

# 2018 Year in Review



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## A Letter from the Executive Director



It is a great honor to lead The Forum, and I recognize it is a significant responsibility to our Residents, who are the shareholders, to LCS as our Management Company, to all of our business partners, and to our Team Members. This last year has been even more significant due to our Master Plan efforts. Some of the more personally-rewarding moments have come from participating in City meetings, meetings with Residents, and with prospective Residents who have chosen The Forum as their home. We've had very productive team meetings where we've gained suggestions on how to improve our operations.

We understand that our Residents have a choice to select The Forum as their home and our Team Members choose this as their place of work and this is never taken for granted. I am deeply committed to our mission to remain a community that embraces a culture of friendship, health and purpose.

In October of 2016 the RHC and RSI Boards of Directors together with Life Care Services (LCS) held a Strategic Planning meeting -- resulting in the development of a three-year Strategic Plan. Strategic Objectives are the "roadmap" to define how to proceed in continuing to position The Forum at Rancho San Antonio as a Life Plan Community of excellence. Our Strategic Plan prioritized 5 key Strategic Objectives:

**1. Develop and implement a leading-edge Technology Plan to enhance the needs of current Residents, future Residents, and Staff.**

The Forum is in the process of installing Wi-Fi throughout the campus and creating Internet cafe-like areas that also serve as a social interaction setting. We negotiated with AT&T to invest in initial capital costs to bring fiber into each unit, as well as increase speed from 3 mbps to 100 mbps, with only a slight increase in our monthly operational fees. We currently have a RFP to collect bids for a contractor with low voltage experience to fully implement campus Wi-Fi. The Forum at Rancho San Antonio's journey to build a modern infrastructure that can support the organization's vision for a new generation of Smart Senior Living options is at the forefront of our strategic discussions.

**2. Implement the campus Master Plan Phase 1 & 2 with seamless communications to all stakeholders. Anticipate and respond to the changing demographics and modernization needs of the community.**

This past year as we started to bring our Master Plan to fruition, we began with Pre-Phase 1A, Capital Improvement renovation of existing common spaces and updated furniture. We are currently in the process of Phase 1A – 23 new Independent Living Villas, a brand new, free-standing Memory Care building, and the conversion of existing Memory Care space to Assisted Living suites; renovation and expansion of the Community Building Dining Program, and the renovation and expansion of Skilled Nursing residential space to create more private and semi-private rooms with showers

In addition, a brand new Therapy Center for in-patient and outpatient Skilled Residents will be added. We received building commission and city approval in June and had our celebratory ground-breaking event in September. We served Quiring Construction with the notice to proceed on 1/2/2019. We are now well on our way to completing the 23 New Villas with 16 sold at this point. We are now exerting a strong marketing focus to sell the final 7.

The Forum closed on a \$75 million dollar draw-down, revolving construction loan on 12/11/2018. The loan was provided by BBVA and negotiated by HJ Sims. Proceeds of the loan will fund project costs related to the New Villas, Memory Care, Skilled Nursing addition, and renovation projects of the Master Plan. As Villa proceeds are collected, the loan will be paid-down culminating in a \$32 million term. Management will continue to find ways to communicate Master Plan progress through internal communications such as Board Management Report, Gazette articles, operations report, through Touch Town, live streaming real time construction footage and many other forms of communication.

### **3. Maintain a leading position in Healthcare quality in an ever-changing healthcare environment.**

Center for Medicare Services (CMS) created the Five-Star Quality Rating System to help consumers, their families, and caregivers compare nursing homes. There is one Overall 5-star rating for each nursing home, and a separate rating for Health Inspections, Staffing, Quality Measures, and RN staffing. The Forum Health Care Center has five stars across the board. The Forum was recognized by US News as Best Nursing Home for 2018-2019. We also received the US News Best Short-term Rehab designation for the same years. These and many other indicators separate The Forum Health Care Center as a top-tier provider in the senior industry. The IL Wellness Team worked with the Wellness Committee to realize a decrease of 33% in falls among Residents this past year by being proactive in education and programming that addressed balance and fall awareness.

### **4. Enhance our current recruiting and retention plan to assure we will be successful in maintaining a competitive workforce arena to meet current Resident needs, as well as the needs of future generations.**

A simple philosophy resonates within The Forum: if we take care of our Team Members, they will in turn, take care of us. We are invested in developing and retaining the best workforce of leaders who focus on building close, personal relationships with our Residents and their families. We were certified as a "Great Place to Work" and later named the 31st in the Top 50 list as Best Workplaces for Aging Services by Fortune magazine. Employee retention is a priority of The Forum, our strategy is to attract, engage, develop and retain the best team members. This strategy clearly reflects the need of the right balance of mission and margin: we must deliver our mission every day, and we must make sure we are good stewards of The Forum's resources — because we can't succeed without doing both. We have committed to true leadership and we're offering competitive compensation and work with purpose. We budgeted and invested in career development and put 19 of our entry-level management team members through a leadership training program. Each senior leadership member has committed to continue to mentor these individuals for this coming year. It is crucial that we develop and cultivate our team as part of our recruitment and retaining strategy.

### **5. Expand community outreach to strengthen The Forum's brand.**

The Forum continues outreach efforts in the community with participation in community events and networking activities with civic, non-profit and other organizations. The Forum sponsors events for Cupertino Rotary, Chamber of Commerce events, and advertising associated with specific events or other purposes to promote The Forum and support organizations in the surrounding community. Management is in the process of engaging LCS for our next strategic planning sessions scheduled for late October.

A very special thank you to our compassionate team that drives our community to meet these objectives. To our Residents and shareholders we thank you for your patience and understanding during construction. We hope to continue to meet your expectations and to be the premier Life Plan community of choice and look forward to another successful year.

Nancy Kao  
*Executive Director*



## A Letter from the RHC President



I am happy to report that now, after what seems like years of preparation, The Forum is now in the throes of the actual Construction of our Master Plan. The 23 new Villas are coming into being with over 70% sold and we have the Memory Care Facility as well as the renovations to Assisted Living on the schedule. We are moving ahead with OSHPD to get the approval to start our new addition to skilled nursing which will include a spacious new Physical Therapy wing which will be able to welcome non-members who would find it most convenient to come here for their PT needs.

When all is done we expect to have the 23 new villas, a new Memory Care with housing for up to 26 residents, a new skilled nursing wing with 10 new units bringing our total number of Skilled beds to 58. In Assisted Living we will have wonderful upgrades to all the public areas, modernized nursing stations, more dining venues and other areas for enjoyment by residents.

Throughout all these goings on we have never stopped providing the best care possible throughout and have maintained our 5-Star rating in the Health Care Center. Our staff has voted us as being “A Great Place to Work” and then we were selected number 31 in the Top 50 list of Fortune’s “Best Workplaces for Aging Services”. We are so proud that our staff values us as much as we value them.

We continue to have excellent results in Sales and Marketing and have spent most of the year with every unit being picked up almost before it was ready for re-occupancy. We continue to see this as a result of our excellent reputation and the popularity of the Master Plan for the future.

Again it gives me great pleasure to report that The Forum continues to move forward towards an excellent future, one we can all take pride in.

Mary Elizabeth O'Connor  
*President, RHC Board of Directors*

## Your Life Care Services Leadership Team

Nancy Kao  
*Executive Director*



Sarah Ehret  
*Associate Executive Director*



Lynda Kaser  
*Health Care Center Administrator*



Nancy, Sarah, and Lynda bring a combined 48 years of experience with LCS to The Forum. They continue to demonstrate exceptional leadership through passion and determination to provide the highest quality of care and life to the residents at The Forum.





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## MISSION

*To remain a community that embraces a culture of  
friendship, health and purpose.*

## VISION

*The Forum at Rancho San Antonio:*

*A place where involved resident take pride in ownership of a  
community surrounded by natural beauty, friends, and family.*

## Envision/Strategic Initiatives



### 1. Villa Expansion

- Construction began at the end of 2018 and will continue through 2019

### 2. Memory Care Expansion

- Construction is expected to begin July 2019

### 3. Revamp Community Website

- Expected to launch June 2019

### 4. Increase brand awareness

- Aggressive outreach and marketing efforts began in 2018 and will continue through 2019

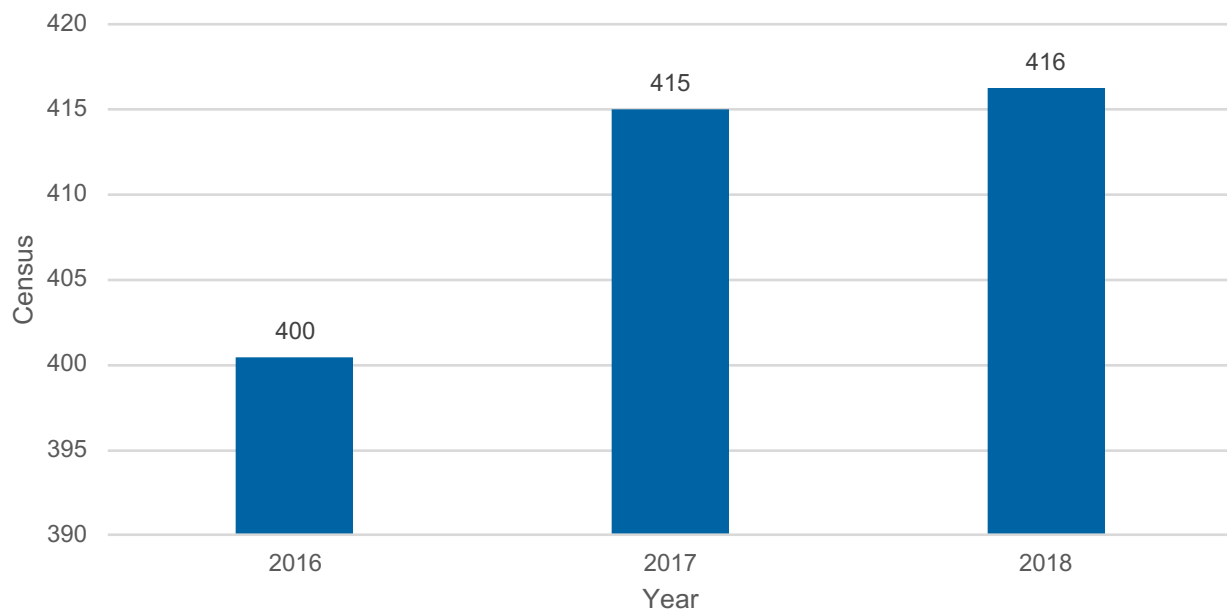


## Occupancy Performance

### At-A-Glance

Year of Opening	1991
Year of First Expansion in Healthcare Center	2005
Number of Acres	54
Number of Residents	467
Percent of Board Members Who Are Residents	93%
Resident Committees and Interest Groups	31

