



# **Annual Report**

# 2015 Annual Report





Table of Contents

5 Growing Together in Cupertino: Silicon Valley and The Forum



Message from the

**3** Message from the Executive Director





12

Corporate

Information

8 Evolution of Wellness & Healthcare Practices



Forum Financials



**11** Generation to Generation



# Message from the President

The Forum has been in existence for 24 years. Thus we find ourselves at the point where improvements and modernizations must be made if we are to retain our reputation as a top tier CCRC. To this end our members have just voted to allow us to hire an Architect and Contractor to help us bring our Master Plan to fruition. We hope to have additional villas, more apartments in Assisted Living, and updated, as well as new, Skilled Nursing rooms. We also plan to build a new Memory Care facility and update our Community Building.

Since we are a member owned community, each of us here has a real stake in our success and a voice in all major decisions The Board members were thrilled to get the resident backing for this undertaking. We expect it to take about 4 years to total completion.

We have once again received a 5 Star rating for our Health Care Center and know we owe much of this to our hard working and caring staff. Residents provide many volunteer services to the Healthcare Center. Through these volunteer efforts we keep in touch with friends throughout the continuum of care. We are truly a community of friends.

I look forward to getting all the preliminary activities underway that will eventually lead to the completion of our Master Plan. I know we are looking at several exciting years of change and improvements. We will also be working to maintain our vibrant life style while all this is going on. I see us being even more able to fulfill our Mission Statement:

"To offer seniors an enriching, vibrant lifestyle that promotes wellness.

Sincerely,

Mary Sabith Honnor

Mary Elizabeth O'Connor President, RHC Board of Directors







The Rancho San Antonio Retirement Services Inc. Board of Directors

# Message from the Executive Director

For The Forum at Rancho San Antonio, 2015 was an exceptional year of growth and accomplishment, highlighted by the start of The Forum Master Plan. Nearly ninety-percent of the Membership approved a Master Plan Vote in October, demonstrating The Forum Board of Directors and the Membership understand now is the time in The Forum's life cycle to invest in improving existing facilities and services to remain attractive and be competitively positioned.

The Forum is recognized as a premier Continuing Care Retirement Community in the Bay Area, with financial strength backed by strong cash flow and healthy occupancy. To ensure its prosperity well into the future, The Forum's Board of Directors and the Executive Team decided to strategically reposition the community to strengthen market position and compete with new and emerging senior living projects in the market area.

The Master Plan has two phases:

# Phase 1 (approved by the Membership)

- 18 Villas
- New Memory Care Building
- Renovation to the Assisted Living Building
- Dining Area Renovation and Addition

# Phase 2 Scope of Work (needs Membership approval):

- Wellness Space (health clinic, spa, designated exercise room, etc.)
- Guest Rooms
- New Multi-purpose Building

Additionally, to maintain financial strength during this period of change The Forum made two key financial decisions in 2015:

- 1. A \$10 million line of credit obtained to fund initial planning costs of the Master Plan.
- 2. An existing bank loan renegotiated at year-end with a significant reduction in interest. The loan restructure renegotiated will be a low interest-only loan freeing up additional cash flow until permanent financing with the Master Plan is placed.

We now look forward to the selection and hiring of the design team to expedite our vision.

The Health Care Center continues to exceed our Residents' expectations. Skilled Nursing achieved five-star quality ratings from the government Centers for Medicare and Medicaid Services (CMS). A five out of five-star in every category is considered the highest score.

The Wellness Department demonstrates each day our commitment to provide options for the same quality services for those who choose to remain in their current homes. We have developed and added preventative and supportive services to provide alternative options and increase value for our Residents.

We end a successful 2015 stronger than we began. With outstanding Management and a committed staff we remain poised to be true to our vision of being a leading retirement community and workplace that is innovative and embraces change.

Sincerely.

Jancy Kao

Nancv Kao Executive Director

- Emergency Services and Administration Skilled Nursing Addition/Modernization
- New Rehabilitation Space



# Growing Together in Cupertino: Silicon Valley and The Forum

The Technology Valley and the Forum Hills

Tomato bushes and apricot trees lined the "Valley of Hearts Delight,"our community. The fifties commenced a changing venue. After a multi-year explosion of the personal computer industry, the 1980s started the next growth spurt with Intel's Gordon Moore who created Moore's Law with: "A chip would be doubled in capacity every 24 months."

We also heard Regis McKenna, Marketing Guru, declare: "Every 10 years a new product is born." The speed, then, in the 1990s was hectic and exciting. And The Forum was born.

Yes, in the 1990s one of the new products on the top of Rancho San Antonio was The Forum. And we immediately grew. Silicon Valley grew. We blossomed. Silicon Valley skyrocketed. We had bumps, the valley had bumps, and finally, in another decade and more, we all matured.

Now, in 2016, with the largest investment portfolios in the world, the 25 most recognized high tech companies on the planet, Silicon Valley has seen stratospheric growth. And so did The Forum. Apple is building a circular futuristic campus. Google took over a portion of a city. Now we have plans. Silicon companies purchased 40 % of geographic sites, and The Forum has begun its plans for future growth. We plan for 18 new Villas and an enlarged health center and a new memory complex. Upgrades are planned everywhere in the current site on the 54 acres of amazing architecture and landscape. Of course there will be downturns in the economy and in Silicon Valley, but The Forum will continue to grow and change—which is how we parallel our valley.

In the last years we have grown technically with:

- A tablet with multiple directories and apps for all 319 units
- The Electronic Medical Records (EMR) computer system for the Health Care Center
- The AT&T cell tower on our premises
- AT&T TV Uverse system for every resident
- Computerized dining orders
- Dakim computer memory computer service
- The Cyber cycle in the Fitness center
- Rehab center computerized equipment

"Innovation distiguishes between a leader and a follower"

– Steve Jobs





# Forum Residents Understand Silicon Valley:

Among our nearly 400 residents, we house a multitude of Silicon Valley engineers. Our children and our grandchildren are the second and third generation of technological employees. Many families have lived and breathed the downfalls and epic inventions of the Silicon Valley.

Many of the rest of us just enjoy the fruits, not the original apricots and plums from this valley, but the technical products that speed up communication and allow us to search without the 24 encyclopedias that took up so much room. Our web site takes seconds to deliver data to our screens, and only takes up inches on our desk.

### The Best of Two Worlds:

Not only does The Forum house the latest technological systems, but it is known for its 54 acres of almost a thousand trees, a daffodil hill, lovely oleanders and annual flowers throughout the area and a Japanese and a Rock garden within the serene architecture of the Forum. The drive up the hill, beyond Rancho San Antonio Park, is mesmerizing, and the view is breathtaking.

Our folks communicate about and with the latest technical devices. They also walk together, down to the farm, up to the hills, and they enjoy the iris flowered walkways surrounding the Forum campus. The residents hike, swim, golf, bike, exercise, and enjoy music, chorus, trips and off site entertainment, only to return, happily, to the beautiful world that keeps on growing.

The commerce around us won't stop. There will be driverless cars, walking robots, and drones. And The Forum will stretch and grow and keep up with our exciting and changing world around us.

# "The growth and development of people is the highest calling of leadership."

*— Harvey S. Firestone, Founder of Firestone Tire and Rubber Company* 





# Financials – The Forum Stats At-A-Glance

# On the Campus

Year of Opening 1991
Year of First Expansion in Healthcare Center
Number of Acres54
Number of Residents 467
Percent of Board Members Who Are Residents
Resident Committees and Interest Groups 31

# Census for Year

	Unit Capacity	Average Occupancy
Independent Living	319	92%
Healthcare Center	106	95%

# Year Over Year

	2013	2014	2015*
Unrestricted Cash & Investments	\$35,854,369	\$37,253,632	\$37,981,242
Net Income Before Depreciation	2,568,130	\$4,054,122	\$5,320,380
Long-Term Debt Outstanding	\$5,961,607	\$5,563,668	\$5,138, 090

\*Pre-audited financial data

## **Unrestricted Cash & Investments**



# **Evolution of Wellness & Healthcare Practices**

When we look at the concept of health and wellness there has been a shift over the past 25 years. Traditional medical and health practices followed a reductionist approach in treating patients. Over the past 20 years or so, one third of the American public began using **alternative therapies** in conjunction with conventional **medicine**. The Forum Wellness Center has kept abreast of this shift by offering an **integrative approach to wellness**, including acupuncture, audiology, dermatology, podiatry, massage, social services, meditation, and a variety of fitness activities and educational programs.

The Federal Government is also focusing on Population Health, a push to keep people healthy and out of the hospital. We are seeing this in multiple settings that link patients to the full spectrum of services, from preventive care to hospital care. The ultimate goal is to keep people healthy and intervene before costly hospitalizations occur and then recur. The Federal Government has made it clear to providers that patient data portability is the key to modern health care. This has led Healthcare Centers across the nation, including our Skilled Nursing, to move forward with Electronic Medical Records (EMR). We were able to accomplish Phase I and Phase II of EMR transition. Another noteworthy area of data collection is the readmission rate to area hospitals, with 30 day 60 day and 90 day monitoring of patients who are admitted and readmitted to Skilled Nursing. For 3rd guarter we were able to show a low readmission

**rate** of 5.4%, which was far below the state average of 9%.

Whether in alternative therapies or on the other spectrum of regulatory compliance, being in the forefront of wellness and healthcare throughout the continuum of residence allows Forum members to actively collaborate in being thought leaders in the aging process. This collaborative approach is also evidenced by the development of the Forum's Eight Dimensions of Wellness manual, written by the Resident Council's Wellness Committee in conjunction with the Wellness Director. The Forum Wellness Center, Programs and Activities Office, and Fitness Center are offering residents programs and activities under the following areas: spiritual growth, intellectual growth, social and volunteer opportunities, personal health planning, physical fitness, environmental enhancement, cognitive and emotional support, and healthy nutrition. For example, the Fitness Center offers programs on fall prevention, balance, and fitness assessments. Use of the Fitness Center and attendance in fitness classes has doubled and tripled in some cases. Keeping up with technology, the Fitness Center has a web-based Cyber Cycle, a recumbent stationary bike that allows residents to compete with others across the USA. The Fitness Center also organizes the annual Age of Champions event, which is similar to the Senior Olympics and has a robust number of activities during National Active Aging Week.

