



THE FORUM

AT RANCHO SAN ANTONIO

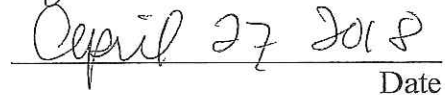
April 27, 2018

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 2017 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


Date



*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, 2017



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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 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, 2017.

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, 2017, 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 20, 2018

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
December 31, 2017**

**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	01/01/16	\$0	\$174,744	\$0	\$174,744
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$0	\$174,744	\$0	\$174,744

(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
December 31, 2017**

**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

(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
December 31, 2017

FORM 5-3		
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT		
Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$174,744
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:	\$174,744

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
December 31, 2017

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$34,565,359
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$174,744	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0	
	c. Depreciation	\$4,415,206	
	d. Amortization	\$0	
	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$3,195,806	
	f. Extraordinary expenses approved by the Department	\$0	
3	Total Deductions		\$7,785,756
4	Net Operating Expenses		\$26,779,603
5	Divide Line 4 by 365 and enter the result.		\$73,369
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$5,502,675

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, 2017

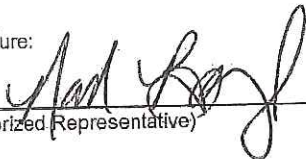
We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2017 and are in compliance with those requirements.

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>\$174,744</u>
[2] Operating Expense Reserve Amount	<u>\$5,502,675</u>
[3] Total Liquid Reserve Amount:	<u>\$5,677,419</u>

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

<u>Qualifying Asset Description</u>	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$174,744</u>	<u>\$24,041,749</u>
[5] Investment Securities	<u>\$0</u>	<u>\$9,350,672</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>\$7,930,400</u>
<u>(describe qualifying asset)</u>		
Listed for Reserve Obligation: [11]	<u>\$174,744</u>	[12] <u>\$41,322,821</u>
Reserve Obligation Amount: [13]	<u>\$174,744</u>	[14] <u>\$5,502,675</u>
Surplus/(Deficiency): [15]	<u>\$0</u>	[16] <u>\$35,820,146</u>

Signature: 

(Authorized Representative)

Date: April 20, 2018

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, 2017

Total operating expenses	\$ 34,220,572
Add: Interest expense	<u>344,787</u>
Total operating expenses from financial statements	<u><u>\$ 34,565,359</u></u>

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Supplementary Form 5-5
Reconciliation To Audit Report
December 31, 2017**

Description of Reserves under SB 1212 – Cash and Cash Equivalents

	<u>Total</u>
Cash and cash equivalents	\$ 14,271,552
Unexpended escrow transaction and exit fees for Healthcare Center purposes	<u>9,944,941 (a)</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 24,216,493</u></u>
TOTAL CASH AND CASH EQUIVALENTS FOR DEBT SERVICE RESERVE	\$ 174,744
TOTAL CASH AND CASH EQUIVALENTS FOR OPERATING RESERVE	<u>24,041,749</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 24,216,493</u></u>

(a) See Note 2 in audited consolidated financial statements for description of unexpended escrow transaction and exit fees for Healthcare Center purposes

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Note to Continuing Care Liquid Reserve Schedules**

NOTE 1 – BASIS OF ACCOUNTING

The accompanying continuing care liquid reserve schedules have been prepared in accordance with the provisions of the Health and Safety Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of Rancho San Antonio Retirement Housing ("RHC") and Rancho San Antonio Retirement Services, Inc. ("RSI") assets, liabilities, revenues, and expenses.



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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, 2017 and 2016



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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, 2017 and 2016, 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 financial statements.

Management's Responsibility for the 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, 2017 and 2016, 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, 2017, for Rancho San Antonio Retirement Housing Corporation and Rancho San Antonio Retirement Services, Inc., presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in purple ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
April 20, 2018

Consolidated Financial Statements

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.**
Consolidated Balance Sheets
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 14,271,552	\$ 9,386,400
Investments	9,350,672	7,622,356
Accounts receivable, net of allowances of approximately \$27,000 and \$35,000 as of December 31, 2017 and 2016, respectively	720,717	1,123,994
Inventories	89,190	79,018
Interest receivable and other	13,555	13,800
Prepaid expenses	802,410	662,229
Member advances - investments	11,207,624	9,845,270
Total current assets	<u>36,455,720</u>	<u>28,733,067</u>
PROPERTY AND EQUIPMENT		
Land rights and improvements	16,328,566	16,268,855
Buildings and improvements	120,237,775	118,502,237
Furniture and equipment	12,010,983	12,636,692
Construction in process	4,981,197	1,417,960
Property and equipment	153,558,521	148,825,744
Less accumulated depreciation	<u>(88,917,362)</u>	<u>(85,655,959)</u>
Property and equipment, net	<u>64,641,159</u>	<u>63,169,785</u>
BOARD-DESIGNATED CASH AND INVESTMENTS	7,930,400	5,780,551
UNEXPENDED ESCROW TRANSACTION AND EXIT FEES FOR HEALTHCARE CENTER PURPOSES	<u>9,944,941</u>	<u>8,918,181</u>
Total assets	<u>\$ 118,972,220</u>	<u>\$ 106,601,584</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Line of credit	\$ 6,000,000	\$ 1,000,000
Current portion of note payable to bank	5,529,862	5,529,862
Accrued liabilities	1,946,408	2,004,224
Current portion of deferred escrow transaction fees	321,963	309,974
Member advances	15,557,798	12,857,116
Total current liabilities	29,356,031	21,701,176
DEFERRED ESCROW TRANSACTION FEES, net of current portion	<u>2,214,257</u>	<u>1,945,229</u>
Total liabilities	<u>31,570,288</u>	<u>23,646,405</u>
MEMBERS' EQUITY	<u>87,401,932</u>	<u>82,955,179</u>
Total liabilities and members' equity	<u>\$ 118,972,220</u>	<u>\$ 106,601,584</u>

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.**
Consolidated Statements of Operations
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Resident service revenue	\$ 25,582,557	\$ 24,047,294
Ancillary revenue	2,422,109	2,930,406
Appreciation on resale of memberships	4,679,375	4,106,125
Commission on sale of membership	1,524,875	1,140,700
Interest and investment income	642,269	558,198
	<u>34,851,185</u>	<u>32,782,723</u>
OPERATING EXPENSES		
Salaries	13,444,572	12,603,220
Employee benefits and taxes	3,925,515	3,993,310
Insurance	660,971	571,362
Legal and professional	126,219	160,886
Depreciation	4,415,206	4,337,703
Management fees	1,433,062	1,405,431
Marketing	363,794	413,270
Property taxes	433,675	465,905
Utilities	1,730,277	1,511,692
Cable and IT services	533,394	478,351
Maintenance and supplies	1,672,337	1,557,323
Food and supplies	2,748,259	2,612,799
Ancillary	948,694	1,136,739
Other	1,784,597	1,470,005
	<u>34,220,572</u>	<u>32,717,996</u>
NET OPERATING INCOME	630,613	64,727
OTHER INCOME (EXPENSE)		
Amortization of escrow transaction and exit fees	1,517,443	1,288,758
Interest expense	(344,787)	(192,981)
Net unrealized gain on investments	2,677,481	644,111
Other income	2,366	2,535
	<u>4,483,116</u>	<u>1,807,150</u>
Income before provision for income taxes	4,483,116	1,807,150
PROVISION FOR INCOME TAXES	<u>(36,363)</u>	<u>(22,193)</u>
NET INCOME	<u>\$ 4,446,753</u>	<u>\$ 1,784,957</u>

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.**
Consolidated Statements of Changes in Members' Equity
Years Ended December 31, 2017 and 2016

