

**ANNUAL REPORT  
CHECKLIST**

**for  
FISCAL YEAR ENDED:**

12 / 2012

**RECEIVED**  
MAY 03 2013  
CONTINUING CARE  
CONTRACTS BRANCH

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

**FACILITY(IES):** Dbas The Forum @ Rancho San Antonio &  
Healthcare Center at the Forum @ Rancho San Antonio

**CONTACT PERSON:** Nan Boyd

**TELEPHONE NO.:** (650) 944- 0264

✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

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

- ✓ This cover sheet.
- ✓ Annual Provider Fee in the amount of: \$ \$24,253.00 chk# 9933
  - ✓ If applicable, late fee in the amount of: \$ n/a
- ✓ Certification by the provider's chief *executive* officer that:
  - ✓ The reports are correct to the best of his/her knowledge.
  - ✓ Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - ✓ The provider is maintaining the required liquid reserve and refund reserve, if applicable.
- ✓ Evidence of the provider's fidelity bond.
- ✓ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's "Continuing Care Retirement Community Disclosure Statement" for each community. (total of four (4) copies to be included)

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

<u>Line</u>	<b>Continuing Care Residents</b>	<u>TOTAL</u>
[1] Number at beginning of fiscal year		443
[2] Number at end of fiscal year		461
[3] Total Lines 1 and 2		904
[4] Multiply Line 3 by ".50" and enter result on Line 5. x .50		x.50
[5] Mean number of continuing care residents		452
<b>All Residents</b>		
[6] Number at beginning of fiscal year		460
[7] Number at end of fiscal year		483
[8] Total Lines 6 and 7		943
[9] Multiply Line 8 by ".50" and enter result on Line 10. x .50		x.50
[10] Mean number of all residents		471
[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).		0.96

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

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service – interest only)	29,894,943
[a] Depreciation	4,104,416
[b] Debt Service (Interest Only)	492,852
[2] Subtotal (add Line 1a and 1b)	4,597,268
[3] Subtract Line 2 from Line 1 and enter result.	25,297,675
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	24,253,125
[5] Total Operating Expense for Continuing Care Residents	
	x.001
[6] Total Amount Due (multiply Line 5 by .001)	24,253

PROVIDER: Rancho San Antonio, RHC & RSI

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

# THE FORUM

AT RANCHO SAN ANTONIO

April 29, 2013

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 2012 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

*sent*

4/30/13

Date

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

**Table of Contents**

---

<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements:</b>	
Consolidated Balance Sheet	3
Consolidated Statement of Operations and Changes in Members' Equity	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 16
<b>Consolidating Information – Balance Sheet</b>	<b>17</b>
<b>Consolidating Information – Statement of Operations and Changes in Members' Equity</b>	<b>18</b>

**Independent Auditors' Report**

BOARDS OF DIRECTORS  
RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION  
AND RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.  
Cupertino, California

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of **RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.** (the Company) which comprise the consolidated balance sheet as of December 31, 2012 and 2011, and related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated 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.

**Auditors' 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

*Consultants and*

*Business Advisors*

*100 First Street*

*14th Floor*

*San Francisco*

*CA 94105*

*415.781.0793*

*fax 415.421.2976*

*60 South Market Street*

*Suite 200*

*San Jose*

*CA 95113*

*408.998.8400*

*fax 408.998.8485*



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 consolidated financial position of Rancho San Antonio Retirement Housing Corporation and Rancho San Antonio Retirement Services, Inc. as of December 31, 2012 and 2011, and the results of its consolidated operations and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying information included on page 17 and 18 is presented for purposes of additional analysis and is 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. The information has been subjected to the auditing procedures applied in the audit 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 Jose, California  
April 26, 2013

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

**Consolidated Balance Sheet**

<i>December 31,</i>	2012	2011
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,830,736	\$ 1,675,626
Investments	5,443,312	7,710,943
Accounts receivable, net of allowances of approximately \$35,000 in 2012 and 2011, respectively	1,098,572	824,724
Inventories	71,289	62,589
Interest receivable and other	48,849	23,113
Prepaid expenses	478,426	456,199
Member advances - investments	11,514,966	8,076,301
<b>Total current assets</b>	<b>21,486,150</b>	<b>18,829,495</b>
<b>Property and Equipment:</b>		
Land rights and improvements	14,191,592	14,191,592
Buildings and improvements	114,918,288	114,116,493
Furniture and equipment	11,070,008	10,300,459
Construction in process	954,252	305,691
<b>Property and equipment</b>	<b>141,134,140</b>	<b>138,914,235</b>
Less accumulated depreciation	(69,950,789)	(65,876,640)
<b>Property and equipment, net</b>	<b>71,183,351</b>	<b>73,037,595</b>
<b>Board-Designated Cash and Investments</b>	<b>6,734,091</b>	<b>7,185,504</b>
<b>Unexpended Escrow Transaction and Exit Fees for Healthcare Center Purposes</b>	<b>6,402,676</b>	<b>5,743,404</b>
<b>Investments - Long-term</b>	<b>2,225,066</b>	
<b>Member Advances - Investments</b>	<b>2,061,033</b>	<b>2,616,585</b>
<b>Total assets</b>	<b>\$ 110,092,367</b>	<b>\$ 107,412,583</b>
<b>Liabilities and Members' Equity</b>		
<b>Current Liabilities:</b>		
Current portion of note payable to bank	\$ 342,273	\$ 279,543
Accrued liabilities	2,176,579	1,444,054
Due to manager	146,325	181,162
Current portion of deferred escrow transaction fees	294,177	250,000
Member advances	16,694,006	13,649,291
<b>Total current liabilities</b>	<b>19,653,360</b>	<b>15,804,050</b>
<b>Note Payable to Bank, net of current portion</b>	<b>6,336,581</b>	<b>6,703,417</b>
<b>Deferred Escrow Transaction Fees, net of current portion</b>	<b>1,646,501</b>	<b>1,479,491</b>
<b>Total liabilities</b>	<b>27,636,442</b>	<b>23,986,958</b>
<b>Members' Equity</b>	<b>82,455,925</b>	<b>83,425,625</b>
<b>Total liabilities and members' equity</b>	<b>\$ 110,092,367</b>	<b>\$ 107,412,583</b>

The accompanying notes are an integral part of these statements.

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

**Consolidated Statement of Operations and  
Changes in Members' Equity**

<i>Years Ended December 31,</i>	2012	2011
<b>Revenues:</b>		
Resident service revenue	\$ 20,088,282	\$ 18,882,671
Ancillary revenue	1,642,661	1,682,958
<b>Total revenues</b>	<b>21,730,943</b>	<b>20,565,629</b>
<b>Operating Expenses:</b>		
Salaries	10,146,522	9,905,028
Employee benefits and taxes	3,385,620	2,726,177
Insurance	874,849	1,099,740
Legal and professional	751,592	316,539
Depreciation	4,104,416	3,995,737
Management fees	1,518,405	1,515,099
Marketing	427,655	439,263
Property taxes	413,850	362,936
Utilities	1,191,692	1,518,388
Cable and IT services	682,668	466,292
Maintenance and supplies	1,421,055	1,496,897
Food and supplies	2,113,625	1,893,064
Ancillary	1,221,279	1,174,831
Other	1,148,863	913,103
<b>Total operating expenses</b>	<b>29,402,091</b>	<b>27,823,094</b>
<b>Net Operating Loss</b>	<b>(7,671,148)</b>	<b>(7,257,465)</b>
<b>Other Income (Expense):</b>		
Appreciation on resale of memberships	5,621,344	3,783,720
Interest income	91,450	160,577
Escrow transaction and exit fees	1,478,072	975,380
Interest expense	(492,852)	(539,747)
Other income	5,034	11,209
<b>Loss before provision for income taxes</b>	<b>(968,100)</b>	<b>(2,866,326)</b>
<b>Provision for Income Taxes</b>	<b>(1,600)</b>	<b>(3,088)</b>
<b>Net Loss</b>	<b>(969,700)</b>	<b>(2,869,414)</b>
<b>Members' Equity, beginning of year</b>	<b>83,425,625</b>	<b>86,295,039</b>
<b>Members' Equity, end of year</b>	<b>\$ 82,455,925</b>	<b>\$ 83,425,625</b>

The accompanying notes are an integral part of these statements.

