Laurel Lake Retirement Community, Inc. and Subsidiary

YEARS ENDED DECEMBER 31, 2017 AND 2016

HW&Co.

CPAs & Advisors

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

CONTENTS

Independent Auditor's Report

The Board of Directors
Laurel Lake Retirement Community, Inc. and Subsidiary
Hudson, Ohio

We have audited the accompanying consolidated financial statements of Laurel Lake Retirement Community, Inc. and Subsidiary which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 audit 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 Laurel Lake Retirement Community, Inc. and Subsidiary as of December 31, 2017 and 2016, and the consolidated changes in net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

HW & Co.

Cleveland, Ohio
March 21, 2018

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	$ 2,313,052	$ 7,079,535
Accounts receivable:		
Trade, net of allowance for doubtful accounts of $10,000	669,904	662,516
Other	251,775	70,094
Entrance fees receivable	612,330	64,600
Prepaid expenses and other	387,042	269,908
Total current assets	4,234,103	8,146,653
Property and equipment:		
Land and improvements	5,260,673	5,162,353
Buildings and improvements	65,822,611	64,970,070
Equipment	4,169,599	3,395,366
Furniture and fixtures	2,140,218	2,106,394
Construction-in-progress	4,219,519	463,514
	81,612,620	76,097,697
Less accumulated depreciation	12,645,422	9,291,950
	68,967,198	66,805,747
Other assets:		
Assets limited as to use	467,232	464,052
Investments:		
Available-for-sale securities	18,243,499	17,258,669
Other	94,308	94,208
Operating rights to licensed beds	1,500,000	1,500,000
Other		11,457
	20,305,039	19,328,386
	$ 93,506,340	**$ 94,280,786**

LIABILITIES AND NET ASSETS

		2017		2016
Current liabilities:				
Accounts payable, trade	$	1,107,754	$	816,832
Accrued expenses:				
Salaries, wages and related liabilities		399,982		362,530
Compensated absences		265,340		251,328
Real estate taxes		93,144		186,961
Interest		225,302		237,077
Other		250,582		255,684
Current portion of long-term debt		1,182,500		1,605,417
Total current liabilities		3,524,604		3,715,829
Long-term liabilities:				
Security deposits		1,692,288		1,195,628
Long-term debt, net of current portion and debt issuance costs		38,203,930		43,690,472
Interest rate swaps liability		421,280		
Refundable entrance fee liability		2,879,356		2,519,132
Gift annuities payable		438,974		583,343
Deferred revenue, entrance fees		29,567,546		29,564,525
Total liabilities		76,727,978		81,268,929
Net assets:				
Unrestricted		15,972,936		11,717,310
Temporarily restricted		545,956		1,102,251
Permanently restricted		259,470		192,296
Total net assets		16,778,362		13,011,857
	$	**93,506,340**	**$**	**94,280,786**

See notes to consolidated financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Revenue and other support:		
Resident services:		
Service fees	$ 15,636,668	$ 15,464,404
Amortization of deferred revenue	5,323,120	5,332,640
Nursing services and other	3,470,736	3,478,645
Investment income, net	832,268	87,585
Contributions	363,795	69,490
Net assets released from restrictions for operations	83,085	
Total revenue and other support	25,709,672	24,432,764
Expenses:		
Salaries and wages	8,063,210	7,937,105
Employee benefits	2,264,074	2,124,279
Total employment expenses	10,327,284	10,061,384
Purchased services	2,463,513	2,298,697
Supplies	1,716,910	1,726,002
Utilities	1,444,152	1,430,360
Rent	7,536	3,669
Insurance	274,371	354,665
Interest	2,015,248	1,956,979
Depreciation	3,353,472	3,205,611
Other	826,064	838,778
Foundation expenses:		
Program	227,161	475,294
Operating	33,246	38,644
Total expenses	22,688,957	22,390,083
Excess of revenue and other support over expenses	3,020,715	2,042,681
Other changes in unrestricted net assets:		
Net assets released from restriction for capital expenditures	848,161	265,349
Unrealized loss on interest rate swaps	(421,280)	
Unrealized gains on investments, net	992,394	444,854
Reclassification of net assets (Note 1)	(184,364)	
Increase in unrestricted net assets	1,234,911	710,203
Temporarily restricted net assets:		
Contributions	221,316	470,242
Unrealized gains on investments, net	25,663	113,122
Investment gains (losses), net	10,282	(62,069)
Reclassification of net assets (Note 1)	117,690	
Net assets released from restrictions for capital expenditures and operations	(931,246)	(265,349)
Increase (decrease) in temporarily restricted net assets	(556,295)	255,946
Permanently restricted net assets:		
Contributions	500	1,390
Reclassification of net assets (Note 1)	66,674	
Increase in permanently restricted net assets	67,174	1,390
Increase in net assets	3,766,505	3,010,220
Net assets, beginning of year	13,011,857	10,001,637
Net assets, end of year	**$ 16,778,362**	**$ 13,011,857**

