Laurel Lake Retirement Community, Inc. and Subsidiary

YEARS ENDED DECEMBER 31, 2016 AND 2015

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, and the consolidated results of its operations, 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
May 16, 2017

Cleveland Columbus Mentor

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	$ 7,079,535	$ 16,336,604
Accounts receivable:		
Trade, net of allowance for doubtful accounts of $10,000	662,516	645,596
Other	70,094	3,468
Entrance fees receivable	64,600	251,893
Prepaid expenses and other	269,908	241,216
Total current assets	8,146,653	17,478,777
Property and equipment:		
Land and improvements	5,162,353	5,040,842
Buildings and improvements	64,970,070	60,116,064
Equipment	3,395,366	2,946,462
Furniture and fixtures	2,106,394	1,972,074
Construction-in-progress	463,514	1,895,235
	76,097,697	71,970,677
Less accumulated depreciation	9,291,950	6,092,088
	66,805,747	65,878,589
Other assets:		
Assets limited as to use	464,052	3,464,202
Investments:		
Available-for-sale securities	17,258,669	5,360,196
Other	94,208	94,208
Operating rights to licensed beds	1,500,000	1,500,000
Other	11,457	11,248
	19,328,386	10,429,854
	$ 94,280,786	**$ 93,787,220**

LIABILITIES AND NET ASSETS

	2016	2015
Current liabilities:		
Accounts payable, trade	$ 816,832	$ 712,448
Accrued expenses:		
Salaries, wages and related liabilities	362,530	379,500
Compensated absences	251,328	254,543
Real estate taxes	186,961	240,407
Interest	237,077	244,579
Other	255,684	462,889
Current portion of refundable entrance fee liability		102,131
Current portion of long-term debt	1,605,417	1,454,583
Total current liabilities	3,715,829	3,851,080
Long-term liabilities:		
Security deposits	1,195,628	787,410
Long-term debt, net of current portion and debt issuance costs	43,690,472	45,253,413
Refundable entrance fee liability, net of current portion	2,519,132	2,987,642
Accrued real estate taxes, net of current portion		93,731
Gift annuities payable	583,343	570,637
Deferred revenue, entrance fees	29,564,525	30,241,670
Total liabilities	81,268,929	83,785,583
Net assets:		
Unrestricted	11,717,310	8,964,426
Temporarily restricted	1,102,251	846,305
Permanently restricted	192,296	190,906
Total net assets	13,011,857	10,001,637
	$ 94,280,786	**$ 93,787,220**

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, 2016 AND 2015

	2016	2015
Revenue and other support:		
Resident services:		
Service fees	$ 15,464,404	$ 14,995,588
Amortization of deferred revenue	5,332,640	5,387,069
Nursing services and other	3,478,645	3,587,796
Investment income, net	87,585	152,206
Contributions	69,490	192,098
Total revenue and other support	24,432,764	24,314,757
Expenses:		
Salaries and wages	7,937,105	7,558,478
Employee benefits	2,124,279	2,084,569
Total employment expenses	10,061,384	9,643,047
Purchased services	2,298,697	2,161,955
Supplies	1,726,002	1,705,334
Utilities	1,430,360	1,462,563
Rent	3,669	4,589
Insurance	354,665	371,996
Interest	1,956,979	2,042,882
Depreciation	3,205,611	3,079,784
Other	838,778	938,984
Foundation expenses:		
Support to affiliate		142,844
Program	475,294	362,559
Operating	38,644	35,531
Total expenses	22,390,083	21,952,068
Excess of revenue and other support over expenses	2,042,681	2,362,689
Other changes in unrestricted net assets:		
Support from Foundation		142,844
Net assets released from restriction for capital expenditures	265,349	458,855
Unrealized gains (losses) on investments, net	444,854	(310,610)
Increase in unrestricted net assets	2,752,884	2,653,778
Temporarily restricted net assets:		
Contributions	470,242	681,326
Unrealized gains (losses) on investments, net	113,122	(31,720)
Investment losses, net	(62,069)	(18,889)
Net assets released from restrictions for capital expenditures	(265,349)	(458,855)
Increase in temporarily restricted net assets	255,946	171,862
Permanently restricted net assets:		
Contributions	1,390	2,525
Increase in permanently restricted net assets	1,390	2,525
Increase in net assets	3,010,220	2,828,165
Net assets, beginning of year	10,001,637	7,173,472
Net assets, end of year	**$ 13,011,857**	**$ 10,001,637**

