

ANNUAL REPORT CHECKLIST

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 2 copies of all of the following:

- Annual Report Checklist
- Annual Provider Fee in the amount of: \$ 30,540.00
 - If applicable, late fee in the amount of: \$ _____
- Certification by the provider's Chief Executive Officer that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department form), 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

Line	Continuing Care Residents	TOTAL
[1] Number at beginning of fiscal year		465
[2] Number at end of fiscal year		458
[3] Total Lines 1 and 2		923
[4] Multiply Line 3 by “.50” and enter result on Line 5. x .50		x.50
[5] Mean number of continuing care residents		462
All Residents		
[6] Number at beginning of fiscal year		495
[7] Number at end of fiscal year		491
[8] Total Lines 6 and 7		986
[9] Multiply Line 8 by “.50” and enter result on Line 10. x .50		x.50
[10] Mean number of all residents		493
[11] Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).		0.94

FORM 1-2
ANNUAL PROVIDER FEE

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service – interest only)	37,118,902
[a] Depreciation	4,494,608
[b] Debt Service (Interest Only) \$304,451 reported int exp was capitalized	-
[2] Subtotal (add Line 1a and 1b)	4,494,608
[3] Subtract Line 2 from Line 1 and enter result.	32,624,294
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	30,539,780
[5] Total Operating Expense for Continuing Care Residents	
[6] Total Amount Due (multiply Line 5 by .001)	x.001 30,540

PROVIDER: Rancho San Antonio, RHC & RSI

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



THE FORUM

AT RANCHO SAN ANTONIO

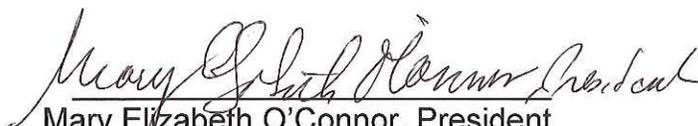


May 5, 2020

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


Date



EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

DATE (MM/DD/YYYY)

6/27/2019

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 Affiliated FM Insurance Company/Landmark American Insurance Company P.O. Box 7500 Johnston RI 02919	NAIC NO: 10014
FAX (A/C, No): 312-803-7443	E-MAIL ADDRESS:		IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH	
CODE:	SUB CODE:		POLICY TYPE Property	
AGENCY CUSTOMER ID #:		LOAN NUMBER	POLICY NUMBER ER934/LHT908200	
NAMED INSURED AND ADDRESS The Forum at Rancho San Antonio 23500 Cristo Rey Drive Cupertino, CA 95014		EFFECTIVE DATE 06/30/2019	EXPIRATION DATE 06/30/2020	<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 PROPERTY

LOCATION / DESCRIPTION 23500 Cristo Rey Drive Cupertino, CA 95014
THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION		PERILS INSURED	BASIC	BROAD	<input checked="" type="checkbox"/>	SPECIAL	
COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: \$ 294,811,650						DED: \$30,000	
<input checked="" type="checkbox"/> BUSINESS INCOME	<input type="checkbox"/> RENTAL VALUE	YES	NO	N/A		If YES, LIMIT: Incl in PolLim <input checked="" type="checkbox"/> Actual Loss Sustained; # of months: 12	
BLANKET COVERAGE		X				If YES, indicate value(s) reported on property identified above: \$ 294,811,650	
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: \$500,000,000 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: DED:	
FLOOD (If Applicable)		X				If YES, LIMIT: \$250,000,000 DED: \$500,000	
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 type="checkbox"/>	LENDER'S LOSS PAYABLE <input type="checkbox"/>	LOSS PAYEE <input type="checkbox"/>	LENDER SERVICING AGENT NAME AND ADDRESS
MORTGAGEE <input type="checkbox"/>			AUTHORIZED REPRESENTATIVE 
NAME AND ADDRESS Evidence of Property			

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ADDITIONAL REMARKS SCHEDULE

AGENCY Arthur J. Gallagher Risk Management Services, Inc.		NAMED INSURED The Forum at Rancho San Antonio 23500 Cristo Rey Drive Cupertino, CA 95014	
POLICY NUMBER		EFFECTIVE DATE:	
CARRIER	NAIC CODE		

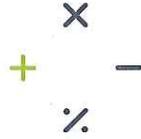
ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,
 FORM NUMBER: 28 FORM TITLE: EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

REMARKS:

Program Limit:
 \$500,000,000 Per Occurrence/Agg (Shared) – Affiliated FM Insurance Company
 \$250,000,000 Per Occurrence/Agg Excess of \$500,000,000 (Shared) – Landmark American Insurance Company

Location Covered:
 Cupertino City & Park Center Apartments
 20380 Stevens Creek Blvd #104 Cupertino, CA 95014



*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, 2019 and 2018



MOSSADAMS

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, as of and for the year ended December 31, 2019, the Company adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. The adoption of the standard resulted in additional footnote disclosures and has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

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, 2019, for Rancho San Antonio Retirement Housing Corporation and Rancho San Antonio Retirement Services, Inc., presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



San Francisco, California
April 23, 2020

Consolidated Financial Statements

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Consolidated Balance Sheets
December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,278,649	\$ 20,507,791
Investments	10,577,269	8,025,139
Accounts receivable	899,862	872,738
Inventories	79,621	67,934
Prepaid expenses & other assets	1,179,081	1,133,919
Total current assets	<u>28,014,482</u>	<u>30,607,521</u>
PROPERTY AND EQUIPMENT		
Land rights and improvements	17,065,953	16,489,373
Buildings and improvements	124,679,886	121,912,500
Furniture and equipment	12,074,780	12,096,696
Construction in process	25,525,706	9,714,913
Property and equipment	<u>179,346,325</u>	<u>160,213,482</u>
Less accumulated depreciation	<u>(96,828,867)</u>	<u>(92,897,584)</u>
Property and equipment, net	82,517,458	67,315,898
BOARD-DESIGNATED INVESTMENTS	14,681,393	13,397,556
Total assets	<u>\$ 125,213,333</u>	<u>\$ 111,320,975</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accrued liabilities	\$ 5,927,599	\$ 2,469,074
Current portion of deferred escrow transaction fees	357,278	315,776
Member advances	12,660,910	15,873,798
Total current liabilities	<u>18,945,787</u>	<u>18,658,648</u>
CONSTRUCTION LOAN PAYABLE	15,535,314	5,000,000
DEFERRED ESCROW TRANSACTION FEES, net of current portion	<u>2,409,756</u>	<u>2,342,052</u>
Total liabilities	<u>36,890,857</u>	<u>26,000,700</u>
MEMBERS' EQUITY	<u>88,322,476</u>	<u>85,320,275</u>
Total liabilities and members' equity	<u>\$ 125,213,333</u>	<u>\$ 111,320,975</u>