### The Forum Occupancy Trend (IL, AL, SNF)

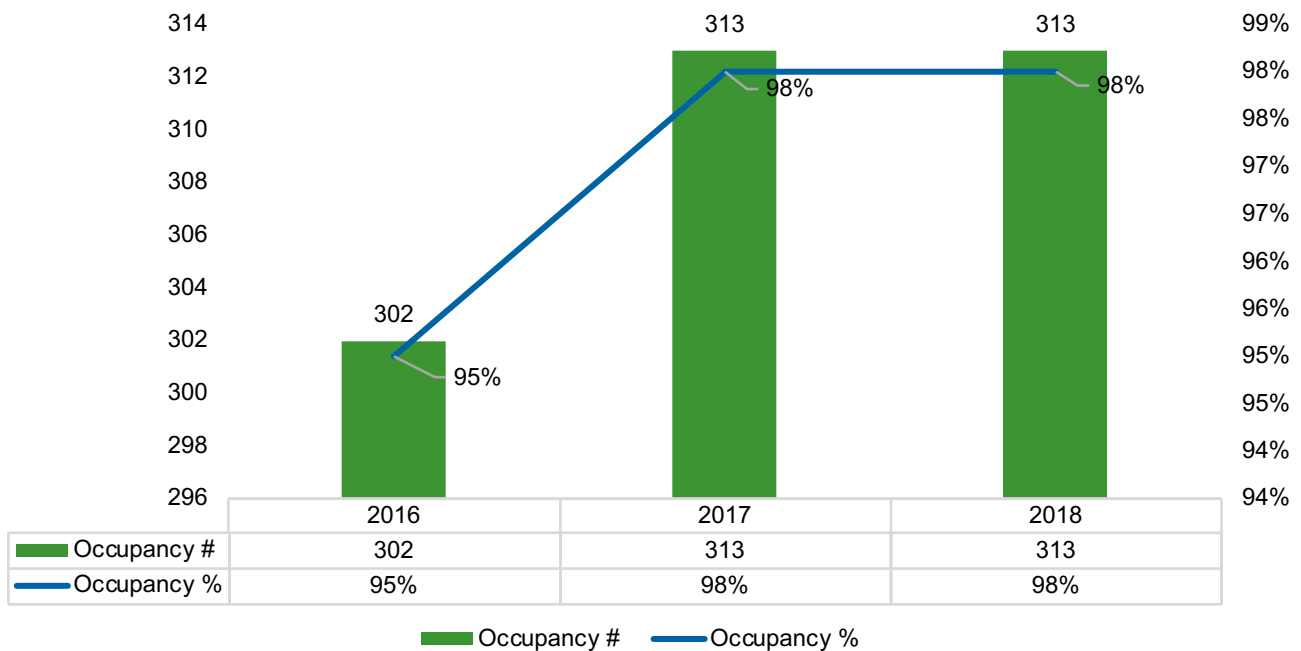


- The Forum has seen an increase in total occupancy in year over year trends since 2016.

## Occupancy Performance



### IL Occupancy Trend



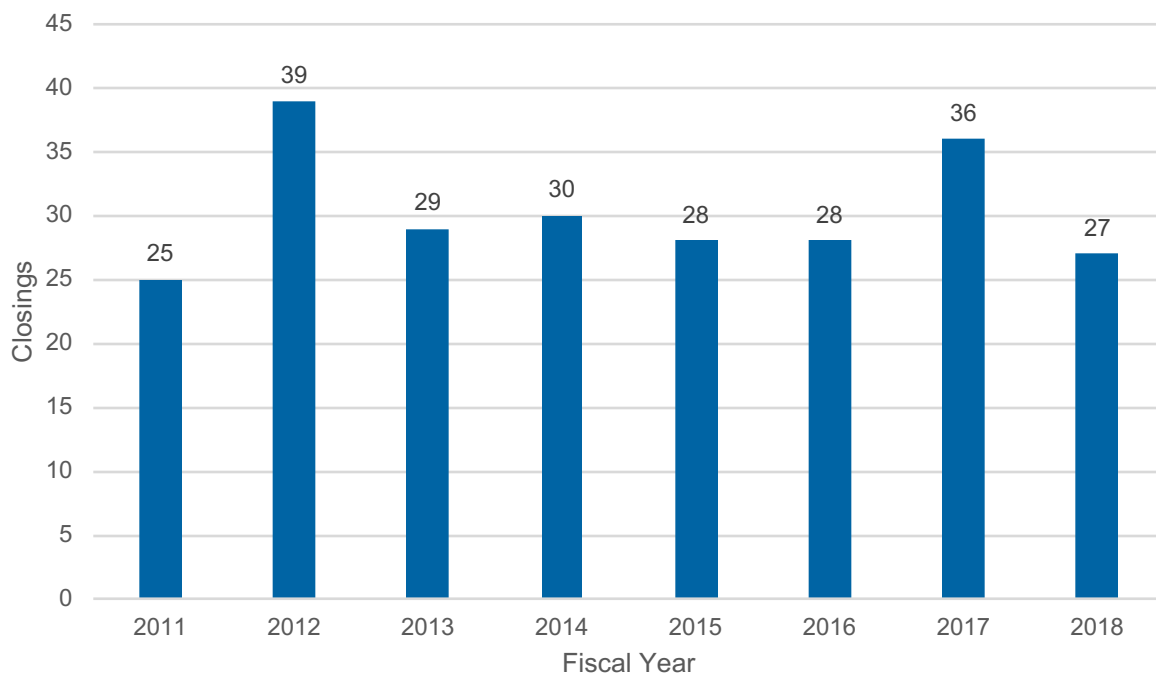
- In the 1<sup>st</sup> quarter of 2018, the average occupancy for Independent Living units in the market was 97.8%.

## Sales Performance

	2018 Budget	2018 Actual	Goal Met
Net Sales	30	27	No
Closings	30	27	No

- 27 sales closed in 2018
- 5 sales in escrow at year end
- 6 listings at year end

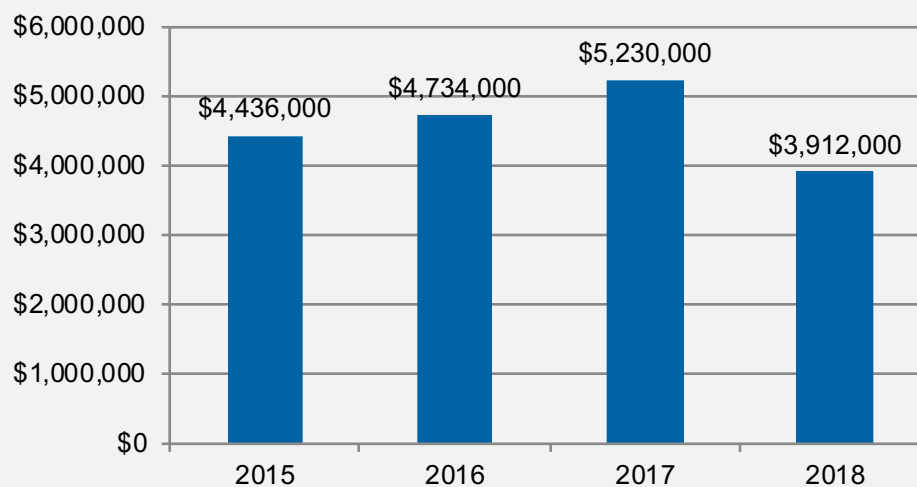
### Apartments and Villas





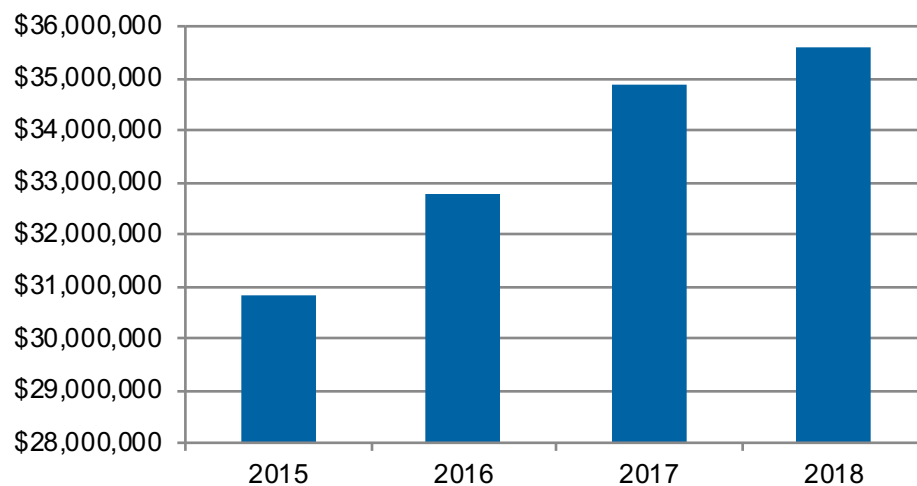
## Performance Measures

### Net Operating Income Trends



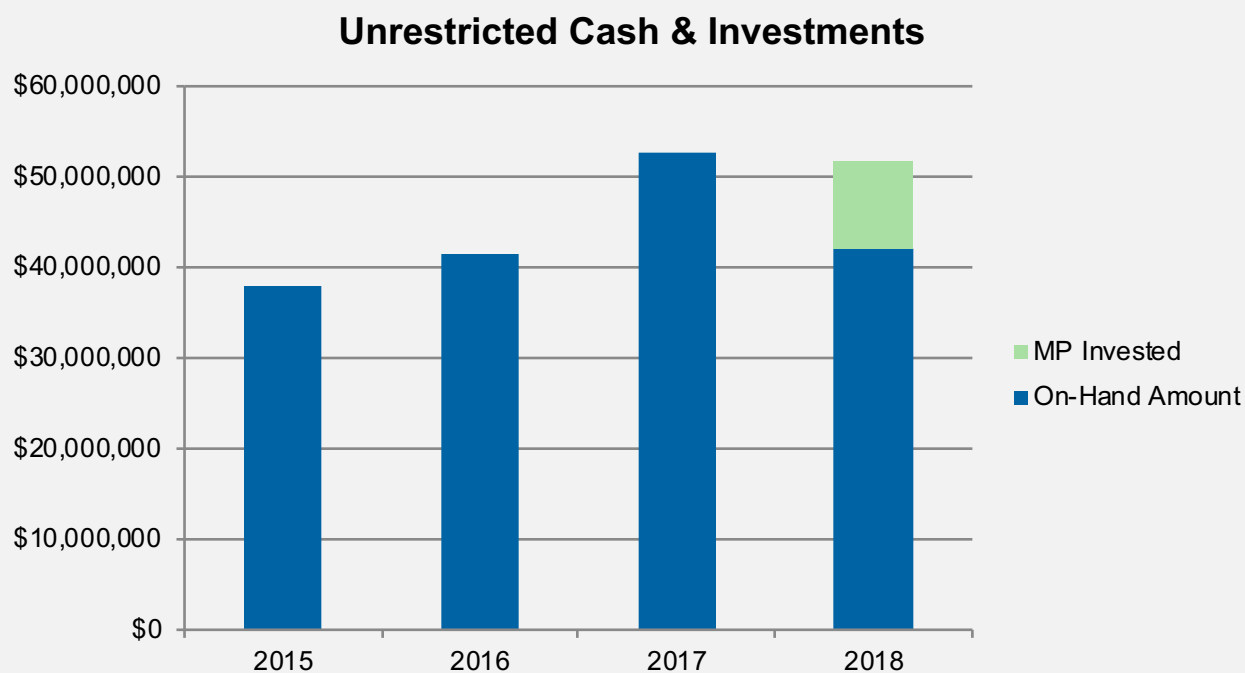
- Moderate revenue growth, offset by rising wages and Marketing investment in the Master Plan, pushed NOI lower in 2018.