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

**Consolidated Statement of Cash Flows**

<i>Years Ended December 31,</i>	2012	2011
<b>Cash Flows from Operating Activities:</b>		
Cash received from residents for housing services	\$ 9,335,703	\$ 8,813,745
Cash received from residents and third-party payers for medical services	7,427,346	7,544,044
Cash received from noncontract residents	3,051,271	1,743,243
Cash received from ancillary revenues and other income	7,357,475	6,343,911
Cash paid for operating activities, including suppliers and employees	(24,616,817)	(23,794,314)
Cash received from interest	153,905	161,922
Cash paid for interest	(674,893)	(541,816)
<b>Net cash provided by operating activities</b>	<b>2,033,990</b>	<b>270,735</b>
<b>Cash Flows from Investing Activities:</b>		
Additions to property and equipment	(2,260,341)	(1,987,757)
Purchases of investments held to maturity	(15,689,542)	(19,803,356)
Proceeds from maturity of investments held to maturity	19,751,503	18,743,104
Net change in board-designated cash and investments	(1,793,337)	68,332
Net change in unexpended escrow transaction and exit fees for Healthcare Center purposes	(1,088,253)	226,878
Net change in member advances - investments	(4,228,778)	1,740,972
<b>Net cash used in investing activities</b>	<b>(5,308,748)</b>	<b>(1,011,827)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from member advances	6,243,715	3,300,000
Repayment of member advances	(3,199,000)	(5,091,294)
Proceeds from escrow transaction fees and community fees	1,689,259	909,450
Repayment of note payable to bank	(304,106)	(260,555)
<b>Net cash provided (used) by financing activities</b>	<b>4,429,868</b>	<b>(1,142,399)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>1,155,110</b>	<b>(1,883,491)</b>
<b>Cash, beginning of year</b>	<b>1,675,626</b>	<b>3,559,117</b>
<b>Cash, end of year</b>	<b>\$ 2,830,736</b>	<b>\$ 1,675,626</b>
<b>Reconciliation of Net Loss to Net Cash Provided by Operating Activities:</b>		
Net loss	\$ (969,700)	\$ (2,869,414)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	4,104,416	3,995,737
Loss on disposal of equipment	10,169	29,447
Amortization of deferred escrow transaction fees and community fees	(1,478,072)	(975,380)
Changes in working capital - net	367,177	90,345
<b>Net cash provided by operating activities</b>	<b>\$ 2,033,990</b>	<b>\$ 270,735</b>
<b>Other Cash Flow Information:</b>		
Taxes paid (refunded), net		\$ 1,520

The accompanying notes are an integral part of these statements.

**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 (the Corporation), 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 - the Corporation and RSI are collectively referred to as the Company) 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 the Corporation. 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 the Corporation 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 the Corporation and to enter into occupancy and healthcare agreements with the Corporation and RSI, respectively. The memberships are nonrefundable but are transferable at the option of the member, with the Corporation 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 the Corporation (see Note 5). The initial sale of all memberships was completed by December 31, 1996.

**Note 2 - Summary of Significant Accounting Policies:**

a. Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and RSI, of which the Corporation is the sole member. All significant intercompany accounts and transactions have been eliminated in consolidation.

b. 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**

---

c. Investments

The Company's investments are included in the following captions on the consolidated balance sheet: investments, member advances – investments, board designated cash and investments and unexpended escrow transaction and exit fees for Healthcare Center purposes. Investments consist of money market funds, which are recorded at cost and approximates fair value, and United States government bonds and certificates of deposit which are classified as investments held to maturity and are recorded at amortized cost.

d. Accounts Receivable

Accounts receivable are carried at invoice amount less an estimate for doubtful accounts. Management determines the allowance for doubtful accounts based on collection experience.

e. Inventories

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

f. 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 the Corporation, the resident is required to advance RSI the lesser of \$300,000 or the net proceeds from the sale. The advance is to be repaid, without interest, within 90 days after the termination of the member's healthcare agreement. Member advances are available for use by RSI at the discretion of management and the Boards of Directors, and are presented as member advances-investments in the accompanying consolidated balance sheet.

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

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

**Notes to Consolidated Financial Statements**

---

**g. Property and Equipment**

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

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

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

An impairment is recorded whenever the carrying value of long-lived assets is determined to have been impaired. The Corporation has determined that no such basis adjustment was necessary at December 31, 2012 or 2011.

**h. Board-Designated Cash and Investments**

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

**i. Unexpended Escrow Transaction and Exit Fees for Healthcare Center Purposes**

Unexpended escrow transaction and exit fees for Healthcare Center purposes are maintained by the Corporation 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.

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

**Notes to Consolidated Financial Statements**

---

j. Estimated Obligation to Provide Future Services in Excess of Amounts Received or to be Received

The Corporation periodically calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the present value of the expected future cash inflows from current residents. If the present value of the net cost of future services exceeds the present value of future cash inflows, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to expense. The Corporation has determined, using a discount rate of 6%, that no accrual for the obligation to provide future services and use of facilities to current residents was required at December 31, 2012 or 2011.

k. Revenue Recognition

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

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

The Corporation 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 the Corporation and are held for the purpose of funding the Healthcare Center operations. Escrow transaction fees of \$10,000 per resident, collected from buyers, are recognized over the estimated duration of each membership as determined by management to be 11 years. Exit fees collected from sellers, which are calculated as 4% of the greater of the fair market value of the occupancy rights or the gross sales proceeds of the sale of such occupancy rights, are recognized at close of escrow.

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

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

**Notes to Consolidated Financial Statements**

---

1. Tax Status of the Corporation and RSI

The Corporation 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 the Corporation's revenue. For the years ended December 31, 2012 and 2011 management believes that this requirement has been met because more than 80% of the revenue earned was from resident sources.

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

m. Fair Value of Financial Instruments

The Company believes that the carrying amounts of its financial instruments approximate their fair values.

n. 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

o. Subsequent Events

The Company has evaluated subsequent events through April 26, 2013, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

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

**Notes to Consolidated Financial Statements**

**Note 3 - Investments:**

Investments, included on the balance sheet as investments, member advances – investments, board designated cash and investments and unexpended escrow transaction and exit fees for Healthcare Center purposes consist of the following:

	2012		
	Cost	Market	Net Unrealized (Loss)
Money market funds	\$ 15,025,408	\$ 15,025,408	
U.S. government bonds	11,037,271	11,036,237	\$ (1,034)
Corporate bonds	2,444,465	2,399,956	(44,509)
Certificates of deposit	5,874,000	5,874,000	
<b>Total</b>	<b>\$ 34,381,144</b>	<b>\$ 34,335,601</b>	<b>\$ (45,543)</b>

	2011		
	Cost	Market	Net Unrealized (Loss)
Money market funds	\$ 7,527,767	\$ 7,527,767	
U.S. government bonds	14,349,970	14,328,587	\$ (21,382)
Certificates of deposit	9,455,000	9,455,000	
<b>Total</b>	<b>\$ 31,332,737</b>	<b>\$ 31,311,354</b>	<b>\$ (21,382)</b>

Of the above investments, U.S. government bonds, corporate bonds and other fixed income are classified as investments held to maturity. Contractual maturity of these investments extends through September 2014.

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

**Notes to Consolidated Financial Statements**

**Note 4 - Notes Payable:**

a. Note Payable to Bank

In January 2006, the Corporation entered into an agreement with a bank. Proceeds from the agreement were \$8,300,000 and were used to pay off existing debt and fund construction costs. Through April 2012, the rate on the agreement was 7.5%; however effective May 2012, the agreement was renegotiated to bear interest at 6.9%. The Corporation makes monthly principal and interest payments of \$66,864 for the term of the note, ending on January 1, 2026. Borrowings under the agreement are collateralized by substantially all assets of the Corporation.

The Corporation is obligated to comply with certain covenants and maintain a minimum balance of \$4 million on deposit with the lender. The Corporation was in compliance with all the covenants in its lending agreement with the bank as of December 31, 2012.