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2019 and 2018**

	2019	2018
REVENUES		
Resident service revenue	\$ 28,484,156	\$ 27,445,359
Ancillary revenue	1,324,841	1,357,893
Appreciation on resale of memberships	3,629,718	3,944,000
Commission on sale of memberships	1,270,522	1,294,150
Net unrealized gain on investments	3,199,267	-
Interest and investment income	703,639	1,570,575
	38,612,143	35,611,977
OPERATING EXPENSES		
Salaries	14,899,734	14,330,775
Employee benefits and taxes	4,465,748	4,201,641
Insurance	771,338	715,804
Legal and professional	127,518	254,688
Depreciation	4,494,608	4,429,183
Management fees	1,393,797	1,368,789
Marketing	613,616	715,540
Property taxes	481,777	526,613
Utilities	1,714,496	1,561,609
Cable and IT services	588,715	560,980
Maintenance and supplies	1,637,572	1,619,370
Food and supplies	2,624,629	2,895,711
Ancillary	859,572	775,886
Other	2,445,782	2,120,103
	37,118,902	36,076,692
NET OPERATING INCOME (LOSS)	1,493,241	(464,715)
OTHER INCOME (EXPENSE)		
Amortization of escrow transaction and exit fees	1,348,211	1,389,192
Interest income (expense)	10,664	(248,205)
Net unrealized (loss) on investments	-	(2,747,244)
Other income	119,987	6,153
	2,972,103	(2,064,819)
Income (loss) before provision for income taxes	2,972,103	(2,064,819)
PROVISION FOR INCOME TAXES	30,098	(16,838)
NET INCOME (LOSS)	\$ 3,002,201	\$ (2,081,657)

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Consolidated Statements of Changes in Members' Equity
Years Ended December 31, 2019 and 2018**

	Cooperative Memberships, net	Accumulated Deficit in Retained Earnings	Total Members' Equity
	<u> </u>	<u> </u>	<u> </u>
Balance, January 1, 2018	\$ 118,344,015	\$ (30,942,083)	\$ 87,401,932
Net loss	<u> -</u>	<u> (2,081,657)</u>	<u> (2,081,657)</u>
Balance, December 31, 2018	<u>118,344,015</u>	<u>(33,023,740)</u>	<u>85,320,275</u>
Net income	<u> -</u>	<u> 3,002,201</u>	<u> 3,002,201</u>
Balance, December 31, 2019	<u><u>\$ 118,344,015</u></u>	<u><u>\$ (30,021,539)</u></u>	<u><u>\$ 88,322,476</u></u>

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents for housing services	\$ 13,931,478	\$ 13,327,366
Cash received from residents and third-party payors for medical services	10,162,788	9,456,216
Cash received from noncontract residents	3,890,542	3,728,310
Cash received from ancillary revenues and other income	1,797,065	2,139,339
Cash received for resale of memberships	3,629,718	3,944,000
Cash received from commission of sales of memberships	1,270,522	1,294,150
Cash paid for operating activities, including suppliers and employees	(28,725,128)	(30,142,952)
Cash received from interest	696,192	758,063
Cash paid for interest	(304,451)	(641,454)
Net cash provided by operating activities	6,348,726	3,863,038
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(19,721,011)	(7,187,437)
Purchases of investments	(999,649)	(1,920,226)
Proceeds from investments	781,562	5,502,499
Net change in board-designated cash and investments	(418,613)	(422,234)
Net cash used in investing activities	(20,357,711)	(4,027,398)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from member advances	5,464,000	3,316,000
Repayment of member advances	(8,676,888)	(3,000,000)
Proceeds from escrow transaction fees	1,457,417	1,510,800
Net payments for line of credit	-	(6,000,000)
Proceeds from construction loan from bank	10,535,314	5,000,000
Repayment of note payable to bank	-	(5,529,862)
Net cash provided by (used in) financing activities	8,779,843	(4,703,062)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(5,229,142)	(4,867,422)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	20,507,791	25,375,213
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	\$ 15,278,649	\$ 20,507,791
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income (loss)	\$ 3,002,201	\$ (2,081,657)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Unrealized (gain) loss on investments	(3,199,267)	2,747,244
Depreciation	4,494,608	4,429,183
Loss on disposal of equipment	24,843	83,513
Amortization of deferred escrow transaction and exit fees	(1,348,211)	(1,389,192)
Changes in assets and liabilities:		
Accounts receivable	(27,124)	(152,021)
Inventories	(11,687)	21,256
Other receivables	-	13,555
Prepaid expenses	(45,162)	(331,509)
Accrued liabilities	3,458,525	522,666
Net cash provided by operating activities	\$ 6,348,726	\$ 3,863,038
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for income taxes	\$ 10,800	\$ 17,300

See accompanying notes.

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

Notes to Consolidated Financial Statements

NOTE 1 – DESCRIPTION OF THE ORGANIZATION

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

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

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

The Community has proposed a significant renovations and additions project to the Cupertino City Council for its existing campus. The proposed project would result in up to 23 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). 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, 2019, the total project commitment amount is \$97,956,868.

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**

In November 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 Company adopted ASU 2016-18 on January 1, 2019. As a result of adopting ASU 2016-18, the Company revised the presentation of cash, cash equivalents, and restricted cash on the statements of cash flows for all periods presented. There is no change in the cash flow activity for the years ended December 31, 2019 and 2018, as a result of the adoption. The following table provides a reconciliation of cash, cash equivalents, and restricted cash balances within the statements of financial position that sums to the total of the same amounts shown in the statements of cash flows:

	2019	2018
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	\$ 15,278,649	\$ 20,507,791
Total cash, cash equivalents, and restricted cash on the statements of cash flows	\$ 15,278,649	\$ 20,507,791

Investments – The Company’s investments are included in the following captions on the consolidated balance sheets: investments and board-designated investments. Investments consist of 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, 2019 and 2018, the net accumulated unrealized gains on investments were \$3,885,937 and \$686,670, 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 and providing appropriate implicit and explicit price concessions.

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.

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.

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

Notes to Consolidated Financial Statements

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, 2019 and 2018.

Board-designated cash and investments – Board-designated investments are funds designated for property, equipment repairs and replacements, and insurance costs. Board-designated investments also include the following:

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.

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, 2019 and 2018. The discount rate used to calculate the obligation to provide future services is 6% for 2019 and 2018.

Revenue recognition – On January 1, 2019, the Company adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606") applying the full retrospective method. All periods presented have been adjusted and are reported in accordance with ASC 606. The adoption of ASC 606 did not have a material impact on the measurement nor on the recognition of revenue.

Resident services revenue

Resident services revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled to in exchange for the services provided. 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 in accordance with provisions in ASC 840, *Leases* ("ASC 840").

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

Ancillary revenue

Ancillary revenue on the consolidated statements of operations includes revenue from independent living of \$432,792 and \$478,647 for the years ended December 31, 2019 and 2018, respectively which is recognized in accordance with ASC 840. The remaining ancillary revenues from supplementary services and other items requested by the resident is reported at the amount that reflects the consideration to which the Company expects to be entitled to in exchange for providing these services. These amounts are due from residents, third-party payors (including health insurers), Medicare, and others. Revenue is recognized in the month in which the performance obligations are satisfied.

Revenue for health service performance obligations satisfied over time is recognized based on actual charges incurred. The Company believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the assisted living and skilled nursing facility. The Company measures the performance obligation from admission into assisted living and the skilled nursing facility to the point when it is no longer required to provide health care services to that resident, which is generally at the time of discharge.

The Company determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to Medicare and third-party payors. The Company determines its estimates of contractual adjustments based on contractual agreements and historical experience.

