P vs 2015B	Yr ovr Yr %
Operating Revenues										
1 Skilled Nursing Revenues (net of contractual)	5,887,879	5,182,134	6,041,551	5,182,134	6,024,655	6,197,597	172,942	172,942	2.9%	
2 Assisted Living Revenues (net of contractual)	2,484,049	3,074,710	2,844,763	3,074,710	3,058,586	3,361,490	302,904	302,904	9.9%	
3 Healthcare Fees	3,160,221	3,432,824	3,367,958	3,432,824	3,409,626	3,474,436	64,810	64,810	1.9%	
4 Other Ancillary Revenues	124,645	34,372	94,607	34,372	75,500	83,050	7,550	7,550	10.0%	
Total Operating Revenues	11,656,794	11,724,040	12,348,880	11,724,040	12,568,367	13,116,573	548,206	548,206	4.4%	
										% Total
5 Wages	5,173,683	5,530,247	5,505,300	5,530,247	5,680,425	6,096,704	416,279	416,279	7.3%	46%
6 Employee Taxes/Benefits & Related Expense	1,765,425	2,084,657	1,961,262	2,084,657	2,155,335	2,249,868	94,534	94,534	4.4%	17%
7 Insurance - General	278,970	122,901	116,198	122,901	122,927	127,300	4,373	4,373	3.6%	1%
8 Legal and Professional	92,419	77,350	17,579	77,350	45,650	45,650	0	0	0.0%	0%
9 Management Fees	727,377	747,507	766,083	747,507	786,340	819,908	33,568	33,568	4.3%	6%
10 Marketing	9,461	25,600	5,258	25,600	25,600	50,000	24,400	24,400	95.3%	0%
11 Taxes	5,657	7,550	231	7,550	14,000	14,260	260	260	1.9%	0%
12 Telephone	65,862	50,500	51,253	50,500	78,000	81,120	3,120	3,120	4.0%	1%
13 Supplies (Plant)	65,542	103,900	74,084	103,900	64,650	65,578	928	928	1.4%	0%
14 Maintenance Contracts (Plant)	177,106	142,545	138,051	142,545	198,250	200,415	2,165	2,165	1.1%	2%
15 Cable TV Costs	64,460	82,100	79,820	82,100	83,300	86,632	3,332	3,332	4.0%	1%
16 Utilities	299,139	338,480	322,580	338,480	346,640	357,305	10,665	10,665	3.1%	3%
17 Food	551,434	654,342	609,373	654,342	633,400	649,457	16,057	16,057	2.5%	5%
18 Supplies (Food & Beverage)	107,051	103,500	99,907	103,500	126,500	126,000	(500)	(500)	-0.4%	1%
19 Healthcenter Ancillaries	1,192,165	1,013,436	1,088,548	1,013,436	998,378	994,078	(4,300)	(4,300)	-0.4%	7%
Sub Total	10,654,146	11,084,615	10,835,527	11,084,615	11,359,395	11,964,275	604,880	604,880	5.3%	90%

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

Budget Fiscal Year Ending:
Entity

2015 Budget	2012		2013		2014		2015		Yr over Yr \$		Yr over Yr %	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	2014P vs 2015B	2014P vs 2015B	2014P vs 2015B	2014P vs 2015B
20 Other G&A	670,700	647,131	647,131	675,440	635,010	672,058	5%	37,048	5.8%			
21 Other Operating Expenses	263,217	611,236	611,236	496,006	584,187	682,320	5%	98,133	16.8%			
22 Total Operating Expenses	11,588,063	12,093,893	12,093,893	12,256,061	12,578,591	13,318,652		740,061	5.9%			
23 Net Operating Income	68,731	254,986	254,986	(532,020)	(10,224)	(202,079)		(191,855)	1876.5%			
24 Other Revenues/Expenses												
25 Interest Income	-	105,533	105,533	165,257	171,994	241,789		69,796	40.6%			
26 Entrance Exit/Fees	1,010,000	1,039,998	1,039,998	1,800,000	1,300,000	1,500,000		200,000	15.4%			
27 Rent Expense	(1,247,414)	(1,478,370)	(1,478,370)	(1,495,174)	(1,495,174)	(1,510,125)		(14,952)	1.0%			
28 Net Income	(168,683)	(77,853)	(77,853)	(61,937)	(33,404)	29,585		62,989	188.6%			

Rancho San Antonio Retirement Housing Corporation
Year over Year Operating Statement