	Cooperative Memberships, net	Accumulated Deficit in Retained Earnings	Total Members' Equity
Balance, January 1, 2016	\$ 118,344,015	\$ (37,173,793)	\$ 81,170,222
Net income	-	1,784,957	1,784,957
Balance, December 31, 2016	118,344,015	(35,388,836)	82,955,179
Net income	-	4,446,753	4,446,753
Balance, December 31, 2017	<u>\$ 118,344,015</u>	<u>\$ (30,942,083)</u>	<u>\$ 87,401,932</u>

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.**
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents for housing services	\$ 12,521,621	\$ 11,697,370
Cash received from residents and third-party payers for medical services	9,307,285	9,046,820
Cash received from noncontract residents	3,195,806	2,320,564
Cash received from ancillary revenues and other income	2,025,813	1,762,106
Cash received for resale of memberships	4,679,375	4,106,125
Cash received from commission of sales of memberships	1,524,875	1,140,700
Cash paid for operating activities, including suppliers and employees	(26,155,381)	(25,500,593)
Cash received from interest	712,762	591,538
Cash paid for interest	(174,744)	(168,575)
Net cash provided by operating activities	<u>7,637,412</u>	<u>4,996,055</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,984,123)	(2,639,905)
Purchases of investments	(5,463,958)	(12,834,922)
Proceeds from investments	2,677,481	10,965,011
Net change in board-designated cash and investments	(117,386)	546,654
Net change in unexpended escrow transaction and exit fees for Healthcare Center purposes	(879,771)	(962,585)
Net change in member advances - investments	(2,483,645)	749,970
Net cash used in investing activities	<u>(12,251,402)</u>	<u>(4,175,777)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from member advances	6,296,909	3,900,000
Repayment of member advances	(3,596,227)	(5,089,936)
Proceeds from escrow transaction fees	1,798,460	1,416,200
Proceeds from line of credit	5,000,000	1,000,000
Repayment of note payable to bank	-	(33,807)
Net cash provided by financing activities	<u>9,499,142</u>	<u>1,192,457</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>4,885,152</u>	<u>2,012,735</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>9,386,400</u>	<u>7,373,665</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 14,271,552</u></u>	<u><u>\$ 9,386,400</u></u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	\$ 4,446,753	\$ 1,784,957
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,415,206	4,337,703
Loss on disposal of equipment	97,543	70,792
Amortization of deferred escrow transaction and exit fees	(1,517,443)	(1,288,758)
Changes in assets and liabilities:		
Accounts receivable	403,277	(120,650)
Inventories	(10,172)	4,775
Other receivables	245	297,034
Prepaid expenses	(140,181)	(45,567)
Accrued liabilities	(57,816)	307,566
Net cash provided by operating activities	<u><u>\$ 7,637,412</u></u>	<u><u>\$ 4,996,055</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for income taxes	<u><u>\$ 17,300</u></u>	<u><u>\$ 23,922</u></u>

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.

The Community has proposed a significant renovations and additions project to the Cupertino City Council for its existing campus. The proposed project would result in up to 25 new independent living villas (detached, single-family homes), 10 new beds, approximately 45,000 square feet of renovations and additions to the skilled nursing facility, approximately 10,500 square feet of renovations to the assisted living facility, 26 new beds in an approximately 39,000-square-foot new memory care building, and approximately 27,000 square feet of renovations and additions to the commons facilities (dining, fitness, and multi-purpose room). The proposed project would also include one new internally accessible roadway to accommodate the new independent living villas and minor changes to the internal on-site circulation system, as well as new landscaping and skilled facilities.

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 are 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.

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Notes to Consolidated Financial Statements**

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 cash and cash equivalent and marketable investment securities (See Note 3). Investment income or loss, including realized gains and losses on investments, interest, and dividends, is included in interest and investment income on the consolidated statements of operations. Unrealized gains and losses on investments are included in net unrealized gain on investments on the consolidated statements of operations. As of December 31, 2017 and 2016, the net accumulated unrealized gains on investments were \$3,433,914 and \$756,433, 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.

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. At the inception of the lease, \$13,080,000 was paid to the property owner which represented the total lease payments required on the lease. 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 – 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, 2017 and 2016.

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

Notes to Consolidated Financial Statements

Board-designated cash and investments – Board-designated cash and investments are funds designated for property, equipment repairs and replacements, and 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 escrow transaction fees from the residents. 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, 2017 and 2016. The discount rate used to calculate the obligation to provide future services is 6% for 2017 and 2016.

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, 2017 and 2016, management believes that this requirement has been met because more than 80% of the revenue earned was from resident sources.

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*.

Rancho San Antonio Retirement Housing Corporation and Rancho San Antonio Retirement Services, Inc. Notes to Consolidated Financial Statements

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 notes payable 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. The mix of receivables from patients and third-party payors are as follows as of December 31:

	2017	2016
Medicare	30%	47%
Private pay	60%	38%
Third-party insurance	6%	10%
Other payors	4%	5%
	100%	100%

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

Notes to Consolidated Financial Statements

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 \$247,341 and \$291,893 for the years ended December 31, 2017 and 2016, respectively.

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

Recent accounting pronouncements – In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). As compared to existing guidance on revenue recognition, ASU No. 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principles-based guidance in ASU No. 2014-09 will provide a framework for addressing revenue recognition issues comprehensively for entities that apply U.S. GAAP in addition to those entities that apply International Financial Reporting Standards. The guidance in ASU No. 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The effective date of ASU No. 2014-09 was deferred by ASU No. 2015-14, *Deferral of the Effective Date*, to annual periods beginning after December 15, 2018. The adoption is effective for the Company for the fiscal year ending December 31, 2019. Management is currently evaluating the impact of the provisions of ASU No. 2014-09 on the consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* ("ASU No. 2015-17"). ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018, with early adoption is permitted. The adoption is effective for the Company beginning January 1, 2019. Management is currently evaluating the impact of the provisions of ASU No. 2015-17 on the consolidated financial statements.

**Rancho San Antonio Retirement Housing Corporation and
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Notes to Consolidated Financial Statements**

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The update addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other entities including not-for-profit entities and employee benefit plans, the amendment is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. All entities that are not public business entities may adopt the amendments in this update earlier as of fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption is effective for the Company beginning January 1, 2019. The adoption is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. This update is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption is effective for the Company for fiscal year ending December 31, 2020. Management is currently evaluating the impact of the provisions of ASU No. 2016-02 on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which provides guidance on eight specific cash flow issues including: debt repayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The amendments in this update are effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The adoption is effective for the Company for fiscal year ending December 31, 2019. Management is currently evaluating the impact of the provisions of ASU No. 2016-15 on the consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"), which requires the statement of cash flows to explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments in this update are effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The adoption is effective for the Company for fiscal year ending December 31, 2019. Management is currently evaluating the impact of the provisions of ASU No. 2016-18 on the consolidated financial statements.

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Notes to Consolidated Financial Statements**

NOTE 3 – INVESTMENTS

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

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable inputs for the asset or liability.

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

The fair values of the financial instruments as of December 31, 2017 and 2016, 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, corporate bonds, and fixed income funds are measured using quoted market prices at the reporting date multiplied by the quantity held.