See notes to consolidated financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	$ 3,766,505	$ 3,010,220
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities:		
Unrealized gains on investments, net	(1,018,057)	(557,976)
Realized losses (gains) on investments, net	(582,035)	303,522
Depreciation	3,353,472	3,205,611
Amortization of debt issuance costs	33,496	39,160
Amortization of bond discounts	3,320	3,320
Amortization of deferred revenue, entrance fees	(5,323,120)	(5,332,640)
Unrealized loss on interest rate swaps	421,280	
Bad debt expense	24,201	20,096
Entrance fees received, not expected to be refunded	4,974,412	4,187,785
Write off of debt issuance costs	379,474	
Contributions restricted for long-lived assets and permanently restricted contributions	(200,803)	(266,739)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable and other assets	(866,677)	54,750
Increase (decrease) in accounts payable and other liabilities	1,088,576	(337,977)
Net cash provided by operating activities	6,054,044	4,329,132
Cash flows from investing activities:		
Expenditures for property and equipment	(5,514,923)	(4,132,769)
Proceeds from renovation fund		3,000,150
Proceeds from sale of investments	9,833,170	19,339,812
Purchase of investments	(9,221,188)	(30,983,831)
Net cash used in investing activities	(4,902,941)	(12,776,638)
Cash flows from financing activities:		
Change in gift annuities payable, net	(144,369)	12,706
Contributions received restricted for long-lived assets and permanently restricted contributions	200,803	266,739
Refunds of refundable fees	(141,583)	
Entrance fees received, expected to be refunded	493,312	365,579
Increase in debt issuance costs	(109,500)	
Payments on long-term debt	(6,216,249)	(1,454,587)
Net cash used in financing activities	(5,917,586)	(809,563)
Net decrease in cash and cash equivalents	(4,766,483)	(9,257,069)
Cash and cash equivalents, beginning of year	7,079,535	16,336,604
Cash and cash equivalents, end of year	**$ 2,313,052**	**$ 7,079,535**

See notes to consolidated financial statements.

1. Description of organization and summary of significant accounting policies:

Description of organization and basis of consolidation:

The accompanying consolidated financial statements include the accounts of Laurel Lake Retirement Community, Inc. (the Community) and Laurel Lake Retirement Community Foundation, Inc. (the Foundation) (collectively, referred to as Laurel Lake). The Foundation is a not-for-profit organization established to solicit donations for the benefit of the Community. The Foundation's sole member is the Community. All significant intercompany transactions have been eliminated in consolidation.

Laurel Lake, located in Hudson, Ohio, is a continuing care retirement community consisting of 293 residential units, 56 assisted living units and 75 licensed nursing beds. The Community operates under the "life care" concept in which residents enter into an occupancy agreement, which requires payment of a one-time entrance fee and a subsequent monthly service fee. Generally, these payments entitle residents to the use and privileges of the Community for life including certain nursing services provided in Laurel Lake's skilled nursing facility. The occupancy agreement does not entitle the residents to an interest in the real estate or other property owned by the Community.

Use of estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with maturities of three months or less.

At December 31, 2017 and throughout the year, Laurel Lake maintained balances in various accounts in excess of federally insured limits. Laurel Lake does not expect to incur any losses resulting from cash held in financial institutions.

Assets limited as to use:

Assets limited as to use include assets held by the bond trustee under the terms of certain debt agreements (Notes 2 and 5).

1. Description of organization and summary of significant accounting policies (continued):

Nursing services revenue and accounts receivable:

The Community receives a significant portion of its nursing service revenue from the Medicare program. Government payment systems and related funding for nursing facilities are subject to periodic review and modification by governmental payors. Changes in government payment systems and the effects are uncertain, and therefore such changes could have a material impact on the Community's future financial condition, results of operations and cash flows. The approximate Medicare revenue as a percentage of total revenue and other support was 8% in 2017 and 2016.

Services rendered to Medicare program beneficiaries are paid at prospectively determined rates under an acuity-based classification system. Rates are adjusted annually by the Centers for Medicare & Medicaid Services on October 1, in conjunction with the beginning of the Federal fiscal year. Federal rates are subject to a county-specific wage adjustment based on the relative hospital wage level of the geographic area of the facility compared to the national average hospital wage level.

Estimated amounts management believes will result from audits and settlements by the appropriate governmental authority in the determination of final reimbursement rates are included in these statements. Revisions in estimates are reflected in the period in which the facts which require the revisions become known.

Collection of accounts receivable in the ordinary course of business is dependent on the Medicare program's ability to make timely payments to health care providers. Amounts included in accounts receivable, net of credit balances, due from the Medicare program totaled $184,174 at December 31, 2017 and $160,129 at December 31, 2016.

In evaluating the collectability of accounts receivable and determination of an estimated allowance for doubtful accounts, the Community considers a number of factors, including the age of the accounts, changes in collection patterns, the composition of accounts by payor type and general industry conditions. Amounts considered uncollectable are written off against the allowance for doubtful accounts.

Laws and regulations governing the Medicare program are complex and subject to interpretation. Potential noncompliance with laws and regulations can be subject to future government review and interpretation as well as regulatory action. The Community believes that it is in compliance with all applicable laws and regulations and is not aware of any material pending or threatened investigations involving allegations of noncompliance. The Medicare payment system for nursing facilities is subject to periodic review and modification. Changes to the Medicare program payment system could have an adverse effect on the Community's results of operations and cash flows.

1. Description of organization and summary of significant accounting policies (continued):

Property and equipment:

Property and equipment are recorded at historical cost or, if donated or impaired, at fair market value at the date of receipt or determination. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation (straight-line method) is provided in amounts sufficient to amortize the cost of the related assets over their estimated useful lives.