"Health is a state of body. Wellness is a state of being."

The services offered by the Wellness Center help residents to remain healthy, active, and safe. When extra care is needed in the Healthcare Center, the quality of service is proven not only by the clinical outcomes and overall satisfaction, but also by the **Five Star Quality Rating System** that helps "to assist the public in identifying meaningful distinctions among providers." The Healthcare Center's Skilled Nursing has maintained its **5-Star rating!**  The goal is a community in which each person's capabilities and individuality are affirmed and celebrated. For the Forum, the quality of care and quality of life are inseparable and equally important. The Forum looks forward to this continued endeavor while advancing and enhancing its wellness and healthcare services.





# The Forum Serves from Generation to Generation

Interviews with the Second Generation at The Forum



**From Mother to Daughter**: In 2005, Bonnie and Lee Giannone searched for the right retirement home for Bonnie's Mom, Bettie Braunger. Mother is a little "fussy" and "artsy," and they wanted her near their Woodside house. After searching for a long time, they found a bucolic and logistical fit at The Forum! The decision was made, and Bettie has lived here for over 10 years.

Now, as Bonnie and Lee's son with his wife and children moved to Portland, they too felt a little concerned for their long term planning. Bonnie and Lee bought a unit feeling that it was good to get into the community for their long term retirement horizon. Purchasing the unit has been very helpful also since their Mother was also in a transition phase. The Healthcare Center has been wonderful, and Mom gained weight and felt the loving care from the nursing staff.

The second generation loves the beautiful landscaping here, the proximity to everything they care about, and the opportunity to still be near Mom. Although the move isn't complete yet, the generational shift is taking place.



Father to Daughter: Betsy McClendon, daughter of Fred Clifton, got a full appreciation of researching a retirement community from her Dad's search for the perfect place where he could have

independence, but also could be assured he

would not always be alone. Also there were health considerations, the only way doctors were willing to do open heart surgery on him was the quality of follow up care that was available at the Forum. Fred lived the good life.

Betsy did not need further research when years later she decided to buy her Dad's villa. She saw nothing like The Forum in southern California, where she lived while Dad was here. Betsy sees the service to Residents here only progressing every year. She had the highest regard for our own Maria Saralegui, who "not only keeps The Forum spotless but coordinates the best care of the residents and their homes". She also recommended changes for The Forum's work order system, which has become so much more successful. She calls The Forum now developing to our *Nordstrom of the retirement era.* 



For Mother and Daughter: The Shibuya mother and daughter purchased a villa together. Janice, however, was very young and only moved in to comfort her

mother. Time sped by, and Mother needed to be in the Health Care Center. Janice was not too sure she would stay on when mother was no longer steps away from her Villa.

Well, mother left her beloved daughter some time ago, and now Janice is absolutely, positively certain that she would never leave here. Janice loves the warmth of the staff, the beautiful architecture, and the knowledge that she can still at her young age spend long periods away with travel and family, and a third trip to Africa. She can also be assured of coming home to her beautiful Villa.

When Janice accompanied her mother here a while ago, she never dreamed she, Janice, would stay here the rest of her happy life. Lucky us. Lucky Forum. Lucky Janice.

# **Corporate Information**

### **RHC Board Members**

Mary Elizabeth O'Connor President Ted Jones Vice President George Crosby Chief Financial Officer Edith Tousey Secretary Bud Kohn Don Peterson Oliver McComas

## **RSI Board Members**

Ralph Cheek President Ivan Gendzel Vice President Jerry Fischbein Treasurer Lois Adams Secretary Mel Stevens Margaret Wilmer John Glathe (incoming new board member) Mim Vasan (incoming new board member)

### LCS Management Team

Nancy Kao **Executive Director** Lynda Kaser, C.N.H.A. Healthcare Administrator Nan Boyd Chief Financial Officer Jessie Perkins HR Manager Sharon Fay, RN Wellness Director Robert Stivers Marketing & Sales Director Ryan Briar Food & Beverage Director Kaz Takahashi Plant Operations Director Maria Saralegui **Environmental Services Director** 

### Associations

LeadingAge City of Cupertino Chamber of Commerce Asian American Business Council Cupertino Rotary Silicon Valley Association of Realtors National Nursing Home Quality Care Collaberative California Association of Health Facilities American Healthcare Association























ExperienceTheForum.com | 23500 Cristo Rey Drive, Cupertino, CA 95014 | 650 944 0100

California RCFE# 435200344 | 🖨 Equal Housing Opportunity | COA #204

ANNUAL	REPORT	CHECKLIST

FISCAL YEAR ENDED: <u>1구 31 7 구이</u>고

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

DBA: The Forum at Rancho San Antonio
CCRC(S):
CONTACT PERSON: Nan Bovd
TELEPHONE NO.:       (650) 944-0264       EMAIL:       nanboyd@theforumrsa.com
• • • • • • • • • • • • • • • • • • • •
A complete annual report must consist of <u>3 copies</u> of all of the following:
🗹 Annual Report Checklist.
Annual Provider Fee in the amount of: \$\$25,231.00 chk# 16923
$\Box$ If applicable, late fee in the amount of: $\frac{N/A}{N}$
<ul> <li>Certification by the provider's Chief Executive Officer that:</li> <li>The reports are correct to the best of his/her knowledge.</li> <li>Each continuing care contract form in use or offered to new residents has been approved by the Department.</li> <li>The provider is maintaining the required <i>liquid</i> reserves and, when applicable, the required refund reserve.</li> </ul>
Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
Provider's "Continuing Care Retirement Community Disclosure Statement" and Form "Report on CCRC Monthly Service Fees" for <i>each</i> community.
Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.
The Key Indicators Report is required to be submitted within 30 days of the due date of t submission of the annual report, but may be submitted at the same time as the annual report.

# FORM 1-1 RESIDENT POPULATION

	Line Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	456
[2]	Number at end of fiscal year	453
[3]	Total Lines 1 and 2	909
[4]	Multiply Line 3 by ".50" and enter result on Line 5. x .50	x.50
[5]	Mean number of continuing care residents	455
	All Residents	
[6]	Number at beginning of fiscal year	475
[7]	Number at end of fiscal year	482
[8]	Total Lines 6 and 7	957
[9]	Multiply Line 8 by ".50" and enter result on Line 10. x .50	x.50
[10]	Mean number of all residents	479
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).	0.95

## FORM 1-2 ANNUAL PROVIDER FEE

Line		TOTAL
[1] Total Operating Expenses (including depreciation and debt service – int	erest only)	31,214,707
[a] Depreciation	4,249,017	
b] Debt Service (Interest Only)	402,068	
2] Subtotal (add Line 1a and 1b)		4,651,085
[3] Subtract Line 2 from Line 1 and enter result.		26,563,622
4] Percentage allocated to continuing care residents (Form 1-1, Line 11)		25,231,277
5] Total Operating Expense for Continuing Care Residents		
[6] Total Amount Due (multiply Line 5 by .001)		x.001 25,231
PROVIDER: Rancho San Antonio, RHC & RSI		
COMMUNITY: Rancho San Antonio, dba, The Forum@Rancho San Antoni	io	1

# THE FORUM AT RANCHO SAN ANTONIO

April 27, 2016

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

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

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

Mary Gusath I winne. Mary Elizabeth O'Connor, President

4/27/16

Date

www.experiencetheforum.com | 23500 Cristo Rey Drive, Cupertino, CA 95014 | 650 944 0100

Report of Independent Auditors and Continuing Care Liquid Reserve Schedules

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

December 31, 2015

# MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

# CONTENTS

REPORT OF INDEPENDENT AUDITORS	

# CONTINUING CARE LIQUID RESERVE SCHEDULES

Form 5-1, Long-Term Debt Incurred in Prior Fiscal Year	.3
Form 5-2, Long-Term Debt Incurred During Fiscal Year	.4
Form 5-3, Calculation of Long-Term Debt Reserve Amount	.5
Form 5-4, Calculation of Net Operating Expenses	.6
Form 5-5, Annual Reserve Certification	.7

### SUPPLEMENTARY SCHEDULES

Supplementary Form 5-4, Reconciliation to Audit Report	8
Supplementary Form 5-5, Reconciliation to Audit Report	9

#### **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**

MOSS ADAMS 11P

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

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

#### Opinion

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



#### **Basis of Accounting**

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

#### **Other Matter**

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

#### **Restriction on Use**

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

D (Idams LIP

San Francisco, California April 28, 2016

# CONTINUING CARE LIQUID RESERVE SCHEDULES

RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.