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Notes to Consolidated Financial Statements**

Investments by level at December 31, 2017 and 2016, are as follows:

Description	2017			Total
	Level 1	Level 2	Level 3	
Equity				
Domestic	\$ 9,358,808	\$ -	\$ -	\$ 9,358,808
International	6,568,501	-	-	6,568,501
Fixed Income Funds				
Domestic	11,402,668	-	-	11,402,668
Cash and cash equivalents	11,103,660	-	-	11,103,660
	<u>\$ 38,433,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,433,637</u>

Description	2016			Total
	Level 1	Level 2	Level 3	
Corporate bonds	\$ 1,040,702	\$ -	\$ -	\$ 1,040,702
Equity				
Domestic	8,087,289	-	-	8,087,289
International	5,162,076	-	-	5,162,076
Fixed Income Funds				
Domestic	12,383,933	-	-	12,383,933
Cash and cash equivalents	5,492,358	-	-	5,492,358
	<u>\$ 32,166,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,166,358</u>

Investments, at fair value, at December 31, include the following:

	2017	2016
Investments	\$ 9,350,672	\$ 7,622,356
Member advances - investments	11,207,624	9,845,270
Board designated cash and investments	7,930,400	5,780,551
Unexpended escrow transaction and exit fees for Healthcare Center purposes	9,944,941	8,918,181
	<u>\$ 38,433,637</u>	<u>\$ 32,166,358</u>

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Notes to Consolidated Financial Statements**

NOTE 4 – NOTES PAYABLE

Note payable to bank – At December 31, note payable to the bank consist of the following:

	<u>2017</u>	<u>2016</u>
Commercial note payable to Comerica Bank with an original maturity date of July 1, 2017, was extended to mature on November 1, 2018, with a variable interest rate of LIBOR-based rate plus applicable margin. This rate was 2.6991% and 3.1167% at December 31, 2017 and 2016. Principal payable upon maturity. Collateralized with the first leasehold deed of trust on the 23600 Via Esplendor property.	5,529,862	\$ 5,529,862
Less: Current portion of note payable to bank	5,529,862	5,529,862
	<u>\$ -</u>	<u>\$ -</u>

Note payable – 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, 2017 and 2016.

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 unsecured revolving line of credit due May 1, 2017, from Comerica Bank. The maturity date of the line was extended in 2017 to November 1, 2018. Monthly payments of accrued interest began on May 6, 2015, with a final payment of unpaid principal and interest due on November 1, 2018. Accrued interest is calculated at a variable interest rate of no less than 3.15%. There was an outstanding balance of \$6,000,000 and \$1,000,000, respectively, on the line of credit as of December 31, 2017 and 2016.

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. In November 2017, RHC paid off the remaining principal balance and related interest of the note. The note payable and related interest, which had an outstanding balance of \$0 and \$2,283,342, respectively, as of December 31, 2017 and 2016, has been eliminated upon consolidation of the financial statements.

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Notes to Consolidated 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, which was extended until May 31, 2022, with an optional automatic successive five years' of annual renewal unless written notice of intent not to renew by either party is provided at least 365 days prior to the end of each year. The fee paid to the Manager is 4.65% of gross revenue, as defined in the management agreement. Management fee totaled \$1,433,062 and \$1,405,431 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, RHC's reserves, as calculated in accordance with Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements.

NOTE 7 – INCOME TAXES

The provision for tax expenses were \$36,363 and \$22,193 for the years ended December 31, 2017 and 2016, 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>2017</u>	<u>2016</u>
Deferred income tax assets (liabilities):		
Net operating loss, capital loss, and contributions carryover	\$ 2,691,998	\$ 5,720,474
Buyers fees	709,726	918,905
Depreciation	515,203	1,130,885
Bad debts	7,654	14,058
Accrued liabilities and change in accounting method	178,325	279,282
Unrealized gains on securities	<u>(960,928)</u>	<u>(305,815)</u>
Total deferred income tax assets	3,141,978	7,757,789
Valuation allowance	<u>(3,141,978)</u>	<u>(7,757,789)</u>
Net deferred income taxes	<u>\$ -</u>	<u>\$ -</u>

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Notes to Consolidated Financial Statements**

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law resulting in significant changes to the Internal Revenue Code. The Act, among other things, reduced the federal corporate income tax rate from 35% to 21% effective for tax years beginning after December 31, 2017. Consequently, the Company's net deferred tax assets as of December 31, 2017 were reduced to reflect the estimate impact of the Act. The reduction in the deferred tax assets are fully offset by a reduction in the valuation allowance, resulting in no impact to income tax expense.

The valuation allowance decreased by \$4,615,814 during the year ended December 31, 2017, and decreased by \$360,009 during the year ended December 31, 2016.

Net operating loss carryforwards for federal tax purposes amount to approximately \$12,240,564 and begin to expire in 2021. Net operating loss carryforwards for California tax purposes amount to approximately \$1,721,057 and begin to expire in 2031.

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 & Safety Code. Through December 31, 2017, the Company has expended \$4,023,266 for the new buildings and major renovations project.

NOTE 10 – SUBSEQUENT EVENTS

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

Subsequent events have been evaluated through April 20, 2018, which is the date the consolidated financial statements are available to be issued.

Supplementary Information

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.**
Consolidating Balance Sheet
December 31, 2017

	<u>RHC</u>	<u>RSI</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 7,415,019	\$ 6,856,533	\$ -	\$ 14,271,552
Investments	9,350,672	-	-	9,350,672
Accounts receivable, net	29,959	690,758	-	720,717
Account receivable from RSI	1,105,506	-	(1,105,506)	-
Inventories	54,086	35,104	-	89,190
Interest receivable and other	13,555	-	-	13,555
Prepaid expenses	483,939	318,471	-	802,410
Member advances - investments	-	11,207,624	-	11,207,624
Total current assets	<u>18,452,736</u>	<u>19,108,490</u>	<u>(1,105,506)</u>	<u>36,455,720</u>
PROPERTY AND EQUIPMENT				
Land rights and improvements	16,328,566	-	-	16,328,566
Buildings and improvements	120,237,775	-	-	120,237,775
Furniture and equipment	12,010,983	-	-	12,010,983
Construction in process	4,981,197	-	-	4,981,197
Property and equipment	153,558,521	-	-	153,558,521
Less accumulated depreciation	<u>(88,917,362)</u>	<u>-</u>	<u>-</u>	<u>(88,917,362)</u>
Property and equipment, net	64,641,159	-	-	64,641,159
BOARD-DESIGNATED CASH AND INVESTMENTS	7,930,400	-	-	7,930,400
UNEXPENDED ESCROW TRANSACTION AND EXIT FEES FOR HEALTHCARE CENTER PURPOSES	<u>9,944,941</u>	<u>-</u>	<u>-</u>	<u>9,944,941</u>
Total assets	<u>\$ 100,969,236</u>	<u>\$ 19,108,490</u>	<u>\$ (1,105,506)</u>	<u>\$ 118,972,220</u>
LIABILITIES AND MEMBERS' EQUITY				
CURRENT LIABILITIES				
Line of credit	\$ 6,000,000	\$ -	\$ -	\$ 6,000,000
Current portion of note payable to bank	5,529,862	-	-	5,529,862
Accrued liabilities	1,053,949	892,459	-	1,946,408
Accounts payable to RHC	-	1,105,506	(1,105,506)	-
Current portion of deferred escrow transaction fees	321,963	-	-	321,963
Member advances	-	15,557,798	-	15,557,798
Total current liabilities	12,905,774	17,555,763	(1,105,506)	29,356,031
DEFERRED ESCROW TRANSACTION FEES, net of current portion	<u>2,214,257</u>	<u>-</u>	<u>-</u>	<u>2,214,257</u>
Total liabilities	15,120,031	17,555,763	(1,105,506)	31,570,288
MEMBERS' EQUITY	<u>85,849,205</u>	<u>1,552,727</u>	<u>-</u>	<u>87,401,932</u>
Total liabilities and members' equity	<u>\$ 100,969,236</u>	<u>\$ 19,108,490</u>	<u>\$ (1,105,506)</u>	<u>\$ 118,972,220</u>

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Consolidating Statement of Operations
Year Ended December 31, 2017**