Investments:

Investments in equity securities that have readily determinable fair values are measured at fair value.

Laurel Lake has an investment of $94,208 in Caring Communities, a reciprocal risk retention group. The investment constitutes less than 1% of the ownership in Caring Communities. Laurel Lake accounts for this investment using the cost method of accounting, see Note 13 for further information.

During 2017, Laurel Lake invested in a hospice organization for $100. This investment constitutes a 33% ownership in the hospice organization and is accounted for using the cost method of accounting.

Laurel Lake invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could have a material effect on the consolidated statements of financial position, activities and changes in net assets and cash flows.

Endowments and board-designated net assets:

Laurel Lake's endowment consists of several individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Board-designated funds are primarily intended to support various current and future programs, however board-designated funds, including principal, are expendable for any purpose, at any time, as may be deemed appropriate and as approved by the Board of Directors, and as such, are not considered to be an endowment by management and are included with unrestricted net assets. Primarily all investments held in the Foundation are board-designated funds.

1. Description of organization and summary of significant accounting policies (continued):

Interpretation of relevant law:

Laurel Lake has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Laurel Lake classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Laurel Lake in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Laurel Lake considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of Laurel Lake and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Laurel Lake
- The investment policies of Laurel Lake

Laurel Lake's investment and spending policies for endowment assets attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Laurel Lake must hold in perpetuity. In order to satisfy its long-term rate-of-return objectives, Laurel Lake relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Laurel Lake targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Since the donor has not restricted the use of investment income (interest and dividend, realized and unrealized gains and losses) on the donor-restricted endowment funds, Laurel Lake has the ability to utilize those earnings for its operations. At December 31, 2017 and 2016, the investment income has been reclassified as temporarily restricted and will be released from restriction upon the need for expenditure. In establishing this policy, Laurel Lake considered the long-term expected return on its endowment. This is consistent with Laurel Lake's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional growth through new gifts.

1. Description of organization and summary of significant accounting policies (continued):

Operating rights to licensed beds:

Intangible assets with indefinite useful lives are not to be amortized, but management is required to determine if the intangible asset has been impaired. Management of Laurel Lake has determined that operating rights to licensed beds are an intangible asset with an indefinite useful life. Laurel Lake has the option to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. Laurel Lake electing to perform a qualitative assessment is not required to calculate the fair value of an indefinite-lived intangible asset (and perform the quantitative impairment test) unless Laurel Lake determines, based on the qualitative assessment, that it is more likely than not that the asset is impaired. Management of Laurel Lake has determined that the carrying value of the operating rights to licensed beds has not been impaired.

Debt issuance costs:

In accordance with Accounting Standards Update (ASU) No. 2015-03; Interest – Imputation of Interest (Subtopic 835-30) unamortized debt issuance costs have been included with debt in the consolidated statements of financial position as of December 31, 2017 and 2016. Additionally, amortization of the debt issuance costs is included with interest expense in the statements of activities and changes in net assets amounting to $33,496 in 2017 and $39,160 in 2016. Debt issuance costs are being amortized over the term of the related debt.

Entrance fee deposits and receivables:

Entrance fee deposits represent amounts paid by prospective residents who have signed a residence agreement to reserve a specific living unit or to reserve a place on the waiting list for available units. Generally, a deposit of at least 10% of the entrance fee is collected when the residence agreement is signed. The balance of the fee is payable on or before the date the resident moves in, or otherwise establishes residency. Prospective residents may cancel their residence agreements at any time prior to occupancy and receive a full refund of the entrance fee deposit, less an application fee of $1,000 under certain circumstances.

The Community enters into promissory notes recorded as entrance fee receivables on the consolidated statements of financial position, with certain new residents who sign resident contracts. Interest accrues at 4% per annum. Principal plus accrued interest is receivable by the Community in one installment when certain conditions are met or interest charges may be collected monthly. The Community believes these notes are fully collectible. Therefore, there is no allowance for uncollectible amounts at December 31, 2017 and 2016.

1. Description of organization and summary of significant accounting policies (continued):

Deferred revenue and refundable entrance fees:

In accordance with Accounting Standards Update ("ASU") No. 2012-01, Continuing Care Retirement Communities-Refundable Advance Fees (Subtopic 954-430), Health Care Entities-Deferred Revenue, an organization recognizes a deferral of revenue when a contract between the Community and a resident stipulates that (1) a portion of the advance fee is refundable if the contract holder's unit is reoccupied by a subsequent resident, (2) the refund is limited to the proceeds of reoccupancy, and (3) the legal environment and the entity's management policy and practice supports the withholding of refunds under condition (2). Consequently, refundable advanced fees that are contingent upon reoccupancy by a subsequent resident but are not limited to the proceeds of the reoccupancy, are accounted for and reported as a liability. The Community's refundable advanced fees are refundable from reoccupancy; however they are not limited to the proceeds of the reoccupancy. Therefore, in accordance with the ASU, the Community records the refundable advance fees as a liability.

The Community offers three types of resident contracts (Plan A, Plan B and Plan C) with regard to the one-time entrance fee paid in addition to the monthly service fees. Under Plan A agreements, residents or their estates receive a refund equal to their entrance fee less a 10% cancellation fee and less 1.5% of their entrance fees for each month of residency if the resident leaves after five years or expires after one year of establishing residency. Plan A entrance fees are recorded as deferred revenue in the consolidated statements of financial position, which is being amortized over the estimated remaining life expectancy of each resident.