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

2013	\$ 342,273
2014	366,920
2015	393,355
2017	420,596
2018	452,043
<u>Thereafter</u>	<u>4,703,667</u>
	<u>\$ 6,678,854</u>

b. Note Payable from the Corporation to RSI

During 2003, the Corporation borrowed \$4,500,000 from RSI in order to pay a loan in full. The Corporation has a note payable to RSI for the outstanding principal amount. The note bears interest at 6.5% and the Corporation makes monthly principal and interest payments to RSI for the term of the note, ending on February 1, 2033. At the option of RSI, the note is payable on 120 day demand. The note payable and related interest, which had an outstanding balance of \$2,632,853 and \$2,706,404 as of December 31, 2012 and 2011, respectively, have been eliminated upon consolidation of the financial statements.

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

**Notes to Consolidated Financial Statements**

**Note 5 - Components of Members' Equity:**

Members' equity includes cooperative memberships, net of closing costs and the accumulated deficit. At December 31, 2012 and 2011, members' equity consisted of:

	<u>2012</u>	<u>2011</u>
Cooperative memberships, net of closing costs	\$ 118,344,015	\$ 118,344,015
Accumulated deficit	(35,888,090)	(34,918,390)
Members' equity	\$ 82,455,925	\$ 83,425,625

The accumulated deficit represents the aggregate of all revenues and expenses since inception of the Corporation, including charges for depreciation and amortization. The following analysis identifies the significant components of the accumulated deficit at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Cumulative earnings other than depreciation of property and equipment and amortization of costs incurred to attract initial residents	\$ 37,738,216	\$ 34,593,332
Cumulative depreciation and amortization charges	(73,626,306)	(69,511,722)
Accumulated deficit	\$(35,880,090)	\$(34,918,390)

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

**Notes to Consolidated Financial Statements**

---

**Note 6 - Management Services:**

Through May 2012 the Company was managed by Sunrise Senior Living Services, Inc. (Sunrise) for a base fee of 6.5% of gross revenue, as defined in the management agreement.

In June 2012, the Company entered into a management agreement with Life Care Services, LLC (the Manager) for a term of five years. The fee paid to the Manager is 4.65% of gross revenue, as defined in the management agreement.

The Manager and Sunrise utilize their centralized payroll, purchasing and distribution functions and employee benefit plans. All disbursements to the Manager are on a current basis from the Company's cash flow.

**Note 7 - Continuing Care Reserve Requirements:**

The Corporation is subject to statutory reserve requirements. At December 31, 2012 and 2011, the Corporation'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 8 - Income Taxes:**

The current provision for tax expense was \$1,600 for 2012 and \$3,088 for 2011.

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.

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

**Notes to Consolidated Financial Statements**

	<u>2012</u>	<u>2011</u>
Deferred income tax assets (liabilities):		
Net operating loss	\$ 5,949,990	\$ 7,087,584
Buyers fees	831,386	740,914
Depreciation	(185,357)	(232,640)
Bad debts	14,922	14,922
Accrued liabilities and change in accounting method	252,305	241,048
Total deferred income tax assets	6,863,246	7,851,828
Valuation allowance	(6,863,246)	(7,851,828)
Net deferred income taxes	\$ 0	\$ 0

The valuation allowance decreased by \$988,582 during 2012 and increased by \$58,686 during 2011.

Net operating loss carryforwards for federal tax purposes amount to approximately \$16,200,000 and expire through 2032. Net operating loss carryforwards for California tax purposes amount to approximately \$8,200,000 and expire through 2022.

Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Company is no longer subject to income tax examinations by federal and state authorities for the years before 2009 and 2008, respectively.

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

**Notes to Consolidated Financial Statements**

---

**Note 9 - Insurance and Claims:**

The Company is subject to claims arising in the normal course of its operations. Management has represented that the Company will vigorously defend itself in these actions and believes that there will be no materially adverse financial impact resulting from the claims, as it believes any liabilities would be covered by insurance. No liabilities have been recorded for any potential losses.

Beginning in June 2012 in connection with the change in the Manager the Company now procures and maintains all insurance with third party insurers.

**Note 10 - Concentrations of Risk:**

The Company has defined its financial instruments which are potentially subject to risk as cash and cash equivalents, receivables, investments, board-designated cash and investments, member advances and unexpended escrow transaction and exit fees for Healthcare Center purposes. At various times during the year, the Company has cash deposits in excess of federally insured limits. Receivables are due from various individuals and organizations which mitigate the risk associated therein. Investments, board-designated cash and investments, member advances and unexpended fees are held as discussed in Note 2. Investments held to maturity, included in these balance sheet captions, are comprised of United States government obligations and obligations from other institutions, which are supported by the financial stability and credit standing of the underlying issuer. Values of memberships and investment holdings could be affected by adverse economic situations, globally or locally.

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

**Consolidating Information - Balance Sheet  
(See Auditors' Report)**

*December 31, 2012*

	Corporation	RSI	Eliminations	Total
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 2,433,882	\$ 396,854		\$ 2,830,736
Investments	5,443,312			5,443,312
Accounts receivable, net	154,621	943,951		1,098,572
Account receivable from RSI	379,993		\$ (379,993)	
Current portion of note receivable from Corporation		79,064	(79,064)	
Inventories	42,629	28,660		71,289
Interest receivable and other	30,493	18,356		48,849
Prepaid expenses	291,701	186,725		478,426
Member advances - investments		11,514,966		11,514,966
<b>Total current assets</b>	<b>8,776,631</b>	<b>13,168,576</b>	<b>(459,057)</b>	<b>21,486,150</b>
<b>Property and Equipment:</b>				
Land rights and improvements	14,191,592			14,191,592
Buildings and improvements	114,918,288			114,918,288
Furniture and equipment	11,070,008			11,070,008
Construction in process	954,252			954,252
<b>Property and equipment</b>	<b>141,134,140</b>			<b>141,134,140</b>
<b>Less accumulated depreciation</b>	<b>(69,950,789)</b>			<b>(69,950,789)</b>
<b>Property and equipment, net</b>	<b>71,183,351</b>			<b>71,183,351</b>
<b>Note Receivable from Corporation</b>		<b>2,553,789</b>	<b>(2,553,789)</b>	
<b>Board - Designated Cash and Investments</b>	<b>6,535,336</b>	<b>198,755</b>		<b>6,734,091</b>
<b>Unexpended Escrow Transaction and Exit Fees for Healthcare Center Purposes</b>	<b>6,402,676</b>			<b>6,402,676</b>
<b>Investments - Long-term</b>	<b>2,225,066</b>			<b>2,225,066</b>
<b>Member Advances - Investments</b>		<b>2,061,033</b>		<b>2,061,033</b>
<b>Total assets</b>	<b>\$ 95,123,060</b>	<b>\$ 17,982,153</b>	<b>\$ (3,012,846)</b>	<b>\$ 110,092,367</b>
<b>Liabilities and Members' Equity</b>				
<b>Current Liabilities:</b>				
Current portion of note payable to bank	\$ 342,273			\$ 342,273
Current portion of note payable to RSI	79,064		\$ (79,064)	
Accrued liabilities	1,291,334	885,245		2,176,579
Due to manager	99,297	47,028		146,325
Accounts payable to Corporation		379,993	(379,993)	
Current portion of deferred escrow transaction fees	294,177			294,177
Member advances		16,694,006		16,694,006
<b>Total current liabilities</b>	<b>2,106,145</b>	<b>18,006,272</b>	<b>(459,057)</b>	<b>19,653,360</b>
<b>Note Payable to Bank, net of current portion</b>	<b>6,336,581</b>			<b>6,336,581</b>
<b>Note Payable to RSI, net of current portion</b>	<b>2,553,789</b>		<b>(2,553,789)</b>	
<b>Deferred Escrow Transaction Fees, net of current portion</b>	<b>1,646,501</b>			<b>1,646,501</b>
<b>Total liabilities</b>	<b>12,643,016</b>	<b>18,006,272</b>	<b>(3,012,846)</b>	<b>27,636,442</b>
<b>Members' Equity</b>	<b>82,480,044</b>	<b>(24,119)</b>		<b>82,455,925</b>
<b>Total liabilities and members' equity</b>	<b>\$ 95,123,060</b>	<b>\$ 17,982,153</b>	<b>\$ (3,012,846)</b>	<b>\$ 110,092,367</b>