Agreements with Medicare and third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with Medicare and third-party payors follows:

- Medicare: Certain health care services are paid at prospectively determined rates per discharge based on clinical, diagnostic, or other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physical services are paid based upon established fee schedules.
- Third-party payors: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

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.

Generally, patients who are covered by Medicare and third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Company estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments determined by a resident by resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to ancillary revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2018 and 2019, was not significant.

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

The following table shows ancillary revenue by line of service:

	<u>2019</u>	<u>2018</u>
Ancillary line of service		
Assisted living	\$ 515,020	\$ 496,648
Skilled nursing facility	<u>377,029</u>	<u>382,598</u>
	<u>\$ 892,049</u>	<u>\$ 879,246</u>

Appreciation on resale of memberships

Upon the sale of a resident's membership, the resident pays RHC a "shared appreciation fee" based on a portion of the appreciation in the membership. The shared appreciation fee is equal to one half of the excess, if any, of (a) the greater of (i) the fair market value of the membership, as determined by M.A.I. appraiser selected by RHC, or (ii) the gross sale price of the membership, not reduced by any commissions, taxes, fees, or charges incidental to the sale; over (b) the membership purchase price. Revenue is recognized for this shared appreciation fee in the period that escrow closes on the sale of the membership, which is when the performance obligation is satisfied.

Commission on sale of memberships

Upon sale of a resident's Membership, the resident pays a RHC a sales commission. The commission is 1% of (a) the greater of (i) the fair market value of the membership, as determined by an M.A.I. appraiser selected by RHC, or (ii) the gross sale price of the membership, not reduced by any commissions, taxes, fees, or charges incidental to the sale. Revenue is recognized for this commission in the period that escrow closes on the sale of the membership, which is when the performance obligation is satisfied.

Amortization of escrow transaction and exit fees

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 and Community capital needs. The basic residence agreement creates a performance obligation to be satisfied over the resident's remaining life at the Company. 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. The performance obligation is satisfied upon termination of the residency agreement. 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.

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, 2019 and 2018, 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 FASB Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*.

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

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

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, prepaid expenses & other assets, 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:

	<u>2019</u>	<u>2018</u>
Medicare	46%	47%
Private pay	45%	42%
Third-party insurance	6%	5%
Other payors	3%	6%
	<u>100%</u>	<u>100%</u>

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

Notes to Consolidated Financial Statements

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

Advertising costs – The Company expenses advertising costs as incurred. Advertising cost totaled \$231,629 and \$299,093 for the years ended December 31, 2019 and 2018, respectively.

Net operating income (loss) – The statements of operations include net operating income (loss). 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.

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 requires entities to measure equity investments that are not accounted for under the equity method or do not result in consolidation to be recorded at fair value and recognize any changes in fair value in the performance indicator. The Company adopted ASU 2016-01 on January 1, 2019. ASU 2016-01 requires the use of the cumulative effect transition method, except for equity securities without readily determinable fair values, for which the ASU 2016-01 requires the application of the prospective transition method. As a result, unrealized gains of \$3,199,267 for the year ended December 31, 2019, are presented within net operating income. If ASU 2016-01 had been comparative, unrealized losses of \$2,747,244 would have been presented within net operating loss for the year ended December 31, 2018. Management determined no cumulative effect adjustment was necessary as of January 1, 2019. There was no net impact to change in total members' equity.

Recent accounting pronouncements – 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.

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**

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, 2019 and 2018, 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:

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, 2019 and 2018, management has performed a qualitative assessment 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, 2019 and 2018, were as follows:

Description	2019			Total
	Level 1	Level 2	Level 3	
Equity				
Domestic	\$ 8,748,971	\$ -	\$ -	\$ 8,748,971
International	5,188,874	-	-	5,188,874
Fixed Income Funds				
Domestic	7,899,335	-	-	7,899,335
International	3,421,482	-	-	3,421,482
	<u>\$ 25,258,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,258,662</u>

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
	<u>\$ 21,422,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,422,695</u>

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

	2019	2018
Investments	\$ 10,577,269	\$ 8,025,139
Board-designated investments	14,681,393	13,397,556
	<u>\$ 25,258,662</u>	<u>\$ 21,422,695</u>

NOTE 4 – LONG-TERM DEBT

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, 2019 and 2018, the Company has drawn down \$15,535,314 and \$5,000,000, respectively, 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, 2019.

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

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

	2019	2018
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 2.78% at December 31, 2019. 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.	\$ 15,535,314	\$ 5,000,000
Less current portion	-	-
	\$ 15,535,314	\$ 5,000,000

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 on the line of credit as of December 31, 2018.

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 \$1,393,740 and \$1,368,789 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, RHC’s reserves, as calculated in accordance with Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements.

NOTE 7 – INCOME TAXES

The provision for income taxes was (\$30,098) and \$16,838 for the years ended December 31, 2019 and 2018, respectively.

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

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

	<u>2019</u>	<u>2018</u>
Deferred income tax assets (liabilities):		
Net operating loss, capital loss, and contributions carryover	\$ 3,211,345	\$ 3,159,843
Buyers fees	774,316	743,756
Depreciation	96,240	(2,161,759)
Bad debts	7,654	7,790
Accrued liabilities and change in accounting method	198,225	188,562
Unrealized loss (gain) on securities	<u>(24,269)</u>	<u>501,809</u>
 Total deferred income tax assets	 4,263,511	 2,440,001
 Valuation allowance	 <u>(4,263,511)</u>	 <u>(2,440,001)</u>
 Net deferred income taxes	 <u>\$ -</u>	 <u>\$ -</u>

The valuation allowance increased by \$1,823,510 during the year ended December 31, 2019, and decreased by \$701,977 during the year ended December 31, 2018.

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 \$14,712,587, of which \$12,294,868 begin to expire in 2021 and \$2,417,718 that may be carried forward indefinitely. Net operating loss carryforwards for California tax purposes amount to approximately \$1,632,590 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.

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, 2019, the Company has expended \$23,014,063 for the new buildings and major renovations project.

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

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 to December 31, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. Our results of operations could be adversely affected to the extent that coronavirus or any other epidemic harms the global economy. Although the Company does not expect the impact on its operations and financial results to be significant, the duration and intensity of the impact of the coronavirus and resulting disruption to the Company's operations is uncertain.

The Company held investments at December 31, 2019, that have experienced a significant decline in market value in 2020 as a result of market reaction to the coronavirus outbreak. The Company will continue to monitor the situation closely, but the market volatility and the continuing situation surrounding the coronavirus is uncertain. At this time management believes the decline in fair value for these securities is temporary.