	<u>RHC</u>	<u>RSI</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES				
Resident service revenue	\$ 12,571,579	\$ 13,010,978	\$ -	\$ 25,582,557
Ancillary revenue	496,160	1,925,949	-	2,422,109
Appreciation on resale of memberships	4,679,375	-	-	4,679,375
Commission on sale of memberships	1,524,875	-	-	1,524,875
Rental income from RSI	1,562,121	-	(1,562,121)	-
Interest and investment income	661,083	141,196	(160,010)	642,269
Total revenues	<u>21,495,193</u>	<u>15,078,123</u>	<u>(1,722,131)</u>	<u>34,851,185</u>
OPERATING EXPENSES				
Salaries	6,633,438	6,811,134	-	13,444,572
Employee benefits and taxes	1,909,345	2,016,170	-	3,925,515
Insurance	520,913	140,058	-	660,971
Legal and professional	70,500	55,719	-	126,219
Depreciation	4,415,206	-	-	4,415,206
Management fees	784,973	648,089	-	1,433,062
Marketing	330,799	32,995	-	363,794
Property taxes	433,675	-	-	433,675
Utilities	1,195,768	534,509	-	1,730,277
Cable and IT services	357,972	175,422	-	533,394
Maintenance and supplies	1,308,771	363,566	-	1,672,337
Food and supplies	1,851,621	896,638	-	2,748,259
Ancillary	-	948,694	-	948,694
Other	137,808	1,646,789	-	1,784,597
Rental expense to RHC	-	1,562,121	(1,562,121)	-
Total operating expenses	<u>19,950,789</u>	<u>15,831,904</u>	<u>(1,562,121)</u>	<u>34,220,572</u>
NET OPERATING INCOME (LOSS)	<u>1,544,404</u>	<u>(753,781)</u>	<u>(160,010)</u>	<u>630,613</u>
OTHER INCOME (EXPENSE)				
Amortization of escrow transaction and exit fees	717,443	800,000	-	1,517,443
Interest expense	(504,797)	-	160,010	(344,787)
Net unrealized gain on investments	1,556,190	1,121,291	-	2,677,481
Other income	1,220	1,146	-	2,366
Income before provision for income taxes	<u>3,314,460</u>	<u>1,168,656</u>	<u>-</u>	<u>4,483,116</u>
PROVISION FOR INCOME TAXES	<u>(35,563)</u>	<u>(800)</u>	<u>-</u>	<u>(36,363)</u>
NET INCOME	<u>\$ 3,278,897</u>	<u>\$ 1,167,856</u>	<u>\$ -</u>	<u>\$ 4,446,753</u>

EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

DATE (MM/DD/YYYY)
9/7/2017

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. 2850 Golf Road Rolling Meadows IL 60008		PHONE (A/C, No, Ext): 312-704-0100	COMPANY NAME AND ADDRESS Lexington Insurance Company 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:			
AGENCY CUSTOMER ID #:			POLICY TYPE		
NAMED INSURED AND ADDRESS Rancho San Antonio Retirement Housing Corp 23600 Via Esplendor Cupertino, CA 95014			LOAN NUMBER		POLICY NUMBER 012944920
ADDITIONAL NAMED INSURED(S)			EFFECTIVE DATE 06/30/2017		EXPIRATION DATE 06/30/2018
			CONTINUED UNTIL TERMINATED IF CHECKED		
			THIS REPLACES PRIOR EVIDENCE DATED:		

PROPERTY INFORMATION (ACORD 101 may be attached 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	<input checked="" type="checkbox"/> SPECIAL	
COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: \$ 264,681,804		DED: \$30,000				
<input checked="" type="checkbox"/> BUSINESS INCOME	<input type="checkbox"/> RENTAL VALUE	YES	NO	N/A	If YES, LIMIT: Incl in PolLim <input checked="" type="checkbox"/> Actual Loss Sustained; # of months: 12	
BLANKET COVERAGE		<input checked="" type="checkbox"/>			If YES, indicate value(s) reported on property identified above: \$ 264,681,804	
TERRORISM COVERAGE		<input checked="" type="checkbox"/>			Attach Disclosure Notice / DEC	
IS THERE A TERRORISM-SPECIFIC EXCLUSION?				<input checked="" type="checkbox"/>		
IS DOMESTIC TERRORISM EXCLUDED?				<input checked="" type="checkbox"/>		
LIMITED FUNGUS COVERAGE		<input checked="" type="checkbox"/>			If YES, LIMIT: \$100,000 DED: \$30,000	
FUNGUS EXCLUSION (If "YES", specify organization's form used)		<input checked="" type="checkbox"/>				
REPLACEMENT COST		<input checked="" type="checkbox"/>				
AGREED VALUE				<input checked="" type="checkbox"/>		
COINSURANCE			<input checked="" type="checkbox"/>		If YES, %	
EQUIPMENT BREAKDOWN (If Applicable)		<input checked="" type="checkbox"/>			If YES, LIMIT: \$750,000,000 DED: \$30,000	
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg		<input checked="" type="checkbox"/>			If YES, LIMIT: Policy limit DED: \$30,000	
- Demolition Costs		<input checked="" type="checkbox"/>			If YES, LIMIT: \$25,000,000 DED: \$30,000	
- Incr. Cost of Construction		<input checked="" type="checkbox"/>			If YES, LIMIT: \$25,000,000 DED: \$30,000	
EARTH MOVEMENT (If Applicable)		<input checked="" type="checkbox"/>			If YES, LIMIT: 0 DED:	
FLOOD (If Applicable)		<input checked="" type="checkbox"/>			If YES, LIMIT: \$200,000,000 DED: \$30,000	
WIND / HAIL INCL <input type="checkbox"/> YES <input type="checkbox"/> NO Subject to Different Provisions:		<input checked="" type="checkbox"/>			If YES, LIMIT: \$750,000,000 DED: \$30,000	
NAMED STORM INCL <input type="checkbox"/> YES <input type="checkbox"/> NO Subject to Different Provisions:				<input checked="" type="checkbox"/>	If YES, LIMIT: DED:	
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS				<input checked="" type="checkbox"/>		

CANCELLATION

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

ADDITIONAL INTEREST

<input type="checkbox"/> CONTRACT OF SALE <input checked="" type="checkbox"/> MORTGAGEE	<input checked="" type="checkbox"/> LENDER'S LOSS PAYABLE <input type="checkbox"/> LOSS PAYEE	LENDER SERVICING AGENT NAME AND ADDRESS
NAME AND ADDRESS Comerica Bank PO Box 863299 Plano TX 75086-3329 USA		AUTHORIZED REPRESENTATIVE 

AGENCY CUSTOMER ID: _____

LOC #: _____



ADDITIONAL REMARKS SCHEDULE

Page 1 of 1

AGENCY Arthur J. Gallagher Risk Management Services, Inc.		NAMED INSURED Rancho San Antonio Retirement Housing Corp 23600 Via Esplendor Cupertino, CA 95014
POLICY NUMBER		
CARRIER	NAIC CODE	EFFECTIVE DATE:

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,

FORM NUMBER: 28 FORM TITLE: EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

REMARKS

RE: 23600 Via Esplendor
Cupertino, CA 95014
Loan# 8717994955

Comerica Bank is shown as mortgagee and loss payee with respect to Property coverage and mortgagee and lender's Loss Payee with respect to Business Personal Property coverage as evidenced herein as required by written contract.