Under Plan B agreements, 94% of a resident's entrance fee is refundable upon reoccupancy of the unit (including receipt of the entrance fee from the new occupant). The refundable portion of Plan B entrance fees (94% of the fee) is not amortized. The nonrefundable portion of Plan B entrance fees (6% of the fee) is amortized over the estimated life expectancy of each resident.

Under Plan C agreements, residents or their estates receive a refund upon reoccupancy of the unit (including receipt of the entrance fee from the new occupant). The refund is equal to their entrance fee less the sum of: a) 10% of the entrance fee paid and b) 1.5% of the entrance fee paid for each month of residency up to a maximum amount of 40% of the entrance fee. The refundable portion of Plan C entrance fees (50% of the fee) is not amortized. The nonrefundable portion of Plan C entrance fees (remaining 50% of fee) is amortized over the estimated life expectancy of each resident.

Entrance fees received in advance of residency and deposits are accounted for and reported as liabilities on the consolidated statements of financial position. The Community includes a portion of refundable entrance fee liability as current based on historical amounts paid within 12 months of year end.

Advertising:

The Organization expenses advertising expenditures as incurred. Advertising expense total $194,380 in 2017 and $217,328 in 2016 and is included in purchased services expenses in the consolidated statements of activities and changes in net assets.

1. Description of organization and summary of significant accounting policies (continued):

Derivative instruments:

The Community utilizes interest rate swap contracts (which are considered a derivative instrument) to manage its exposure to interest rate risk on its variable rate debt. U.S. GAAP requires derivatives to be recorded in the consolidated statements of financial position at fair value. Changes in the fair value of derivative instruments (not meeting hedge designation requirements) are recorded in the consolidated statements of activities and changes in net assets as an unrealized loss on interest rate swaps.

Recent accounting pronouncements:

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities.* The objective of this ASU is to improve the current net asset classification requirements and information presented in financial statements and notes about not-for-profit entities' liquidity, financial performance and cash flows. The ASU will be effective for years beginning after December 15, 2017; therefore, Laurel Lake will be required to adopt and implement this ASU for the year ending December 31, 2018.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance in this ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the FASB Accounting Standards Codification. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps, (1) identify the contract(s), (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. Since Laurel Lake is a not-for-profit entity with conduit bonds, they will be required to implement the ASU effective with its annual reporting period beginning after December 15, 2017, therefore, Laurel Lake will implement this ASU for its year ending December 31, 2018. Management has begun the process to evaluate its contracts with residents and does not believe the provisions of this ASU will have a significant impact on its consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than twelve months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. This ASU amends current guidance that requires only capital leases to be recognized on the lessee's balance sheet. The ASU will also require additional disclosures on the amount, timing and uncertainty of cash flows arising from leases. The ASU will be effective for nonpublic companies for years beginning after December 15, 2019, therefore Laurel Lake will be required to implement this ASU for its year ending December 31, 2020. Management has not yet determined the impact this ASU will have on its consolidated financial statements, and will adopt the provisions upon the respective effective dates.

1. Description of organization and summary of significant accounting policies (continued):

Beneficial interest in charitable remainder trusts:

The Foundation had irrevocable rights to receive a portion of the specified cash flows from certain charitable remainder trusts. The recorded value of the trusts, which were included in other long-term assets on the consolidated statements of financial position, was based on the fair value of the Foundation's interest in the trusts as reported by the trustees. Due to the time and other restrictions of the Foundation's access to the assets held in these trusts, the Foundation's interests in the charitable remainder trusts were recorded as temporarily restricted net assets. Adjustments to the carrying value of the trust assets were recognized as increases or decreases in temporarily restricted contributions (as unrealized gains/losses on investments) in the consolidated statements of activities and changes in net assets. The Community received final payment of $11,726 during 2017 related to these trusts.

Gift annuities:

The Foundation receives assets from donors under gift annuity agreements designating the Foundation as the trustee and charitable remainder beneficiary of these assets. The terms of the trust agreements require that the Foundation, as trustee, invest the assets and pay an annuity to the annuitant, the donor or a specified beneficiary over the remainder of the annuitants' or specified beneficiary's life. Upon the death of the named individual, the Foundation may use its remainder interest, as designated by the annuitant.

The Foundation has recorded the donated assets in the consolidated financial statements as investments and recorded a liability for the actuarial present value of the future annuity payments to reflect the time value of money (through discounts for interest). The discount rate used to compute the liability in 2017 and 2016 was 6%. These rates are commensurate with the risk associated with the ultimate payment of the obligation. The Foundation records a contribution to temporarily restricted net assets for the difference between the assets received and the recorded liability for future annuity payments.

Net assets:

Temporarily restricted net assets are those whose use by Laurel Lake has been limited by donors to a specific time period or purpose from resources on which donors place no restriction or that arise as a result of the operations of Laurel Lake for its stated purposes. Earnings on investments of temporarily restricted net assets are added to temporarily restricted net assets. Restricted contributions, which are primarily related to the Foundation, are recorded as additions to temporarily restricted net assets.

Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity. Included within permanently restricted net assets are proceeds from gifts related to the Veraar Campus Endowment Fund. This fund utilizes investment income for maintenance of memorial and honorarium plantings on the Community campus.