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

**Consolidating Information - Statement of Operations  
and Changes in Members' Equity  
(See Auditors' Report)**

*Year Ended December 31, 2012*

	Corporation	RSI	Eliminations	Total
<b>Revenues:</b>				
Resident service revenue	\$ 9,417,230	\$ 10,671,052		\$ 20,088,282
Ancillary revenue	527,616	1,115,045		1,642,661
Rental income from RSI	1,478,370		\$ (1,478,370)	
<b>Total revenues</b>	<b>11,423,216</b>	<b>11,786,097</b>	<b>(1,478,370)</b>	<b>21,730,943</b>
<b>Operating Expenses:</b>				
Salaries	4,972,838	5,173,684		10,146,522
Employee benefits and taxes	1,620,191	1,765,429		3,385,620
Insurance	595,880	278,969		874,849
Legal and professional	659,174	92,418		751,592
Depreciation	4,104,416			4,104,416
Management fees	791,027	727,378		1,518,405
Marketing	418,194	9,461		427,655
Property taxes	413,850			413,850
Utilities	826,634	365,058		1,191,692
Cable and IT services	369,938	312,730		682,668
Maintenance and supplies	1,177,550	243,505		1,421,055
Food and supplies	1,454,446	659,179		2,113,625
Ancillary		1,221,279		1,221,279
Other	410,695	738,168		1,148,863
Rental expense to Corporation		1,478,370	(1,478,370)	
<b>Total operating expenses</b>	<b>17,814,833</b>	<b>13,065,628</b>	<b>(1,478,370)</b>	<b>29,402,091</b>
<b>Net Operating Loss</b>	<b>(6,391,617)</b>	<b>(1,279,531)</b>		<b>(7,671,148)</b>
<b>Other Income (Expense):</b>				
Appreciation on resale of memberships	5,621,344			5,621,344
Interest income	91,450	176,627	(176,627)	91,450
Escrow transaction and exit fees	438,074	1,039,998		1,478,072
Interest expense	(669,479)		176,627	(492,852)
Other income (expense)	(12,308)	17,342		5,034
<b>Loss before provision for income taxes</b>	<b>(922,536)</b>	<b>(45,564)</b>		<b>(968,100)</b>
<b>Provision for Income Taxes</b>	<b>(800)</b>	<b>(800)</b>		<b>(1,600)</b>
<b>Net loss</b>	<b>(923,336)</b>	<b>(46,364)</b>		<b>(969,700)</b>
<b>Members' Equity, beginning of year</b>	<b>83,403,380</b>	<b>22,245</b>		<b>83,425,625</b>
<b>Members' Equity, end of year</b>	<b>\$ 82,480,044</b>	<b>\$ (24,119)</b>	<b>\$ 0</b>	<b>\$ 82,455,925</b>

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

DECEMBER 31, 2012

---

INDEPENDENT AUDITORS' REPORT

AND

CONTINUING CARE RESERVE REPORT SCHEDULES

**INDEPENDENT AUDITORS' REPORT**

BOARDS OF DIRECTORS  
RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION  
AND RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.  
Cupertino, California

**Report on the Continuing Care Reserve Report Schedules**

We have audited the accompanying continuing care reserve report schedules (Forms 5-1, 5-2, 5-3, 5-4, 5-5 and Attachment to Forms 5-4 and 5-5), collectively the "Schedules" of **RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION AND RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.** (the Company) as of December 31, 2012 as required by the California Health and Safety Code Section 1792.

**Management's Responsibility for the Continuing Care Reserve Report Schedules**

Management is responsible for the preparation and fair presentation of these Continuing Care Reserve Report Schedules in accordance with the report preparation provisions of the California Health and Safety Code Section 1792 (as interpreted by the State of California Department of Social Services Annual Report Instructions); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the continuing care reserve report schedules that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Schedules 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 Schedules are free of material misstatement.

*Consultants and*

*Business Advisors*

*100 First Street*

*14th Floor*

*San Francisco*

*CA 94105*

*415.781.0793*

*fax 415.421.2976*

*60 South Market Street*

*Suite 200*

*San Jose*

*CA 95113*

*408.998.8400*

*fax 408.998.8485*



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Schedules 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 Company'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 Schedules.

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 Schedules present fairly, in all material respects, the liquid reserve requirements of the Company at December 31, 2012 in conformity with the report preparation provisions of the California Health and Safety Code Section 1792 (as interpreted by the State of California Department of Social Services Annual Report Instructions).

### **Basis of Accounting**

The accompanying schedules were prepared for the purpose of complying with the California Health and Safety Code Section 1792 (as interpreted by the State of California Department of Social Services Annual Report Instructions), and are not intended to be a complete presentation of the Company's assets, liabilities, revenues and expenses or a complete presentation in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Restriction on Use**

This report is intended solely for the information and use of the Boards of Directors and management of the Company and for filing with the California Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Hood! Strong LLP*

San Jose, California  
April 26, 2013

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	01/17/06	304,106	492,852		796,958
2					
3					
4					
5					
6					
7					
8					
<b>TOTAL:</b>			492,852		796,958

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

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

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

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

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

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

Line	TOTAL
1 Total from Form 5-1 bottom of Column (e)	796,958
2 Total from Form 5-2 bottom of Column (e)	
3 Facility leasehold or rental payment paid by provider during fiscal year. (including related payments such as lease insurance)	
4 <b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<b>796,958</b>

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

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

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$29,894,943
2	Deductions	
a	Interest paid on long-term debt (see instructions)	\$ 492,852
b	Credit enhancement premiums paid for long-term debt (see instructions)	
c	Depreciation	4,104,416
d	Amortization	
e	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	
f	Extraordinary expenses approved by the Department	3,051,271
3	Total Deductions	\$7,648,539
4	Net Operating Expenses	22,246,404
5	Divide Line 4 by 365 and enter the result.	60,949
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$4,571,179

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

**FORM 5-5  
ANNUAL RESERVE CERTIFICATION**

Provider Name: Rancho San Antonio. RHC & RSI  
 Fiscal Year Ended: 2012

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2012 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	796,958
[2] Operating Expense Reserve Amount	4,571,179
[3] Total Liquid Reserve Amount:	5,368,137

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

	<u>Amount</u> (market value at end of quarter)	
<u>Qualifying Asset Description</u>	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$796,958	\$8,436,454
[5] Investment Securities		\$7,668,378
[6] Equity Securities		\$ 0
[7] Unused/Available Lines of Credit		\$ 0
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other: <u>Board Designated Cash &amp; Investments</u>		\$6,734,091
(describe qualifying asset)		
<b>Total Amount of Qualifying Assets Listed for Liquid Reserve:</b>	[11] \$796,958	[12] \$22,838,896
<b>Total Amount Required:</b>	[13] \$796,958	[14] \$ 4,571,179
<b>Surplus/(Deficiency):</b>	[15] \$ 0	[16] \$18,267,717

Signature:

\_\_\_\_\_  
 (Authorized Representative)  
 Nan Boyd, CFO  
 \_\_\_\_\_  
 (Title)

Date: 4/4/2013

## Attachments to Forms 5-4 and 5-5

### Reconciliation of Form 5-4 Total Operating Expenses, Line 1 to Audited Financial Statements

Total operating expense from financial statements	\$ 29,402,091
Interest expense from financial statements	<u>492,852</u>
Operating expense on Line 1 of Form 5-4	<u>\$ 29,894,943</u>

### Reconciliation of Form 5-5 Annual Reserve Certification to Audited Financial Statements

	Debt Service Reserve	Operating Reserve	Total Reserve	Financial Statement Description	Amount
				Cash and cash equivalents	\$ 2,830,736
				Unexpended escrow transactions and exit fees for healthcare center purposes	<u>6,402,676</u>
Line 4	\$ 796,958	\$ 8,436,454	\$ 9,233,412		<u>9,233,412</u>
				Investments - current	5,443,312
Line 5		7,668,378	7,668,378	Investments - long term	<u>2,225,066</u>
					7,668,378
Line 10		<u>6,734,091</u>	<u>6,734,091</u>	Board-designated cash and investments	<u>6,734,091</u>
	<u>\$ 796,958</u>	<u>\$ 22,838,923</u>	<u>\$ 23,635,881</u>		<u>\$ 23,635,881</u>