Continuing Care Retirement Community Disclosure Statement

Date Prepared: 4/28/2018

FACILITY NAME: Rancho San Antonio- Retirement Housing Corp. (RHC) & Retirement Services, Inc. (RSI), dba The Forum at Rancho San Antonio
 ADDRESS: 23500 Cristo Rey Dr. ZIP CODE: 95014 PHONE: 650-944-0100
 PROVIDER NAME: RSA, RHC & RSI FACILITY OPERATOR: Managed by Life Care Services
 RELATED FACILITIES: _____ RELIGIOUS AFFILIATION: None
 YEAR 1991 # OF ☐ SINGLE ☒ MULTI- MILES TO SHOPPING CTR: 1.5
 OPENED: _____ ACRES: 52 STORY _____ STORY ☐ OTHER: _____ MILES TO HOSPITAL: <5

 NUMBER OF UNITS: **RESIDENTIAL LIVING** **HEALTH CARE**
 APARTMENTS — STUDIO: _____ ASSISTED LIVING: 58
 APARTMENTS — 1 BDRM: 135 SKILLED NURSING: 48
 APARTMENTS — 2 BDRM: 124 SPECIAL CARE: _____
 COTTAGES/HOUSES: 60 DESCRIPTION: >
 RLU OCCUPANCY (%) AT YEAR END: 94% OVERALL CCRC OCCUPANCY (%) AT YEAR END: _____

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

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

REFUND PROVISIONS: (Check all that apply) ☐ Refundable ☐ Repayable ☐ 90% ☐ 75% ☐ 50% ☒ OTHER: Equity RCFE

RANGE OF ENTRANCE FEES: \$ N/A - \$ _____ LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

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(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD:

(briefly describe provider's compliance and residents' roles)

Per bylaw 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 type="checkbox"/>	HOUSEKEEPING (<u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>1</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input 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 checked="" type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<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 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	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER: <u>High Speed Internet</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>			

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

PROVIDER NAME: Rancho San Antonio — RHC & RSI, dba The Forum at Rancho San Antonio

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

Forum at Rancho San Antonio, RHC

23500 Cristo Rey Dr.
Cupertino, CA. 95014

650-944-0100

Forum at Rancho San Antonio, RSI

23600 Via Esplendor
Cupertino, CA. 95014

650-944-0200

Not a Life Care

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

Forum at Rancho San Antonio, RHC

23500 Cristo Rey Dr.
Cupertino, CA. 95014

650-944-0100

Forum at Rancho San Antonio, RSI

23600 Via Esplendor
Cupertino, CA. 95014

650-944-0200

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

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

PROVIDER NAME: Rancho San Antonio — RHC & RSI, dba The Forum at Rancho San Antonio

	2014	2015	2016	2017
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	\$28,266,738	\$30,478,502	\$32,224,525	\$34,851,185
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	-\$25,731,617	-\$26,565,137	-\$28,402,486	-\$29,805,366
NET INCOME FROM OPERATIONS	\$2,535,121	\$3,913,365	\$3,822,039	\$5,045,816
LESS INTEREST EXPENSE	-\$431,017	-\$402,068	-\$192,981	-\$344,787
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	\$1,951,618	\$1,067,745	\$2,493,602	\$4,197,290
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$4,054,122	\$4,579,042	\$6,122,660	\$8,861,969
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)

	2015 CCAC Medians 50 th Percentile <i>(optional)</i>	2015	2016	2017
DEBT TO ASSET RATIO		.049	.052	.046
OPERATING RATIO		.86	.82	.77
DEBT SERVICE COVERAGE RATIO		9.35	12.6	15.3
DAYS CASH ON HAND RATIO		371.23	404.72	501.77

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2014	%	2015	%	2016	%	2017
STUDIO							
ONE BEDROOM	1899	5.9	2000	5.2	2104	5.7	2224
TWO BEDROOM	3043	5.9	3223	5.2	3389	5.7	3583
COTTAGE/HOUSE	3148	5.9	3334	5.2	3506	5.7	3707
ASSISTED LIVING	3711	5.7	3924	3.4	4057	2.7	4168
SKILLED NURSING	4988	11.0	5536	5.2	5826	3.4	6022
SPECIAL CARE	1460	4.1	1520	2.3	1555	1.7	1582

COMMENTS FROM PROVIDER: > HC Fee \$625, 1.6%, \$635 1.6%, \$645, 0%, \$645

- > Rates for 3 of 10 specific IL units are listed above.
> See attached fee schedules for each rates.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

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)	<u>2224-4695 plus 645 HC Fee</u>	<u>4167 plus 645 HC Fee</u>	<u>6022 plus 645 HC Fee</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>5.7% and 0% HC Fee</u>	<u>2.7% and 0% HC Fee</u>	<u>3.4% and 0% HC Fee</u>

☐ 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, 2017
 (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

Chief Financial Officer Signature

[Handwritten Signature]

Date Prepared: 4/28/18
Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

	2013	2014	2015	2016	2017	2018	Forecast					Preferred Trend Indicator
							2019	2020	2021	2022		
OPERATIONAL STATISTICS												
1. Average Annual Occupancy by Site (%)	93.80%	93.01%	92.90%	93.90%	96.07%	94.29%	94.29%	94.29%	94.29%	94.29%	N/A	
MARGIN (PROFITABILITY) INDICATORS												
2. Net Operating Margin (%)	4.88%	8.97%	12.84%	11.93%	14.48%	14.89%	15.30%	15.71%	16.11%	16.51%	↑	
3. Net Operating Margin - Adjusted (%)	4.88%	8.97%	12.84%	11.93%	14.48%	14.89%	15.30%	15.71%	16.11%	16.51%	↑	
LIQUIDITY INDICATORS												
4. Unrestricted Cash and Investments (\$000)	\$24,766	\$26,640	\$27,427	\$31,707	\$41,498	\$42,213	\$42,949	\$43,706	\$44,485	\$45,286	↑	
5. Days Cash on Hand (Unrestricted)	350	378	377	408	508	499	491	483	475	467	↓	
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)	\$80,941	\$80,840	\$81,170	\$82,955	\$87,402	\$87,315	\$87,227	\$87,140	\$87,053	\$86,966	N/A	
9. Annual Capital Asset Expenditure (\$000)	\$3,237	\$1,761	\$2,033	\$2,166	\$2,992	\$2,962	\$2,932	\$2,903	\$2,874	\$2,845	N/A	
10. Annual Debt Service Coverage Revenue Basis (x)	-2.16	-0.12	0.40	2.91	4.95	5.96	6.36	6.78	7.49	7.91	↑	
11. Annual Debt Service Coverage (x)	-2.16	4.82	9.02	10.78	12.61	15.35	18.22	17.69	17.21	16.70	↑	
12. Annual Debt Service/Revenue (%)	25.37%	21.28%	17.98%	16.83%	14.95%	14.25%	13.58%	12.93%	12.26%	11.67%	↓	
13. Average Annual Effective Interest Rate (%)	7.28%	7.23%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	↓	
14. Unrestricted Cash & Investments/Long-Term Debt (%)	415.42%	478.82%	533.80%	573.39%	750.43%	763.37%	776.68%	790.37%	804.45%	818.94%	↑	
15. Average Age of Facility (years)	17.99	18.89	19.89	20.89	21.89	22.89	23.89	24.89	25.89	26.89	↑	

Addendum to Annual Report

2017 Checklist

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

**The Forum at Rancho San Antonio
Assessment and Reserve Funding Disclosure Summary
Reserve Study - Fiscal Year Ending 2016
For Budget Year Beginning 2017**

(1) The regular assessment per ownership interest is **\$619.52** per month.

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

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

Date assessment will be due:	Amount per ownership interest per month or year (If assessments are variable, see note immediately below):	Purpose of the assessment:
_____	N/A	_____
_____	_____	_____
_____	_____	_____
_____	Total: N/A	_____

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

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

Yes X No ____

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

Approximate date assessment will be due:	Amount per ownership interest per month or year:
_____	_____
_____	_____
_____	_____
_____	_____
_____	Total: N/A

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

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is **\$16,438,591**, based in whole or in part on the last reserve study or update prepared by **zumBrunnen, Inc** as of **July 2016**. The projected reserve fund cash balance at the end of the current fiscal year is **\$5,302,048** resulting in reserves being **25.7** percent funded in **December 2017**.