### Revenue Trends



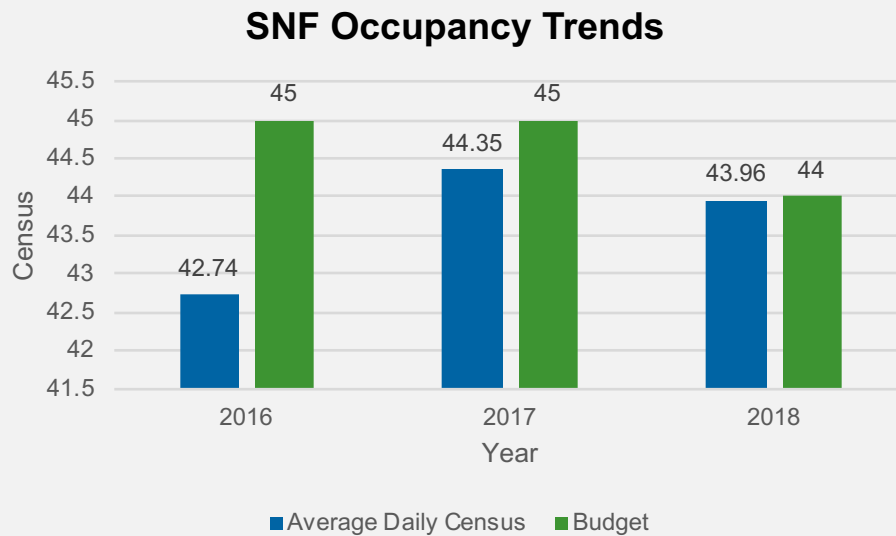
- Revenue has progressively increased for The Forum over the last four (4) years.

## Performance Measures

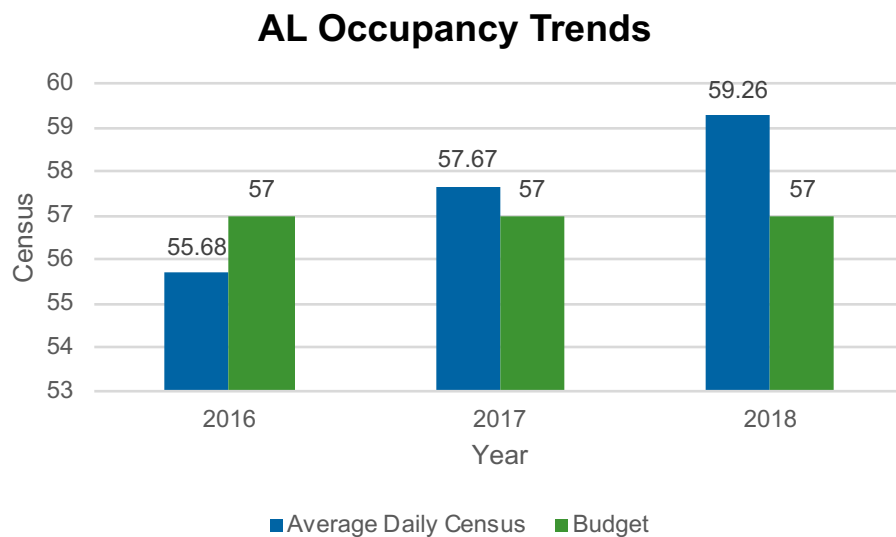


- Continued effective cash management, resulted in strong liquidity.
- Sustained business performance enabled a \$10M Investment in the Master Plan, lessening the need for construction financing.

## Performance Measures



- Skilled nursing occupancy performed closest to budget in 2018



- Assisted living occupancy performed higher than budgeted in 2017 and 2018

## Board Leadership in Action



- The Forum Board of Directors embarked on a master planning process in partnership with The Forum Executive Leadership and LCS Development.
  - Mayors, assemblymen, and other dignitaries joined Forum residents and team members at the Groundbreaking Ceremony hosted by The Forum on September 13, 2018. Board members have been working the leadership team planning for the expansion over the last eight years.



## Age of Champions



- The Forum at Rancho San Antonio participated in the fifth annual Age of Champions event on April 28. Age of Champions is a part of a nationwide initiative designed to encourage fitness among older adults.
- Approximately 95 athletes and participants ranging in age from 65 to 100 participated in the various activities and challenges, including archery, bocce ball, golf putting, a relay race, shuffleboard, table tennis, and water events, among others.



## Patient Driven Payment Model (PDPM)

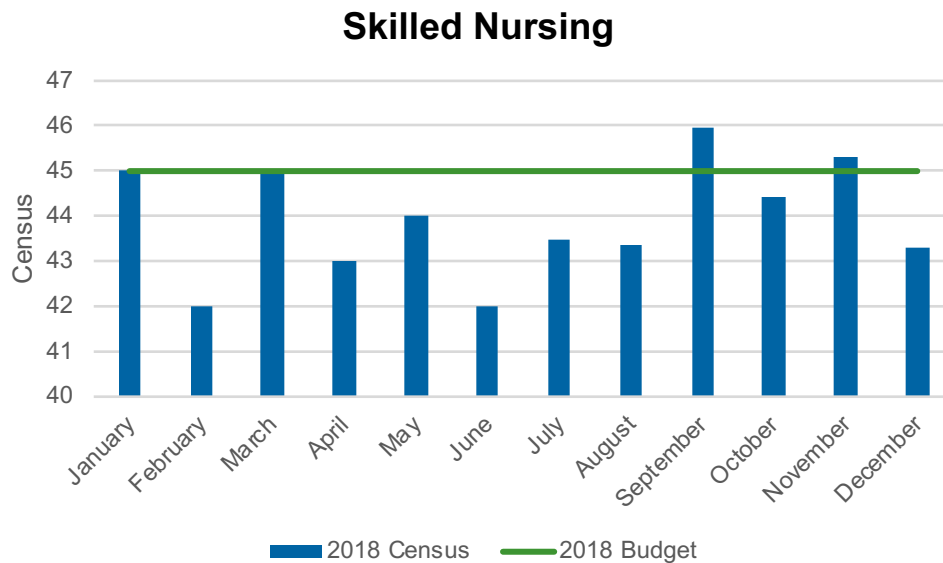
- In July 2018, CMS finalized a new case-mix classification model, the Patient Driven Payment Model (PDPM), that will be in effect beginning October 1, 2019. PDPM will be used to classify Skilled Nursing Facility (SNF) residents in a covered stay under the SNF Prospective Payment System (PPS).
- Under the current case-mix model, payments are based primarily on the amount of therapy provided to a resident, regardless of the resident's unique characteristics, needs, goal. The new model, PDPM, will improve payments by improving payment accuracy



## Healthcare Center at The Forum at Rancho San Antonio

### Skilled Nursing

The Forum Star Rating	
Overall	5
Quality	5
Health	5
Nurse	5
RN	5



- The Forum Skilled Nursing has maintained a 5-star rating for eight years.
- The Health Care Center had an average readmission prevention rate of 78.2%, compared to a national average of 77.6%.



## Health Care Center at The Forum Rancho San Antonio Skilled Nursing Deficiencies

	Goal	Actual	Goal Met
Federal Health Survey	5	5	YES
Life Safety	3	3	YES
3.5 Staffing Survey	0	0	YES

### Survey Outcomes

- The Federal Health Survey took place March 26-28, 2018. Five (5) deficiencies were cited. The Health Care Center performed well on the Federal Survey, bypassing the State Health Survey, which is usually conducted after the Federal.
- The Life Safety Code Inspection took place on June 14, 2018. The surveyor cited three (3) deficiencies, a Plan of Correction was submitted and approved.
- The 3.5 Staffing Survey was conducted on June 26, 2018. The survey includes review of Human Resource and payroll records for Skilled Nursing personal. Of the twenty dates selected for audit, our staffing ratio ranged from 4.11 to 5.16 within a 24 hour period.



## LCS Support Team

### The Forum at Rancho San Antonio



Heidi Palmer  
Community  
Finance



Jim Thomason  
Human Resource



Liessen (Cricket)  
Davis  
Clinical Nurse  
Consultant



Katy Hobby  
Business Unit  
Assistant



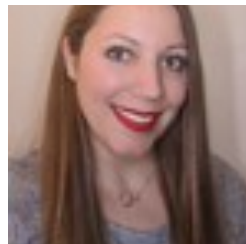
Tim Hamilton  
Senior Housing  
Marketing & Sales



Julie Burton  
CPS



Jill Sorenson  
Senior Director of  
Operations  
Management



Natasa Honrine  
Compliance

## The Forum at Rancho San Antonio Team



*A Different Kind of Health Care*



“Working here is a gift for me. I help some of the most interesting people I’ve ever move what I do, and I love that I get to use my skills to et.”

*– Lynda Kaser, Health Care Administrator*

## ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED:

12/31/2018

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

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

Healthcare Center at the Forum at Rancho San Antonio

CONTACT PERSON: Mike Schlossberg

TELEPHONE NO.: (650) 944- 0264 EMAIL: mikeschlossberg@theforumrsa.com

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

- ☐ Annual Report Checklist.
- ☐ Annual Provider Fee in the amount of: \$ \$29.259 chk# 1373
  - ☐ If applicable, late fee in the amount of: \$ N/A
- ☐ Certification by the provider's *Chief Executive Officer* that:
  - ☐ The reports are correct to the best of his/her knowledge.
  - ☐ Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - ☐ The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- ☒ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☐ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☐ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ☐ Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for *each* community.
- ☐ Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

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

**FORM 1-1**  
**RESIDENT POPULATION**

<u>Line</u>	<b>Continuing Care Residents</b>	<b><u>TOTAL</u></b>
[1]	Number at beginning of fiscal year	<u>459</u>
[2]	Number at end of fiscal year	<u>465</u>
[3]	Total Lines 1 and 2	<u>924</u>
[4]	Multiply Line 3 by “.50” and enter result on Line 5. x .50	x.50
[5]	Mean number of continuing care residents	<div style="border: 1px solid black; padding: 2px; display: inline-block;">462</div>
<b>All Residents</b>		
[6]	Number at beginning of fiscal year	<u>492</u>
[7]	Number at end of fiscal year	<u>495</u>
[8]	Total Lines 6 and 7	<u>987</u>
[9]	Multiply Line 8 by “.50” and enter result on Line 10. x .50	x.50
[10]	Mean number of all residents	<div style="border: 1px solid black; padding: 2px; display: inline-block;">494</div>
[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).	<div style="border: 1px solid black; padding: 2px; display: inline-block;">0.94</div>

**FORM 1-2**  
**ANNUAL PROVIDER FEE**

<u>Line</u>		<b><u>TOTAL</u></b>
[1]	Total Operating Expenses (including depreciation and debt service – interest only)	<u>36,324,897</u>
[a]	Depreciation	<div style="border-bottom: 1px solid black; display: inline-block;">4,429,183</div>
[b]	Debt Service (Interest Only)	<div style="border-bottom: 1px solid black; display: inline-block;">641,454</div>
[2]	Subtotal (add Line 1a and 1b)	<u>5,070,637</u>
[3]	Subtract Line 2 from Line 1 and enter result.	<u>31,254,260</u>
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	29,259,307
[5]	Total Operating Expense for Continuing Care Residents	
[6]	Total Amount Due (multiply Line 5 by .001)	<div style="text-align: right;">x.001</div> <div style="border-bottom: 3px double black; display: inline-block;">29,259</div>
PROVIDER: <u>Rancho San Antonio, RHC &amp; RSI</u>		
COMMUNITY: <u>Rancho San Antonio, dba, The Forum@Rancho San Antonio</u>		



April 25, 2019

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 2018 and any amendments, submitted herewith to the California Department of Social Services is, to the best of her knowledge and belief, true and correct, (ii) and that the forms of the continuing care agreements at Rancho San Antonio in use or offered to residents are those which have theretofore been submitted to, and approved by, the California Department of Social Services, and (iii) The Forum at Rancho San Antonio is maintaining the required liquid reserve and a refund reserve trust fund was not required.