Subsequent events have been evaluated through April 23, 2020, 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, 2019**

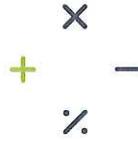
	RHC	RSI	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 10,208,641	\$ 5,070,008	\$ -	\$ 15,278,649
Investments	10,577,269	-	-	10,577,269
Accounts receivable	46,837	853,025	-	899,862
Accounts receivable from RHC	-	448,277	(448,277)	-
Inventories	45,954	33,667	-	79,621
Prepaid expenses	730,875	448,206	-	1,179,081
Total current assets	<u>21,609,576</u>	<u>6,853,183</u>	<u>(448,277)</u>	<u>28,014,482</u>
PROPERTY AND EQUIPMENT				
Land rights and improvements	17,065,953	-	-	17,065,953
Buildings and improvements	124,679,886	-	-	124,679,886
Furniture and equipment	12,074,780	-	-	12,074,780
Construction in process	25,525,706	-	-	25,525,706
Property and equipment	179,346,325	-	-	179,346,325
Less accumulated depreciation	<u>(96,828,867)</u>	<u>-</u>	<u>-</u>	<u>(96,828,867)</u>
Property and equipment, net	82,517,458	-	-	82,517,458
BOARD-DESIGNATED INVESTMENTS	<u>7,742,709</u>	<u>6,938,684</u>	<u>-</u>	<u>14,681,393</u>
Total assets	<u>\$ 111,869,743</u>	<u>\$ 13,791,867</u>	<u>\$ (448,277)</u>	<u>\$ 125,213,333</u>
LIABILITIES AND MEMBERS' EQUITY				
CURRENT LIABILITIES				
Accrued liabilities	\$ 5,009,022	\$ 918,577	\$ -	\$ 5,927,599
Accounts payable to RSI	448,277	-	(448,277)	-
Current portion of deferred escrow transaction fees	357,278	-	-	357,278
Member advances	-	12,660,910	-	12,660,910
Total current liabilities	5,814,577	13,579,487	(448,277)	18,945,787
CONSTRUCTION LOAN PAYABLE	15,535,314	-	-	15,535,314
DEFERRED ESCROW TRANSACTION FEES, net of current portion	<u>2,409,756</u>	<u>-</u>	<u>-</u>	<u>2,409,756</u>
Total liabilities	23,759,647	13,579,487	(448,277)	36,890,857
MEMBERS' EQUITY	<u>88,110,096</u>	<u>212,380</u>	<u>-</u>	<u>88,322,476</u>
Total liabilities and members' equity	<u>\$ 111,869,743</u>	<u>\$ 13,791,867</u>	<u>\$ (448,277)</u>	<u>\$ 125,213,333</u>

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.
Consolidating Statement of Operations
Year Ended December 31, 2019**

	RHC	RSI	Eliminations	Total
REVENUES				
Resident service revenue	\$ 13,936,439	\$ 14,547,717	\$ -	\$ 28,484,156
Ancillary revenue	432,792	892,049	-	1,324,841
Appreciation on resale of memberships	3,629,718	-	-	3,629,718
Commission on sale of memberships	1,270,522	-	-	1,270,522
Rental income from RSI	1,593,516	-	(1,593,516)	-
Net unrealized gains on investments	2,320,171	879,096	-	3,199,267
Interest and investment income	490,895	212,744	-	703,639
	<u>23,674,053</u>	<u>16,531,606</u>	<u>(1,593,516)</u>	<u>38,612,143</u>
OPERATING EXPENSES				
Salaries	7,288,813	7,610,921	-	14,899,734
Employee benefits and taxes	2,295,829	2,169,919	-	4,465,748
Insurance	609,151	162,187	-	771,338
Legal and professional	71,612	55,906	-	127,518
Depreciation	4,494,608	-	-	4,494,608
Management fees	736,856	656,941	-	1,393,797
Marketing	578,448	35,168	-	613,616
Property taxes	481,777	-	-	481,777
Utilities	1,184,932	529,564	-	1,714,496
Cable and IT services	379,498	209,217	-	588,715
Maintenance and supplies	1,354,271	283,301	-	1,637,572
Food and supplies	1,684,059	940,570	-	2,624,629
Ancillary	-	859,572	-	859,572
Other	723,915	1,721,867	-	2,445,782
Rental expense to RHC	-	1,593,516	(1,593,516)	-
	<u>21,883,769</u>	<u>16,828,649</u>	<u>(1,593,516)</u>	<u>37,118,902</u>
NET OPERATING INCOME (LOSS)	1,790,284	(297,043)	-	1,493,241
OTHER INCOME				
Amortization of escrow transaction and exit fees	848,211	500,000	-	1,348,211
Interest income	10,664	-	-	10,664
Other income	83,374	36,613	-	119,987
	<u>2,732,533</u>	<u>239,570</u>	<u>-</u>	<u>2,972,103</u>
PROVISION FOR INCOME TAXES	30,898	(800)	-	30,098
NET INCOME	\$ 2,763,431	\$ 238,770	\$ -	\$ 3,002,201



MOSSADAMS



*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, 2019

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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, 2019.

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, 2019, 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 5-5, Reconciliation to Audit Report, presented as a supplementary schedule, is presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Restriction on Use

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



San Francisco, California
May 5, 2020

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, 2019**

**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	12/11/18	\$0	\$304,451	\$0	\$304,451
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
	TOTAL:	\$0	\$304,451	\$0	\$304,451

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

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

NOTE: For column (b), no principal was paid during the fiscal year. Principal paydown on the debt, according to the debt agreement, is based on proceeds from independent living unit sales. No proceeds were received during the fiscal year.

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, 2019**

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

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

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

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

PROVIDER: Rancho San Antonio, RHC & RSI

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

**Form 5-3
Calculation of Long-Term Debt Reserve Amount
December 31, 2019**

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$304,451</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</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>\$304,451</u></u>

PROVIDER: Rancho San Antonio, RHC & RSI

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

**Form 5-4
Calculation of Net Operating Expenses
December 31, 2019**

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

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$37,118,902</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$304,451</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
	c. Depreciation	<u>\$4,494,608</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>\$3,890,542</u>	
	f. Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$8,689,601</u>
4	Net Operating Expenses		<u>\$28,429,301</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$77,888</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$5,841,600</u></u>

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

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

ANNUAL RESERVE CERTIFICATION

Provider Name: Rancho San Antonio, RHC & RSI
Fiscal Year Ended: December 31, 2019

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2019 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>\$304,451</u>
[2] Operating Expense Reserve Amount	<u>\$5,841,600</u>
[3] Total Liquid Reserve Amount:	<u>\$6,146,051</u>

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

<u>Qualifying Asset Description</u>	<u>Amount</u>	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$304,451</u>	<u>\$304,451</u>	<u>\$14,974,198</u>
[5] Investment Securities	<u>\$0</u>	<u>\$0</u>	<u>\$10,577,269</u>
[6] Equity Securities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
[7] Unused/Available Lines of Credit	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
[8] Unused/Available Letters of Credit	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
[9] Debt Service Reserve	<u>\$0</u>	<u>\$0</u>	<u>(not applicable)</u>
[10] Other: Board Designated Investments	<u>\$0</u>	<u>\$0</u>	<u>\$14,681,393</u>
<hr/>			
<u>(describe qualifying asset)</u>			
Listed for Reserve Obligation: [11]	<u>\$304,451</u>	[12]	<u>\$40,232,860</u>
Reserve Obligation Amount: [13]	<u>\$304,451</u>	[14]	<u>\$5,841,600</u>
Surplus/(Deficiency): [15]	<u>\$0</u>	[16]	<u>\$34,391,260</u>

Signature: 

(Authorized Representative)

Date: May 5, 2020

Chief Financial Officer
(Title)

Supplementary Schedules

**Rancho San Antonio Retirement Housing Corporation and
Rancho San Antonio Retirement Services, Inc.**
Supplementary Form 5-5
Reconciliation to Audit Report
December 31, 2019