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

Date Prepared: 4/29/2013

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

ADDRESS: 23500 Cristo Rey Dr. ZIP CODE: 95014 PHONE: 650-944-0100  
 PROVIDER NAME: RSA, RHC & RSI FACILITY OPERATOR: Managed by Life Care Services  
 RELATED FACILITIES: RELIGIOUS AFFILIATION: None  
 YEAR OPENED: 1991 NO. OF ACRES: 54 MULTI-STORY: SINGLE STORY: BOTH: X  
 MILES TO SHOPPING CTR: 1.5 MILES TO HOSPITAL: <5

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

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

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

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

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

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 90 temporary care days, and Discounted membership fee for service

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

**FACILITY SERVICES AND AMENITIES**

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

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



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

	2009	2010	2011	2012
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (excluding amortization of entrance fee income)	\$ 19,599,180	\$ 20,057,157	\$ 20,431,759	\$ 21,730,943
<b>LESS OPERATING EXPENSES</b> (excluding depreciation, amortization, & interest)	-\$22,664,480	-\$23,291,873	-\$23,967,723	-\$25,299,275
<b>NET INCOME FROM OPERATIONS</b>	<u>-\$ 3,065,300</u>	<u>-\$ 3,234,716</u>	<u>-\$ 3,535,964</u>	<u>-\$ 3,568,332</u>
<b>LESS INTEREST EXPENSE</b>	-\$ 577,023	-\$ 559,277	-\$ 539,747	-\$ 492,852
<b>PLUS CONTRIBUTIONS</b>	_____	_____	_____	_____
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	\$6,425,556	\$ 7,198,208	\$ 5,202,034	\$ 7,195,900
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	<u>\$2,783,233</u>	<u>\$ 3,404,215</u>	<u>\$ 1,126,323</u>	<u>\$ 3,134,716</u>
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (Total Deposits Less Refunds)	_____	_____	_____	_____

**DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END**

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

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

	2007 CCAC Medians 50 <sup>th</sup> Percentile (optional)	2010	2011	2012
<b>DEBT TO ASSET RATIO</b>		.062	.062	.058
<b>OPERATING RATIO</b>		.88	.96	.89
<b>DEBT SERVICE COVERAGE RATIO</b>		15.21	5.96	10.6
<b>DAYS CASH-ON-HAND RATIO</b>		251.05	225.34	334.49

**HISTORICAL MONTHLY SERVICE FEES**

**AVERAGE FEE AND PERCENT CHANGE**

	2009		2010		2011		2012	
		%		%		%		%
STUDIO								
ONE BEDROOM	1574	0	1574	2	1606	5.8	1699	
TWO BEDROOM	2537	0	2537	2	2588	5.8	2737	
COTTAGE/HOUSE	2624	0	2624	2	2677	5.8	2832	
ASSISTED LIVING	2890	5.2	3042	6	3224	4.1	3355	
SKILLED NURSING	3315	14.8	3772	8.9	4206	7.7	4423	
SPECIAL CARE								

**COMMENTS FROM PROVIDER:** HC Fee \$500 10.0% \$550 4.5% \$575 1.7% \$585  
Rates for 3 of 10 specific unit styles are listed above. See attached fee schedules for each rate.

### FINANCIAL RATIO FORMULAS

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

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

#### OPERATING RATIO

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

#### DEBT SERVICE COVERAGE RATIO

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

#### DAYS CASH ON HAND RATIO

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

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

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

	<b>RESIDENTIAL LIVING</b>	<b>ASSISTED LIVING</b>	<b>SKILLED NURSING</b>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<b>1699-3587 plus 585 HC Fee</b>	<b>3355 plus 585 HC Fee</b>	<b>4423 plus 585 HC Fee</b>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<b>5.8% and 1.7% HC Fee</b>	<b>4.1% and 1.7% HC Fee</b>	<b>7.7% and 1.7% HC Fee</b>

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

[3] Indicate the date the fee increase was implemented: Jan 1, 2012  
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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

# KEY INDICATORS REPORT

Date Prepared: 4/24/11

Rancho San Antonio, RHC & RSI



Chief Financial Officer Signature

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

	Forecast										Preferred Trend Indicator		
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017			
<b>OPERATIONAL STATISTICS</b>													
1. Average Annual Occupancy by Site (%)	97.33%	94.60%	93.14%	91.31%	91.20%	95.00%	95.00%	95.00%	95.00%	95.00%	195.00%	N/A	
<b>MARGIN (PROFITABILITY) INDICATORS</b>													
2. Net Operating Margin (%)	-15.32%	-15.59%	-16.23%	-17.29%	-16.41%	-14.20%	-12.02%	-9.89%	-7.79%	-5.74%		↑	
3. Net Operating Margin - Adjusted (%)	-15.32%	-15.59%	-16.23%	-17.29%	-16.41%	-14.20%	-12.02%	-9.89%	-7.79%	-5.74%		↑	
<b>LIQUIDITY INDICATORS</b>													
4. Unrestricted Cash and Investments (\$000)	\$21,455	\$21,739	\$23,203	\$22,315	\$23,636	\$24,109	\$24,591	\$25,083	\$25,584	\$26,096		↑	
5. Days Cash on Hand (Unrestricted)	362	350	363	340	342	343	338	333	328	335		↓	
<b>CAPITAL STRUCTURE INDICATORS</b>													
6. Deferred Revenue from Entrance Fees (\$000)	\$0	\$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	\$0	N/A	
8. Unrestricted Net Assets (\$000)	\$88,384	\$87,359	\$86,295	\$83,426	\$82,456	\$82,373	\$82,291	\$82,209	\$82,127	\$82,044		N/A	
9. Annual Capital Asset Expenditure (\$000)	\$2,060	\$2,192	\$1,841	\$2,565	\$2,265	\$2,242	\$2,220	\$2,198	\$2,176	\$2,154		N/A	
10. Annual Debt Service Coverage Revenue Basis (x)	-0.67	-1.25	-1.30	-3.50	-1.22	-0.73	-0.26	0.24	0.79	1.39		↑	
11. Annual Debt Service Coverage (x)	-0.67	-1.25	-1.30	-3.50	-1.22	-0.73	-0.26	0.24	0.79	1.39		↑	
12. Annual Debt Service/Revenue (%)	44.29%	42.00%	39.60%	41.24%	32.90%	29.84%	26.30%	22.99%	19.89%	19.52%		↓	
13. Average Annual Effective Interest Rate (%)	7.70%	7.70%	7.74%	7.75%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%		↓	
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	287.35%	300.95%	333.32%	332.90%	373.01%	398.77%	432.12%	472.45%	522.54%	532.99%		↑	
15. Average Age of Facility (years)	14.46	15.11	13.87	16.49	17.04	18.0	19.04	20.04	21.04	22.04		↑	

## **Addendum to Annual Report**

### **2012 Checklist**

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

**The Forum at Rancho San Antonio - IL & HCC  
 For Budget Year: 2012  
 ASSESSMENT and RESERVE FUNDING DISCLOSURE SUMMARY**

Sec. 2. Section 1365.2.5  
 (a)

(1) The current regular assessment per ownership interest is \$ **472.40** 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 \_\_\_\_\_ of the attached summary."

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

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

TOTAL \_\_\_\_\_

**NOTE:** If assessments vary by the size or type of ownership interest, the assessment applicable to the ownership interest may be found on page \_\_\_\_\_ of the attached report. These assessments might be for purposes outside the scope of the current Reserve Study and have been included by the party preparing the association's Pro Forma Operating Budget.

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

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

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

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5, the estimated amount required in the reserve fund at the end of the current fiscal year is \$ **17,078,222** based in whole or in part on the last reserve study or update prepared by **Reserve Analysis Consulting, LLC** as of **June, 2010**. The projected reserve fund cash balance at the end of the current fiscal year is \$**5,101,441** resulting in reserves being **29.9%** funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$N/A.

**The Forum at Rancho San Antonio - IL & HCC  
For Budget Year: 2012**

(7.a.) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 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 Page 3, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \*\* See Page 4, leaving the reserve at \*\*\* See Page 3 percent funding.

**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.

(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 1365.5. 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 pro forma operating budget or summary thereof that is delivered pursuant to this article. 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.

**General Notes:** Please read the General Reserve Study Notes on page 4.00 of this Financial Summary for further recommended Board actions and disclosures.

Because the reserve study is a SERIES OF PROJECTIONS, the estimated lives and costs of components will likely CHANGE OVER TIME depending on a variety of factors such as future inflation rates, levels of maintenance actioned by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience premature failures. Some components may cost less at the time of replacement due to changes in manufacturing methods while others may cost more due to material shortages or high demand. A Reserve Study is an evolving document that represents a moment in time covering a 30 year period.