1. Description of organization and summary of significant accounting policies (continued):

Net assets (continued):

During 2017, Laurel Lake reclassified $184,364 previously included with unrestricted net assets based on reviewing contribution support and agreements to temporarily restricted net assets ($117,690) and permanently restricted net assets ($66,674).

Excess of revenue and other support over expenses:

The consolidated statements of activities and changes in net assets include a "performance indicator," excess of revenue and other support over expenses. Changes, if any, in unrestricted net assets which are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including contributions with donor restrictions used for the purpose of acquiring long-lived assets), support from the Foundation, and changes in net unrealized gains or losses on investments.

Obligation to provide future services and the use of facilities to current residents:

The Community annually 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 balance of deferred revenue from entrance fees. If the present value of the net cost of future service obligations (FSO) and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded with a corresponding charge to expense. As of December 31, 2017 and 2016, no such liability was determined to be required. The discount rate used to estimate the FSO was 4.5% in 2017 and 2016.

Reclassification:

Certain amounts included in the 2016 consolidated financial statements have been reclassified to conform to the 2017 presentation.

2. Assets limited as to use:

The following is a summary of assets limited as to use at December 31, 2017 and 2016:

	2017	2016
Debt service fund	$ 1,198	$ 1,190
Debt service reserve fund	466,034	462,862
	$ 467,232	$ 464,052

During 2016, $3,000,150 was withdrawn from the renovation fund in accordance with the terms of the bond indenture.

3. Investments and investment income:

The composition of the fair value of investments at December 31, 2017 and 2016 is summarized as follows:

	2017	2016
Mutual funds	$ 18,243,499	$ 17,258,669

Net investment return is summarized as follows:

	2017	2016
Net investment income, included in unrestricted revenue:		
Interest and dividends	$ 256,164	$ 313,136
Net realized gains (loss) on sales of securities	576,104	(225,551)
	832,268	87,585
Net investment gains (losses) included in temporarily restricted revenue:		
Interest and dividends	4,351	15,902
Net realized gains (losses) on sales of securities	5,931	(77,971)
	10,282	(62,069)
Unrealized gains on investments:		
Unrestricted	992,394	444,854
Temporarily restricted	25,663	113,122
	1,018,057	557,976
Total net investment income	$ 1,860,607	$ 583,492

4. Fair value:

The framework for measuring fair value provides 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Laurel Lake has the ability to access.

Level 2 – Inputs that are derived principally from or corroborated by observable market data by correlation or other means. Inputs to the methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

4. Fair value (continued):

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Laurel Lake believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

The following fair value measurement information is presented in accordance with U.S. GAAP at December 31, 2017 and 2016:

	2017			2016	
		Measurement		Measurement	
	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Fair Value	Quoted Prices in Active Markets (Level 1)
Mutual funds:					
Fixed income	$ 2,578,426	$ 2,578,426		$ 4,079,424	$ 4,079,424
Equities	15,665,073	15,665,073		13,179,245	13,179,245
	$ 18,243,499	$ 18,243,499		$ 17,258,669	$ 17,258,669
Interest rate swaps liability	$ (421,280)		$ (421,280)		

Fair value for Level 1 is based upon quoted market prices in active markets. Inputs are obtained from various sources including market participants, dealers, and brokers. Fair value for Level 2 debt derivatives is based on the swap bank utilizing interest rates and yield curves in the third-party active market.

5. Long-term debt:

	2017	2016
Term loan payable to a bank, bore interest at LIBOR plus applicable basis points ranging from 2.2% to 2.5% through January 2017, when this loan was amended to bear interest at LIBOR plus applicable basis points ranging from 1.95% to 2.25% (3.31% at December 31, 2017 and 2.82% at December 31, 2016). The applicable basis points are determined by the computation of a certain covenant under provisions of the term loan agreement. Remaining monthly principal payments subsequent to the January 2017 amendment range from $41,250 to $58,333 through maturity in December 2026 with a balloon payment of the remaining principal and interest due in December 2026. As part of the amendment, an additional $3,500,000 principal payment was required to be made by the Community in February 2017. The note is secured by primarily all assets of Laurel Lake and subject to certain covenants and restrictions	$ 14,902,500	$ 20,440,833
Term loan payable to a bank, bore interest at fixed rate of 5.168%. through January 2017, when this loan was amended to bear interest at LIBOR plus applicable basis points ranging from 1.95% to 2.25% (3.31% at December 31, 2017). The applicable basis points are determined by the computation of a certain covenant under provisions of the term loan agreement. Remaining monthly principal payments range from $26,667 to $34,583 through December 2026, with a balloon payment of the remaining principal and interest due in December 2026. The note is secured by primarily all assets of Laurel Lake and subject to certain covenants and restrictions	11,841,667	12,174,583
Bonds payable, see (A) below	13,200,300	13,541,980
	39,944,467	46,157,396
Less current portion	1,182,500	1,605,417
Less debt issuance costs	558,037	861,507
	$ 38,203,930	$ 43,690,472

(A) Laurel Lake has an agreement with the County of Summit, Ohio for $14,280,000 of tax-exempt Healthcare Facilities Revenue Bonds consisting of:

$9,580,000 ($8,655,000 outstanding at December 31, 2017) Tax-Exempt Health Care Facilities Revenue Bonds. Interest is at 3.721% for the initial rate period from the issue date of December 31, 2013 through July 1, 2026. The interest rate will reset under terms of the bond agreement on July 1, 2026. The bonds may not be converted before this date. Principal and Interest payments are due October 1 each year and continue until the bonds mature on October 1, 2038.