Budget Fiscal Year Ending:
 Entity

2015
 2787

Yr ovr Yr \$
 2015B vs
 2014P

Yr ovr Yr %
 2015B vs
 2014P

2015 Budget

	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Total	Yr ovr Yr \$ 2015B vs 2014P	Yr ovr Yr % 2015B vs 2014P
1 Occupancy Fees	9,417,230	10,031,435	10,504,293	10,534,060	11,011,974	67%	477,914	4.5%
2 Membership Resale Income	5,621,344	3,538,500	3,898,892	3,724,286	3,929,764	24%	205,478	5.5%
3 Marketing & Sales Commissions	326,430	985,365	980,560	1,160,000	1,240,000	7%	80,000	6.9%
4 Interest & Dividends	91,450	178,668	98,014	75,834	113,751	1%	37,917	50.0%
5 Other Operating Revenue	202,299	212,271	217,102	278,205	309,644	1%	31,440	11.3%
6 Total Operating Revenue	15,658,753	14,946,239	15,698,862	15,772,384	16,605,133	% Total	832,749	5.3%
7 Wages	4,973,092	5,748,400	5,894,993	5,850,732	6,285,130	42%	434,398	7.4%
8 Employee Taxes/Benefits/Empl Related Expenses	1,719,652	1,764,562	1,922,111	1,957,050	2,044,942	13%	87,892	4.5%
9 Insurance - General	595,879	429,750	456,741	452,555	469,768	3%	17,212	3.8%
10 Legal and Professional	659,171	290,196	298,696	187,696	187,716	2%	20	0.0%
11 Management Fees	791,027	641,722	641,722	641,722	687,320	5%	45,598	7.1%
12 Marketing	418,193	629,310	342,250	347,750	366,500	5%	18,750	5.4%
13 Taxes - Real Estate & Other	414,000	480,187	469,037	514,962	540,670	4%	25,708	5.0%
14 Telephone	70,547	66,250	67,000	83,357	85,858	0%	2,501	3.0%
15 Supplies (Plant)	146,487	130,745	170,343	124,802	127,964	1%	3,162	2.5%
16 Maintenance Contracts (Plant)	1,031,063	956,649	875,424	878,440	898,496	7%	20,056	2.3%
17 Cable TV Costs	248,664	252,730	258,300	258,300	267,341	2%	9,041	3.5%
18 Utilities	756,088	784,430	800,744	780,667	806,724	6%	26,057	3.3%
19 Food & Food Supplies	1,463,150	1,520,758	1,500,054	1,483,854	1,534,170	11%	50,316	3.4%
20 Sub Total	13,287,013	13,695,691	13,697,415	13,561,887	14,302,598	100%	740,711	5.5%
21 Other Operating Expenses	415,408	(6,431)	21,437	(28,552)	(39,513)	0%	(10,960)	38.4%
22 Total Operating Expense	13,702,421	13,689,260	13,718,852	13,533,335	14,263,085	100%	729,751	5.4%
23 Net Operating Income (NOI)	1,956,332	1,256,979	1,980,010	2,239,050	2,342,048		102,998	4.6%
NOI %	12%	8%	13%	14%	14%			

Rancho San Antonio Retirement Housing Corporation
Year over Year Operating Statement

Budget Fiscal Year Ending:
 Entity

2015
2787

	2012		2013		2014		2015		Yr ovr Yr %	
	Actual	Budget	Actual	Budget	Projected	Budget	2015B vs 2014P	2015B vs 2014P	2015B vs 2014P	2015B vs 2014P
24 Rental Income	1,478,172	2,022,620	1,242,872	2,022,620	1,300,000	1,365,000	65,000	5.0%		
26 Amortization Expense (Entrance/Exit Fees)	1,478,370	1,495,174	1,495,174	1,495,174	1,510,130	1,525,231	15,101	1.0%		
27 Total Other Income	2,956,543	3,517,794	2,738,046	3,517,794	2,810,130	2,890,231	80,101	2.9%		
28 Depreciation Expense	4,104,416	4,220,474	4,082,573	4,220,474	4,009,450	4,129,734	120,284	3.0%		
29 Amortization Expense (Entrance/Exit Fees to RSI)	1,040,098	1,820,000	900,000	1,820,000	900,000	900,000				
30 Other Revenue/Expense	685,338	631,817	630,956	631,817	1,063,327	658,778	(404,549)	-38.0%		
31 Other Non Operating	5,836,209	6,672,291	5,626,041	6,672,291	5,972,777	5,688,512	(284,266)	-4.8%		
32 Net Income/(Loss) [excluding Depreciation]	3,181,081	3,045,987	2,451,557	3,045,987	3,085,853	3,673,501	587,648	19.0%		
33 Net Income/(Loss)	(923,334)	(1,174,487)	(1,631,015)	(1,174,487)	(923,598)	(456,233)	467,365	50.6%		