It is a dynamic document that should be updated annually to insure that the most current information is available to the association board for making informed decisions that are recorded in board minutes. Interested association members should review these minutes regularly for knowledge of the most recent board actions.

**SUMMARY OF RESERVE BALANCE**

**SCENARIO - \$ Minimum Contingency (5% Annual Contribution)**

	Physical Study		Physical Study		Physical Study		Physical Study		Physical Study		Physical Study		Physical Study		Physical Study	
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018				
1 Projected Beginning Fund Balance	3,210,718	5,293,863	5,370,101	5,468,764	5,491,672	5,870,394	5,101,441	4,849,656	4,791,871	4,726,735	2,820,921	3,606,703				
2 Proposed Total Annual Contribution	1,140,000	1,500,000	1,575,000	1,653,750	1,736,438	1,823,260	1,914,423	2,010,144	2,110,651	2,216,184	2,326,993	2,443,343				
3 Income from other sources	2,000,000	500,000	500,000		1,000,000											
Encl Interest (on Beg Fund Balance)	174,232	135,811	68,506	36,238	27,779	73,504	25,507	24,248	95,837	94,535	56,418	72,134				
5 Total Reserve Fund Available During Yr	6,524,950	7,429,674	7,513,607	7,158,752	8,255,889	7,767,158	7,041,371	6,884,048	6,998,359	7,037,453	5,204,332	6,122,179				
6 Less: Required Expenditures from Reserve	1,231,087	2,059,572	2,044,843	1,667,080	2,385,495	2,665,717	2,191,715	2,031,240	2,143,042	3,868,378	1,426,455	1,654,207				
(See Reserve Study includes 5% Contingency)																
7 Inflation factor	1	1	1	1	1	1	1	1	1.03	1.06	1.09	1.12				
8 Inflated Expenditure	1,231,087	2,059,572	2,044,843	1,667,080	2,385,495	2,665,717	2,191,715	2,092,177	2,271,624	4,216,532	1,597,630	1,902,338				
10 Projected Year End Balance	5,293,863	5,370,101	5,468,764	5,491,672	5,870,394	5,101,441	4,849,656	4,791,871	4,726,735	2,820,921	3,606,703	4,219,841				
12 Minimum Contingency Factor		1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000				
13 Inflation factor		1	1	1	1	1	1.03	1.06	1.09	1.12	1.15	1.18				
14 Minimum Contingency Factor w/Inflation		1	1	1	1	1	1.03	1.06	1.09	1.12	1.15	1.18				
15 Required Additional Deposit?																
16 % Funded		32.2%	33.0%	32.7%	36.3%	29.9%	28.6%	28.0%	28.0%	16.4%	25.3%	29.6%				

**RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.**  
**RSI CASH RESERVE REVIEW**  
**2012 BUDGET - FINAL**

**Operations and reserved cash FBO RSI**

Expenses as budgeted	\$ 13,055,568	
75 days required reserve for DSS		\$ 2,682,651
75 days operating reserve		\$ 2,682,651
Required cash reserve		<u>\$ 5,365,302</u>

**Estimated Cash**

EOY 2011 Est cash Balance		\$ 125,000
Liabilities and due to/from Manager		\$ (55,000)
EOY 2011 est e/e cash fund		\$ 5,743,653
2012 e/e income		\$ 800,000
2012 e/e expense to RSI		\$ (1,040,000)
		<u>\$ 5,573,653</u>

Estimated (Shortfall)/ Excess of RSI requested cash reserves		<u>\$ 208,351</u>
---	--	-------------------

Days (short)/excess in reserve: 6

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATION**  
**Analysis of Cash Reserves to Cash Requirement for RHC**  
**2012 BUDGET - FINAL**

*Guided by Policy 31: Operating Cash Requirements*

<b>A. Budget – Short Term Threshold Test</b>		
1	Expenses as budgeted for 2011	\$ 13,410,343
2	75 days required reserve for DSS	\$ 2,755,550
3	75 days operating expenses	\$ 2,755,550
4	1 years loan payments	\$ 1,028,979
5	Required cash reserve	\$ 6,540,079
6	Estimated Cash	\$ 9,400,000
7	EOY 2011 est. cash*	\$ (550,000)
8	Liability for expenses	\$ (681,918)
9	Est. use of Cash for 2012 Budget	\$ 8,168,082
10	Estimated Cash	\$ 1,628,003
11	difference of cash to cash requirements	

**Comments:**

- (1) 5 Year Outlook assumes higher level of resale appreciation in 2013O through 2017O compared to 2012 Budget.
- (2) By the end of the 5 year outlook there is an assumption that resale appreciation per unit average will start diminishing as average length of stay decreases per unit.
- (3) POA's is currently at approximately 20 and assuming 18 for 2012 with each year decreasing the number of POAs in the 5 year outlook.
- (4) A 5% IL Occupancy assumed in the 5 Yr Outlook in order to keep up with cash outflow from Fixed Asset requirements in the coming years as well as offsetting budgeted deficits and cash on hand declining trend.



## 2012 Assisted Living Rates For The Forum at Rancho San Antonio (Members)

Additional Service Charges to add to Room Charge				Per Day	Avg Monthly Rate
				\$ 48.00	\$1,464.00
	Dementia Fee Level 1			\$ 65.00	\$1,982.50
	Dementia Fee Level 2				

Other Clarifying charges						
		HC Occupancy Fee	HC Fee	Room Premium Differential	Room Premium Differential	AVG MONTHLY RATE
	Posted Base Rate, for conditional member contract	\$ 229.00				\$6,984.50
	Conditional Member 90% of Posted Base Rate rate plus room premium as applicable (90% scales down 5% for every year of membership starting in Year 2 of membership)	\$ 206.10		add as above		\$6,286.05
		HC Occupancy Fee	HC Fee	Meal Credit		
	Healthcare Occupancy Fee's for maintaining membership	\$110.00	\$ 19.18	\$ (25.50)		\$3,162.25
	Healthcare Occupancy Fee's for maintaining membership	\$57.00	\$ 19.18	\$ (25.50)		\$1,545.75
	(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 Care Center Occupancy Fee's for maintaining membership is the member rate for Model A1 AL Studio less applicable meal credits)					

Note: 2012 is a Leap Year. Average Month is based on 366 days

**2012 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	\$145.00	\$4,422.50	\$ 585.00	per month	add as shown below	\$ 5,007.50
	SNF Permanent 2nd member standard fee's	\$89.00	\$2,714.50	\$ 585.00	per month	add as shown below	\$ 3,299.50
	Charge for Temporary Days, 2nd and 3rd Meal	\$19.50	\$594.75	plus HC Fee	per month	add as shown below	
	Member room premium			plus IL Occupancy Fee		Differential Per Day	(differential per month)
	Private Room					\$133.00	\$4,056.50



**2012 Assisted Living Rates For  
The Forum at Rancho San Antonio (Non-Members)**

MODEL		SQ FT	DAILY RATE		AVG MONTHLY RATE
A . 1	Studio	358	\$ 229.00	per day	\$6,985
A . 2	Studio (with Patio)	358	\$ 241.00	per day	\$7,351
A . 3	Studio	388	\$ 241.00	per day	\$7,351
A . 4	Studio	391	\$ 241.00	per day	\$7,351
B . 1	Single Studio / Double Studio (without Kitchen)	435	\$ 262.00	per day	\$7,991
B . 2	Single Studio / Double Studio (with Kitchen)	435	\$ 262.00	per day	\$7,991
C . 1	One Bed Room	520	\$ 354.00	per day	\$10,797
C . 1	One Bed Room (with Patio)	520	\$ 364.00	per day	\$11,102
C . 2	One Bed Room Deluxe	780	\$ 424.00	per day	\$12,932
<b>Additional Charges to add to Room Charge</b>					
	Dementia Fee Level 1		48.00	per day	\$1,464.00
	Dementia Fee Level 2		65.00	per day	\$1,982.50
	Community Service Fee			Equal to One Months Rental Fee	
Deposit \$1,000, \$250 is non-refundable. See administrator for contract					