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	2016	2017	2018	2019	2020
Estimated Amount Req'd In Fund	16,438,591	16,862,197	18,922,805	20,800,866	22,704,470
Proj. Reserve Balance (Approved)	5,302,048	4,326,792	4,739,292	4,886,795	5,814,544
Percent Funded	32.3%	25.7%	25.0%	23.5%	25.6%

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

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

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

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

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

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

2017 Assisted Living Rates For The Forum at Rancho San Antonio (Members)									
		HC Occu- pancy Fee Daily	HC Occupancy Fee	HC Fee	Other Applicable fees add	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE	
AL Permanent 1st member standard fee's		\$ 137.00	\$ 4,167.08 per month	\$ 645.00 per month	Dementia fee as shown on next page	add as shown below		\$ 4,812.08	
AL Permanent 2nd member standard fee's*		\$ 68.50	\$ 2,083.54 per month	\$ 645.00 per month	Dementia fee as shown on next page	add as shown below		\$ 2,728.54	
Charge for Temporary Days, 2nd and 3rd Meal		\$ 26.50	\$ 806.04 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				\$ 14.00	\$ 425.83		
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				\$ 128.00	\$ 3,893.33		
C-2	1 One Bed Room (with Patio)	520				\$ 138.00	\$ 4,197.50		
C-3	2 One Bed Room Deluxe	780				\$ 201.00	\$ 6,113.75		

*2nd Member Rate Not Applicable for Members who signed new Continuing Care Contract Part A-1 and B-1 starting in 2014

2017 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	\$ 52.00			\$1,581.67
	Dementia Fee Level 2	\$ 70.00			\$2,129.17
	Respite Daycare	\$ 55.00			

Other Clarifying charges									
		HC Occupancy Fee	HC Fee		Room Premium Differential	Room Premium Differential		AVG MONTHLY RATE	
	Posted Base Rate, for conditional member contract	\$ 274.00						\$8,334.17	
	Conditional Member I: 90% of Posted Base Rate plus room premium as applicable (90% scales down 5% for every year of membership starting in Year 2 of membership)	\$ 246.60			add as above			\$7,500.75	
	Conditional Member II: 90% of Posted Base Rate rate plus room premium as applicable (does not scale down)								
		HC Occupancy Fee	HC Fee		Meal Credit				
	Healthcare Occupancy Fee's for maintaining membership	1st member \$137.00	\$ 21.21		\$ (31.50)			\$3,854.10	
	Healthcare Occupancy Fee's for maintaining membership	2nd member* \$68.50	\$ 21.21		\$ (31.50)			\$1,770.55	
(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)									

**2nd Member Rate Not Applicable for Members who signed new Continuing Care Contract Part A-1 and B-1 starting in 2014*



2017 Assisted Living Rates For The Forum at Rancho San Antonio (Non-Members)

MODEL		SQ FT	DAILY RATE		AVG MONTHLY RATE
A . 1	Studio	358	\$ 274.00	per day	\$8,334
A . 2	Studio (with Patio)	358	\$ 288.00	per day	\$8,760
A . 3	Studio	388	\$ 288.00	per day	\$8,760
A . 4	Studio	391	\$ 288.00	per day	\$8,760
B . 1	Single Studio / Double Studio (without Kitchen)	435	\$ 302.00	per day	\$9,186
B . 2	Single Studio / Double Studio (with Kitchen)	435	\$ 302.00	per day	\$9,186
C . 1	One Bed Room	520	\$ 402.00	per day	\$12,228
C . 2	One Bed Room (with Patio)	520	\$ 412.00	per day	\$12,532
C . 3	One Bed Room Deluxe	780	\$ 475.00	per day	\$14,448
Additional Charges to add to Room Charge					
	Dementia Fee Level 1		52.00	per day	\$1,581.67
	Dementia Fee Level 2		70.00	per day	\$2,129.17
	*Second Person Fee (Varies upon unit size)		96.00	per day	\$2,920.00
	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*

2017 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	\$198.00	\$6,022.50	\$ 645.00	per month	add as shown below		\$ 6,667.50
	SNF Permanent 2nd member standard fee's*	\$99.00	\$3,011.25	\$ 645.00	per month	add as shown below		\$ 3,656.25
	Charge for Temporary Days, 2nd and 3rd Meal	\$26.50	\$806.04	plus HC Fee	per month	add as shown below		
	Member room premium					Differential Per Day	(differential per month)	
	Private Room					\$129.00	\$3,923.75	

*2nd Member Rate Not Applicable for Members who signed new Continuing Care Contract Part A-1 and B-1 starting in 2014

**2017 Skilled Nursing Rates For
The Forum at Rancho San Antonio (Members)**

*2nd Member Rate Not Applicable for Members who signed new Continuing Care Contract Part A-1 and B-1 starting in 2014

Other Clarifying charges

[illegible]



2017 Skilled Nursing Rates For The Forum at Rancho San Antonio (Non-Members)	
	DAILY RATE
Semi private Room	\$396.00
Private Room	\$525.00

APPENDIX D

THE FORUM AT RANCHO SAN ANTONIO

CURRENT YEAR & FIVE-YEAR HISTORIC SCHEDULE OF MONTHLY FEES

Comparative Fee Schedule for 2018

Occupancy Fees:

Unit Style	2018	%Increase	2017	%Increase	2016	%Increase	2015	%Increase	2014	%Increase	2013	%Increase
A	2325	4.54%	2224	5.70%	2104	5.20%	2000	5.88%	1889	5.71%	1787	5.18%
AD	2583	4.53%	2471	5.69%	2338	5.17%	2223	5.91%	2099	5.69%	1986	5.20%
B	2970	4.50%	2842	5.73%	2688	5.16%	2556	5.88%	2414	5.69%	2284	5.21%
C	3358	4.51%	3213	5.73%	3039	5.19%	2889	5.90%	2728	5.65%	2582	5.21%
D	3616	4.51%	3460	5.71%	3273	5.17%	3112	5.92%	2938	5.68%	2780	5.19%
E	3745	4.52%	3583	5.72%	3389	5.15%	3223	5.92%	3043	5.66%	2880	5.21%
F	3874	4.50%	3707	5.73%	3506	5.16%	3334	5.91%	3148	5.67%	2979	5.20%
G	3874	4.50%	3707	5.73%	3506	5.16%	3334	5.91%	3148	5.67%	2979	5.20%
V	3874	4.50%	3707	5.73%	3506	5.16%	3334	5.91%	3148	5.67%	2979	5.20%
VD	4907	4.52%	4695	5.72%	4441	5.16%	4223	5.89%	3988	5.70%	3773	5.19%
2ND Person	904	4.51%	865	5.75%	818	5.14%	778	5.85%	735	5.76%	695	5.19%

Health Care Fee

Per Person	675	4.65%	645	0.0%	645	1.6%	635	1.6%	625	2.5%	610	4.3%
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Alternate Summary

Combined Fee, by IL Occupancy Fee plus HealthCare Fee

A	3000	4.57%	2869	4.37%	2749	4.33%	2635	4.81%	2514	4.88%	2397	4.95%
AD	3258	4.56%	3116	4.46%	2983	4.37%	2858	4.92%	2724	4.93%	2596	4.98%
B	3645	4.53%	3487	4.62%	3333	4.45%	3191	5.00%	3039	5.01%	2894	5.01%
C	4033	4.54%	3858	4.72%	3684	4.54%	3524	5.10%	3353	5.04%	3192	5.03%
D	4291	4.53%	4105	4.77%	3918	4.56%	3747	5.16%	3563	5.10%	3390	5.02%
E	4420	4.54%	4228	4.81%	4034	4.56%	3858	5.18%	3668	5.10%	3490	5.05%
F	4549	4.53%	4352	4.84%	4151	4.59%	3969	5.19%	3773	5.13%	3589	5.04%
G	4549	4.53%	4352	4.84%	4151	4.59%	3969	5.19%	3773	5.13%	3589	5.04%
V	4549	4.53%	4352	4.84%	4151	4.59%	3969	5.19%	3773	5.13%	3589	5.04%
VD	5582	4.53%	5340	4.99%	5086	4.69%	4858	5.31%	4613	5.25%	4383	5.06%
2ND Person.	1579	4.57%	1510	3.21%	1463	3.54%	1413	3.90%	1360	4.21%	1305	4.76%

RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.
RSI CASH RESERVE REVIEW
2018 Budget - Final

Guided by Policy 34: RSI Operating Cash Requirements

A. Budget - Short Term Threshold Test	
Operations and reserved cash FBO RSI	
Expenses as budgeted	\$ 13,683,900
75 days required reserve for DSS	\$ 2,811,760
75 days operating reserve	\$ 2,811,760
Required cash reserve	\$ 5,623,521
Estimated Cash	
EOY 2017 Est cash Balance	\$ 950,000
Accrued Liabilities (excluding intercompany)	\$ (800,000)
EOY 2017 estimated Entrance/Exit Fee cash fund	\$ 9,717,393
2018 Entrance/Exit income (for RSI)	\$ 1,450,000
2018 Entrance/Exit expense to RSI	\$ (1,300,000)
	\$ 10,017,393
Estimated (Shortfall)/ Excess of RSI requested cash reserves	\$ 4,393,873

B. Five Year Outlook - Long Term Threshold Test						
Cash on Hand Calculation for RSI						
	2018B	2019O	2020O	2021O	2022O	2023O
Cash	\$ 1,556,477	\$ 1,572,042	\$ 1,587,762	\$ 1,603,640	\$ 1,619,677	\$ 1,635,873
E/E Fee Balances for the benefit of RSI	10,013,154	10,523,852	11,052,814	11,600,423	12,167,063	12,753,130
25% for HCC for Fixed Assets	(1,432,686)	(1,453,157)	(1,634,352)	(1,668,995)	(1,325,419)	(1,759,881)
Total Unrestricted Cash (for Cash on Hand) [A]	\$ 10,136,946	\$ 10,642,737	\$ 11,006,225	\$ 11,535,068	\$ 12,461,321	\$ 12,629,122
Operating Expenses [B]	13,683,900	14,094,417	14,517,249	14,952,767	15,401,350	15,863,390
Operating Expenses Per Day [B]/365	37,490	38,615	39,773	40,966	42,195	43,461
Days Cash on Hand Ratio: [A]/[B]/365	270	276	277	282	295	291

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

RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION
Analysis Cash Requirement for RHC
2018 Budget - Final

Guided by Policy 31: Operating Cash Requirements

A. Budget – Short Term Threshold Test	
1 Total Expenses as budgeted for 2018	\$ 17,294,074
2 75 days required reserve for DSS	\$ 3,553,577
3 75 days operating expenses	\$ 3,553,577
4 1 years loan payments (<i>Amortization schedule based on 2015</i>)	\$ 1,104,606
Required cash reserve	\$ 8,211,760
1 Estimated Cash	
2 EOY 2017 est. cash*	\$ 14,111,021
Transfer to Fixed Asset Reserve	\$ (1,500,000)
3 Liability for expenses	\$ (1,250,000)
4 Est. increase/decrease of Cash for 2018 Budget	\$ 365,288
5 Estimated Cash	\$ 11,726,309
11 difference of cash to cash requirements	\$ 3,514,549

Comments:

- (1) 5 Year Outlook assumes continued level of appreciation but anticipated to level off with minimum of 30-35 sales per yr.
 (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 at 6 and budgeted at 10 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.

	<u>2018B</u>	<u>2019O</u>	<u>2020O</u>	<u>2021O</u>	<u>2022O</u>	<u>2023O</u>
12 Fixed Asset Reserve Requirement						
13 Fixed Asset Reserve Balance, end of year	5,730,744	5,812,626	6,537,409	6,675,982	5,301,675	7,039,525
14 (<i>See Summary of Reserve Balances for 2018 Budget</i>)						
15 Insurance Reserve Requirement (Business Continuity)						
16 Insurance Reserve Balance, end of year	\$ 1,418,321	\$ 1,446,687	\$ 1,475,621	\$ 1,505,134	\$ 1,535,236	\$ 1,565,941
17 B. Five Year Outlook – Long Term Threshold Test						
18 Cash on Hand Calculation for RHC:	<u>2018B</u>	<u>2019O</u>	<u>2020O</u>	<u>2021O</u>	<u>2022O</u>	<u>2023O</u>
19 Cash	11,726,309	12,091,597	12,341,597	12,644,097	12,976,847	13,342,872
20 Board Designated, Component Reserve Fund	5,730,744	5,812,626	6,537,409	6,675,982	5,301,675	7,039,525
21 Less 25% for HCC for Fixed Assets	(1,432,686)	(1,453,157)	(1,634,352)	(1,668,995)	(1,325,419)	(1,759,881)
23 Board Designated, Insurance Reserve Fund	1,418,321	1,446,687	1,475,621	1,505,134	1,535,236	1,565,941
24 Total Unrestricted Cash (for Cash on Hand) [A]	17,442,688	17,897,754	18,720,275	19,156,217	18,488,339	20,188,457
25 Operating Expenses (excl depreciation) [B]	17,294,074	18,158,778	19,066,717	20,020,053	21,021,056	22,072,108
26 Operating Expenses Per Day [B]/365	47,381	49,750	52,238	54,849	57,592	60,472
27 Days Cash on Hand Ratio: [A]/[B]/365	368	360	358	349	321	334

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

Budget Fiscal Year Ending:
Entity
2017
2786

	2017 Budget - Final		2016		2017		Yr ovr Yr \$		Yr ovr Yr %	
	Actual	Projected	Budget	Budget	Budget	2017B vs	2017B vs	2016P	2017B vs	2016P
Operating Revenues										
1 Skilled Nursing Revenues (net of contractual)	6,984,790	7,207,615	6,430,912	7,004,128		(203,487)			-2.8%	
2 Assisted Living Revenues (net of contractual)	3,467,844	3,509,571	3,417,808	3,609,904		100,333			2.9%	
3 Healthcare Fees	3,427,720	3,465,676	3,427,352	3,473,340		7,664			0.2%	
4 Other Ancillary Revenues	207,947	159,809	155,561	186,442		26,633			16.7%	
Total Operating Revenues	14,088,301	14,342,671	13,431,633	14,273,814		(68,857)			-0.5%	
5 Wages	6,033,349	6,494,855	6,562,667	6,855,087		360,232			5.5%	
6 Employee Taxes/Benefits & Related Expense	1,911,074	2,068,789	2,142,583	2,228,968		160,179			7.7%	
7 Insurance - General	(22,501)	136,306	125,440	122,330		(13,977)			-10.3%	
8 Legal and Professional	41,122	66,859	46,859	68,060		1,201			1.8%	
9 Management Fees	647,861	665,025	624,571	663,732		(1,293)			-0.2%	
10 Marketing	29,244	34,503	49,752	57,300		22,797			66.1%	
11 Taxes	14,299	19,300	11,804	20,145		845			4.4%	
12 Telephone	87,031	90,574	79,652	93,291		2,717			3.0%	
13 Supplies (Plant)	94,402	108,123	99,033	110,679		2,556			2.4%	
14 Maintenance Contracts (Plant)	177,560	248,872	164,750	257,088		8,216			3.3%	
15 Cable TV Costs	91,798	94,221	91,656	98,932		4,711			5.0%	
16 Utilities	367,354	393,928	382,803	413,624		19,696			5.0%	
17 Food	672,266	725,650	668,964	708,309		(17,341)			-2.4%	
18 Supplies (Food & Beverage)	159,047	156,139	176,663	112,530		(43,609)			-27.9%	
19 Healthcenter Ancillaries	1,202,251	1,058,150	944,788	1,032,992		(25,158)			-2.4%	
Sub Total	11,506,157	12,361,294	12,171,985	12,843,067		481,773			3.9%	