  
Mary Elizabeth O'Connor, President

April 25, 2019 Date



23500 Cristo Rey Drive • Cupertino, CA 95014

650.944.0100 • ExperienceTheForum.com

COA #204 CA RCFE #435200344  
Managed by  Life Care Services®



# EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

DATE (MM/DD/YYYY)

8/16/2018

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

PRODUCER NAME, CONTACT PERSON AND ADDRESS Arthur J. Gallagher Risk Management Services, Inc. 2850 Golf Road Rolling Meadows IL 60008	PHONE (A/C, No, Ext): 312-704-0100	COMPANY NAME AND ADDRESS Lexington Insurance Company 100 Summer Street Boston MA 02110	NAIC NO: 19437
FAX (A/C, No): 312-803-7443	E-MAIL ADDRESS:	IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH	
CODE:	SUB CODE:	POLICY TYPE	
AGENCY CUSTOMER ID #:			
NAMED INSURED AND ADDRESS Rancho San Antonio Retirement Housing Corp 23600 Via Esplendor Cupertino, CA 95014	LOAN NUMBER 8717994955	POLICY NUMBER 012944920	
	EFFECTIVE DATE 06/30/2018	EXPIRATION DATE 06/30/2019	<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED
ADDITIONAL NAMED INSURED(S)	THIS REPLACES PRIOR EVIDENCE DATED:		

**PROPERTY INFORMATION** (ACORD 101 may be attached if more space is required) ☒ BUILDING OR ☒ BUSINESS PERSONAL PROPERTYLOCATION / DESCRIPTION  
23600 Via Esplendor


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

<b>COVERAGE INFORMATION</b>		PERILS INSURED	BASIC	BROAD	<input checked="" type="checkbox"/>	SPECIAL	
COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE:		\$ 271,811,650		DED: \$30,000			
	YES	NO	N/A				
BUSINESS INCOME <input type="checkbox"/> RENTAL VALUE	X			If YES, LIMIT: Incl in PolLim		<input checked="" type="checkbox"/>	Actual Loss Sustained; # of months: 12
BLANKET COVERAGE	X			If YES, indicate value(s) reported on property identified above: \$ 271,811,650			
TERRORISM COVERAGE	X			Attach Disclosure Notice / DEC			
IS THERE A TERRORISM-SPECIFIC EXCLUSION?			X				
IS DOMESTIC TERRORISM EXCLUDED?			X				
LIMITED FUNGUS COVERAGE	X			If YES, LIMIT: \$100,000		DED: \$30,000	
FUNGUS EXCLUSION (If "YES", specify organization's form used)	X						
REPLACEMENT COST	X						
AGREED VALUE			X				
COINSURANCE		X		If YES, %			
EQUIPMENT BREAKDOWN (If Applicable)	X			If YES, LIMIT: \$750,000,000		DED: \$30,000	
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg	X			If YES, LIMIT: Policy limit		DED: \$30,000	
- Demolition Costs	X			If YES, LIMIT: \$25,000,000		DED: \$30,000	
- Incr. Cost of Construction	X			If YES, LIMIT: \$25,000,000		DED: \$30,000	
EARTH MOVEMENT (If Applicable)	X			If YES, LIMIT: 0		DED:	
FLOOD (If Applicable)	X			If YES, LIMIT: \$200,000,000		DED: \$30,000	
WIND / HAIL INCL <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO Subject to Different Provisions:	X			If YES, LIMIT: \$750,000,000		DED: \$30,000	
NAMED STORM INCL <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO Subject to Different Provisions:	X			If YES, LIMIT: \$750,000,000		DED: \$30,000	
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS			X				

**CANCELLATION**

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

**ADDITIONAL INTEREST**

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

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AGENCY CUSTOMER ID: \_\_\_\_\_

LOC #: \_\_\_\_\_



## ADDITIONAL REMARKS SCHEDULE

Page 1 of 1

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

### ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,

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

#### REMARKS

RE: Location at 23600 Via Esplendor, Cupertino, CA 95014

Loan#: 8717994955

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



*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, 2018 and 2017*



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## **Report of Independent Auditors**

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

### **Report on the Financial Statements**

We have audited the accompanying 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, 2018 and 2017, and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rancho San Antonio Retirement Housing Corporation and Rancho San Antonio Retirement Services, Inc. as of December 31, 2018 and 2017, and the results of their operations 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, 2018, for Rancho San Antonio Retirement Housing Corporation and Rancho San Antonio Retirement Services, Inc., presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

San Francisco, California  
April 25, 2019

## **Consolidated Financial Statements**

**Rancho San Antonio Retirement Housing Corporation and  
Rancho San Antonio Retirement Services, Inc.**  
**Consolidated Balance Sheets**  
**December 31, 2018 and 2017**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 14,210,278	\$ 14,271,552
Investments	8,025,139	9,350,672
Accounts receivable, net of allowances of approximately \$27,000 as of December 31, 2018 and 2017, respectively	872,738	720,717
Inventories	67,934	89,190
Interest receivable and other	-	13,555
Prepaid expenses & other assets	1,133,919	802,410
Member advances - investments	5,884,003	11,207,624
Total current assets	<u>30,194,011</u>	<u>36,455,720</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land rights and improvements	16,489,373	16,328,566
Buildings and improvements	121,912,500	120,237,775
Furniture and equipment	12,096,696	12,010,983
Construction in process	9,714,913	4,981,197
Property and equipment	160,213,482	153,558,521
Less accumulated depreciation	<u>(92,897,584)</u>	<u>(88,917,362)</u>
Property and equipment, net	<u>67,315,898</u>	<u>64,641,159</u>
<b>BOARD-DESIGNATED CASH AND INVESTMENTS</b>	7,263,792	7,930,400
<b>UNEXPENDED ESCROW TRANSACTION AND EXIT FEES FOR HEALTHCARE CENTER PURPOSES</b>	<u>6,547,274</u>	<u>9,944,941</u>
Total assets	<u>\$ 111,320,975</u>	<u>\$ 118,972,220</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ -	\$ 6,000,000
Note payable to bank	-	5,529,862
Accrued liabilities	2,469,074	1,946,408
Current portion of deferred escrow transaction fees	315,776	321,963
Member advances	15,873,798	15,557,798
Total current liabilities	18,658,648	29,356,031
<b>CONSTRUCTION LOAN PAYABLE</b>	5,000,000	-
<b>DEFERRED ESCROW TRANSACTION FEES, net of current portion</b>	<u>2,342,052</u>	<u>2,214,257</u>
Total liabilities	<u>26,000,700</u>	<u>31,570,288</u>
<b>MEMBERS' EQUITY</b>	<u>85,320,275</u>	<u>87,401,932</u>
Total liabilities and members' equity	<u>\$ 111,320,975</u>	<u>\$ 118,972,220</u>



**Rancho San Antonio Retirement Housing Corporation and  
Rancho San Antonio Retirement Services, Inc.**  
**Consolidated Statements of Operations**  
**Years Ended December 31, 2018 and 2017**

	2018	2017
<b>REVENUES</b>		
Resident service revenue	\$ 26,663,913	\$ 25,582,557
Ancillary revenue	2,389,196	2,422,109
Appreciation on resale of memberships	3,944,000	4,679,375
Commission on sale of memberships	1,294,150	1,524,875
Interest and investment income	1,320,718	642,269
<b>Total revenues</b>	<b>35,611,977</b>	<b>34,851,185</b>
<b>OPERATING EXPENSES</b>		
Salaries	14,330,775	13,444,572
Employee benefits and taxes	4,201,641	3,925,515
Insurance	715,804	660,971
Legal and professional	254,688	126,219
Depreciation	4,429,183	4,415,206
Management fees	1,368,789	1,433,062
Marketing	715,540	363,794
Property taxes	526,613	433,675
Utilities	1,561,609	1,730,277
Cable and IT services	560,980	533,394
Maintenance and supplies	1,619,370	1,672,337
Food and supplies	2,895,711	2,748,259
Ancillary	775,886	948,694
Other	2,120,103	1,784,597
<b>Total operating expenses</b>	<b>36,076,692</b>	<b>34,220,572</b>
<b>NET OPERATING (LOSS) INCOME</b>	<b>(464,715)</b>	<b>630,613</b>
<b>OTHER INCOME (EXPENSE)</b>		
Amortization of escrow transaction and exit fees	1,389,192	1,517,443
Interest expense	(248,205)	(344,787)
Net unrealized (loss) gain on investments	(2,747,244)	2,677,481
Other income	6,153	2,366
<b>(Loss) income before provision for income taxes</b>	<b>(2,064,819)</b>	<b>4,483,116</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>(16,838)</b>	<b>(36,363)</b>
<b>NET (LOSS) INCOME</b>	<b>\$ (2,081,657)</b>	<b>\$ 4,446,753</b>

See accompanying notes.

**Rancho San Antonio Retirement Housing Corporation and  
Rancho San Antonio Retirement Services, Inc.**  
Consolidated Statements of Changes in Members' Equity  
Years Ended December 31, 2018 and 2017

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	Cooperative Memberships, net	Accumulated Deficit in Retained Earnings	Total Members' Equity
Balance, January 1, 2017	\$ 118,344,015	\$ (35,388,836)	\$ 82,955,179
Net income	-	4,446,753	4,446,753
Balance, December 31, 2017	118,344,015	(30,942,083)	87,401,932
Net loss	-	(2,081,657)	(2,081,657)
Balance, December 31, 2018	<u>\$ 118,344,015</u>	<u>\$ (33,023,740)</u>	<u>\$ 85,320,275</u>

**Rancho San Antonio Retirement Housing Corporation and  
Rancho San Antonio Retirement Services, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from residents for housing services	\$ 13,327,366	\$ 12,521,621
Cash received from residents and third-party payors for medical services	9,456,216	9,307,285
Cash received from noncontract residents	3,728,310	3,195,806
Cash received from ancillary revenues and other income	2,139,339	2,025,813
Cash received for resale of memberships	3,944,000	4,679,375
Cash received from commission of sales of memberships	1,294,150	1,524,875
Cash paid for operating activities, including suppliers and employees	(30,142,952)	(28,832,862)
Cash received from interest	758,063	712,762
Cash paid for interest	(641,454)	(174,744)
Net cash provided by operating activities	3,863,038	4,959,931
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(7,187,435)	(5,984,123)
Purchases of investments	(3,851,082)	(2,194,872)
Proceeds from investments	12,239,500	800,000
Net change in board-designated cash and investments	(141,349)	(127,103)
Net change in unexpended escrow transaction and exit fees for Healthcare Center purposes	(98,688)	(1,826,760)
Net change in member advances - investments	(182,196)	(241,063)
Net cash provided by (used in) investing activities	778,750	(9,573,921)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from member advances	3,316,000	6,296,909
Repayment of member advances	(3,000,000)	(3,598,227)
Proceeds from escrow transaction fees	1,510,800	1,798,460
Net (payments) proceeds from line of credit	(6,000,000)	5,000,000
Proceeds from construction loan from bank	5,000,000	-
Repayment of note payable to bank	(5,529,862)	-
Net cash (used in) provided by financing activities	(4,703,062)	9,496,142
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(61,274)	4,885,152
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	14,271,552	9,386,400
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 14,210,278	\$ 14,271,552
<b>RECONCILIATION OF NET (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net (loss) income	\$ (2,081,657)	\$ 4,446,753
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Unrealized loss (gain) on investments	2,747,244	(2,677,481)
Depreciation	4,429,183	4,415,206
Loss on disposal of equipment	83,513	97,543
Amortization of deferred escrow transaction and exit fees	(1,389,192)	(1,517,443)
Changes in assets and liabilities:		
Accounts receivable	(152,021)	403,277
Inventories	21,256	(10,172)
Other receivables	13,555	245
Prepaid expenses	(331,509)	(140,181)
Accrued liabilities	522,666	(57,816)
Net cash provided by operating activities	\$ 3,863,038	\$ 4,959,931
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for income taxes	\$ 45,000	\$ 17,300

See accompanying notes.