FORM 5-1 LONG-TERM DEBT INCURRED IN PRIOR FISCAL YEAR

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

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

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

\$0 \$800,006 (Transfer this amount to Form 5-3, Line 1)

PROVIDER: Rancho San Antonio, RHC & RSI

RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND RANCHO SAN ANTONIO RETIREMENT SERVICES, INC. FORM 5-2

ĺ

FORM 5-2 LONG-TERM DEBT INCURRED DURING FISCAL YEAR

# FORM 5-2 LONG-TERM DEBT INCURRED DURING FISCAL YEAR (fncluding Balloon Debt)

0\$	0	0\$	0\$	TOTAL:	
0\$	· · · · ·				8
0\$					7
0\$					6
0\$					5
0\$					4
20					3
0\$					2
\$0					1
(columns (c) x (d))	next 12 months	Payment on the Debt	During Fiscal Year	Date Incurred	Debt Obligation
(see instruction 5)	Payments over	Amount of Most Recent	Total Interest Paid		Long-Term
Reserve Requirement	. Number of	<b>(</b> )			
(e)	(q)		<b>(9</b> )	(a)	

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

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

PROVIDER: Rancho San Antonio, RHC & RSI

(	ATION AND VICES, INC. FORM 5-3 VE AMOUNT	TR	\$800,006	\$0	0\$	\$800,006						-	Page 5
	ING CORPOR REMENT SER I DEBT RESER	TOTAL				Ë				·			
	RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND RANCHO SAN ANTONIO RETIREMENT SERVICES, INC. FORM 5-3 CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT					TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:							
	ONIO RETIRE NCHO SAN AI ALCULATION (	TNUG				OR LONG-TERN							
	HO SAN ANT RA C	T RESERVE AM			year	VT REQUIRED F							
Ć	RANC	FORM 5-3 CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT			Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	TOTAL AMOUI							
		ULATION OF LO	Column (e)	(e) umr	Facility leasehold or rental payment paid by provider (including related payments such as lease insurance)								
		CALC	1 bottom of Coli	Total from Form 5-2 bottom of Column (e)	r rental paymen oayments such a			o, RHC & RSI					
			Total from Form 5-1 bottom of	al from Form 5-	llity leasehold o luding related p			cho San Antoni					
		يە	Tot	Tot	Fac			PROVIDER: Rancho San Antonio, RHC & RSI					
(		Line	T.	7	m	4		I					- - -

	Rancho San Antonio, dba, The Forum at Rancho San Antonio	COMMUNITY:
	Rancho San Antonio, RHC & RSI	PROVIDER:
\$5,137,875	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	Q
\$68,505	Divide Line 4 by 365 and enter the result.	ъ
\$25,004,444	Net Operating Expenses	4
\$6,210,263	Total Deductions	ŝ
	f. Extraordinary expenses approved by the Department	
	<ul> <li>Revenues received during the fiscal year for services to persons who did not have a continuing</li> <li>\$1,559,178</li> </ul>	
	d. Amortization	
	c. Depreciation \$4,249,017	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	
	a. Interest paid on long-term debt (see instructions)	
	Deductions:	7
\$31,214,707	Total operating expenses from financial statements	7
TOTAL	FUKM 5-4 CALCULATION OF NET OPERATING EXPENSES Amounts	Line
FORM 5-4 CALCULATION OF NET OPERATING EXPENSES	CALCULATION OF NET	
; CORPORATION AND MENT SERVICES, INC.	RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.	·

ĺ

### RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND **RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.** FORM 5-5

### ANNUAL RESERVE CERTIFICATION

Provider Name:	Rancho San Antonio, RHC & RSI		
Fiscal Year Ended:	December 31, 2015	···· · · · · · · · · · · · · · · · · ·	
		—	
We have reviewed our del	ot service reserve and operating expense reserve requirem	ents as of, and for	•
the period ended	12/31/2015	and are in compliance with those requiren	aents.
Our liquid reserve require are as follows:	ments, computed using the audited financial statements for	r the fiscal year	
4		Amount	
[1]	Debt Service Reserve Amount	\$800,006	
[2]	Operating Expense Reserve Amount	\$5,137,875	
[3]	Total Liquid Reserve Amount:	\$5,937,881	
Qualifizing assats sufficient	t to fulfill the above requirements are held as follows:		
Quanying 25502 Juniorn		(market value at end of	auarteri
	Qualifying Asset Description	Debt Service Reserve	Operating Reserve
[4]	Cash and Cash Equivalents	\$800,006	\$14,509,941
[5]	Investment Securities	\$0	\$6,582,407
[6]	Equity Securities		\$0
[7]	Unused/Available Lines of Credit	\$0	\$0
[8]	Unused/Available Letters of Credit	\$0	\$0
[9]	Debt Service Reserve	\$0	(not applicable)
[10]	Other: Board Designated Cash & Investments	\$0	\$5,534,801
	(describe qualifying asset)	-	
	Listed for Reserve Obligation: [11]	\$800,006 [12]	\$26,627,149

Reserve Obligation Amount: [13] \$800,006 [14] \$5,137,875 Surplus/(Deficiency): [15] \$0 [16] \$21,489,274

Signature:

(Authorized Representative)

Date: April 28, 2016

> **6**金字~ ware.

ener a

**Chief Financial Officer** 

(Title)

# SUPPLEMENTARY SCHEDULES

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

Total Operating Expenses	
Add: Interest Expense	

\$ 30,812,639
 402,068
\$ 31,214,707

Total operating expenses from financial statements

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

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

the second se

Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information

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

December 31, 2015 and 2014

# MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

# CONTENTS

# REPORT OF INDEPENDENT AUDITORS

### CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Balance she	ets	.3
Statements	of operations	.4
Statements	of changes in members' equity	.5
Statements	of cash flows	.6
Notes to fin	ancial statements	.7

### SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

Consolidating balance sheet	15
Consolidating statement of operations	14

#### **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**

ertilied Public Accountants I Business Consultant

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

#### Management's Responsibility for the Consolidated Financial Statements

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

#### Auditor's Responsibility

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

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

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

#### Opinion

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



#### **Other Matters**

#### Supplementary Information

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

Noo (Idamo LIP

San Francisco, California April 28, 2016
**CONSOLIDATED FINANCIAL STATEMENTS** 

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

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

Member advances 14,047,052 15,812,343 Total current liabilities 16,473,111 18,357,839 NOTE PAYABLE TO BANK, net of current portion 5,563,668 5,138,091 **DEFERRED ESCROW TRANSACTION FEES**, net of current portion 1,823,938 1,666,699 Total liabilities 23,435,140 25,588,206 **MEMBERS' EQUITY** 81,170,222 80,840,197 Total liabilities and members' equity 104,605,362 106,428,403 \$

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

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

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

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

See accompanying notes.

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

		2015		2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from residents for housing services	\$	11,160,725	\$	10,655,653
Cash received from residents and third-party				
payers for medical services		9,992,517		11,820,592
Cash received from noncontract residents		1,559,178		1,624,509
Cash received from ancillary revenues and other income		2,424,089		1,679,436
Cash received for resale of memberships		3,708,750		3,551,800
Cash received from commission of sales of memberships		1,285,500		1,235,100
Cash paid for operating activities, including		(0.6.688.0.64)		
suppliers and employees		(26,675,061)		(27,263,255)
Cash received from interest		361,560		195,256
Cash paid for interest	<u></u>	(402,068)		(431,017)
Net cash provided by operating activities		3,415,190		3,068,074
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment		(2,010,043)		(1,396,203)
Purchases of investments		(4,822,571)		(16,578,962)
Proceeds from investments	-	4,468,024		13,352,724
Net change in board-designated cash and investments Net change in unexpended escrow transaction and exit fees	-	344,293		219,743
for Healthcare Center purposes		(943,400)		572,614
Net change in member advances - investments		202,632		2,886,644
Net cash used in investing activities	, <u>,,,,,</u>	(2,761,065)		(943,440)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from member advances		3,900,000		4,773,412
Repayment of member advances		(5,665,291)		(5,700,000)
Proceeds from escrow transaction fees		1,508,600		1,340,279
Repayment of note payable to bank		(397,938)		(371,125)
Net cash (used in) provided by financing activities		(654,629)		42,566
NET CHANGE IN CASH AND CASH EQUIVALENTS		(504)		2,167,200
CASH AND CASH EQUIVALENTS, beginning of year		7,374,169		5,206,969
CASH AND CASH EQUIVALENTS, end of year	\$	7,373,665	\$	7,374,169
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY				
OPERATING ACTIVITIES	÷	220.025	đ	(101 005)
Net income (loss) Adjustments to reconcile net income (loss) to net cash provided	\$	330,025	\$	(101,285)
by operating activities:				
Depreciation		4 2 4 0 0 1 7		4 155 405
Loss on disposal of equipment		4,249,017 70,792		4,155,407
Amortization of deferred escrow transaction fees		(1,333,168)		26,430 (1,296,377)
Changes in assets and liabilities:		(1,555,100)		(1,290,377)
Accounts receivable		(107,557)		58,321
Inventories		(5,192)		(18,420)
Other receivables		297,034		1,337
Prepaid expenses		79,508		1,505
Accrued liabilities		(165,269)		231,156
Net cash provided by operating activities	\$	3,415,190	\$	3,068,074
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for income taxes	¢.	1,515	¢	1 200
Gash para during the year for moune taxes	<u>م</u>	1,313	\$	1,600

See accompanying notes.