%Total

49%	16%	1%	0%	5%	0%	0%	1%	1%	1%	1%	3%	5%	1%	7%	91%
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Rancho San Antonio Retirement Services, Inc.
Year over Year Operating Statement

Budget Fiscal Year Ending:
Entity
2017
2786

	2015 Actual	2016 Projected	2016 Budget	2017 Budget	% Total	Yr Ovr Yr \$ 2017B vs 2016P	Yr Ovr Yr % 2017B vs 2016P
2017 Budget - Final							
20 Other G&A	813,232	711,614	737,171	844,673	5%	133,059	18.7%
21 Other Operating Expenses	590,048	639,946	535,141	892,448	4%	252,502	39.5%
22 Total Operating Expenses	12,909,436	13,712,853	13,444,297	14,580,188		867,335	6.3%
23 Net Operating Income	1,178,865	629,818	(12,664)	(306,374)		(936,191)	-148.6%
24 Other Revenues/Expenses							
25 Interest/Other Income	162,112	541,789	541,789	541,789		0	0.0%
26 Entrance Exit/Fees	375,000	350,000	1,200,000	1,300,000		950,000	271.4%
27 Rent Expense	(1,510,125)	(1,540,479)	(1,555,884)	(1,562,121)		(21,642)	1.4%
28 Net Income	205,852	(18,872)	173,241	(26,706)		(7,833)	41.5%

Rancho San Antonio Retirement Housing Corporation
Year over Year Operating Statement

Budget Fiscal Year Ending:
Entity

2017
2787

2017 Budget - Final						Yr over Yr \$	Yr over Yr %
	2015	2016	2016	2017	2017B vs	2017B vs	2017B vs
	Actual	Projected	Budget	Budget	2016P	2016P	2016P
1 Occupancy Fees	11,103,429	11,741,723	11,649,483	12,364,722	622,999	622,999	5.3%
2 Membership Resale Income	3,708,750	3,562,986	3,562,986	3,501,555	(61,431)	(61,431)	-1.7%
3 Marketing & Sales Commissions	1,285,500	1,285,145	1,285,145	1,276,960	(8,184)	(8,184)	-0.6%
4 Interest & Dividends	363,499	463,039	285,000	532,495	69,456	69,456	15.0%
5 Other Operating Revenue	292,538	268,219	319,301	368,372	100,153	100,153	37.3%
6 Total Operating Revenue	16,753,716	17,321,112	17,101,915	18,044,105	722,993	722,993	4.2%
				% Total			
7 Wages	5,805,106	6,385,758	6,328,116	7,166,957	781,199	781,199	12.2%
8 Employee Taxes/Benefits/Emp'l Related Expenses	1,855,629	1,973,367	2,020,394	2,153,716	180,349	180,349	9.1%
9 Insurance - General	377,574	496,877	463,358	449,235	(47,643)	(47,643)	-9.6%
10 Legal and Professional	72,326	187,716	114,300	191,216	3,500	3,500	1.9%
11 Management Fees	666,239	711,669	707,380	737,782	26,113	26,113	3.7%
12 Marketing	446,912	363,676	366,800	330,000	(33,676)	(33,676)	-9.3%
13 Taxes - Real Estate & Other	394,616	520,670	566,800	532,731	12,061	12,061	2.3%
14 Telephone	89,523	93,756	96,568	98,163	4,407	4,407	4.7%
15 Supplies (Plant)	175,508	168,991	165,243	170,518	1,527	1,527	0.9%
16 Maintenance Contracts (Plant)	845,198	856,520	851,551	866,058	9,538	9,538	1.1%
17 Cable TV Costs	274,250	282,182	279,201	296,291	14,109	14,109	5.0%
18 Utilities	864,452	911,261	833,629	956,595	45,334	45,334	5.0%
19 Food & Food Supplies	1,558,756	1,696,023	1,665,105	1,740,085	44,062	44,062	2.6%
20 Sub Total	13,426,088	14,648,466	14,458,445	15,689,345	1,040,879	1,040,879	7.1%
21 Other Operating Expenses	70,107	113,163	93,336	117,710	4,547	4,547	4.0%
22 Total Operating Expense	13,496,195	14,761,629	14,551,781	15,807,055	1,045,426	1,045,426	7.1%
Year over Year Operating Expense % Increase				8.6%			
23 Net Operating Income (NOI)	3,257,521	2,559,483	2,550,134	2,237,050	(322,433)	(322,433)	-12.6%
NOI %				12%			

Rancho San Antonio Retirement Housing Corporation
Year over Year Operating Statement

Budget Fiscal Year Ending:
Entity

2017
2787

	2015 Actual	2016 Projected	2016 Budget	2017 Budget	% Total	Yr ovr Yr \$ 2017B vs 2016P	Yr ovr Yr % 2017B vs 2016P
2017 Budget - Final							
24 Rental Income (from RSI)	1,510,125	1,540,483	1,540,483	1,617,507		77,024	5.0%
26 Amortization Income (Entrance/Exit Fees)	958,168	1,262,121	1,665,000	1,562,121		300,000	23.8%
27 Total Other Income	2,468,293	2,802,604	3,205,483	3,179,628		377,024	13.5%
28 Depreciation Expense	4,249,017	4,283,160	4,262,679	4,262,679		(20,481)	-0.5%
29 Amortization Expense (Entrance/Exit Fees to RSI)	375,000		600,000	1,300,000		1,300,000	
30 Other Revenue/Expense	236,287	530,377	609,102	609,102		78,725	14.8%
31 Other Non Operating	4,860,304	4,813,537	5,471,780	6,171,780		1,358,243	28.2%
32 Net Income/(Loss) [excluding Depreciation]	5,114,528	4,831,710	4,546,515	3,507,577		(1,324,133)	-27.4%
33 Net Income/(Loss)	865,510	548,550	283,836	(755,102)		(1,303,652)	237.7%
<i>Excluding Unrealized Gains/Loss</i>							

Rancho San Antonio Retirement Housing Corporation
d/b/a The Forum at Rancho San Antonio
23600 Via Esplendor
Cupertino, CA 95014

No. 22005

Check Date: 04/27/2018

CONTINUING CARE PROVIDER FEE FUND, 744 P Sreet, MS 10-90, Sacramento CA 95814

Invoice	Description	Date	Discount	Net Amount Paid
042718-84130	THE FORUM AT RANCHO SAN ANTONIO	04/27/2018	\$0.00	\$28,016.00
Copy				
Grand Totals			\$0.00	\$28,016.00

Detach at Perforation Before Depositing Check

Page 1 of 1

THE FACE OF THIS DOCUMENT HAS A MULTI-COLORED BACKGROUND ON WHITE PAPER. A VOID PANTOGRAPH AND MICROPRINTING. THIS DOCUMENT CONTAINS A TRUE WATERMARK VISIBLE FROM BOTH SIDES.

Rancho San Antonio Retirement Housing Corporation
d/b/a The Forum at Rancho San Antonio
23600 Via Esplendor
Cupertino, CA 95014

Comerica Bank
Wealth & Institutional Management
90-3752/1211

Check No. 22005

Check Date
04/27/2018

Check Amount
\$ ****28,016.00

AY Twenty Eight Thousand Sixteen DOLLARS & 00 CENTS

TO THE ORDER OF
Continuing Care Provider Fee Fund
744 P Sreet
MS 10-90
Sacramento CA 95814

Copy

Nancy H. Kao
Authorized Signature

Mary Elizabeth Honner
Authorized Signature