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

## **Notes to Consolidated Financial Statements**

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### **NOTE 1 – DESCRIPTION OF THE ORGANIZATION**

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

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

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

The Community has proposed a significant renovations and additions project to the Cupertino City Council for its existing campus. The proposed project would result in up to 25 new independent living villas (detached, single-family homes), 10 new beds, approximately 45,000 square feet of renovations and additions to the skilled nursing facility, approximately 10,500 square feet of renovations to the assisted living facility, 26 new beds in an approximately 39,000-square-foot new memory care building, and approximately 27,000 square feet of renovations and additions to the commons facilities (dining, fitness, and multi-purpose room). The proposed project would also include one new internally accessible roadway to accommodate the new independent living villas and minor changes to the internal on-site circulation system, as well as new landscaping and skilled facilities. As of December 31, 2018, the total project commitment amount is \$25,352,626.

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

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

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



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

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**Investments** – The Company's investments are included in the following captions on the consolidated balance sheets: investments, member advances – investments, board-designated cash and investments, and unexpended escrow transaction and exit fees for Healthcare Center purposes. Investments consist of cash and cash equivalent and marketable investment securities (See Note 3). Investment income or loss, including realized gains and losses on investments, interest, and dividends, is included in interest and investment income on the consolidated statements of operations. Unrealized gains and losses on investments are included in net unrealized (loss) gain on investments on the consolidated statements of operations. As of December 31, 2018 and 2017, the net accumulated unrealized gains on investments were \$686,670 and \$3,433,914, respectively.

**Accounts receivable** – The Company provides services to residents and nonresidents 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 nonresidents, 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 net realizable value 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 Board of Directors, and are presented as member advances – investments in the accompanying consolidated balance sheets.

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

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

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

**Impairment of long-lived assets** – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company has determined that no such basis adjustment was necessary at December 31, 2018 and 2017.

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

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

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

**Obligation to provide future services** – Management annually calculates the present value of the net cost (difference between cost to operate and maintenance fees charged) of future services and use of the Continuing Care Retirement Community ("CCRC") to be provided to current residents and compares the amount with the balance of deferred escrow transaction fees from the residents. If the present value of the net cost of future services and use of the CCRC exceeds the deferred escrow transaction fees, a liability is recorded with the corresponding charge to income. No liability was recorded at December 31, 2018 and 2017. The discount rate used to calculate the obligation to provide future services is 6% for 2018 and 2017.

**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, 2018 and 2017, management believes that this requirement has been met because more than 80% of the revenue earned was from resident sources.

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

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

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

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

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

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

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

The Company also grants credit without collateral to its patients, most of whom are individuals insured under third-party payor agreements. The Company manages its collection risk by regularly reviewing its accounts and contracts and by providing appropriate allowances. The mix of receivables from patients and third-party payors are as follows as of December 31:

	2018	2017
Medicare	47%	30%
Private pay	42%	60%
Third-party insurance	5%	6%
Other payors	6%	4%
	<u>100%</u>	<u>100%</u>



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

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**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 \$299,093 and \$247,341 for the years ended December 31, 2018 and 2017, respectively.

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

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

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"). ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. The Company adopted ASU 2015-17 in the fiscal year ended December 31, 2018, which did not have any impact on the consolidated financial statements.



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

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In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The update addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other entities including not-for-profit entities and employee benefit plans, the amendment is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. All entities that are not public business entities may adopt the amendments in this update earlier as of fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption is effective for the Company for the fiscal year ending December 31, 2019. The adoption is not expected to have a material impact on the Company's consolidated financial statements.

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

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

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

**Reclassifications** – Certain financial statement reclassifications have been made to prior year balances for comparability purposes and had no impact on net income as previously reported.

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

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**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, 2018 and 2017, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

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

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

**Marketable investment securities** – Marketable equity securities, corporate bonds, and fixed income funds are measured using quoted market prices at the reporting date multiplied by the quantity held. For the years ended December 31, 2018 and 2017, management has performed an other-than-temporarily-impaired analysis and has determined that no securities were impaired.

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

Investments by level at December 31, 2018 and 2017, are as follows:

Description	2018			Total
	Level 1	Level 2	Level 3	
Equity				
Domestic	\$ 10,322,065	\$ -	\$ -	\$ 10,322,065
International	4,268,709	-	-	4,268,709
Fixed Income Funds				
Domestic	3,658,851	-	-	3,658,851
International	3,173,070	-	-	3,173,070
Cash and cash equivalents	6,297,513	-	-	6,297,513
	<u>\$ 27,720,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,720,208</u>

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

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

	2018	2017
Investments	\$ 8,025,139	\$ 9,350,672
Member advances - investments	5,884,003	11,207,624
Board-designated cash and investments	7,263,792	7,930,400
Unexpended escrow transaction and exit fees for Healthcare Center purposes	6,547,274	9,944,941
	<u>\$ 27,720,208</u>	<u>\$ 38,433,637</u>

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

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**NOTE 4 – LONG-TERM DEBT**

**Notes payable to bank** – At December 31, notes payable to the bank consist of the following:

	2018	2017
Commercial note payable to Comerica Bank with an original maturity date of July 1, 2017, was extended to mature on February 1, 2019, with a variable interest rate of LIBOR-based rate plus applicable margin. Principal paid in full on December 11, 2018. The rate was 3.1167% at December 31, 2017. Collateralized with the first leasehold deed of trust on the 23600 Via Esplendor property.	\$ -	\$ 5,529,862
Less current portion	-	5,529,862
	<u>\$ -</u>	<u>\$ -</u>

**Note payable** – Under the terms of the note payable to Comerica, the Company is required to maintain certain deposits with the lender. Such deposits are included in cash and cash equivalents. Management believes that the Company was in compliance with the requirement as of December 31, 2017. The note payable was paid in full as of December 31, 2018.

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.

**Construction loan payable** – On December 11, 2018, the Company obtained a \$75,000,000 construction loan due December 10, 2021, from BBVA Compass. The maturity date of the loan can be extended to December 10, 2031, upon satisfaction of certain terms and conditions. As of December 31, 2018, the Company has drawn down \$5,000,000 of the total available loan. Under the terms of the construction loan payable to BBVA Compass, the Company is required to comply with certain debt covenants with respect to additional borrowings, financial reporting, and maintenance of certain financial ratios. Management believes they are in compliance with these covenants as of December 31, 2018.



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

At December 31, construction loan payable consists of the following:

	2018	2017
Construction loan payable to BBVA Compass with a maturity date of December 10, 2021, with a variable interest rate of LIBOR-based rate plus applicable margin. This rate was 3.4902% at December 31, 2018. Principal payable upon close of each independent living unit sale with interest payable monthly. Collateralized with the first leasehold deed of trust on the 23600 Via Esplendor property.	\$ 5,000,000	\$ -
Less current portion	-	-
	<u>\$ 5,000,000</u>	<u>\$ -</u>

**Line of credit** – On April 6, 2015, the Company obtained a \$10,000,000 unsecured revolving line of credit due May 1, 2017, from Comerica Bank. Accrued interest is calculated at a variable interest rate of no less than 3.15% due monthly beginning on May 6, 2015. The maturity date of the line was extended to February 1, 2019, but the Company made a final payment of unpaid principal and interest on December 11, 2018, to close the line. There was an outstanding balance of \$0 and \$6,000,000 on the line of credit as of December 31, 2018 and 2017, respectively

**Note payable from RHC to RSI** – During 2003, RHC borrowed \$4,500,000 from RSI in order to pay a loan in full. RHC has a note payable to RSI for the outstanding principal amount. The note bears interest at 6.5% and RHC makes monthly principal and interest payments to RSI for the term of the note. In November 2017, RHC paid off the remaining principal balance and related interest of the note. The note payable and related interest 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, which was extended through May 31, 2022, with an optional automatic successive five years' of annual renewal unless written notice of intent not to renew by either party is provided at least 365 days prior to the end of each year. The fee paid to the Manager is 4.65% of gross revenue, as defined in the management agreement. Management fees totaled \$1,368,789 and \$1,433,062 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, RHC's reserves, as calculated in accordance with Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements.

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

**NOTE 7 – INCOME TAXES**

The provision for income taxes was \$16,838 and \$36,363 for the years ended December 31, 2018 and 2017, 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.

	2018	2017
Deferred income tax assets (liabilities):		
Net operating loss, capital loss, and contributions carryover	\$ 3,159,843	\$ 2,691,998
Buyers fees	743,756	709,726
Depreciation	(2,161,759)	515,203
Bad debts	7,790	7,654
Accrued liabilities and change in accounting method	188,562	178,325
Unrealized loss (gain) on securities	501,809	(960,928)
Total deferred income tax assets	2,440,001	3,141,978
Valuation allowance	(2,440,001)	(3,141,978)
Net deferred income taxes	\$ -	\$ -

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

The valuation allowance decreased by \$701,977 during the year ended December 31, 2018, and decreased by \$4,615,814 during the year ended December 31, 2017.

Net operating losses incurred after December 31, 2017, can only offset 80% of taxable income. However, these net operating losses may be carried forward indefinitely instead of limited to 20 years under previous tax law. Carrybacks of these losses are no longer permitted. Net operating loss carryforwards for federal tax purposes amount to approximately \$14,451,320, of which \$12,413,947 begin to expire in 2021 and \$2,037,383 that may be carried forward indefinitely. Net operating loss carryforwards for California tax purposes amount to approximately \$1,367,513 and begin to expire in 2032.

Management has 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.



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

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**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

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

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

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health & Safety Code. Through December 31, 2018, the Company has expended \$8,659,451 for the new buildings and major renovations project.

**NOTE 10 – SUBSEQUENT EVENTS**

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

Subsequent events have been evaluated through April 25, 2019, which is the date the consolidated financial statements are available to be issued.