5. Long-term debt (continued):

$2,000,000 ($1,965,000 outstanding at December 31, 2017) (less discount of $27,425 in 2017 and $28,731 in 2016) Tax-Exempt Subordinated Health Care Facilities Revenue Bonds. Interest is at a fixed rate of 8.5%. Interest only payments began April 1, 2014 and October 1, 2014 and continue semiannually until the bonds mature on October 1, 2038. Principal payments are due annually as of October 1, 2017. The bonds are subject to certain mandatory sinking fund redemption requirements beginning as of October 1, 2017 and optional redemption requirements beginning on October 1, 2018.

$2,700,000 ($2,650,000 outstanding at December 31, 2017) (less discount of $42,275 in 2017 and $44,286 in 2016) Tax-Exempt Subordinated Health Care Facilities Revenue Bonds. Interest only at 7.75% is paid for the initial adjustable rate period from the issue date of December 30, 2013 through October 1, 2023. The interest rate will reset per the terms of the bond agreement on October 1, 2023. Interest only payments began April 1, 2014 and October 1, 2014 and continue semiannually until the bonds mature on October 1, 2038. Principal payments are due annually as of October 1, 2017. The bonds are subject to certain mandatory sinking fund redemption requirements as of October 1, 2017 and optional redemption requirements beginning on October 1, 2018.

Future maturities of long-term debt are as follows (assuming the bonds are extended through January 1, 2023):

Year ending December 31,	
2018	$ 1,182,500
2019	1,245,833
2020	1,302,500
2021	1,367,500
2022	1,432,500
Thereafter	33,413,636
	$ 39,944,469

Included in interest expense on the consolidated statements of activities and changes in net assets is interest of $1,981,752 in 2017 and $1,917,819 in 2016 less amortization of the bond discounts plus amortization of debt issuance costs.

6. Interest rate swaps:

The Community has interest rate swap agreements with a bank to hedge its risk relative to the term loans. The fair value of the interest rate swap is based on calculations prepared by the bank, which provide for a reasonable approximation of fair market value. The fair market value represents amounts the counter party would pay or receive from the Community if the swap agreement was terminated at that date.

6. Interest rate swaps (continued):

Information related to the interest rate swap agreements at December 31, 2017 is as follows:

	2017 (A)	2017 (B)
Maturity date	December 2026	December 2026
Total notional amount	$ 14,943,750	$ 11,868,334
Fixed rates paid by borrower	2.44%	2.46%
Variable rates received by borrower	1.36%	1.36%
Total swap liability	$ 224,427	$ 196,853

7. Taxes:

The Community and Foundation are recognized as exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as charitable organizations qualifying under Internal Revenue Code Section 501(c)(3).

The Community and Foundation are no longer subject to Federal income tax examinations by tax authorities for years before 2014.

On October 18, 1993, Laurel Lake granted a third mortgage on its real property to the Village of Hudson, Ohio to secure payments in lieu of property taxes under an agreement between the Village of Hudson and the Community. Annual payments are based on specified percentages of property taxes that would otherwise be due on the real property consisting of the residential units subject to taxation. Amounts and percentages per the agreement are as follows:

Period	Amount Due
2014–2017	Annually, the greater of $421,000 or 60% of the tax due without exemption
2018	The greater of one-twelfth of $421,000 or 60% of the tax due without exemption plus the difference between (i) the amount paid in 2018 and (ii) the greater of $421,000 or 60% of the tax due without exemption
After 2018	100% of the tax due without exemption

These amounts are expensed as incurred and totaled $442,067 in 2017 and $445,650 in 2016. This expense is included in other expenses on the consolidated statements of activities and changes in net assets.

8. Endowments:

Laurel Lake's disclosure of its endowment net asset composition by type of fund as of December 31, 2017, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 52,917	$ 259,470	$ 312,387

Changes in endowment net assets for the year ended December 31, 2017:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 172,205	$ 192,296	$ 364,501
Investment return:			
Investment income	4,348		4,348
Net realized and unrealized loss	31,598		31,598
Total investment return	35,946		35,946
Contributions		500	500
Reclassification based on determination of donor intent	(155,234)	66,674	(88,560)
	(155,234)	67,174	(88,060)
Endowment net assets, end of year	$ 52,917	$ 259,470	$ 312,387

Laurel Lake's disclosure of its endowment net asset composition by type of fund as of December 31, 2016, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 172,205	$ 192,296	$ 364,501

Changes in endowment net assets for the year ended December 31, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 188,871	$ 190,906	$ 379,777

8. Endowments (continued):

	Temporarily Restricted	Permanently Restricted	Total
Investment return:			
Investment income	12,600		12,600
Net realized and unrealized loss	(29,266)		(29,266)
Total investment return	(16,666)		(16,666)
Contributions		1,390	1,390
Endowment net assets, end of year	$ 172,205	$ 192,296	$ 364,501

9. Net assets:

Net assets whose temporary restrictions expire by usage are as follows as of December 31:

	2017	2016
Staff education	$ 30,172	$ 15,538
Wellness	106,668	49,469
Stine – SN care	25,698	27,383
Other programs	330,501	837,656
Accumulated earnings on endowment funds not expended	52,917	172,205
	$ 545,956	$ 1,102,251

Permanently restricted net assets consists of the following as of December 31:

	2017	2016
Veraar Campus Endowment Fund	$ 166,886	$ 174,573
Other endowments	92,584	17,723
	$ 259,470	$ 192,296

10. Retirement plan:

The Community has a 403(b) defined contribution retirement plan (the Plan), for all eligible employees. The Plan provides for employee contributions through salary reduction. The Community matches either 33% or 50% of an employee's contribution up to 6% of eligible salary depending on the length of service, as defined by the Plan. In addition, the Community has elected to contribute 1% of compensation for each eligible employee. Total expense under the Plan was approximately $137,200 in 2017 and $138,800 in 2016.

11. Real estate taxes:

In January 2012, the Community was notified its pending application for exemption from taxation of certain real property had been dismissed. In June 2012, the Community reached an agreement with Summit County for repayment of these taxes. The terms of the agreement require monthly payments of $13,391 for sixty months beginning in August 2012. During 2017, the Community paid the remaining liability of $93,731.

12. Functional expenses:

Laurel Lake provides general health care services and resident services to residents of the community in addition to incurring general and administrative and fundraising expenses as follows:

	2017	2016
Residential services	$ 13,186,159	$ 12,993,076
Health care services	7,176,933	6,954,160
General and administrative	2,171,037	2,254,239
Fundraising	154,828	188,608
	$ 22,688,957	$ 22,390,083

13. Professional medical liability insurance:

The Community has an agreement with a multi-provider risk retention group for its professional medical liability insurance which commenced January 1, 2014. The risk retention group obtained reinsurance with another insurance company. The risk retention group insurance coverage is a claims-made policy. Based on internal and external evaluations of the merits of the individual claims, analysis of claim history and the estimated reserves assigned by the Community's third-party risk manager, management has determined an accrual is not necessary at December 31, 2017 and 2016. The Community has a self-insured retention per occurrence and the policy includes a reimbursement provision of a maximum amount per claim and a maximum aggregate claim per the term of the policy. An estimate of claims incurred and reported but unpaid and estimates for incurred but unreported claims at December 31, 2017 and 2016 is included in accrued expenses, other in the consolidated statements of financial position.

14. Consolidated statements of cash flows:

Cash paid during the year for:	2017	2016
Interest	$ 1,993,527	$ 1,925,321

15. Subsequent events:

In preparing this financial statement, Laurel Lake management has evaluated events and transactions for potential recognition or disclosure through March 21, 2018, the date Laurel Lake's financial statement were available to be issued.

HW&Co.®
CPAs & Advisors

Toll Free 877 367.4926
Web www.hwco.com

Independent Auditor's Report on Accompanying Supplementary Information

The Board of Directors
Laurel Lake Retirement Community, Inc. and Subsidiary
Hudson, Ohio

We have audited the consolidated financial statements of Laurel Lake Retirement Community, Inc. and Subsidiary as of December 31, 2017 and 2016, and have issued our report thereon dated March 21, 2018 which contained an unmodified opinion on these financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information included in this report on pages 24 through 26 is presented for the 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 statement. 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.

HW & Co.

Cleveland, Ohio
March 21, 2018

Cleveland Columbus Mentor

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

ASSETS

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	$ 2,156,589	$ 156,463		$ 2,313,052
Accounts receivable:				
Trade, net of allowance for doubtful accounts of $10,000	669,904			669,904
Intercompany	63,127		$ (63,127)	
Other	49,775	202,000		251,775
Entrance fees receivable	612,330			612,330
Prepaid expenses and other	387,042			387,042
Total current assets	3,938,767	358,463	(63,127)	4,234,103
Property and equipment:				
Land and improvements	5,260,673			5,260,673
Buildings and improvements	65,822,611			65,822,611
Equipment	4,169,599			4,169,599
Furniture and fixtures	2,140,218			2,140,218
Construction-in-progress	4,219,519			4,219,519
	81,612,620			81,612,620
Less accumulated depreciation	12,645,422			12,645,422
	68,967,198			68,967,198
Other assets:				
Assets limited as to use	467,232			467,232
Investments:				
Available-for-sale securities	13,906,776	4,336,723		18,243,499
Other	94,308			94,308
Operating rights to licensed beds	1,500,000			1,500,000
	15,968,316	4,336,723		20,305,039
	$ 88,874,281	**$ 4,695,186**	**$ (63,127)**	**$ 93,506,340**

LIABILITIES AND NET ASSSETS

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Consolidated
Current liabilities:				
Accounts payable:				
Trade	$ 1,107,754			$ 1,107,754
Intercompany		$ 63,127	$ (63,127)	
Accrued expenses:				
Salaries, wages and related liabilities	399,982			399,982
Compensated absences	265,340			265,340
Real estate taxes	93,144			93,144
Interest	225,302			225,302
Other	250,582			250,582
Current portion of long-term debt	1,182,500			1,182,500
Total current liabilities	3,524,604	63,127	(63,127)	3,524,604
Long-term liabilities:				
Security deposits	1,692,288			1,692,288
Long-term debt, net of current portion and debt issuance costs	38,203,930			38,203,930
Interest rate swaps liability	421,280			421,280
Refundable entrance fee liability	2,879,356			2,879,356
Gift annuities payable		438,974		438,974
Deferred revenue, entrance fees	29,567,546			29,567,546
Total liabilities	76,289,004	502,101	(63,127)	76,727,978
Net assets:				
Unrestricted	12,585,277	3,387,659		15,972,936
Temporarily restricted		545,956		545,956
Permanently restricted		259,470		259,470
Total net assets	12,585,277	4,193,085		16,778,362
	$ 88,874,281	**$ 4,695,186**	**$ (63,127)**	**$ 93,506,340**