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

### NOTE 1 – DESCRIPTION OF THE ORGANIZATION

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

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

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

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### NOTE 3 - INVESTMENTS

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

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

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

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

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

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

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

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

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

				2	015			
Description	Level 1		L	evel 2	L	evel 3	Total	
Corporate bonds	\$	2,857,690	\$	-	\$	-	\$	2,857,690
U.S. government securities		252,608		-		-		252,608
Equity					1			
Domestic		8,894,884		-		-		8,894,884
International		2,041,202		-		-		2,041,202
Fixed Income Funds								
Domestic		6,505,856		-		-		6,505,856
International		1,549,022		-		-		1,549,022
Cash and cash equivalents		8,529,224		-		-		8,529,224
	\$	30,630,486	\$	-	\$	-	\$	30,630,486

			20	)14		
Description	 Level 1	I	.evel 2	Le	evel 3	 Total
Corporate bonds	\$ 3,614,237	\$	-	\$	-	\$ 3,614,237
U.S. government securities			-		-	-
Equity						
Domestic	8,480,204		-		-	8,480,204
International	2,823,212		-		-	2,823,212
Fixed Income Funds						
Domestic	5,989,903		-		-	5,989,903
International	1,537,714				-	1,537,714
Cash and cash equivalents	 7,434,194		-		<b>m</b>	 7,434,194
	\$ 29,879,464	\$	-	\$	-	\$ 29,879,464

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

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

### **NOTE 4 – NOTES PAYABLE**

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

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

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

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

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

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

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

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

### NOTE 5 - MANAGEMENT SERVICES

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

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

### NOTE 6 – CONTINUING CARE RESERVE REQUIREMENTS

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

### **NOTE 7 – INCOME TAXES**

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

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

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

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

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

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

### NOTE 8 - COMMITMENTS AND CONTINGENCIES

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

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

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

### **NOTE 10 – SUBSEQUENT EVENTS**

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

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

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

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

### SUPPLEMENTARY INFORMATION

en en la

### RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND RANCHO SAN ANTONIO RETIREMENT SERVICES, INC. CONSOLIDATING BALANCE SHEET

December 31, 2015

		RHC		RSI	El	iminations		Total
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$	5,766,852	\$	1,606,813	\$	-	\$	7,373,665
Investments		6,582,407		-		-		6,582,407
Accounts receivable, net		56,487		946,857		-		1,003,344
Account receivable from RSI		894,083		-		(894,083)		02 702
Inventories		53,801 50,209		29,992 10,617		-		83,793 60,826
Interest receivable and other Prepaid expenses		397,521		219,141		-		616,662
Member advances - investments				10,576,996		-		10,576,996
Total current assets		13,801,360		13,390,416		(894,083)		26,297,693
		20,002,000		10,070,110	·	(0) (000)		10,117,1070
PROPERTY AND EQUIPMENT		16 100 224						16,188,224
Land rights and improvements Buildings and improvements		16,188,224 117,256,752		-		-		117,256,752
Furniture and equipment		11,921,043		-		-		11,921,043
Construction in process		1,114,579		-				1,114,579
Property and equipment		146,480,598		-		-		146,480,598
Less accumulated depreciation		(81,644,012)		-		-		(81,644,012
Property and equipment, net		64,836,586		-		-		64,836,586
NOTE RECEIVABLE FROM RHC		-		2,379,185		(2,379,185)		-
BOARD-DESIGNATED CASH AND INVESTMENTS		5,534,801		-		-		5,534,801
UNEXPENDED ESCROW TRANSACTION AND EXIT FEES								
FOR HEALTHCARE CENTER PURPOSES		7,936,282		-		-	·	7,936,282
Total assets		92,109,029	\$	15,769,601	\$	(3,273,268)	\$	104,605,362
LIABILITIES AND MEMBERS' EQUITY								
CURRENT LIABILITIES								
Current portion of note payable to bank	\$	425,578	\$	-	\$	· -	\$	425,578
Note payable to RSI	*	2,379,185	*	-	7	{2,379,185}	•	
Accrued liabilities		988,144		708,514		-		1,696,658
Accounts payable to RHC		-		894,083		(894,083)		-
Current portion of deferred escrow transaction fees		303,823		-		-		303,823
Member advances				14,047,052		-		14,047,052
Total current liabilities		4,096,730		15,649,649		(3,273,268)		16,473,111
NOTE PAYABLE TO BANK, net of current portion		5,138,091		-		-		5,138,091
DEFERRED ESCROW TRANSACTION FEES,								
net of current portion		1,823,938		<u> </u>		-		1,823,938
Total liabilities		11,058,759		15,649,649		(3,273,268)		23,435,140
MEMBERS' EQUITY	P	81,050,270		119,952		-		81,170,222
Total liabilities and members' equity	\$	92,109,029	\$	15,769,601	\$	(3,273,268)	\$	104,605,362

### RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND RANCHO SAN ANTONIO RETIREMENT SERVICES, INC. CONSOLIDATING STATEMENT OF OPERATIONS Year Ended December 31, 2015

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

ACORD <sup>®</sup> EVIDENCE OF COM	ME	RC		L PROPERTY INSURANCE	DATE (MM/DD/YYYY) 10/13/2015
THIS EVIDENCE OF COMMERCIAL PROPERTY INSURAN UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS THE COVERAGE AFFORDED BY THE POLICIES BELOW. THE ISSUING INSURER(S), AUTHORIZED REPRESENTATION	EVID THI	enc s ev	E D	DES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, NCE OF INSURANCE DOES NOT CONSTITUTE A CO	EXTEND OR ALTER
PRODUCER NAME, CONTACT PERSON AND ADDRESS (A/C, No, Ext): 312-704-0100					NO: 19437
Arthur J. Gallagher Risk Management Service 300 South Riverside Plaza, Suite 1900 Chicago IL 60606	s, :	Inc	•	Lexington Insurance Co and Various Ex Insurers 100 Summer Street Boston MA 02110	
FAX (AIC, No): 312-803-7443 E-MAIL ADDRESS:				IF MULTIPLE COMPANIES, COMPLETE SEPARATE FO	RM FOR EACH
CODE: SUB CODE:				POLICY TYPE	
AGENCY CUSTOMER ID #:				Earthquake	
NAMED INSURED AND ADDRESS				LOAN NUMBER POLICY NUM	
The Forum at Rancho San Antonio 23500 Cristo Rey Drive					policies
Cupertino, CA 95014					ONTINUED UNTIL
					ERMINATED IF CHECKED
ADDITIONAL NAMED INSURED(S)				THIS REPLACES PRIOR EVIDENCE DATED:	
PROPERTY INFORMATION (Use REMARKS on page 2, if m	ore	spa	ce is	required) 🛛 BUILDING OR 🗆 BUSINESS PER	SONAL PROPERTY
LOCATION / DESCRIPTION		•			
23500 Cristo Rey Drive, Cupertino CA 95014					
THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUE ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED B	oth Pol	ier e Licie:	DOCL S DE	MENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROP SCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUS	ERTY INSURANCE MAY
COVERAGE INFORMATION PERILS INSURED	BA	ASIC		BROAD X SPECIAL	
COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: \$	<u>251</u>	1,69	91,:	94 DED: \$3	0,000
	YES	s no	N/A		
BUSINESS INCOME RENTAL VALUE			X	If YES, LIMIT: Actual Loss Su	stained; # of months:
PLANKET COVERAGE		ļ	X	If YES, indicate value(s) reported on property identified above: \$	
RRORISM COVERAGE	_		X	Attach Disclosure Notice / DEC	
IS THERE A TERRORISM-SPECIFIC EXCLUSION?	_		X		
IS DOMESTIC TERRORISM EXCLUDED?	4	1	X		
LIMITED FUNGUS COVERAGE			X	If YES, LIMIT: DED:	
FUNGUS EXCLUSION (If "YES", specify organization's form used)	_		X		
REPLACEMENT COST	X	1	-		
AGREED VALUE	_	1	X		
		1		If YES, %	
EQUIPMENT BREAKDOWN (If Applicable)		_	X	If YES, LIMIT: DED: If YES, LIMIT: DED:	
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg - Demolition Costs			X	If YES, LIMIT: DED: If YES, LIMIT: DED:	
- Incr. Cost of Construction			X	If YES, LIMIT: DED.	
EARTH MOVEMENT (If Applicable)			X		2% of TIV
FLOOD (If Applicable)			x	If YES, LIMIT: DED:	
WIND / HAIL INCL YES NO Subject to Different Provisions	:		X	If YES, LIMIT: DED:	
NAMED STORM INCL YES NO Subject to Different Provisions	· · · ·		A V	If YES, LIMIT: DED:	
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS			x		
CANCELLATION	_1		1	, <sub>, , , , ,</sub> ,,,,,,,,,,,,,,,,,,,,,,,,,,	······
SHOULD ANY OF THE ABOVE DESCRIBED POLICIES DELIVERED IN ACCORDANCE WITH THE POLICY PROVISI			ICE	LED BEFORE THE EXPIRATION DATE THEREOF	, NOTICE WILL BE
ADDITIONAL INTEREST					
MORTGAGEE CONTRACT OF SALE				LENDER SERVICING AGENT NAME AND ADDRESS	
LENDERS LOSS PAYABLE NAME AND ADDRESS					
Rancho San Antonio Housing Corporat:					
	ion				
23500 Cristo Rey Drive	ion				
	ion			AUTHORIZED REPRESENTATIVE	
23500 Cristo Rey Drive	ion			AUTHORIZED REPRESENTATIVE	

.