## **Supplementary Information**

**Rancho San Antonio Retirement Housing Corporation and  
Rancho San Antonio Retirement Services, Inc.  
Consolidating Balance Sheet  
December 31, 2018**

	RHC	RSI	Eliminations	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 6,572,421	\$ 7,637,857	\$ -	\$ 14,210,278
Investments	8,025,139	-	-	8,025,139
Accounts receivable, net	41,876	830,862	-	872,738
Accounts receivable from RHC	-	2,303,554	(2,303,554)	-
Inventories	40,141	27,793	-	67,934
Prepaid expenses	888,339	245,580	-	1,133,919
Member advances - investments	-	5,884,003	-	5,884,003
Total current assets	15,567,916	16,929,649	(2,303,554)	30,194,011
<b>PROPERTY AND EQUIPMENT</b>				
Land rights and improvements	16,489,373	-	-	16,489,373
Buildings and improvements	121,912,500	-	-	121,912,500
Furniture and equipment	12,096,696	-	-	12,096,696
Construction in process	9,714,913	-	-	9,714,913
Property and equipment	160,213,482	-	-	160,213,482
Less accumulated depreciation	(92,897,584)	-	-	(92,897,584)
Property and equipment, net	67,315,898	-	-	67,315,898
<b>BOARD-DESIGNATED CASH AND INVESTMENTS</b>				
	7,263,792	-	-	7,263,792
<b>UNEXPENDED ESCROW TRANSACTION AND EXIT FEES FOR HEALTHCARE CENTER PURPOSES</b>				
	6,547,274	-	-	6,547,274
Total assets	\$ 96,694,880	\$ 16,929,649	\$ (2,303,554)	\$ 111,320,975
<b>LIABILITIES AND MEMBERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accrued liabilities	\$ 1,386,833	\$ 1,082,241	\$ -	\$ 2,469,074
Accounts payable to RSI	2,303,554	-	(2,303,554)	-
Current portion of deferred escrow transaction fees	315,776	-	-	315,776
Member advances	-	15,873,798	-	15,873,798
Total current liabilities	4,006,163	16,956,039	(2,303,554)	18,658,648
<b>CONSTRUCTION LOAN PAYABLE</b>				
	5,000,000	-	-	5,000,000
<b>DEFERRED ESCROW TRANSACTION FEES, net of current portion</b>				
	2,342,052	-	-	2,342,052
Total liabilities	11,348,215	16,956,039	(2,303,554)	26,000,700
<b>MEMBERS' EQUITY</b>				
	85,346,665	(26,390)	-	85,320,275
Total liabilities and members' equity	\$ 96,694,880	\$ 16,929,649	\$ (2,303,554)	\$ 111,320,975

**Rancho San Antonio Retirement Housing Corporation and  
Rancho San Antonio Retirement Services, Inc.  
Consolidating Statement of Operations  
Year Ended December 31, 2018**

	<u>RHC</u>	<u>RSI</u>	<u>Eliminations</u>	<u>Total</u>
<b>REVENUES</b>				
Resident service revenue	\$ 13,339,283	\$ 13,324,630	\$ -	\$ 26,663,913
Ancillary revenue	478,647	1,910,549	-	2,389,196
Appreciation on resale of memberships	3,944,000	-	-	3,944,000
Commission on sale of memberships	1,294,150	-	-	1,294,150
Rental income from RSI	1,577,742	-	(1,577,742)	-
Interest and investment income	752,315	568,403	-	1,320,718
	<u>21,386,137</u>	<u>15,803,582</u>	<u>(1,577,742)</u>	<u>35,611,977</u>
<b>OPERATING EXPENSES</b>				
Salaries	7,151,191	7,179,584	-	14,330,775
Employee benefits and taxes	2,099,963	2,101,678	-	4,201,641
Insurance	565,015	150,789	-	715,804
Legal and professional	169,855	84,833	-	254,688
Depreciation	4,429,183	-	-	4,429,183
Management fees	729,670	639,119	-	1,368,789
Marketing	645,372	70,168	-	715,540
Property taxes	526,613	-	-	526,613
Utilities	1,067,176	494,433	-	1,561,609
Cable and IT services	363,048	197,932	-	560,980
Maintenance and supplies	1,273,122	346,248	-	1,619,370
Food and supplies	1,927,187	968,524	-	2,895,711
Ancillary	-	775,886	-	775,886
Other	445,256	1,674,847	-	2,120,103
Rental expense to RHC	-	1,577,742	(1,577,742)	-
	<u>21,392,651</u>	<u>16,261,783</u>	<u>(1,577,742)</u>	<u>36,076,692</u>
<b>NET OPERATING LOSS</b>	<b>(6,514)</b>	<b>(458,201)</b>	<b>-</b>	<b>(464,715)</b>
<b>OTHER INCOME (EXPENSE)</b>				
Amortization of escrow transaction and exit fees	1,389,192	-	-	1,389,192
Interest expense	(248,205)	-	-	(248,205)
Net unrealized loss on investments	(1,621,985)	(1,125,259)	-	(2,747,244)
Other income	1,010	5,143	-	6,153
	<u>(486,502)</u>	<u>(1,578,317)</u>	<u>-</u>	<u>(2,064,819)</u>
<b>PROVISION FOR INCOME TAXES</b>	<b>(16,038)</b>	<b>(800)</b>	<b>-</b>	<b>(16,838)</b>
<b>NET LOSS</b>	<b>\$ (502,540)</b>	<b>\$ (1,579,117)</b>	<b>\$ -</b>	<b>\$ (2,081,657)</b>





*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, 2018*





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## **Report of Independent Auditors**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Rancho San Antonio Retirement Housing Corporation ("RHC") and Rancho San Antonio Retirement Services, Inc. ("RSI") (collectively referred to as the "Company"), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 as of and for the year ended December 31, 2018.

### ***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, 2018, 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.

A handwritten signature in dark ink, appearing to read "Moss Adams LLP", is written over a light blue horizontal line.

San Francisco, California  
April 25, 2019

## **Continuing Care Liquid Reserve Schedules**

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

**Form 5-1**

**Long-Term Debt Incurred in Prior Fiscal Year  
December 31, 2018**

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	01/01/16	\$0	\$254,710	\$0	\$254,710
2	04/06/15	\$0	\$386,744	\$0	\$386,744
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
	<b>TOTAL:</b>	<b>\$0</b>	<b>\$641,454</b>	<b>\$0</b>	<b>\$641,454</b>

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

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

**PROVIDER:** Rancho San Antonio, RHC & RSI

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

**Form 5-2  
Long-Term Debt Incurred During Fiscal Year  
December 31, 2018**

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	12/11/2018	\$1,240,960	\$2,000,000	1	\$2,000,000
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>		\$1,240,960	\$2,000,000	1	\$2,000,000

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

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

**NOTE:** For column (c), principal paydown, according to the debt agreement, is based on management projections of independent living unit sales.

**PROVIDER:** Rancho San Antonio, RHC & RSI



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

Form 5-3

Calculation of Long-Term Debt Reserve Amount  
December 31, 2018

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FORM 5-3 CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT		
Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$641,454</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$2,000,000</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>\$0</u>
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$2,641,454</u></u>

PROVIDER: Rancho San Antonio, RHC & RSI

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

Form 5-4  
Calculation of Net Operating Expenses  
December 31, 2018

FORM 5-4  
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$36,324,897</u>
2	Deductions:		
a.	Interest paid on long-term debt (see instructions)	<u>\$641,454</u>	
b.	Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
c.	Depreciation	<u>\$4,429,183</u>	
d.	Amortization	<u>\$0</u>	
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$3,728,310</u>	
f.	Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$8,798,947</u>
4	Net Operating Expenses		<u>\$27,525,950</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$75,414</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$5,656,050</u></u>
PROVIDER:	<u>Rancho San Antonio, RHC &amp; RSI</u>		
COMMUNITY:	<u>Rancho San Antonio, dba, The Forum at Rancho San Antonio</u>		

**Rancho San Antonio Retirement Housing Corporation and  
Rancho San Antonio Retirement Services, Inc.**  
**Form 5-5**  
**Annual Reserve Certification**

**ANNUAL RESERVE CERTIFICATION**

Provider Name: Rancho San Antonio, RHC & RSI

Fiscal Year Ended: December 31, 2018

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2018 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$2,641,454</u>
[2] Operating Expense Reserve Amount	<u>\$5,656,050</u>
[3] Total Liquid Reserve Amount:	<u>\$8,297,504</u>

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

<u>Qualifying Asset Description</u>	<u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$2,641,454</u>	<u>\$18,116,098</u>
[5] Investment Securities	<u>\$0</u>	<u>\$8,025,139</u>
[6] Equity Securities	<u>\$0</u>	<u>\$0</u>
[7] Unused/Available Lines of Credit	<u>\$0</u>	<u>\$0</u>
[8] Unused/Available Letters of Credit	<u>\$0</u>	<u>\$0</u>
[9] Debt Service Reserve	<u>\$0</u>	<u>(not applicable)</u>
[10] Other: Board Designated Cash & Investments	<u>\$0</u>	<u>\$7,263,792</u>
<u>(describe qualifying asset)</u>		
Listed for Reserve Obligation: [11]	<u>\$2,641,454</u>	[12] <u>\$33,405,029</u>
Reserve Obligation Amount: [13]	<u>\$2,641,454</u>	[14] <u>\$5,656,050</u>
Surplus/(Deficiency): [15]	<u>\$0</u>	[16] <u>\$27,748,979</u>

Signature:

  
(Authorized Representative)

Date: April 25, 2019

Chief Financial Officer  
(Title)

## **Supplementary Schedules**

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**Rancho San Antonio Retirement Housing Corporation and  
Rancho San Antonio Retirement Services, Inc.**  
**Supplementary Form 5-4**  
**Reconciliation to Audit Report**  
**December 31, 2018**

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Total operating expenses	\$ 36,076,692
Add: Interest expense	<u>248,205</u>
Total operating expenses from financial statements	<u>\$ 36,324,897</u>

**Rancho San Antonio Retirement Housing Corporation and  
Rancho San Antonio Retirement Services, Inc.  
Supplementary Form 5-5  
Reconciliation to Audit Report  
December 31, 2018**

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**Description of Reserves under SB 1212 – Cash and Cash Equivalents**

	<u>Total</u>	
Cash and cash equivalents	\$ 14,210,278	
Unexpended escrow transaction and exit fees for Healthcare Center purposes	<u>6,547,274</u>	(a)
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 20,757,552</u></u>	
<b>TOTAL CASH AND CASH EQUIVALENTS FOR DEBT SERVICE RESERVE</b>	\$ 2,641,454	
<b>TOTAL CASH AND CASH EQUIVALENTS FOR OPERATING RESERVE</b>	<u>18,116,098</u>	
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 20,757,552</u></u>	

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

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

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**NOTE 1 – BASIS OF ACCOUNTING**

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





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

**Fiscal Year Ended: 12/31/2018**

**DSS – Reserve Report – Supplementary part of Form 5-5**

**Description of Reserves under SB 1212**

Cash and Cash Equivalents	\$14,210,278
Unexpended escrow transaction and exit fees for Healthcare Center purposes	\$6,547,274 (a)
TOTAL CASH AND CASH EQUIVALENTS	<u>\$20,757,552</u>
TOTAL CASH AND CASH EQUIVALENTS FOR DEBT SERVICE RESERVE	<u>\$2,641,454</u>
TOTAL CASH AND CASH EQUIVALENTS FOR OPERATING RESERVE	\$18,116,098
TOTAL CASH AND CASH EQUIVALENTS	\$20,757,552

---

Per Capita Cost of Operations Operating Expenses (Form 5-4 line #1)	\$36,324,897
Mean number of all residents (Form 1-1 line #10)	494
<b>Per Capita Cost of Operations</b>	<u><b>\$73,532</b></u>

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

# Continuing Care Retirement Community

Date Prepared: 4/21/2019

## Disclosure Statement

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

### NUMBER OF UNITS:

#### RESIDENTIAL LIVING

#### HEALTH CARE

APARTMENTS — STUDIO: \_\_\_\_\_  
 APARTMENTS — 1 BDRM: 135  
 APARTMENTS — 2 BDRM: 124  
 COTTAGES/HOUSES: 60

ASSISTED LIVING: 58  
 SKILLED NURSING: 48  
 SPECIAL CARE: \_\_\_\_\_  
 DESCRIPTION: > \_\_\_\_\_

RLU OCCUPANCY (%) AT YEAR END: 94%

OVERALL CCRC OCCUPANCY (%) AT YEAR END: 94%

\*\*\*\*\*

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

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

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

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

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

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: \_\_\_\_\_ OTHER: Application

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

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

Per bylaw of RHC- Board directors are elected by the resident membership (Board members elected are residents within the community nominated  
 > by the Nominating committee); Per bylaws of RSI — RHC is the sole member and appoints 7 RSI board directors of which 5 are required to be residents.