*Note: 2012 is a Leap Year. Average Month is based on 366 days*

**2012 Skilled Nursing Rates For  
The Forum at Rancho San Antonio (Non-Members)**

	<b>DAILY RATE</b>
Semi private Room	\$349.00
Private Room	\$482.00

*Note: 2012 is a Leap Year. Average Month is based on 366 days*

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

**Comparative Fee Schedule for 2012**

**Occupancy Fee's:**

Unit Style	2012	%Increase	2011	%Increase	2010	%Increase	2009	%Increase	2008	%Increase	2007	%Increase
A	1699	5.76%	1606	2.06%	1574	0.00%	1574	0.00%	1574	2.47%	1536	1.52%
AD	1888	5.76%	1785	2.06%	1749	0.00%	1749	0.00%	1749	2.52%	1706	1.48%
B	2171	5.76%	2053	2.02%	2012	0.00%	2012	0.00%	2012	2.55%	1962	1.49%
C	2454	5.76%	2320	2.04%	2274	0.00%	2274	0.00%	2274	2.52%	2218	1.49%
D	2643	5.76%	2499	2.04%	2449	0.00%	2449	0.00%	2449	2.51%	2389	1.51%
E	2737	5.76%	2588	2.02%	2537	0.00%	2537	0.00%	2537	2.55%	2474	1.50%
F	2832	5.76%	2677	2.04%	2624	0.00%	2624	0.00%	2624	2.50%	2560	1.52%
G	2832	5.76%	2677	2.04%	2624	0.00%	2624	0.00%	2624	2.50%	2560	1.52%
V	2832	5.76%	2677	2.04%	2624	0.00%	2624	0.00%	2624	2.50%	2560	1.52%
VD	3587	5.76%	3391	2.03%	3324	0.00%	3324	0.00%	3324	2.53%	3242	1.50%
2ND Person	661	5.76%	625	2.08%	612	0.00%	612	0.00%	612	2.51%	597	1.53%

**Health Care Fee**

Per Person	585	1.7%	575	4.5%	550	10.0%	500	-9.1%	550	0.0%	550	-9.2%
------------	-----	------	-----	------	-----	-------	-----	-------	-----	------	-----	-------

**RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.  
STATEMENT OF OPERATING CASH FLOW - BUDGET  
2012 BUDGET - FINAL**

Line #	Description	365			Year over Year	
		2012	2011	2010	2012 vs 2011	2011 vs 2010
		BUDGET	BUDGET	FORECAST	Bud to Fcst	Fcst to Act
1	<b>REVENUES</b>					
2	ASSISTED LIVING REVENUES	5,180,080	4,657,035	5,040,868	3%	10%
3	SKILLED NURSING REVENUES	6,314,865	6,119,955	6,062,307	4%	5%
4	EXTENDED CARE	198,925	246,375	188,870	5%	-17%
5	<b>Total Census Related Revenue</b>	<b>11,693,870</b>	<b>11,023,365</b>	<b>11,292,045</b>	<b>4%</b>	<b>7%</b>
6	ROOM & BOARD CONTRACTUAL AL Member	(2,699,540)	(2,358,630)	(2,447,690)	10%	11%
7	ROOM & BOARD CONTRACTUAL SNF Member	(2,432,360)	(2,514,850)	(2,496,787)	-3%	10%
8	FOOD REVENUE	111,880	67,160	110,772	1%	-2%
9	<b>Total Membership Contractual Allowance (Mix)</b>	<b>(5,020,020)</b>	<b>(4,806,320)</b>	<b>(4,833,706)</b>	<b>4%</b>	<b>11%</b>
10	HEALTHCARE FEES	3,166,020	3,160,200	3,099,268	2%	4%
12	INTEREST INCOME	236,081	282,643	236,081	0%	-9%
13	USAGE OF ENTRANCE / EXIT FEES FROM RHC	1,040,000	1,400,000	875,000	19%	-28%
14	<b>Total Member Subsidy</b>	<b>4,442,101</b>	<b>4,842,843</b>	<b>4,210,349</b>	<b>6%</b>	<b>-5%</b>
15	MEDICARE A ADDED CONTRACTUAL ADJUSTMENT	1,320,935	1,353,420	1,414,150	-7%	3%
16	THERAPY & ANCILLARY REVENUE - Net of contractua	555,000	530,000	578,168	-4%	19%
17	THERAPY & ANCILLARY COSTS	(1,215,260)	(1,319,585)	(1,183,297)	3%	-7%
18	<b>Total Medicare, Therapy and Ancillary Services</b>	<b>660,675</b>	<b>563,836</b>	<b>809,021</b>	<b>-18%</b>	<b>37%</b>
19	<b>TOTAL REVENUES, (less ancillary cost of goods)</b>	<b>11,776,625</b>	<b>11,623,724</b>	<b>11,477,708</b>	<b>3%</b>	<b>2%</b>
20						
21	<b>OPERATING EXPENSES</b>					
22	FOOD SERVICE	1,341,794	1,294,234	1,332,878	1%	4%
23	HOUSEKEEPING	360,022	380,602	352,594	2%	2%
24	LAUNDRY	136,777	132,937	134,095	2%	-8%
25	MAINTENANCE	283,361	321,492	278,966	2%	-2%
26	UTILITIES	335,143	318,715	325,382	3%	4%
27	ACTIVITIES	283,983	277,823	273,878	4%	1%
28	SECURITY	53,009	57,641	51,465	3%	-9%
29	ASSISTED LIVING EXPENSE	974,176	996,524	984,176	-1%	1%
30	NURSING EXPENSE	2,112,336	2,128,930	2,073,753	2%	2%
31	GENERAL & ADMINISTRATIVE	1,103,145	1,014,442	1,069,662	3%	8%
32	CABLE	91,462	88,881	86,285	6%	6%
33	BENEFITS - HEALTH	668,247	562,196	591,369	13%	16%
34	BENEFITS - OTHER	1,092,483	1,023,707	1,045,438	4%	5%
35	MARKETING and ADMISSIONS	85,186	81,971	83,516	2%	1%

**RANCHO SAN ANTONIO RETIREMENT SERVICES, INC.**  
**STATEMENT OF OPERATING CASH FLOW - BUDGET**  
**2012 BUDGET - FINAL**

Line #	Description	365			Year over Year	
		2012	2011	2010	2012 vs 2011	2011 vs 2010
		BUDGET	BUDGET	FORECAST	Bud to Fcst	Fcst to Act
36	TRANSPORTATION	90,915	67,504	88,267	3%	37%
37	<b>TOTAL DEPARTMENTAL EXPENSES</b>	<b>9,012,039</b>	<b>8,747,600</b>	<b>8,771,725</b>	<b>3%</b>	<b>4%</b>
38	WORKERS COMP	253,917	247,742	235,869	8%	-5%
39	LIABILITY	233,204	199,731	225,832	3%	14%
40	PROPERTY INSURANCE & D&O & UMBRELLA	138,121	138,243	138,121	0%	-15%
41	AUDIT AND OTHER	62,072	68,579	62,072	0%	13%
42	MANAGEMENT FEES	662,586	755,542	773,327	-14%	4%
43	RENT AND RELATED OBLIGATION	1,478,370	1,463,733	1,463,733	1%	1%
44	<b>TOTAL OPERATING EXPENSES</b>	<b>11,840,308</b>	<b>11,621,169</b>	<b>11,670,678</b>	<b>1%</b>	<b>3%</b>
45	<b>OPERATING INCOME</b>	<b>(63,683)</b>	<b>2,555</b>	<b>(192,970)</b>		