Description of Reserves under SB 1212 – Cash and Cash Equivalents

	<u>Total</u>
Cash and cash equivalents	\$ 15,278,649
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 15,278,649</u>
TOTAL CASH AND CASH EQUIVALENTS FOR DEBT SERVICE RESERVE	\$ 304,451
TOTAL CASH AND CASH EQUIVALENTS FOR OPERATING RESERVE	<u>14,974,198</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 15,278,649</u>

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

NOTE 1 – BASIS OF ACCOUNTING

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



MOSSADAMS

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

Fiscal Year Ended: 12/31/2019

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

Description of Reserves under SB 1212

Cash and Cash Equivalents \$15,278,649

TOTAL CASH AND CASH EQUIVALENTS \$15,278,649

TOTAL CASH AND CASH EQUIVALENTS
FOR DEBT SERVICE RESERVE \$304,451

TOTAL CASH AND CASH EQUIVALENTS
FOR OPERATING RESERVE \$14,974,198

TOTAL CASH AND CASH EQUIVALENTS \$15,278,649

Per Capita Cost of Operations
Operating Expenses \$37,118,902
(Form 5-4 line #1)

Mean number of all residents 493
(Form 1-1 line #10)

Per Capita Cost of Operations \$75,292

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

Date Prepared: 4/29/2020

FACILITY NAME: Rancho San Antonio - Retirement Housing Corp (RHC) & Retirement Services, Inc. (RSI), dba The Forum at Rancho San Antonio
 ADDRESS: 35000 Cristo Rey Dr. Cupertino CA ZIP CODE: 95014 PHONE: 655-944-0100
 PROVIDER NAME: RSA, RHC & RSI FACILITY OPERATOR: Managed by Life Care Services
 RELATED FACILITIES: _____ RELIGIOUS AFFILIATION: none
 YEAR 1991 # OF 52 SINGLE MULTI- MILES TO SHOPPING CTR: 1.5
 OPENED: _____ ACRES: _____ STORY _____ STORY OTHER: _____ MILES TO HOSPITAL: < 5

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: _____	ASSISTED LIVING: <u>58</u>
APARTMENTS — 1 BDRM: <u>135</u>	SKILLED NURSING: <u>48</u>
APARTMENTS — 2 BDRM: <u>124</u>	SPECIAL CARE: _____
COTTAGES/HOUSES: <u>60</u>	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: <u>95%</u>	> <u>90%</u>

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

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

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: 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' role): >
Per RHC Bylaws, Board Directors are elected by the resident members
 > (board members elected are residents w/in the community, nominated by the nominating committee). Per RSI Bylaws, RHC is the sole member and appoints 7 RSI board members, 5 required to be residents.

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

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

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

OTHER CCRCs

Forum at Rancho San Antonio, RHC

Forum at Rancho San Antonio, RSI

LOCATION (City, State)

23500 Cristo Rey Dr. Cupertino, CA 95014

23600 Via Esplendor, Cupertino, CA 95014

PHONE (with area code)

650-944-0100

650-944-0200

MULTI-LEVEL RETIREMENT COMMUNITIES

Forum at Rancho San Antonio, RHC

Forum at Rancho San Antonio, RSI

LOCATION (City, State)

23500 Cristo Rey Dr. Cupertino, CA 95014

23600 Via Esplendor, Cupertino, CA 95014

PHONE (with area code)

650-944-0100

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: _____

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	\$32,224,525	\$34,851,185	\$35,611,977	\$38,612,143
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	-\$28,402,486	-\$29,805,366	-\$31,647,509	-\$32,624,294
NET INCOME FROM OPERATIONS	\$3,822,039	\$5,045,816	\$3,964,468	\$5,987,849
LESS INTEREST EXPENSE	-\$192,981	-\$344,787	-\$248,205	\$10,664
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	\$2,493,602	\$4,197,290	-\$1,351,899	\$1,498,296
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$6,122,660	\$8,861,969	\$2,347,526	\$7,496,809
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)				

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
BBVA	\$15,535,314	2.78%	12/11/18	12/10/21	interest only

FINANCIAL RATIOS (see next page for ratio formulas)

	<u>2017 CCAC Medians 50th Percentile (optional)</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
DEBT TO ASSET RATIO		0.046	0.045	0.124
OPERATING RATIO		0.77	0.93	0.81
DEBT SERVICE COVERAGE RATIO		15.3	2.7	21.6
DAYS CASH ON HAND RATIO		501.7	412.2	454.1

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2016</u>	<u>%</u>	<u>2017</u>	<u>%</u>	<u>2018</u>	<u>%</u>	<u>2019</u>	<u>%</u>
STUDIO								
ONE BEDROOM	\$2,104	5.2%	\$2,224	5.7%	\$2,325	4.5%	\$2,448	5.3%
TWO BEDROOM	\$3,389	5.2%	\$3,583	5.7%	\$3,745	4.5%	\$3,943	5.3%
COTTAGE/HOUSE	\$3,506	5.2%	\$3,707	5.7%	\$3,874	4.5%	\$4,079	5.3%
ASSISTED LIVING	\$4,057	3.4%	\$4,168	2.7%	\$4,319	3.6%	\$4,502	4.2%
SKILLED NURSING	\$5,826	5.2%	\$6,022	3.4%	\$6,266	4.1%	\$6,388	1.9%
SPECIAL CARE	\$1,555	2.3%	\$1,582	1.7%	\$1,703	7.6%	\$1,703	0.0%

COMMENTS FROM PROVIDER: > HC Fee 2016 = \$645 (1.6%) 2017 = \$645 (0%) 2018 = \$675 (4.7%) 2019 = \$699 (3.6%)

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

> See attached fee schedules for each rate.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

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

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2448-\$5167 plus \$699 HC Fee</u>	<u>\$4502 plus \$699 HC Fee</u>	<u>\$6388 plus \$699 HC Fee</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>5.3% and 3.6% HC Fee</u>	<u>4.2% and 3.6% HC Fee</u>	<u>2.0% and 3.6% HC Fee</u>

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

[3] Indicate the date the fee increase was implemented: Jan 1, 2019
(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. **Date of Notice:** Oct 11 2018
Method of Notice: Meeting and Mail
- 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. **Date of Meeting:** Oct 11 2018
- 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. **Date of Notice:** Sep 27 2018
- 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. **Date of Posting:** Sep 27 2018
Location of Posting: Mail Box Area

[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

**FORM 7-1 MONTHLY CARE FEE INCREASE (MCFI)
ANNUAL REPORTING FISCAL YEAR (F/Y) 2019**

Dollar Amounts in Thousands

Line	Fiscal Years	2017	2018	2019
1	F/Y 2017 Operating Expenses < 1 >	-\$34,221		
2	F/Y 2018 Operating Expenses < 2 > (Adjustments if any, Explained Below)		-\$36,077	
3	Projected F/Y 2019 Results of Operations < 2 > (Adjustments < 3 > Explained Below)			-\$37,587
4	F/Y 2019 Anticipated MCF Revenue < 2 > Based on Current and Projected Occupancy and Other without a MCFI			\$33,488
5	Projected F/Y 2019 (Net) Operating Results < 2 > without a MCFI (Line 3 plus 4)			-\$4,099
6	Projected F/Y 2019 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI 3.6%			\$34,699
7	Grand Total - Projected F/Y 2019 Net Operating Activity After 3.6% MCFI (Lines 3 plus 6)			-\$2,888
Monthly Care Fee Increase:				3.6%

Narrative

FY17-FY18: Significant Wage pressure in the Bay Area. To ensure labor retention, wages were adjusted, ranging from 5% - 10%, depending upon job categories and new minimum wage laws.