\*\*\*\*\*

### FACILITY SERVICES AND AMENITIES

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

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

PROVIDER NAME: \_\_\_\_ Rancho San Antonio – RHC & RSI, dba The Forum at Rancho San Antonio \_\_\_\_\_

**OTHER CCRCs**

**LOCATION (City, State)**

**PHONE (with area code)**

Forum at Rancho San Antonio, RHC

23500 Cristo Rey Dr.  
Cupertino, CA. 95014

650-944-0100

Forum at Rancho San Antonio, RSI

23600 Via Esplendor  
Cupertino, CA. 95014

650-944-0200

Not a Life Care

**MULTI-LEVEL RETIREMENT COMMUNITIES**

**LOCATION (City, State)**

**PHONE (with area code)**

Forum at Rancho San Antonio, RHC

23500 Cristo Rey Dr.  
Cupertino, CA. 95014

650-944-0100

Forum at Rancho San Antonio, RSI

23600 Via Esplendor  
Cupertino, CA. 95014

650-944-0200

**FREE-STANDING SKILLED NURSING**

**LOCATION (City, State)**

**PHONE (with area code)**

**SUBSIDIZED SENIOR HOUSING**

**LOCATION (City, State)**

**PHONE (with area code)**

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

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

	2015	2016	2017	2018
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (Excluding amortization of entrance fee income)	\$30,478,502	\$32,224,525	\$34,851,185	\$35,611,977
<b>LESS OPERATING EXPENSES</b> (Excluding depreciation, amortization, and interest)	-\$26,565,137	-\$28,402,486	-\$29,805,366	-\$31,647,509
<b>NET INCOME FROM OPERATIONS</b>	\$3,913,365	\$3,822,039	\$5,045,816	\$3,964,468
<b>LESS INTEREST EXPENSE</b>	-\$402,068	-\$192,981	-\$344,787	-\$248,205
<b>PLUS CONTRIBUTIONS</b>				
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	\$1,067,745	\$2,493,602	\$4,197,290	-\$1,351,899
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	\$4,579,042	\$6,122,660	\$8,861,969	\$2,347,526
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)				

\*\*\*\*\*

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
BBVA	\$5,000,000	4.94%	12/11/2018	12/10/2031	30 yrs.

\*\*\*\*\*

**FINANCIAL RATIOS** (see next page for ratio formulas)

	2015 CCAC Medians 50 <sup>th</sup> Percentile <i>(optional)</i>	2016	2017	2018
<b>DEBT TO ASSET RATIO</b>		.052	.046	.045
<b>OPERATING RATIO</b>		.82	.77	.93
<b>DEBT SERVICE COVERAGE RATIO</b>		12.6	15.3	2.7
<b>DAYS CASH ON HAND RATIO</b>		404.72	501.77	412.28

\*\*\*\*\*

**HISTORICAL MONTHLY SERVICE FEES** (Average Fee and Change Percentage)

	2015	%	2016	%	2017	%	2018
STUDIO							
ONE BEDROOM	2000	5.2	2104	5.7	2224	4.5	2325
TWO BEDROOM	3223	5.2	3389	5.7	3583	4.5	3745
COTTAGE/HOUSE	3334	5.2	3506	5.7	3707	4.5	3874
ASSISTED LIVING	3924	3.4	4057	2.7	4168	3.6	4319
SKILLED NURSING	5536	5.2	5826	3.4	6022	4.1	6266
SPECIAL CARE	1520	2.3	1555	1.7	1582	7.6	1703

\*\*\*\*\*

**COMMENTS FROM PROVIDER:** > HC Fee \$635 1.6% \$645, 0%, \$645 4.7% \$675

> Rates for 3 of 10 specific IL units are listed above.

> See attached fee schedules for each rates.

**PROVIDER NAME:** \_\_\_Rancho San Antonio – RHC & RSI, dba The Forum at Rancho San Antonio\_\_\_\_\_

### **FINANCIAL RATIO FORMULAS**

#### **LONG-TERM DEBT TO TOTAL ASSETS RATIO**

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

#### **OPERATING RATIO**

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

#### **DEBT SERVICE COVERAGE RATIO**

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

#### **DAYS CASH ON HAND RATIO**

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

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

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<b>RESIDENTIAL LIVING</b>	<b>ASSISTED LIVING</b>	<b>SKILLED NURSING</b>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<b>2325-4907 plus 675 HC Fee</b>	<b>4319 plus 675 HC Fee</b>	<b>6266 plus 675 HC Fee</b>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<b>4.5% and 4.7% HC Fee</b>	<b>3.6% and 4.7% HC Fee</b>	<b>4.0% and 4.7% HC Fee</b>

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

[3] Indicate the date the fee increase was implemented: Jan 1, 2018  
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- ☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- ☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- ☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- ☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- ☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- ☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

**PROVIDER:** Rancho San Antonio, RHC & RSI  
**COMMUNITY:** Rancho San Antonio, RHC & RSI



# KEY INDICATORS REPORT: Rancho San Antonio, RHC & RSI

Date Prepared: 4/19/19

Executive Director Signature

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

	2014	2015	2016	2017	2018	2019	Forecast				Preferred Trend Indicator
<b>OPERATIONAL STATISTICS</b>											
1. Average Annual Occupancy by Site (%)	93.01%	92.90%	93.90%	96.07%	96.48%	96.48%	96.48%	96.48%	96.48%	96.48%	N/A
<b>MARGIN (PROFITABILITY) INDICATORS</b>											
2. Net Operating Margin (%)	8.97%	12.84%	11.93%	14.48%	11.13%	4.90%	7.82%	9.14%	10.44%	11.72%	↑
3. Net Operating Margin - Adjusted (%)	8.97%	12.84%	11.93%	14.48%	11.13%	4.90%	7.82%	9.14%	10.44%	11.72%	↑
<b>LIQUIDITY INDICATORS</b>											
4. Unrestricted Cash and Investments (\$000)	\$26,640	\$27,427	\$31,707	\$41,498	\$36,046	\$36,640	\$37,252	\$37,880	\$38,526	\$39,192	↑
5. Days Cash on Hand (Unrestricted)	378	377	408	508	416	405	398	391	384	378	↓
<b>CAPITAL STRUCTURE INDICATORS</b>											
6. Deferred Revenue from Entrance Fees (\$000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A
7. Net Annual E/F proceeds (\$000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A
8. Unrestricted Net Assets (\$000)	\$80,840	\$81,170	\$82,955	\$87,402	\$85,320	\$85,235	\$85,150	\$85,065	\$84,980	\$84,895	N/A
9. Annual Capital Asset Expenditure (\$000)	\$1,761	\$2,033	\$2,166	\$2,992	\$3,031	\$3,001	\$2,971	\$2,941	\$2,911	\$2,882	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	-0.12	0.40	2.91	4.95	-0.15	-2.20	-1.15	0.10	1.71	3.69	↑
11. Annual Debt Service Coverage (x)	0.00	4.82	9.02	10.78	12.61	1.78	1.37	2.55	3.20	3.97	↑
12. Annual Debt Service/Revenue (%)	21.28%	17.98%	16.83%	14.95%	16.82%	82.02%	153.36%	82.50%	67.27%	55.13%	↓
13. Average Annual Effective Interest Rate (%)	7.23%	7.12%	7.12%	7.12%	7.12%	4.94%	4.94%	4.94%	4.94%	4.94%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	478.82%	533.80%	573.39%	750.43%	720.93%	146.56%	74.50%	118.38%	128.42%	139.97%	↑
15. Average Age of Facility (years)	18.89	19.89	20.89	21.89	21.21	21.59	21.73	21.85	21.97	22.09	↑

# **Addendum to Annual Report**

## **2018 Checklist**

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

**The Forum at Rancho San Antonio  
Assessment and Reserve Funding Disclosure Summary  
Reserve Study - Fiscal Year Ending 2017  
For Budget Year Beginning 2018**

(1) The regular assessment per ownership interest is \$656.70 per month.

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

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

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

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

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

Yes X No    

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

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

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

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is **\$18,922,805**, based in whole or in part on the last reserve study or update prepared by **zumBrunnen, Inc** as of **July 2016**. The projected reserve fund cash balance at the end of the current fiscal year is **\$5,730,744** resulting in reserves being **30.3** percent funded in **December 2018**.

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

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

Year	2017	2018	2019	2020	2021
Estimated Amount Req'd In Fund	16,862,197	18,922,805	20,800,866	22,704,470	23,369,837
Proj. Reserve Balance (Approved)	6,950,079	5,730,744	5,812,626	6,537,409	6,675,982
Percent Funded	41.2%	30.3%	27.9%	28.9%	28.6%

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

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

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

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

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

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

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

**Comparative Fee Schedule for 2018**

**Occupancy Fees:**

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

**Health Care Fee**

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

**Combined Fee, by IL Occupancy Fee plus HealthCare Fee**

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



**2018 Assisted Living Rates For  
The Forum at Rancho San Antonio (Members)**

			HC Occu- pancy Fee Daily	HC Occupancy Fee	HC Fee	Other Applicable fees add Dementia fee as shown on next page	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
AL Permanent 1st member standard fee's			\$ 142.00	\$ 4,319.17 per month	\$ 675.00 per month		add as shown below		\$ 4,994.17
AL Permanent 2nd member standard fee's*			\$ 72.00	\$ 2,190.00 per month	\$ 675.00 per month	add Dementia fee as shown on next page	add as shown below		\$ 2,865.00
Charge for Temporary Days, 2nd and 3rd Meal			\$ 28.00	\$ 851.67 per month	plus HC Fee per month	plus IL Occupancy Fee	add as shown below		
		Room Type	Sq Ft				Room Premium - Differential Per Day	(differential per month)	
A-1	18	Studio	358				\$ -	\$ -	
A-2	14	Studio (with Patio)	358				\$ 10.00	\$ 304.17	
A-3	8	Studio	388				waived		
A-4	2	Studio	391				waived		
B-1	8	Single Studio / Double Studio (without Kitchen)	435				\$ 32.00	\$ 973.33	
B-2	4	Single Studio / Double Studio (with Kitchen)	435				\$ 32.00	\$ 973.33	
C-1	1	One Bed Room	520				\$ 119.00	\$ 3,619.58	
C-2	1	One Bed Room (with Patio)	520				\$ 129.00	\$ 3,923.75	
C-3	2	One Bed Room Deluxe	780				\$ 192.00	\$ 5,840.00	

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



**2018 Assisted Living Rates For  
The Forum at Rancho San Antonio (Members)**

Additional Service Charges to add to Room Charge							
			Per Day				Avg Monthly Rate
		Dementia Fee Level 1	\$ 56.00				\$1,703.33
		Dementia Fee Level 2	\$ 75.00				\$2,281.25
		Respite Daycare	\$ 60.00				