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2017

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Consolidated
Revenue and other support:				
Resident services:				
Service fees	$ 15,636,668			$ 15,636,668
Amortization of deferred revenue	5,323,120			5,323,120
Nursing services and other	3,470,736			3,470,736
Investment income, net	390,593	$ 441,675		832,268
Contributions	1,890,616	131,905	$ (1,658,726)	363,795
Net assets released from restrictions for operations		83,085		83,085
Total revenue and other support	26,711,733	656,665	(1,658,726)	25,709,672
Expenses:				
Salaries and wages	8,063,210			8,063,210
Employee benefits	2,264,074			2,264,074
Total employment expenses	10,327,284			10,327,284
Purchased services	2,463,513			2,463,513
Supplies	1,716,910			1,716,910
Utilities	1,444,152			1,444,152
Rent	7,536			7,536
Insurance	274,371			274,371
Interest	2,015,248			2,015,248
Depreciation	3,353,472			3,353,472
Other	826,064			826,064
Foundation expenses:				
Program		1,885,887	(1,658,726)	227,161
Operating		33,246		33,246
Total expenses	22,428,550	1,919,133	(1,658,726)	22,688,957
Excess of revenue and other support over expenses	4,283,183	(1,262,468)		3,020,715
Other changes in unrestricted net assets:				
Net assets released from restriction for capital expenditures		848,161		848,161
Unrealized loss on interest rate swaps	(421,280)			(421,280)
Unrealized gains on investments, net	878,824	113,570		992,394
Reclassification of net assets (Note 1)		(184,364)		(184,364)
Increase (decrease) in unrestricted net assets	4,740,727	(485,101)		4,255,626
Temporarily restricted net assets:				
Contributions		221,316		221,316
Unrealized gains on investments, net		25,663		25,663
Investment gains, net		10,282		10,282
Reclassification of net assets (Note 1)		117,690		117,690
Net assets released from restriction for capital expenditures and operations		(931,246)		(931,246)
Decrease in temporarily restricted net assets		(556,295)		(556,295)
Permanently restricted net assets:				
Contributions		500		500
Reclassification of net assets (Note 1)		66,674		66,674
Increase in permanently restricted net assets		67,174		67,174
Increase (decrease) in net assets	4,740,727	(974,222)		3,766,505
Net assets, beginning of year	7,844,550	5,167,307		13,011,857
Net assets, end of year	$ 12,585,277	$ 4,193,085	$	$ 16,778,362

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Consolidated
Cash flows from operating activities:				
Increase (decrease) in net assets	$ 4,740,727	$ (974,222)		$ 3,766,505
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:				
Unrealized gains on investments, net	(878,824)	(139,233)		(1,018,057)
Realized gains on investments, net	(153,367)	(428,668)		(582,035)
Depreciation	3,353,472			3,353,472
Amortization of debt issuance costs	33,496			33,496
Amortization of bond discounts	3,320			3,320
Amortization of deferred revenue, entrance fees	(5,323,120)			(5,323,120)
Unrealized loss on interest rate swaps	421,280			421,280
Bad debt	24,201			24,201
Entrance fees received, not expected to be refunded	4,974,412			4,974,412
Write off of debt issuance costs	379,474			379,474
Contributions restricted for long-lived assets and permanently restricted contributions		(200,803)		(200,803)
Changes in assets and liabilities:				
Increase in accounts receivable and other assets	(574,752)	(124,033)	$ (167,892)	(866,677)
Increase (decrease) in accounts payable and other current liabilities	1,088,576	(167,892)	167,892	1,088,576
Net cash provided by (used in) operating activities	8,088,895	(2,034,851)		6,054,044
Cash flows from investing activities:				
Expenditures for property and equipment	(5,514,923)			(5,514,923)
Proceeds from sale of investments	2,940,834	6,892,336		9,833,170
Purchase of investments	(3,993,249)	(5,227,939)		(9,221,188)
Net cash provided by (used in) investing activities	(6,567,338)	1,664,397		(4,902,941)
Cash flows from financing activities:				
Change in gift annuities payable, net		(144,369)		(144,369)
Contributions received restricted for long-lived assets and permanently restricted contributions		200,803		200,803
Refunds of refundable fees	(141,583)			(141,583)
Entrance fees received, expected to be refunded	493,312			493,312
Increase in debt issuance costs	(109,500)			(109,500)
Payments on long-term debt	(6,216,249)			(6,216,249)
Net cash provided by (used in) financing activities	(5,974,020)	56,434		(5,917,586)
Net decrease in cash and cash equivalents	(4,452,463)	(314,020)		(4,766,483)
Cash and cash equivalents, beginning of year	6,609,052	470,483		7,079,535
Cash and cash equivalents, end of year	$ 2,156,589	$ 156,463	$	$ 2,313,052