(

The ACORD name and logo are registered marks of ACORD

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

ACORD EVIDENCE OF COMM	ΛE	RC	3/	AL PROPERTY INSUR	ANCE	DATE (MM/DD/YYYY) 10/13/2015
THIS EVIDENCE OF COMMERCIAL PROPERTY INSURANCE UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS E THE COVERAGE AFFORDED BY THE POLICIES BELOW. THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE	Vidi This	ENC S EV	E C IDE	OOES NOT AFFIRMATIVELY OR NEGA ENCE OF INSURANCE DOES NOT CO	TIVELY AMEND, NSTITUTE A CO	EXTEND OR ALTER
PRODUCER NAME, CONTACT PERSON AND ADDRESS (A/C, No, Ext); 312-704-0100				COMPANY NAME AND ADDRESS	NAIC	NO: 19437
Arthur J. Gallagher Risk Management Services 300 South Riverside Plaza, Suite 1900 Chicago IL 60606	, I	nc.		Lexington Insurance Co and Insurers 100 Summer Street Boston MA 02110	d Various Ex	Cess
FAX (A/C, No): 31.2-803-7443 E-MAIL ADDRESS:				IF MULTIPLE COMPANIES, COM	PLETE SEPARATE FO	RM FOR EACH
CODE: SUB CODE:				POLICY TYPE		100
AGENCY CUSTOMER ID #:						
NAMED INSURED AND ADDRESS				LOAN NUMBER	POLICY NUME	
The Forum at Rancho San Antonio 23500 Cristo Rey Drive					0129449	20
Cupertino, CA 95014				EFFECTIVE DATE   EXPIRATION DATE     06/30/2015   06/30/201	C(	NTINUED UNTIL RMINATED IF CHECKED
ADDITIONAL NAMED INSURED(S)				THIS REPLACES PRIOR EVIDENCE DATED:		
PROPERTY INFORMATION (Use REMARKS on page 2, if mo	ore :	spa	ce i	s required)	BUSINESS PER	SONAL PROPERTY
LOCATION / DESCRIPTION						
23500 Cristo Rey Drive, Cupertino CA 95014						
THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE OF SUCH POLICIES, LIMITS SHOWN MAY HAVE BEEN REDUCED BY	othi Poli	er d Icies	IOC 5 DE	UMENT WITH RESPECT TO WHICH THIS EV ESCRIBED HEREIN IS SUBJECT TO ALL TH	IDENCE OF PROP	ERTY INSURANCE MAY
COVERAGE INFORMATION PERILS INSURED	BA	SIC		BROAD X SPECIAL		
			1	194	DED: \$30	0.000
		NO				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	x			If YES, LIMIT:	Actual Loss Su	stained; # of months:
T' ANKET COVERAGE	X			If YES, indicate value(s) reported on property	/ identified above: \$	251,691,194
RORISM COVERAGE	x	1		Attach Disclosure Notice / DEC	·	
IS THERE A TERRORISM-SPECIFIC EXCLUSION?		1	х			
IS DOMESTIC TERRORISM EXCLUDED?			x			
LIMITED FUNGUS COVERAGE		x		If YES, LIMIT:	DED:	
FUNGUS EXCLUSION (If "YES", specify organization's form used)	х					
REPLACEMENT COST	х					
AGREED VALUE	Х					
COINSURANCE		X		If YES, %		
EQUIPMENT BREAKDOWN (If Applicable)	х			If YES, LIMIT: \$150,000,000	DED;	\$5,000
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg	х			IFYES, LIMIT:	DED;	
- Demolition Costs	х			If YES, LIMIT:	DED:	
- Incr. Cost of Construction	х			If YES, LIMIT:	DED:	
EARTH MOVEMENT (If Applicable)	х			If YES, LIMIT: \$185,000,000	DED:	2% of TIV
FLOOD (If Applicable)	х	ļ		If YES, LIMIT: \$185,000,000	DED:	\$30,000
WIND / HAIL INCL YES NO Subject to Different Provisions:	Х			If YES, LIMIT:	DED:	
NAMED STORM INCL YES NO Subject to Different Provisions: PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE	$\vdash$		x	If YES, LIMIT:	DED:	
HOLDER PRIOR TO LOSS		L	X	1		
CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES E DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIO			ICE	LLED BEFORE THE EXPIRATION D	ATE THEREOF,	NOTICE WILL BE
ADDITIONAL INTEREST						
MORTGAGEE CONTRACT OF SALE				LENDER SERVICING AGENT NAME AND ADDRE	ss	
LENDERSLOSS PAYABLE NAME AND ADDRESS Rancho San Antonio Housing Corporatio	on					
23500 Cristo Rey Drive Cupertino CA 95014						
cupercino ca povia				AUTHORIZED REPRESENTATIVE		
z				Red 2 G-L	1-pher	
		F	'ag	e 1 of 2 © 2003-2014 ACORD	CORPORATION	. All rights reserved.

The ACORD name and logo are registered marks of ACORD

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

### Continuing Care Retirement Community D Disclosure Statement General Information

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 OPI	ERATOR:	Managed by Li	ife Care Services
RELATED FACILITIES:	RELIGIOUS A		None	
YEAR OPENED: 1991 NO. OF ACRE	S: 54 🛛 🖾 MULTI-STO	ORY	D MULTI-STOR	Y DOTHER:
	MILES TO SHOP	PING CTR: 1.5	MILES HO	)SPITAL: <5
NUMBER OF UNITS:	ESIDENTIAL LIVING		HEALTH CA	ARE
APARTMENTS - STUDI	)	ASS	ISTED LIVING	58 units
APARTMENTS – 1 BDR	135	SKI	LED NURSING	48 licensed beds
APARTMENTS – 2 BDR	124	SPE	CIAL CARE	
COTTAGES/HOUSE	G 60	DES	CRIBE SPECIAL	CARE:
RLU OCCUPANCY (%) AT YEAR EN	94%			A
TYPE OF OWNERSHIP: X NOT FOR	PROFIT D FC	R PROFIT	ACCREDITED:	YUN BY:
FORM OF CONTRACT: I CONTINUE				FEE FOR SERVICE
<b>REFUND PROVISIONS (Check all that ap</b>	ply): 🗆 90% 🖾 75% 🗖	50% DPROR	ATED TO 0% 🗵	OTHER: Equity RCFE
RANGE OF ENTRANCE FEES: \$n/a	TO \$LON	G-TERM CAR	E INSURANCE RI	EQUIRED? 🗆 Y 🖾 N
HEALTH CARE BENEFITS INCLUDED IN	CONTRACT: 9	0 temporary care	e days, and discount	ed membership fee
ENTRY REQUIREMENTS: MIN. AGE: 60	PRIOR PROFE	ESSION:		OTHER: Application
RESIDENT REPRESENTATIVE TO THE E tembership (Board members elected are r	sidents within the comm	<u>unity nominate</u>	d by the Nominatir	ng Committee); Per
bylaws of RSI – RHC is the sole member a	d appoints 7 RSI board o	lirectors of which	ch 5 are required t	o be residents.
	· · · · · · · · · · · · · · · · · · ·			

### FACILITY SERVICES AND AMENITIES

	ILIT JEN	ICES AND AMENITIES		
AVAILABLE F	EE FOR SER	VICE SERVICES AVAILABLE INCLUDED	) IN FEE	FOR EXTRA CHARGE
X	X	HOUSEKEEPING TIMES/MONTH	4	_ +X
X		NUMBER OF MEALS/DAY	1	_ +X
X		SPECIAL DIETS AVAILABLE	X	+X
X				
		24-HOUR EMERGENCY RESPONSE	X	
		ACTIVITIES PROGRAM	X	$\mathbf{X}$
X		ALL UTILITIES EXCEPT PHONE	X	
X		APARTMENT MAINTENANCE	X	
		CABLE TV	X	
X		LINENS FURNISHED		
X		LINENS LAUNDERED	X	
X		MEDICATION MANAGEMENT	X	X
X		NURSING/WELLNESS CLINIC	X	X
		PERSONAL NURSING/HOME CARE	X	X
X		TRANSPORTATION-PERSONAL		X
		TRANSPORTATION-PREARRANGED	X	X
X		OTHER High Speed Internet	X	
			X HOUSEKEEPING TIMES/MONTH   X NUMBER OF MEALS/DAY   X SPECIAL DIETS AVAILABLE   X 24-HOUR EMERGENCY RESPONSE   X ACTIVITIES PROGRAM   X ALL UTILITIES EXCEPT PHONE   X INENS FURNISHED   X LINENS FURNISHED   X ILINENS LAUNDERED   X NURSING/WELLNESS CLINIC   X NURSING/WELLNESS CLINIC   X NURSING/WELLNESS CLINIC   X TRANSPORTATION-PREARRANGED   X OTHER High Speed Internet <td>X HOUSEKEEPING TIMES/MONTH 4   X NUMBER OF MEALS/DAY 1   X SPECIAL DIETS AVAILABLE X   X 2 24-HOUR EMERGENCY RESPONSE X   X 2 24-HOUR EMERGENCY RESPONSE X   X 2 24-HOUR EMERGENCY RESPONSE X   X 2 ACTIVITIES PROGRAM X   X ALL UTILITIES EXCEPT PHONE X   X LINENS FURNISHED X   X LINENS LAUNDERED X   X MEDICATION MANAGEMENT X   &lt;</td>	X HOUSEKEEPING TIMES/MONTH 4   X NUMBER OF MEALS/DAY 1   X SPECIAL DIETS AVAILABLE X   X 2 24-HOUR EMERGENCY RESPONSE X   X 2 24-HOUR EMERGENCY RESPONSE X   X 2 24-HOUR EMERGENCY RESPONSE X   X 2 ACTIVITIES PROGRAM X   X ALL UTILITIES EXCEPT PHONE X   X LINENS FURNISHED X   X LINENS LAUNDERED X   X MEDICATION MANAGEMENT X   <

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.