FY18-FY19: FY18 experienced staffing attrition due to competitive environment. FY19 budget is to get back to anticipated staffing levels.

Sufficient Fee increases were needed to support the competitive labor market.

- < 1 > Enter the total operating expenses from the independent audit of the Statement of Operations
- < 2 > Internal Accounting and Budget Records does not include entrance fees
- < 3 > "Adjustments" can include but not limited to reserves
- < 4 > "Other" can include but not limited to Contributions and Ancillary

KEY INDICATORS REPORT: Rancho San Antonio, RHC & RSI

Date Prepared: 4/30/20

Executive Director Signature

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

	2015	2016	2017	2018	2019	2020	Forecast				Preferred Trend Indicator
							2021	2022	2023	2024	
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	92.90%	93.90%	96.07%	96.48%	96.20%	96.20%	96.20%	96.20%	96.20%	96.20%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	12.84%	11.93%	14.48%	11.13%	15.51%	3.83%	6.89%	9.78%	12.90%	16.49%	↑
3. Net Operating Margin - Adjusted (%)	12.84%	11.93%	14.48%	11.13%	15.51%	3.83%	6.89%	9.78%	12.90%	16.49%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments (\$000)	\$27,427	\$31,707	\$41,498	\$41,930	\$40,537	\$41,113	\$41,708	\$42,321	\$42,954	\$43,608	↑
5. Days Cash on Hand (Unrestricted)	377	408	508	484	454	425	417	407	395	384	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees (\$000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A
7. Net Annual E/F proceeds (\$000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A
8. Unrestricted Net Assets (\$000)	\$81,170	\$82,955	\$87,402	\$85,320	\$88,322	\$89,205	\$90,097	\$90,998	\$91,908	\$92,827	N/A
9. Annual Capital Asset Expenditure (\$000)	\$2,033	\$2,166	\$2,992	\$3,031	\$5,400	\$3,344	\$4,391	\$5,623	\$2,827	\$2,912	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	0.40	2.91	4.95	-0.15	9.86	-2.57	-2.68	-0.25	-0.12	0.91	↑
11. Annual Debt Service Coverage (x)	4.82	9.02	10.78	12.61	21.63	1.81	5.93	4.81	3.11	4.28	↑
12. Annual Debt Service/Revenue (%)	17.98%	16.83%	14.95%	16.82%	38.06%	106.09%	49.09%	78.78%	72.97%	63.16%	↓
13. Average Annual Effective Interest Rate (%)	7.12%	7.12%	7.12%	7.12%	1.96%	3.00%	3.00%	3.00%	4.94%	4.94%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	533.80%	573.39%	750.43%	838.61%	260.94%	117.47%	231.71%	132.25%	136.36%	140.67%	↑
15. Average Age of Facility (years)	19.89	20.89	21.89	20.97	21.54	21.68	21.80	21.93	21.84	21.75	↓

Key Indicators Report

2019 Narrative

Beginning December 2018, The Forum began a multi-year Construction project – the Master Plan. The scope of the investment is:

- Build 23 new Independent Living Villas
- Build a 26 resident capacity state of the art Memory Care building
- Build a 28 resident capacity new Skilled Nursing building
- Renovate the current Skilled Nursing building
- Renovate the Assisted Living building
- Renovate the Independent Living Dining Room

Resident Proceeds from the 23 new Villas will be used to pay down the construction loan. After the Master Plan investment is completed and proceeds pay down the loan, we anticipate a \$32M long-term loan balance that will commence.

Days Cash On Hand metrics will decline during construction, as Revenue will lag expenses initially, but will eventually turn around and become accretive to operations. The Forum is currently in an Interest-Only capitalized loan. Once construction ends and loan payments commence, DCOH will decline until full census and occupancy is established.

Average Annual Effective Interest Rate is growing over time. The current 3-year construction loan (2019-2022) is based on market rates. Once the construction period ends, the Forum will convert to a long-term arrangement. Rates were fixed at 4.94%.

Average Age of Facility trends upwards during Master Plan construction. Once the buildings and renovations are complete, the average age will begin to taper downward.

Addendum to Annual Report

2019 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 2018
 For Budget Year Beginning 2019**

(1) The regular assessment per ownership interest is \$696.09 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 **\$20,398,074**, 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 **\$5,132,345**, resulting in reserves being **25.2** percent funded in **December 2019**.

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

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

Year	2019	2020	2021	2022	2023
Estimated Amount Req'd In Fund	\$20,398,074	\$22,317,518	\$22,999,465	\$21,779,524	\$23,840,397
Proj. Reserve Balance (Approved)	\$5,132,345	\$5,602,550	\$5,774,973	\$5,516,543	\$7,727,772
Percent Funded	25%	25%	25%	25%	31%

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.



2019 Assisted Living Rates For The Forum at Rancho San Antonio (Non-Members)					
MODEL		SQ FT	DAILY RATE		AVG MONTHLY RATE
A . 1	Studio	358	\$ 296.00	per day	\$9,003
A . 2	Studio (with Patio)	358	\$ 306.00	per day	\$9,308
A . 3	Studio	388	\$ 306.00	per day	\$9,308
A . 4	Studio	391	\$ 306.00	per day	\$9,308
B . 1	Single Studio / Double Studio (without Kitchen)	435	\$ 330.00	per day	\$10,038
B . 2	Single Studio / Double Studio (with Kitchen)	435	\$ 330.00	per day	\$10,038
C . 1	One Bed Room	520	\$ 420.00	per day	\$12,775
C . 2	One Bed Room (with Patio)	520	\$ 430.00	per day	\$13,079
C . 3	One Bed Room Deluxe	780	\$ 496.00	per day	\$15,087
Additional Charges to add to Room Charge					
	Dementia Fee Level 1		56.00	per day	\$1,703
	Dementia Fee Level 2		75.00	per day	\$2,281
	*Second Person Fee (Varies upon unit size)		104.00	per day	\$3,163
	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**

**2019 Assisted Living Rates For
The Forum at Rancho San Antonio (Members)**

			HC Occu-pancy Fee Daily	HC Occupancy Fee	HC Fee	Other Applicable fees	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
AL Permanent 1st member standard fee's			\$ 148.00	\$ 4,501.67 per month	\$ 699.00 per month	add Dementia fee as shown on next page	add as shown below		\$ 5,200.67
AL Permanent 2nd member standard fee's*			\$ 74.00	\$ 2,250.83 per month	\$ 699.00 per month	add Dementia fee as shown on next page	add as shown below		\$ 2,949.83
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

**2019 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		\$ 296.00				\$9,003.33
		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)		\$ 266.40		add as above		\$8,103.00
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	\$148.00	\$ 22.98	\$ (33.00)		\$4,196.89
		Healthcare Occupancy Fee's for maintaining membership	2nd member*	\$74.00	\$ 22.98	\$ (33.00)		\$1,946.06