**RANCHO SAN ANTONIO RETIREMENT HOUSING CORPORATI  
STATEMENT OF OPERATING CASH FLOW - BUDGET  
2012 BUDGET - FINAL**

Month Line #	Description	365			366			365			Year over Year		Year over Year	
		BUDGET	BUDGET	2011	BUDGET	FORECAST	2011	2010	ACTUAL	2012 vs 2011 Bud to Fcst	2011 vs 2010 Fcst to Act	2012 vs 2011 Bud to Fcst	2011 vs 2010 Fcst to Act	
1	REVENUES													
2	OCCUPANCY FEES	9,315,000	8,785,000	8,821,027	8,701,380	8,701,380	8,701,380	8,701,380	493,973	119,647	493,973	119,647		
3	MEMBERSHIP RESALE INCOME	3,250,000	3,447,486	3,376,828	5,386,500	5,386,500	5,386,500	5,386,500	(126,828)	(2,009,673)	(126,828)	(2,009,673)		
4	HEALTHCARE & RENTAL	1,511,657	1,497,020	1,491,668	1,468,477	1,468,477	1,468,477	1,468,477	19,989	23,191	19,989	23,191		
5	INTEREST INCOME	105,705	138,633	105,705	156,913	156,913	156,913	156,913	0	(51,209)	0	(51,209)		
6	FOOD REVENUE and Meal Credits	138,492	145,416	131,897	135,328	135,328	135,328	135,328	6,595	(3,432)	6,595	(3,432)		
7	OTHER INCOME	343,681	361,004	328,818	384,208	384,208	384,208	384,208	14,883	(55,390)	14,883	(55,390)		
8	<b>TOTAL REVENUES</b>	<b>14,664,534</b>	<b>14,374,559</b>	<b>14,255,942</b>	<b>16,232,807</b>	<b>16,232,807</b>	<b>16,232,807</b>	<b>16,232,807</b>	<b>408,592</b>	<b>(1,976,865)</b>	<b>408,592</b>	<b>(1,976,865)</b>		
9	OPERATING COSTS AND EXPENSES													
10	FOOD SERVICE	2,897,595	2,890,939	2,854,117	2,800,765	2,800,765	2,800,765	2,800,765	43,478	53,352	43,478	53,352		
11	HOUSEKEEPING	658,869	670,286	656,071	636,138	636,138	636,138	636,138	2,798	19,933	2,798	19,933		
12	LAUNDRY	96,530	93,720	93,720	89,268	89,268	89,268	89,268	2,810	4,452	2,810	4,452		
13	GENERAL & ADMINISTRATIVE	1,208,872	1,211,880	1,129,340	1,197,032	1,197,032	1,197,032	1,197,032	79,533	(67,692)	79,533	(67,692)		
14	BENEFITS - HEALTH	626,479	594,736	564,395	567,904	567,904	567,904	567,904	62,083	(3,509)	62,083	(3,509)		
15	BENEFITS - OTHER	1,066,847	1,044,702	1,008,189	965,874	965,874	965,874	965,874	58,658	42,315	58,658	42,315		
16	MAINTENANCE	1,004,672	921,701	1,017,901	904,720	904,720	904,720	904,720	(13,229)	113,181	(13,229)	113,181		
17	MAINTENANCE RESERVE	449,820	271,471	499,800	312,331	312,331	312,331	312,331	(49,980)	187,469	(49,980)	187,469		
18	LANDSCAPE	231,784	253,537	220,746	212,790	212,790	212,790	212,790	11,037	7,956	11,037	7,956		
19	CABLE	304,189	274,953	286,971	254,291	254,291	254,291	254,291	17,218	32,680	17,218	32,680		
20	UTILITIES	841,528	879,616	801,455	764,707	764,707	764,707	764,707	40,073	36,748	40,073	36,748		
21	PROGRAM & RECREATION	222,804	229,049	217,876	224,577	224,577	224,577	224,577	4,928	(6,701)	4,928	(6,701)		
22	SECURITY	60,859	82,371	59,087	55,417	55,417	55,417	55,417	1,773	3,670	1,773	3,670		
23	HOME HEALTH CARE COSTS	354,697	348,930	338,354	329,334	329,334	329,334	329,334	16,343	9,021	16,343	9,021		
24	MARKETING	358,029	314,237	358,029	320,773	320,773	320,773	320,773	-	37,256	-	37,256		
25	TRANSPORTATION	185,724	192,319	180,314	169,349	169,349	169,349	169,349	5,409	10,965	5,409	10,965		
26	<b>TOTAL DEPARTMENTAL COSTS</b>	<b>10,569,297</b>	<b>10,274,449</b>	<b>10,286,364</b>	<b>9,805,269</b>	<b>9,805,269</b>	<b>9,805,269</b>	<b>9,805,269</b>	<b>282,932</b>	<b>481,096</b>	<b>282,932</b>	<b>481,096</b>		
27	WORKERS COMPENSATION	193,026	169,469	160,679	166,299	166,299	166,299	166,299	32,347	(5,619)	32,347	(5,619)		
28	LIABILITY	198,655	149,367	195,770	156,979	156,979	156,979	156,979	2,885	38,791	2,885	38,791		
29	COST RELATED TO OTHER INCOME	104,533	133,614	99,555	120,614	120,614	120,614	120,614	4,978	(21,059)	4,978	(21,059)		
30	REAL PROPERTY TAXES	319,629	334,846	313,361	306,568	306,568	306,568	306,568	6,267	6,793	6,267	6,793		
31	AUDIT AND OTHER	66,588	62,173	63,417	54,999	54,999	54,999	54,999	3,171	8,418	3,171	8,418		
32	PROPERTY INSURANCE, D&O & UMBRELLA	506,942	507,328	506,942	555,040	555,040	555,040	555,040	-	(48,098)	-	(48,098)		
33	MANAGEMENT FEES	659,904	773,351	760,082	858,724	858,724	858,724	858,724	(100,178)	(98,641)	(100,178)	(98,641)		
34	OTHER FEES, Banking, Taxes, losses	77,037	69,298	74,794	84,929	84,929	84,929	84,929	2,244	(10,135)	2,244	(10,135)		
35	INTEREST EXPENSE	714,732	738,275	729,319	744,512	744,512	744,512	744,512	(14,586)	(15,194)	(14,586)	(15,194)		
36	<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>2,841,047</b>	<b>2,937,722</b>	<b>2,903,920</b>	<b>3,048,664</b>	<b>3,048,664</b>	<b>3,048,664</b>	<b>3,048,664</b>	<b>(62,873)</b>	<b>(144,744)</b>	<b>(62,873)</b>	<b>(144,744)</b>		
37	Total Expenses	13,410,343	13,212,170	13,190,284	12,853,933	12,853,933	12,853,933	12,853,933	220,059	336,352	220,059	336,352		
38	OPERATING INCOME	1,254,190	1,162,388	1,065,658	3,378,874	3,378,874	3,378,874	3,378,874	188,533	(2,313,216)	188,533	(2,313,216)		
39														

RANGHO SAN ANTONIO RETIREMENT HOUSING CORPORA  
STATEMENT OF OPERATING CASH FLOW - BUDGET  
2012 BUDGET - FINAL

Month Line #	Description	365			366			365			Year over Year		Year over Year	
		BUDGET	BUDGET	2012	BUDGET	2011	2011	FORECAST	2010	ACTUAL	Bud to Fcst	Fcst to Act	Bud to Fcst	Fcst to Act
40	OTHER CASH REQUIREMENTS													
41	LOAN PRINCIPAL	353,094	329,910		330,732	306,478								
42	PRINCIPAL RECEIVED on 1.2M (RSI)					0								
43	ASSET REPLACEMENT RESERVE	1,823,259	1,736,438		2,736,438	1,653,750								
44	INSURANCE RESERVE					0								
45	ASSET & INSURANCE RESERVE-Interest	36,759	70,744		36,395	48,760								
46	RESTRICTED FUNDS fbo RSI -Interest	22,815	59,440		22,589	38,693								
47	Maint. Expenses Paid by Reserve	(449,820)	(271,471)		(587,790)	(312,331)								
48	FIXED ASSET PURCHASES(capex)	150,000	600,000		126,475	173,596								
49	TOTAL OTHER CASH REQUIREMENTS	1,936,108	2,525,061		2,664,840	1,908,946								
50	OPERATIONS CASH FLOW WITHOUT FUNDII	(681,918)	(1,362,673)		(1,599,183)	1,469,928								
52	Profit and Loss													
53	OPERATING INCOME (LINE 39)	1,254,190	1,162,388		1,065,658	3,378,874								
54	depreciation Expense and loss/gain of asse	(3,956,468)	(3,876,368)		(3,959,742)	(4,468,563)								
55	Exit fees & Entrance Amortization REVENU	1,100,000	1,134,000		1,042,228	1,252,007								
56	Exit fees & Entrance EXPENSE To Fund RS	(1,040,000)	(1,400,000)		(875,000)	(1,213,749)								
57	Accumulated Profit/(Deficit) Current Year	(2,642,278)	(2,979,980)		(2,726,857)	(1,051,431)								