୯୦RCs <sup>୯</sup> orum at Rancho San Antonio, RHC	LOCATION (City, State) 23500 Cristo Rey Dr. Cupertino, CA 95014	PHONE (with area code 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		
		650-944-0100
Forum at Rancho San Antonio, RHC	23500 Cristo Rey Dr. Cupertino, CA 95014 23600 Via Esplendor	650-944-0200
orum at Rancho San Antonio, RSI	Cupertino, CA 95014	
		······································
REE-STANDING SKILLED NURSING		· · ·
REE-STANDING SKILLED NURSING	· · · · · · · · · · · · · · · · · · ·	
FREE-STANDING SKILLED NURSING	· · · · · · · · · · · · · · · · · · ·	

\* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

Ę

é

(

- -

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

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

### 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			· · · · · · · · · · · · · · · · · · ·	·,	
					· · · · · · · · · · · · · · · · · · ·
N.,					

INANCIAL RATIOS (see next page fo	2012 CCAC Medians 50 <sup>th</sup> Percentile <i>(optional)</i>	2013	2014	2015
EBT TO ASSET RATIO		.055	.052	.049
PERATING RATIO		.92	.87	.86
EBT SERVICE COVERAGE RATIO		4.8	9.02	9.35
AYS CASH-ON-HAND RATIO		344.20	371.64	371.23

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

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

COMMENTS FROM PROVIDER:

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

### FINANCIAL RATIO FORMULAS

### LONG-TERM DEBT TO TOTAL ASSETS RATIO

Long-Term Debt, less Current Portion Total Assets

### **OPERATING RATIO**

**Total Operating Expenses** -- Depreciation Expense -- Amortization Expense **Total Operating Revenues** -- Amortization of Deferred Revenue

### DEBT SERVICE COVERAGE RATIO

Total Excess of Revenues over Expenses + Interest, Depreciation, and Amortization Expenses -- Amortization of Deferred Revenue + Net Proceeds from Entrance Fees Annual Debt Service

### DAYS CASH ON HAND RATIO

Unrestricted Current Cash And Investments + Unrestricted Non-Current Cash and Investments (Operating Expenses - Depreciation - 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

[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	RESIDENTIAL LIVING 2000-3148 plus 635 HC Fee	ASSISTED LIVING 3924 plus 635 HC Fee	SKILLED NURSING 5536 plus 635 HC Fee
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	5.9% and 1.6% HC Fee	4.7% and 1.6% HC Fee	11.0% and 1.6% HC Fee

- □ Check here if monthly service fees at this community were <u>not</u> increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)
- [3] Indicate the date the fee increase was implemented: \_\_\_\_\_Jan 1, 2015\_\_\_\_\_ (If more than 1 increase was implemented, indicate the dates for each increase.)
- [4] Check each of the appropriate boxes:
  - Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
  - All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
  - At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
  - At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
  - ☑ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
  - ☑ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.
- [5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER:\_\_\_\_Rancho San Antonio, RHC & RSI\_\_\_\_\_ COMMUNITY:\_\_\_\_\_Rancho San Antonio, RHC & RSI\_\_\_\_

	(										Ć
<b>→</b>	24.20	23.89	22.89	21.89	20.9	19.89	e8.9°	17.99	17.04	16.49	15. Average Are of Facility (years)
•	613.86%	582.63%	571.98%	561.64%	551.59%	533.80%	478.82%	415.42%	373.01%	332.90%	14. Unrestricted Cash & Investments/ Long-Term Debt (%)
÷	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.23%	7.28%	7.35%	7.75%	13. Average Annual Effective Interest Rate (%)
÷	13.25%	13.97%	14.72%	15.51%	16.34%	17.98%	21.28%	25.37%	32.90%	41.24%	12. Annual Debt Service/Revenue (%)
<b>→</b>	19.04	11.27	11.13	10.99	10.78	9.02	4.82	-2.16	-1.22	-3.50	11. Annual Debt Service Coverage (x)
•	2.10	1.72	1.36	1.02	0.70	0.40	-0.12	-2.16	-1.22	-3.50	10. Annual Debt Service Coverage Revenue Basis (x)
N/A	\$2,343	\$2,367	\$2,391	\$2,415	\$2,440	\$2,033	\$1,761	\$3,237	\$2,265	\$2,565	9. Annual Capital Asset Expenditure (\$000)
N/A	\$80,765	\$80,846	\$80,927	\$81,008	\$81,089	\$81,170	\$80,840	\$80,941	\$82,456	\$83,426	8. Unrestricted Net Assets (\$000)
N/A	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	7. Net Annual E/F proceeds (\$000)
N/A	\$0	<b>\$</b> 0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	CAPITAL STRUCTURE INDICATORS 6. Deferred Revenue from Entrance Fees (\$000)
÷	348	342	347	353	359	377	378	350	342	340	5. Days Cash on Hand (Unrestricted)
<b>→</b>	\$30,055	\$28,526	\$28,005	\$27,498	\$27,006	\$27,427	\$26,640	\$24,766	\$23,636	\$22,315	LIQUIDITY INDICATORS 4. Unrestricted Cash and Investments (\$000)
<b>→</b>	14.92%	14.51%	14.10%	13.68%	13.26%	12.84%	8.97%	4.88%	-16.41%	-17.29%	3. Net Operating Margin - Adjusted (%)
<b>→</b>	14.92%	14.51%	14.10%	13.68%	13.26%	12.84%	8.97%	4.88%	-16.41%	-17.29%	MARGIN (PROFITABILITY) INDICATORS 2. Net Operating Margin (%)
N/A	93.00%	93.00%	93.00%	93.00%	93.00%	92.90%	93.01%	93.80%	91.20%	91.31%	OPERATIONAL STATISTICS 1. Average Annual Occupancy by Site (%)
Trend Indicator	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	the key operational indicators.
Droformad		cast	Forecast					r Signature	Chief Financial Officer	Chief Fina	Date Prepared: 4/28/16 Please attach an explanatory memo that summarizes significant trends or variances in
							2	Kar	Land	RT	KEY INDICATORS REPORT

### **Addendum to Annual Report**

### 2015 Checklist

✓ Disclosure required by Health & Safety Code Section 1790(a)(2) and (3) regarding fixed assets and reserves

✓ Fees

- ✓ Budgeted Cash Reserves
- ✓ Budget

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

(1) The current regular assessment per ownership interest is **\$ 551.37** per month. Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page <u>N/A</u> 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 asse assessme	essment will be due	Amount per ownership interest per yea	r: Purpose of
		N/A	
TOTAL	N/A		

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

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

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

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

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

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

(ł

Civil Code §5570. Reserve Funding Disclosure Form

(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 <u>\$See Below</u>.

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

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

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

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

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

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

ų,

		2015 Assisted Living Rates		For	*				
T	he For	The Forum at Rancho San Antonio (Members)	nio (Men	nbers)			-		
_			HC Occu- pancy Fee Daily	HC Occupancy Fee	HC Fee	Other Applicable fees	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
		AL Permanent 1st member standard fee's	\$ 129.00	\$	\$ 635.00	add Dementia fee as shown on next page	add as shown below		\$ 4,558.75
		AL Permanent 2nd member standard fee's	\$ 65.00	per month \$ 1,977.08	per month \$ 635.00	add Dementia fee as shown on	add as shown below		\$ 2,612.08
				per month	per month	next page		·	
				-					
		Charge for Temporary Days, 2nd and 3rd Meal	\$ 23.00	\$ 699.58	plus HC Fee	plus IL Occupancy Fee	add as shown below		
		· · · · · · · · · · · · · · · · · · ·		per month	per month				
									÷.,
		Room Type	Sq Ft				Room Premium - Differential Per Day	(differential per month)	
A-1	18	Studio	358				- \$	ч	
A-2	14	Studio (with Patio)	358				\$ 13.00	\$ 395.42	
A-3	8	Studio	388				waived	/ed	
A-4	2	Studio	391				waived	/ed	
B-1	80	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	
2	٦	One Bed Room	520				\$ 126.00	\$ 3,832.50	
C-7	-	One Bed Room (with Patio)	520				\$ 136.00	\$ 4,136.67	
မှု ပ	2	One Bed Room Deluxe	780				\$ 199.00	\$ 6,052.92	

ľ,

(

HC rev Posted rates 2015\_Revisedprint members AL

Page 2 of 3

(								Ć
	2015 Assisted Living Rates	Rates For	or					
The Fo	The Forum at Rancho San Antonio (Members)	nio (Mem	bers)					
	Additional Service Charges to add to Room Charge	irges to add	to Room Charge					
	-		Per Day					Avg Monthly Rate
	Dementia Fee Level 1		\$ 50.00					\$1,520.83
	Dementia Fee Level 2		\$ 67.00					\$2,037.92
	Respite Daycare		\$ 55.00					
	Other Clarifying charges	ŝ						
			HC Occupancy Fee	HC Fee		Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
	Posted Base Rate, for conditional member contract		\$ 259.00					\$7,877.92
	Conditional Member 90% of Posted Base Rate rate plus room premium as applicable (90% scales down 5% for every year of membership starting in Year 2 of membership)		\$ 233.10			add as above		\$7,090.13
			HC Occupancy Fee	HC Fee		Meal Credit		
	Healthcare Occupancy Fee's for maintaining membership	1st member	\$129.00	\$ 20.88		\$ (29.25)		\$3,669.06
	Healthcare Occupancy Fee's for maintaining membership	2nd member	\$65.00	\$ 20.88		\$ (29.25)		\$1,722.40
	(To maintain "Membership" at the Forum, either in Independent Living or the Health Care Center, one must pay an Occupancy Fee and a Health Care Fee. These fees entitle you to all Forum activities, services and other amenities. These fees must be paid, irrespective of payments from Medicare or other personal Insurance benefits. The minimum Health Center Occupancy Fee's for maintaining membership is the member rate for Model A1 AL Studio less applicable meal credits)	ım, either in In ivities, service Ith Center Occ	dependent Living or t s and other amenities upancy Fee's for mai	he Health Care Cen s. These fees must ntaining membershi	ter, one must p be paid, irrespe p is the membe	ay an Occupancy F ctive of payments f r rate for Model A1	ee and a Health rom Medicare or AL Studio less a <sub>l</sub>	Care Fee. other personal pplicable meal