(To maintain "Membership" at the Forum, either in Independent Living or the Health Care Center, one must pay an Occupancy Fee and a Health

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

2019 Skilled Nursing Rates For The Forum at Rancho San Antonio (Non-Members)	
	DAILY RATE
Semi private Room	\$420.00
Private Room	\$563.00

Note: \$8,000 refundable deposit required upon admissions

2019 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	\$210.00	\$6,387.50	per month	\$ 699.00		add as shown below		\$ 7,086.50
		SNF Permanent 2nd member standard fee's*	\$105.00	\$3,193.75	per month	\$ 699.00		add as shown below		\$ 3,892.75
		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		
		Member room premium						Differential Per Day	(differential per month)	
		Private Room						\$143.00	\$4,349.58	

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

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

**2019 Skilled Nursing Rates For
The Forum at Rancho San Antonio (Members)**

Other Clarifying charges										
				HC Occupancy Fee		HC Fee		Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
		Posted Base Rate, for conditional member contract		\$420.00						
		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)		\$378.00				add as above		\$11,497.50
		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	<i>1st member AL Fee</i>	1st member	\$ 148.00	\$ 22.98		\$ (33.00)		\$4,196.89
		Health Center Occupancy Fee's for maintaining membership	<i>2nd member AL Fee</i>	2nd member*	\$ 74.00	\$ 22.98		\$ (33.00)		\$1,946.06
		(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)								

Appendix D
The Forum At Rancho San Antonio
Current Year & Five-Year Historic Schedule of Monthly Fees

Occupancy Fees:

Unit Style	2019	%Increase	2018	%Increase	2017	%Increase	2016	%Increase	2015	%Increase	2014	%Increase
A	\$2,448	5.29%	\$2,325	4.54%	\$2,224	5.70%	\$2,104	5.20%	\$2,000	5.88%	1889	5.71%
AD	\$2,720	5.30%	\$2,583	4.53%	\$2,471	5.69%	\$2,338	5.17%	\$2,223	5.91%	2099	5.69%
B	\$3,127	5.29%	\$2,970	4.50%	\$2,842	5.73%	\$2,688	5.16%	\$2,556	5.88%	2414	5.69%
C	\$3,535	5.27%	\$3,358	4.51%	\$3,213	5.73%	\$3,039	5.19%	\$2,889	5.90%	2728	5.65%
D	\$3,807	5.28%	\$3,616	4.51%	\$3,460	5.71%	\$3,273	5.17%	\$3,112	5.92%	2938	5.68%
E	\$3,943	5.29%	\$3,745	4.52%	\$3,583	5.72%	\$3,389	5.15%	\$3,223	5.92%	3043	5.66%
F	\$4,079	5.29%	\$3,874	4.50%	\$3,707	5.73%	\$3,506	5.16%	\$3,334	5.91%	3148	5.67%
G	\$4,079	5.29%	\$3,874	4.50%	\$3,707	5.73%	\$3,506	5.16%	\$3,334	5.91%	3148	5.67%
V	\$4,079	5.29%	\$3,874	4.50%	\$3,707	5.73%	\$3,506	5.16%	\$3,334	5.91%	3148	5.67%
VD	\$5,167	5.30%	\$4,907	4.52%	\$4,695	5.72%	\$4,441	5.16%	\$4,223	5.89%	3988	5.70%
2ND Person	\$952	5.31%	\$904	4.51%	\$865	5.75%	\$818	5.14%	\$778	5.85%	735	5.76%

Health Care Fee

Per Person	\$699	3.56%	\$675	4.65%	\$645	0.00%	\$645	1.57%	\$635	1.60%	625	2.5%
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Alternate Summary

Combined Fee, by Unit Fee plus HealthCare Fee

A	\$3,147	4.90%	\$3,000	4.57%	\$2,869	4.37%	\$2,749	4.33%	\$2,635	4.81%	2514	4.88%
AD	\$3,419	4.94%	\$3,258	4.56%	\$3,116	4.46%	\$2,983	4.37%	\$2,858	4.92%	2724	4.93%
B	\$3,826	4.97%	\$3,645	4.53%	\$3,487	4.62%	\$3,333	4.45%	\$3,191	5.00%	3039	5.01%
C	\$4,234	4.98%	\$4,033	4.54%	\$3,858	4.72%	\$3,684	4.54%	\$3,524	5.10%	3353	5.04%
D	\$4,506	5.01%	\$4,291	4.53%	\$4,105	4.77%	\$3,918	4.56%	\$3,747	5.16%	3563	5.10%
E	\$4,642	5.02%	\$4,420	4.54%	\$4,228	4.81%	\$4,034	4.56%	\$3,858	5.18%	3668	5.10%
F	\$4,778	5.03%	\$4,549	4.53%	\$4,352	4.84%	\$4,151	4.59%	\$3,969	5.19%	3773	5.13%
G	\$4,778	5.03%	\$4,549	4.53%	\$4,352	4.84%	\$4,151	4.59%	\$3,969	5.19%	3773	5.13%
V	\$4,778	5.03%	\$4,549	4.53%	\$4,352	4.84%	\$4,151	4.59%	\$3,969	5.19%	3773	5.13%
VD	\$5,866	5.09%	\$5,582	4.53%	\$5,340	4.99%	\$5,086	4.69%	\$4,858	5.31%	4613	5.25%
2ND Person	\$1,651	4.56%	\$1,579	4.57%	\$1,510	3.21%	\$1,463	3.54%	\$1,413	3.90%	1360	4.21%

Cash Requirements – Final

Guided by Policy 31: Operating Cash Requirements (minimum 300 days)							
A. Budget – Short Term Threshold Test							
1	Total Expenses as budgeted for 2019	\$ 19,195,000					
2	75 days required reserve for DSS		\$ 3,944,178				
3	75 days operating expenses		\$ 3,944,178				
4	1 years loan payments		\$ -				
5	Required cash reserve		\$ 7,888,356				
6	Estimated Cash						
7	2019 Year-End est. cash		\$ 12,474,000				
8	2020 New Capital (wifl, misc)		\$ (200,000)				
9	Transfer to Fixed Asset Reserve (only rhc cash fundng portion)		\$ (2,665,000)				
10	Liability for expenses		\$ (873,500)				
11	Est. increase/decrease of Cash for 2020 Budget		\$ 1,155,099				
12	Estimated Cash		\$ 9,890,599				
13	difference of cash to cash requirements		\$ 2,002,243				
14	Fixed Asset Reserve Requirement	2020 Budg	2021 Outlook	2022 Outlook	2023 Outlook	2024 Outlook	2025 Outlook
15	Fixed Asset Reserve Balance, end of year	6,137,000	5,192,000	3,577,000	4,693,000	5,368,000	6,462,000
16	(See Summary of Reserve Balances for 2020 Budget)						
17	Insurance Reserve Requirement (Business Continuity)						
18	Insurance Reserve Balance, end of year	\$ 1,675,000	\$ 1,708,500	\$ 1,742,670	\$ 1,777,523	\$ 1,813,074	\$ 1,849,335
B. Five Year Outlook – Long Term Threshold Test							
20	Cash on Hand Calculation for RHC:	2020 Budg	2021 Outlook	2022 Outlook	2023 Outlook	2024 Outlook	2025 Outlook
21	Cash	9,890,599	10,809,749	11,843,090	13,290,765	14,752,917	16,629,690
22	Board Designated, Component Reserve Fund	6,137,000	5,192,000	3,577,000	4,693,000	5,368,000	6,462,000
23	Less 25% for HCC for Fixed Assets	(1,534,250)	(1,298,000)	(894,250)	(1,173,250)	(1,342,000)	(1,615,500)
23	Board Designated, Insurance Reserve Fund	1,675,000	1,708,500	1,742,670	1,777,523	1,813,074	1,849,335
24	Total Unrestricted Cash (for Cash on Hand) [A]	16,168,349	16,412,249	16,268,510	18,588,039	20,591,991	23,325,526
25	Operating Expenses (excl depreciation) [B]	19,195,000	20,154,750	20,960,940	21,799,378	22,671,353	23,578,207
26	Operating Expenses Per Day [B]/365 = [C]	52,589	55,218	57,427	59,724	62,113	64,598
27	Days Cash on Hand Ratio: [A] / [C]	307	297	283	311	332	361
	300 Days Cash =	\$ 15,776,712	\$ 16,565,548	\$ 17,228,170	\$ 17,917,297	\$ 18,633,989	\$ 19,379,348
	Amount < under > / over	\$ 391,637	\$ (153,299)	\$ (959,659)	\$ 670,742	\$ 1,958,002	\$ 3,946,177