	Other Clarifying charges							
			HC Occupancy Fee	HC Fee		Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
		Posted Base Rate, for conditional member contract	\$ 283.00					\$8,607.92
		Conditional Member I: 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)	\$ 254.70		add as above			\$7,747.13
	Conditional Member II: 90% of Posted Base Rate rate plus room premium as applicable (does not scale down)							
			HC Occupancy Fee	HC Fee		Meal Credit		
		Healthcare Occupancy Fee's for maintaining membership	1st member	\$142.00	\$ 22.19	\$ (33.00)		\$3,990.36
		Healthcare Occupancy Fee's for maintaining membership	2nd member*	\$72.00	\$ 22.19	\$ (33.00)		\$1,861.20
	(To maintain "Membership" at the Forum, either in Independent Living or the Health Care Center, one must pay an Occupancy Fee and a Health Care Fee. These fees entitle you to all Forum activities, services and other amenities. These fees must be paid, irrespective of payments from Medicare or other personal insurance benefits. The minimum Health Center Occupancy Fee's for maintaining membership is the member rate for Model A1 AL Studio less applicable meal credits)							

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

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2018 Assisted Living Rates For The Forum at Rancho San Antonio (Non-Members)					
MODEL		SQ FT	DAILY RATE		AVG MONTHLY RATE
A . 1	Studio	358	\$ 283.00	per day	\$8,608
A . 2	Studio (with Patio)	358	\$ 293.00	per day	\$8,912
A . 3	Studio	388	\$ 293.00	per day	\$8,912
A . 4	Studio	391	\$ 293.00	per day	\$8,912
B . 1	Single Studio / Double Studio (without Kitchen)	435	\$ 315.00	per day	\$9,581
B . 2	Single Studio / Double Studio (with Kitchen)	435	\$ 315.00	per day	\$9,581
C . 1	One Bed Room	520	\$ 402.00	per day	\$12,228
C . 2	One Bed Room (with Patio)	520	\$ 412.00	per day	\$12,532
C . 3	One Bed Room Deluxe	780	\$ 475.00	per day	\$14,448
Additional Charges to add to Room Charge					
	Dementia Fee Level 1		56.00	per day	\$1,703.33
	Dementia Fee Level 2		75.00	per day	\$2,281.25
	*Second Person Fee <small>(Varies upon unit size)</small>		99.00	per day	\$3,011.25
	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*

**2018 Skilled Nursing Rates For  
The Forum at Rancho San Antonio (Members)**

			HC Occu- pancy Fee Daily	HC Occupancy Fee		HC Fee per month		Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
		SNF Permanent 1st member standard fee's	\$206.00	\$6,265.83	per month	\$ 675.00		add as shown below		\$ 6,940.83
		SNF Permanent 2nd member standard fee's*	\$103.00	\$3,132.92	per month	\$ 675.00		add as shown below		\$ 3,807.92
		Charge for Temporary Days, 2nd and 3rd Meal	\$28.00	\$851.67	per month	plus HC Fee	plus IL Occupancy Fee	add as shown below		
		<b>Member room premium</b>						Differential Per Day	(differential per month)	
		Private Room						\$138.00	\$4,197.50	

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

**2018 Skilled Nursing Rates For  
The Forum at Rancho San Antonio (Members)**

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

Other Clarifying charges										
				HC Occupancy Fee		HC Fee		Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
		Posted Base Rate, for conditional member contract		\$408.00						
		Conditional Member I 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)		\$367.20				add as above		\$11,169.00
Conditional Member II: 90% of Posted Base Rate rate plus room premium as applicable (does not scale down)										
				HC Occupancy Fee	HC Occupancy Fee	HC Fee		Meal Credit		
		Health Center Occupancy Fee's for maintaining membership	1st member AL Fee	1st member	\$ 142.00	\$ 22.19		\$ 33.00		\$5,997.86
		Health Center Occupancy Fee's for maintaining membership	2nd member AL Fee	2nd member	\$ 72.00	\$ 22.19		\$ 33.00		\$3,868.70
		(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)								

**2018 Skilled Nursing Rates For  
The Forum at Rancho San Antonio (Non-Members)**

	DAILY RATE
Semi private Room	\$408.00
Private Room	\$546.00

# Cash Requirements - RHC

Guided by Policy 31: Operating Cash Requirements

A. Budget – Short Term Threshold Test						
1	Total Expenses as budgeted for 2019	\$ 17,878,000				
2	75 days required reserve for DSS	\$ 3,673,562				
3	75 days operating expenses	\$ 3,673,562				
4	1 years loan payments	\$ 1,339,000				
5	Required cash reserve	\$ 8,686,123				
6	Estimated Cash					
7	EOY 2018 est. cash	\$ 12,976,500				
8	Transfer to Fixed Asset Reserve	\$ (2,000,000)				
9	Liability for expenses	\$ (1,250,000)				
10	Est. increase/decrease of Cash for 2019 Budget	\$ (85,000)				
11	Estimated Cash	\$ 9,641,500				
12	difference of cash to cash requirements	\$ 955,377				
B. Five Year Outlook – Long Term Threshold Test						
13	Fixed Asset Reserve Requirement	2019B	2020O	2021O	2022O	2023O
14	Fixed Asset Reserve Balance, end of year	5,132,300	5,602,600	5,775,000	5,516,500	7,272,800
15	(See Summary of Reserve Balances for 2019 Budget)					
16	Insurance Reserve Requirement (Business Continuity)					
17	Insurance Reserve Balance, end of year	\$ 1,418,321	\$ 1,446,687	\$ 1,475,621	\$ 1,505,134	\$ 1,535,236
18						\$ 1,565,941
C. Cash on Hand Calculation for RHC:						
19	Cash	2019B	2020O	2021O	2022O	2023O
20	Cash	9,641,500	9,556,500	10,556,500	11,766,500	13,097,500
21	Board Designated, Component Reserve Fund	5,132,300	5,602,600	5,775,000	5,516,500	7,272,800
22	Less 25% for HCC for Fixed Assets	(1,283,075)	(1,400,650)	(1,443,750)	(1,379,125)	(1,818,200)
23	Board Designated, Insurance Reserve Fund	1,418,321	1,446,687	1,475,621	1,505,134	1,535,236
24	Total Unrestricted Cash (for Cash on Hand) [A]	14,909,046	15,205,137	16,363,371	17,409,009	20,087,336
25	Operating Expenses (excl depreciation) [B]	17,878,000	18,414,340	19,150,914	19,916,950	20,713,626
26	Operating Expenses Per Day [B]/365	48,981	50,450	52,468	54,567	56,750
27	Days Cash on Hand Ratio: [A]/[B]/365	304	301	312	319	354
28	Other Statistics					
29	Days Cash on Hand Ratio Year over Year	(15)	(3)	10	7	35
30	Total Revenue Year over Year Increase %		7%	5%	2%	3%
31	Total Expense Year over Year Increase %		3%	3%	3%	3%
32	IL Occupancy Fee Year over Year Increase %		5%	5%	5%	5%

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# Financial Summary

## 2787 Forum at Rancho San Antonio

Budget Summary and Comparison	FY2016 Actual	FY2017 Actual	FY2018 Budget	FY2018 Projected	FY2019 Budget	2019 vs 2018 B	2019 vs 2018 P
<b>Apartment and Other Operating Revenue</b>							
Apartment Revenue	12,190,614	13,024,049	13,560,213	13,728,183	14,151,012	4%	3%
Other Operating Revenue	5,759,712	6,910,245	5,412,942	5,893,720	5,446,816	1%	-8%
<b>Net Apartment and Other Operating Revenue</b>	<b>17,950,327</b>	<b>19,934,294</b>	<b>18,973,155</b>	<b>19,621,903</b>	<b>19,597,828</b>	<b>3%</b>	<b>0%</b>
<b>Operating Expenses</b>							
Clinic Expense	742,087	847,112	1,013,567	999,567	1,008,814	0%	1%
General and Administrative	4,327,418	4,575,139	5,473,909	4,997,894	5,555,184	1%	11%
Plant	3,202,578	3,566,712	3,939,151	3,772,259	4,105,075	4%	9%
Environmental Services	1,255,154	1,418,547	1,580,632	1,519,912	1,657,460	5%	9%
Food & Beverage Services	4,228,797	4,531,693	4,883,993	4,942,140	5,111,523	5%	3%
Resident Services	509,710	451,515	403,902	446,040	439,652	9%	-1%
<b>Total Other Operating Expenses</b>	<b>14,265,744</b>	<b>15,390,719</b>	<b>17,295,155</b>	<b>16,677,811</b>	<b>17,877,708</b>	<b>3%</b>	<b>7%</b>
<b>Net Operating Income</b>	<b>3,684,583</b>	<b>4,543,575</b>	<b>1,678,000</b>	<b>2,944,092</b>	<b>1,720,120</b>	<b>3%</b>	<b>-42%</b>

# Financial Summary

## 2786 Forum at Rancho San Antonio - Health Center

Budget Summary and Comparison	FY2016 Actual	FY2017 Actual	FY2018 Budget	FY2018 Projected	FY2019 Budget	2019 vs 2018 B	2019 vs 2018 P
<b>Health Center and Other Operating Revenue</b>							
Other Operating Revenue	\$315,811	\$262,715	\$245,906	\$392,609	\$392,609	60%	0%
Skilled Nursing Revenue	\$7,236,226	\$6,996,271	\$7,393,175	\$6,624,858	\$7,131,183	-4%	8%
Assisted Living Revenue	\$3,827,686	\$4,160,074	\$3,857,320	\$4,096,960	\$3,604,738	-7%	-12%
Healthcare Fee	\$3,460,878	\$3,525,084	\$3,690,324	\$3,755,442	\$3,972,000	8%	6%
<b>Total Revenue</b>	<b>\$14,840,601</b>	<b>\$14,944,146</b>	<b>\$15,185,725</b>	<b>\$14,869,868</b>	<b>\$15,100,530</b>	<b>-1%</b>	<b>2%</b>
<b>Health Center Expense</b>							
Skilled Nursing Expense	\$4,662,673	\$4,646,364	\$4,746,496	\$4,636,049	\$4,782,732	1%	3%
Assisted Living Expense	\$1,673,889	\$1,799,875	\$2,057,958	\$2,004,805	\$2,066,939	0%	3%
Assisted Living Dementia Expense	\$95,932	\$0	\$0	\$0	\$0		
<b>Total Health Center Expense</b>	<b>\$6,432,494</b>	<b>\$6,446,239</b>	<b>\$6,804,454</b>	<b>\$6,640,854</b>	<b>\$6,849,671</b>	<b>1%</b>	<b>3%</b>
<b>Other Operating Expenses</b>							
General and Administrative	\$2,585,701	\$2,644,779	\$2,788,584	\$2,805,714	\$2,993,409	7%	7%
Plant	\$1,115,735	\$1,240,894	\$1,290,336	\$1,181,510	\$1,333,974	3%	13%
Environmental Services	\$913,378	\$967,256	\$1,076,160	\$951,252	\$1,022,353	-5%	7%
Food & Beverage Services	\$2,293,490	\$2,467,313	\$2,845,314	\$2,537,547	\$2,484,894	-13%	-2%
Resident Services	\$450,305	\$491,317	\$526,655	\$461,433	\$468,879	-11%	2%
<b>Total Other Operating Expenses</b>	<b>\$7,358,610</b>	<b>\$7,811,558</b>	<b>\$8,527,049</b>	<b>\$7,937,456</b>	<b>\$8,303,508</b>	<b>-3%</b>	<b>5%</b>
<b>Total Operating Expense</b>	<b>\$13,791,104</b>	<b>\$14,257,797</b>	<b>\$15,331,503</b>	<b>\$14,578,310</b>	<b>\$15,153,179</b>	<b>-1%</b>	<b>4%</b>
<b>Net Operating Income</b>	<b>\$1,049,497</b>	<b>\$686,349</b>	<b>(\$144,778)</b>	<b>\$291,558</b>	<b>(\$52,649)</b>	<b>-64%</b>	<b>-118%</b>

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