HC rev Posted rates 2015\_Revisedprint members AL

Page 3 of 3



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

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

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

		2015 Skilled Nursing Rates	Rates F	For						
F	he For	The Forum at Rancho San Antonio (Members)	onio (Men	nbers)						-
			HC Occu-	нс Н				Room	Room	
			pancy Fee Daily	Occupancy Fee		month		Premium Differential	Premium Differential	AVG MUNIHLY RATE
		SNF Permanent 1st member standard fee's	\$182.00	\$5,535,83	per month	per month \$ 635.00		add as shown below		\$ 6,170.83
		SNF Permanent 2nd member standard fee's	\$95.00	\$2,889.58	per month	per month \$ 635.00		add as shown below		\$ 3,524.58
		Charge for Temporary Days, 2nd and 3rd Meal	\$23.00	\$699.58	per month	plus HC Fee	plus IL Occupancy Fee	add as shown below		· ·

(differential per month) \$4,106.25

Differential Per Day \$135.00

Member room premium

Private Room

(

Ć

Ć

HC rev Posted rates 2015\_Revisedprint members 1-SNF

Page 2 of 3

**2015 Skilled Nursing Rates For** 

- And - And

1

The Forum at Rancho San Antonio (Members)

	Other Clarifying charges								
			HC Occupancy Fee		HC Fee		Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
	Posted Base Rate, for conditional member contract		\$380.00						
	Conditional Member 90% of Posted Base Rate rate plus room premium as applicable (90% scales down 5% for every year of membership starting in Year 2 of membership)		\$ 342.00				add as above		\$ 10,402.50
			HC Occupancy Fee	HC Occupancy Fee	HC Fee		Meal Credit		
	Health Center Occupancy Fee's <sup>1s</sup> for maintaining membership	1st member AL Fee	1st member	\$ 129.00	\$ 20.88		\$ (29.25)		\$3,669.06
	Health Center Occupancy Fee's 2nd member for maintaining membership	<u>ــــــــــــــــــــــــــــــــــــ</u>	2nd member	\$ 65.00	\$ 20.88		\$ (29.25)		\$1,722.40
	(To maintain "Membership" at the Forum, either in Independent Living or the Health Care Center, one must pay an Occupancy Fee and a Health Care Fee. These fees entitle you to all Forum activities, services and other amenities. These fees must be paid, irrespective of payments from Medicare or other personal Insurance benefits. The minimum Health Center Occupancy Fee's for maintaining membership is the member rate for Model A1 AL Studio less applicable meal credits)	, either in I rvices and cupancy F	ndependent Livii other amenities. ee's for maintain	ng or the Hea These fees I ing members	lth Care Cente nust be paid, i hip is the mem	r, one must pay rrespective of p; ber rate for Moc	an Occupancy Fee ayments from Medi iel A1 AL Studio le:	e and a Health Ca icare or other per ss applicable mea	are Fee. These sonal Insurance al credits)

HC rev Posted rates 2015\_Revisedprint members 1-SNF

Page 3 of 3



### 2015 Skilled Nursing Rates For The Forum at Rancho San Antonio (Non-Members)

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

HC rev Posted rates 2015\_Revisedprint non-members snf

CURRENT YEAR & FIVE-YEAR HISTORIC SCHEDULE OF MONTHLY FEES THE FORUM AT RANCHO SAN ANTONIO APP( 'DIX D

# **Comparative Fee Schedule for 2015**

## Occupancy Fees:

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

## Health Care Fee

Per Person	635	1.6%	625	2.5%	610	4.3%	585	1.7%	575	4.5%	550	10.0%
				-								]
Alternate Summary	mary											ŗ
Combined Fee, by IL Occupancy Fee plus HealthCare Fee	, by IL Occu	pancy Fee pl	us HealthC	are Fee								
۲	2635	4.81%	2514	4.88%	2397	4.95%	2284	4.70%	2181	2.71%	2124	2.41%
AD	2858	4.92%	2724	4.93%	2596	4.98%	2473	4.78%	2360	2.65%	2299	2.22%
ш	3191	5.00%	3039	5.01%	2894	5.01%	2756	4.88%	2628	2.57%	2562	1.99%
o	3524	5.10%	3353	5.04%	3192	5.03%	3039	4.96%	2895	2.53%	2824	1.80%
Ω	3747	5.16%	3563	5.10%	3390	5.02%	3228	5.01%	3074	2.50%	2999	1.70%
Ш	3858	5.18%	3668	5.10%	3490	5.05%	3322	5.03%	3163	2.47%	3087	1.65%
Ш.	3969	5.19%	3773	5.13%	3589	5.04%	3417	5.05%	3252	2.47%	3174	1.60%
U	3969	5.19%	3773	5.13%	3589	5.04%	3417	5.05%	3252	2.47%	3174	1.60%
>	3969	5.19%	3773	5.13%	3589	5.04%	3417	5.05%	3252	2.47%	3174	1.60%
D	4858	5.31%	4613	5.25%	4383	5.06%	4172	5.18%	3966	2.39%	3874	1.31%
2ND Person	1413	3.90%	1360	4.21%	1305	4.76%	1246	3.81%	1200	3.27%	1162	4.50%
Appendix (Lindate t	D - 5 Yr Histori o Section 1 of R	Appendix D - 5 Yr Historic Fee5Year Historic Fee (I lodare to Section 1 of Besident Document Binder)	oric Fee							Print D	Print Date: 4/26/2016	. 9

(update to Section 1 of Resident Document Binder)

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

 $\left(\begin{array}{c} 1\\ 1\end{array}\right)$ 

Guided by Policy 34: RSI Operating Cash Requirements

A. Budget - Short Term Threshold Test	
Operations and reserved cash FBO RS	
Expenses as budgeted	\$ 13,318,652
75 days required reserve for DSS	\$ 2,736,709
75 days operating reserve	\$ 2,736,709
Required cash reserve	\$ 5,473,419
Estimated Cash	
EOY 2014 Est cash Balance	\$ 550,000
Accrued Liabilities (excluding intercompany)	\$ (600,000)
EOY 2014 estimated Entrance/Exit Fee cash fund	\$ 6,651,262
2015 Entrance/Exit income (for RSI)	\$ 1,300,000
2015 Entrance/Exit expense to RSI	\$ (1,500,000)
	\$ 6,401,262
Estimated	
(Shortfall)/ Excess of RSI requested cash reserves	\$ 927,843

B. Five Year Outlook - Long Term Threshold Te	est							
Cash on Hand Calculation for RSI		2015B	20160	0	20170	<u>2018O</u>	20190	20200
Cash	θ	579,585	\$ 58	585,381	\$ 591,234	\$ 597,147	\$ 603,118	\$ 609,149
E/E Fee Balances for the benefit of RSI		6,517,774	6,55;	6,553,852	6,585,146	6,625,511	6,675,125	6,734,168
25% for HCC for Fixed Assets		893,339	1,04	1,047,669	1,051,789	1,244,096	1,511,092	1,569,663
Total Unrestricted Cash (for Cash on Hand) [A]	ស	7,990,698 \$ 8,186,901	\$ 8,18(		\$ 8,228,169	\$ 8,228,169 \$ 8,466,754	\$ 8,789,335 \$ 8,912,980	\$ 8,912,980
Operating Expenses [B]		13,318,652	13,718	13,718,212	14,129,758	14,553,651	14,990,261	15,439,968
Operating Expenses Per Day [B]/365		36,489	3	37,584	38,712	39,873	41,069	42,301
Days Cash on Hand Ratio: [A]/[B]/365		219		218	213	212	214	211

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

4/26/2016

RANG, IO SAN	RANC, O SAN ANTONIO RETIREMENT HOUSING C Analysis Cash Requirement for RHC 2015 Budget		CORPONATION C			×	
Guided by Policy	Guided by Policy 31: Operating Cash Requirements	ents		Ŭ	Comments:		
A. Budget – Short T	A. Budget – Short Term Threshold Test			<u>()</u>	" (1) 5 Year Outlook assumes continued high level of appreciatio	mes continued high	level of appreciatio
1 Total Expenses as budgeted for 2015	udgeted for 2015 \$	14,921,863		ų	in 2015B through 2019O with reduced resale in coming years.	D with reduced resal	e in coming years.
2 75 days required reserve for DSS	erve for DSS	⇔	3,066,136	(2)	(2) By the end of the 3-5 year outlook there is an assumption	year outlook there i	s an assumption
3 75 days operating expenses	(penses	<del>()</del>	3,066,136	that	that resale appreciation per unit average will start	per unit average will	start
4 1 years loan payments	ıts	မ	1,085,608	dĩr	diminishing as average length of stay decreases per unit.	ength of stay decrea	ises per unit.
Required cash reserve	Ve	ы	7,217,881	(3)	(3) POA is currently approximately 12 and assuming	roximately 12 and as	suming
1 Estimated Cash				12	12 for 2015 including units potentially listed longer than 18	its potentially listed I	onger than 18
2 EOY 2014 est. cash*	*	\$	8,933,082	<u>.</u>	nonths (as per Sect 10 Res Doc Binder - Resale Information)	Res Doc Binder - Re	sale Information)
		<del>63</del> (		(4)	(4) A 5% IL Occupancy assumed in the 5 Yr Outlook in	assumed in the 5 Yr	Outlook in
4 Est. increase/decrea	Est. increase/decrease of Cash for 2016 Budget	ઝ ઝ	1,202,659 0.285 741		order to keep up with cash outflow from Fixed Asset	sh outflow from Fixe	d Asset
-	,	<b>}</b>			budgeted deficits and cash on hand declining trend.	ish on hand declining	g trend.
11 difference of cash to cash requirements	cash requirements	မာ	2,067,860		999999		
12 Fixed Asset Reserve Regultement	e Requirement	2015B	20160	20170	20180	20190	20200
	e Balance, end of year	3,573,355	4,190,675	4,207,157	4,976,385	6,044,366	6,278,651
14 (See Summary of Resen	14 (See Summary of Reserve Balances for 2014 Budget)						
15 Insurance Reserve F	15 Insurance Reserve Requirement (Business Continuity)						
16 Insurance Reserve Balance, end of year	3alance, end of year \$	1,333,574 \$	1,360,245 \$	1,387,450 \$	1,415,199 \$	1,443,503 \$	1,472,373
17 B. Five Year Outloo	B. Five Year Outlook – Long Term Threshold Test						
18 Cash on Hand Calculation for RHC	ulation for RHC:	<u>2015B</u>	<u>20160</u>	20170	<u>2018O</u>	<u>2019O</u>	20200
19 Cash		10,619,315	10,348,624	9,970,296	9,733,566	9,600,082	9,514,320
20 Board Designated, C	20 Board Designated, Component Reserve Fund	3,573,355	4,190,675	4,207,157	4,976,385	6,044,366	6,278,651
21 Less 25% for HCC for Fixed Assets	or Fixed Assets	(893,339)	(1,047,669)	(1,051,789)	(1,244,096)	(1,511,092)	(1,569,663)
23 Board Designated, Ir	Board Designated, Insurance Reserve Fund	1,333,574	1,360,245	1,387,450	1,415,199	1,443,503	1,472,373
24 Total Unrestricted (	24 Total Unrestricted Cash (for Cash on Hand) [A]	14,632,905	14,851,876	14,513,115	14,881,054	15,576,860	15,695,682
25 Operating Expense	25 Operating Expenses (excl depreciation) [B]	14,921,863	15,369,519	15,830,605	16,305,523	16,794,689	17,298,529
26 Operating Expenses Per Day [B]/365	s Per Day [B]/365	40,882	42,108	43,372	44,673	46,013	47,393
27 Days Cash on Hand Ratio: [A]/[B]/365	d Ratio: [A]/[B]/365	358	353	335	333	339	331