Cash Requirements – Final



Guided by Policy 34: RSI Operating Cash Requirements (minimum 150 days / upper threshold 300 days)

A. Budget - Short Term Threshold Test	
Operations and reserved cash FBO RSI	
Expenses as budgeted	\$ 16,078,000
75 days required reserve for DSS	\$ 3,303,699
75 days operating reserve	\$ 3,303,699
Required cash reserve	\$ 6,607,397
Estimated Cash	
EOY 2019 Est cash Balance	\$ 1,000,000
Accrued Liabilities (excluding intercompany)	\$ (800,000)
EOY 2019 estimated Entrance/Exit Fee cash fund	\$ 8,186,022
2020 Entrance/Exit income (for RSI)	\$ 1,991,900
2020 Entrance/Exit expense to RSI	\$ (1,600,000)
	\$ 8,777,922
Estimated (Shortfall)/ Excess of RSI requested cash reserves	\$ 2,170,524

B. Five Year Outlook - Long Term Threshold Test						
Cash on Hand Calculation for RSI	2020B	2021O	2022O	2023O	2024O	2025O
Cash	\$ 1,003,000	\$ 1,013,030	\$ 1,023,160	\$ 2,023,160	\$ 4,523,160	\$ 5,523,160
E/E Fee Balances for the benefit of RSI	8,700,712	7,465,142	6,223,177	6,474,843	7,242,668	8,034,517
25% for HCC for Fixed Assets	1,534,250	1,298,000	894,250	1,173,250	1,342,000	1,615,500
Total Unrestricted Cash (for Cash on Hand) [A]	\$ 11,237,962	\$ 9,776,172	\$ 8,140,587	\$ 9,671,254	\$ 13,107,828	\$ 15,173,177
Operating Expenses [B]	16,078,000	17,685,800	19,454,380	21,399,818	22,255,811	23,146,043
Operating Expenses Per Day [B]/365 = [C]	44,049	48,454	53,300	58,630	60,975	63,414
Days Cash on Hand Ratio: [A] / [C]	255	202	153	165	215	239

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

Financial Summary

2787 Forum at Rancho San Antonio							
Budget Summary and Comparison	FY2017 Actual	FY2018 FY2020	FY2019 Budget	FY2019 Projected	FY2020 Budget	2020 vs 2019 Budg	2020 vs 2019 Proj
Apartment and Other Operating Revenue							
Apartment Revenue	\$13,024,049	\$13,774,391	\$14,151,013	\$14,256,123	\$15,481,294	9%	9%
Other Operating Revenue	\$6,910,245	\$6,035,016	\$5,446,816	\$5,664,972	\$5,114,704	-6%	-10%
Net Apartment and Other Operating Revenue	\$19,934,294	\$19,809,407	\$19,597,828	\$19,921,095	\$20,595,998	5%	3%
Operating Expenses							
Clinic Expense	\$847,112	\$926,410	\$1,008,814	\$921,246	\$945,303	-6%	3%
General and Administrative	\$4,575,139	\$5,301,063	\$5,555,184	\$5,821,897	\$6,803,643	22%	17%
Plant	\$3,566,712	\$3,808,377	\$4,105,075	\$4,155,507	\$3,752,705	-9%	-10%
Environmental Services	\$1,418,547	\$1,496,047	\$1,657,460	\$1,605,681	\$1,681,847	1%	5%
Food & Beverage Services	\$4,531,693	\$5,059,990	\$5,111,523	\$5,278,978	\$5,419,475	6%	3%
Resident Services	\$451,515	\$442,684	\$439,652	\$472,245	\$592,353	35%	25%
Total Other Operating Expenses	\$15,390,719	\$17,034,570	\$17,877,709	\$18,255,555	\$19,195,326	7%	5%
Net Operating Income	\$4,543,575	\$2,774,837	\$1,720,120	\$1,665,539	\$1,400,672	-19%	-16%

Financial Summary

2786 Forum at Rancho San Antonio - Health Center

Budget Summary and Comparison	FY2017 Actual	FY2018 FY2020	FY2019 Budget	FY2019 Projected	FY2020 Budget	2020 vs 2019 Budg	2020 vs 2019 Proj
Health Center and Other Operating Revenue							
Other Operating Revenue	\$262,715	\$825,003	\$392,609	\$153,297	\$124,200	-68%	-19%
Skilled Nursing Revenue	\$10,521,356	\$10,490,047	\$11,103,183	\$10,791,667	\$11,415,237	3%	6%
Assisted Living Revenue	\$4,160,074	\$4,493,675	\$3,604,738	\$4,383,049	\$4,540,610	26%	4%
Total Operating Revenue	\$14,944,146	\$15,808,724	\$15,100,530	\$15,328,013	\$16,080,047	6%	5%
Operating Expenses							
General and Administrative	\$2,644,779	\$2,828,096	\$2,993,409	\$2,735,521	\$3,083,409	3%	13%
Plant	\$1,240,894	\$1,248,758	\$1,333,974	\$1,344,446	\$1,419,737	6%	6%
Environmental Services	\$967,256	\$942,586	\$1,022,353	\$1,048,683	\$1,124,105	10%	7%
Food & Beverage Services	\$2,467,313	\$2,658,796	\$2,484,894	\$2,750,770	\$2,853,642	15%	4%
Resident Services	\$491,317	\$458,748	\$468,879	\$391,314	\$404,122	-14%	3%
Skilled Nursing	\$4,637,227	\$4,515,463	\$4,767,132	\$4,728,577	\$4,829,205	1%	2%
Assisted Living	\$1,809,012	\$2,019,394	\$2,082,539	\$2,183,991	\$2,363,304	13%	8%
Total Other Operating Expenses	\$14,257,797	\$14,671,843	\$15,153,179	\$15,183,301	\$16,077,524	6%	6%
Net Operating Income	\$686,349	\$1,136,882	-\$52,649	\$144,712	\$2,523		