ſ

Page 1 of 1

CashRequirements

4/26/2016

Rancho San Antonio Retirement Services, Inc. Year over Year Operating Statement	Ŀ.					Bu	Budget Fiscal Year Ending: Entity	ear Ending: Entity
2015 Budget	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Total	Yr ovr Yr \$ 2014P vs 2015B	Yr ovr Yr % 2014P vs 2015B
Operating Revenues 1 Skilled Nursing Revenues (net of contractual)	5.887.879	6.041.551	5.182.134	6.024.655	6.197.597	47.3%	172.942	%6 °C
2 Assisted Living Revenues (net of contractual)	2,484,049	2,844,763	3,074,710	3,058,586	3,361,490	25.6%	302,904	<u>9.6%</u>
3 Healthcare Fees	3,160,221	3,367,958	3,432,824	3,409,626	3,474,436	26.5%	64,810	1.9%
4 Other Ancillary Revenues	124,645	94,607	34,372	75,500	83,050	0.6%	7,550	10.0%
Total Operating Revenues	11,656,794	12,348,880	11,724,040	12,568,367	13,116,573		548,206	4.4%
					-	%Total		
5 Wages	5,173,683	5,505,300	5,530,247	5,680,425	6,096,704	46%	416,279	7.3%
6 Employee Taxes/Benefits & Related Expense	1,765,425	1,961,262	2,084,657	2,155,335	2,249,868	17%	94,534	4.4%
7 Insurance - General	278,970	116,198	122,901	122,927	127,300	1%	4,373	3.6%
8 Legal and Professional	92,419	17,579	77,350	45,650	45,650	%0	0	0.0%
9 Management Fees	727,377	766,083	747,507	786,340	819,908	6%	33,568	4.3%
10 Marketing	9,461	5,258	25,600	25,600	50,000	%0	24,400	95.3%
11 Taxes	5,657	231	7,550	14,000	14,260	%0	260	1.9%
12 Telephone	65,862	51,253	50,500	78,000	81,120	1%	3,120	4.0%
13 Supplies (Plant)	65,542	74,084	103,900	64,650	65,578	%0	928	1.4%
14 Maintenance Contracts (Plant)	177,106	138,051	142,545	198,250	200,415	2%	2,165	1.1%
15 Cable TV Costs	64,460	79,820	82,100	83,300	86,632	1%	3,332	4.0%
16 Utilities	299,139	322,580	338,480	346,640	357,305	3%	10,665	3.1%
17 Food	551,434	609,373	654,342	633,400	649,457	5%	16,057	2.5%
18 Supplies (Food & Beverage)	107,051	99,907	103,500	126,500	126,000	1%	(200)	-0.4%
19 Healthcenter Ancillaries	1, 192, 165	1,088,548	1,013,436	998,378	994,078	7%	(4, 300)	-0.4%
Sub Total	10,654,146	10,835,527	11,084,615	11,359,395	11,964,275	%06	604,880	5.3%

Page 1 of 2

.

4/26/2016

Ći

- Lawrence

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

Page 2 of 2

•

Rancho San Antonio Rotizament Housing Corneration	wafian				- 77 1 177 1 77 -	j,	l	
Year over Year Operating Statement	Iauon			ם	Budget Fiscal Year Ending: Entity	ar Entity Entity	2015	
2015 Budget	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Total	Yr ovr Yr \$ 2015B vs 2014P	Yr ovr Yr % 2015B vs 2014P
1 Occupancy rees	9,417,230	10,031,435	10,504,293	10,534,060	11,011,974	67%	477,914	4.5%
2 Membership Resale Income	5,621,344	3,538,500	3,898,892	3,724,286	3,929,764	24%	205,478	5.5%
3 Marketing & Sales Commissions	326,430	985,365	980,560	1,160,000	1,240,000	2%	80,000	6.9%
4 Interest & Dividends	91,450	178,668	98,014	75,834	113,751	1%	37,917	50.0%
5 Other Operating Revenue	202,299	212,271	217,102	278,205	309,644	1%	31,440	11.3%
6 Total Operating Revenue	15,658,753	14,946,239	15,698,862	15,772,384	16,605,133	ł	832,749	5.3%
						% Total		
7 Wages	4,973,092	5,748,400	5,894,993	5,850,732	6,285,130	42%	434,398	7.4%
8 Employee Taxes/Benefits/Empl Related Expenses	1,719,652	1,764,562	1,922,111	1,957,050	2,044,942	13%	87,892	4.5%
9 Insurance - General	595,879	429,750	456,741	452,555	469,768	3%	17,212	3.8%
10 Legal and Professional	659,171	290,196	298,696	187,696	187,716	2%	20	0.0%
11 Management Fees	791,027	641,722	641,722	641,722	687,320	5%	45,598	7.1%
12 Marketing	418,193	629,310	342,250	347,750	366,500	5%	18,750	5.4%
13 Taxes - Real Estate & Other	414,000	480,187	469,037	514,962	540,670	4%	25,708	5.0%
14 Telephone	70,547	66,250	67,000	83,357	85,858	%0	2,501	3.0%
15 Supplies (Plant)	146,487	130,745	170,343	124,802	127,964	1%	3,162	2.5%
16 Maintenance Contracts (Plant)	1,031,063	956,649	875,424	878,440	898,496	7%	20,056	2.3%
17 Cable TV Costs	248,664	252,730	258,300	258,300	267,341	2%	9,041	3.5%
18 Utilities	756,088	784,430	800,744	780,667	806,724	%9	26,057	3.3%
19 Food & Food Supplies	1,463,150	1,520,758	1,500,054	1,483,854	1,534,170	11%	50,316	3.4%
20 Sub Total	13,287,013	13,695,691	13,697,415	13,561,887	14,302,598	100%	740,711	5.5%
21 Other Operating Expenses	415,408	(6,431)	21,437	(28,552)	(39,513)	%0	(10,960)	38.4%
22 Total Operating Expense	13,702,421	13,689,260	13,718,852	13,533,335	14,263,085	100%	729,751	5.4%
23 Net Operating Income (NOI) NOI %	1,956,332 12%	1,256,979 8%	1,980,010 13%	2,239,050 14%	2,342,048 14%		102,998	4.6%

Page 1 of 2

4/26/2016

							. **	
Rancho San Antonio Retirement Housing Corporation Year over Year Operating Statement	ation			B	Budget Fiscal Year Ending: Entity	ar Ending: Entity	2015 2787	
2015 Budget	2012 Actual	2013 Actual	2014 Budget	2014 Projected	2015 Budget	% Total	Yr ovr Yr \$ 2015B vs 2014P	Yr ovr Yr % 2015B vs 2014P
24 Rental Income	1,478,172	1,242,872	2,022,620	1,300,000	1,365,000		65,000	5.0%
20 Amoruzauon income (Entrance/EXII rees)	1,4/8,5/0	1,495,1/4	1,495,1/4	1,010,130	1,52,231	1	15,101	1.0%
27 Total Other Income	2,956,543	2,738,046	3,517,794	2,810,130	2,890,231		80,101	2.9%
28 Depreciation Expense	4,104,416	4,082,573	4,220,474	4,009,450	4,129,734		120,284	3.0%
29 Amortization Expense (Entrance/Exit Fees to RSI)	1,040,098	900,000	1,820,000	900,000	900,000			
30 Other Revenue/Expense	685,338	630,956	631,817	1,063,327	658,778		(404, 549)	-38.0%
31 Other Non Operating	5,836,209	5,626,041	6,672,291	5,972,777	5,688,512	1	(284,266)	-4.8%
32 Net Income/(Loss) [excluding Depreciation]	3,181,081	2,451,557	3,045,987	3,085,853	3,673,501		587,648	19.0%
33 Net Income/(Loss)	(923,334)	(1,631,015)	(1, 174, 487)	(923,598)	(456,233)		467,365	50.6%

Page 2 of 2

4/26/2016

2015