See notes to consolidated financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets	$ 3,010,220	$ 2,828,165
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized losses (gains) on investments, net	(557,976)	342,330
Realized losses (gains) on investments, net	303,522	(7,491)
Depreciation	3,205,611	3,079,784
Amortization of debt issuance costs	39,160	39,160
Amortization of bond discounts	3,320	3,320
Amortization of deferred revenue, entrance fees	(5,332,640)	(5,387,069)
Bad debt expense	20,096	24,741
Entrance fees received	4,553,364	5,518,324
Contributions restricted for long-lived assets and permanently restricted contributions	(266,739)	(458,714)
Changes in assets and liabilities:		
Decrease in accounts receivable and other assets	54,750	907,874
Decrease in accounts payable and other current liabilities	(337,977)	(580,695)
Net cash provided by operating activities	4,694,711	6,309,729
Cash flows from investing activities:		
Expenditures for property and equipment	(4,132,769)	(4,342,361)
Proceeds from renovation fund	3,000,150	
Proceeds from sale of investments	19,339,812	2,519,669
Purchase of investments	(30,983,831)	(3,153,251)
Net cash used in investing activities	(12,776,638)	(4,975,943)
Cash flows from financing activities:		
Change in gift annuities payable, net	12,706	(31,366)
Contributions received restricted for long-lived assets and permanently restricted contributions	266,739	458,714
Refunds of refundable fees		(102,131)
Payments on long-term debt	(1,454,587)	(1,389,584)
Net cash used in financing activities	(1,175,142)	(1,064,367)
Net increase (decrease) in cash and cash equivalents	(9,257,069)	269,419
Cash and cash equivalents, beginning of year	16,336,604	16,067,185
Cash and cash equivalents, end of year	**$ 7,079,535**	**$ 16,336,604**

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, 59 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.

Effective February 24, 2015, a Member Substitution agreement was executed between Laurel Lake Retirement Community Foundation, Inc. and Laurel Lake Retirement Community, Inc. As a result, Laurel Lake Retirement Community, Inc. became the sole member of Laurel Lake Retirement Community Foundation, Inc.

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, 2016 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 2016 and 2015.

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 $160,129 at December 31, 2016 and $99,776 at December 31, 2015.

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 value 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 basis of accounting. See Note 12 for further information.

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 the organization 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, 2016 and 2015, the investment income has been reclassified as temporarily restricted and will be released from restriction upon 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:

Debt issuance costs represent costs incurred in obtaining financing related to the term loan obligations. These costs are amortized over the term of the related debt. Amortization of these costs is included in interest expense on the consolidated statements of activities and changes in net assets.

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, 2016 and 2015.

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 $217,328 in 2016 and $206,487 in 2015 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):

Change in accounting principle:

In 2016, the Community adopted a change in accounting principle related to the presentation of debt issuance costs. This change was related to the Financial Accounting Standards Board (FASB) issuing Accounting Standards Update (ASU) No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs*. Under this ASU, costs related to a recognized debt liability are shown as a direct reduction of the carrying amount of the debt rather than as an asset. Additionally, amortization of these costs is included in interest expense. This change has been applied on a retrospective basis, therefore unamortized debt issuance costs have been included with the long-term debt on the consolidated statements of financial position at December 31, 2016 and 2015, and the amortization of these costs is included as interest expense on the consolidated statements of activities and changes in net assets in 2016 and 2015.

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.

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 (ASC). 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. In August 2015, ASU 2015-14 was issued to defer the effective dates of the revenue standard for one additional year. The ASU will be effective for years beginning after December 15, 2017.

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, 2018.

Management has not yet determined the impact these ASUs will have on its 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 has irrevocable rights to receive a portion of the specified cash flows from certain charitable remainder trusts. The recorded value of the trusts, included in other long-term assets on the consolidated statements of financial position, is 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 are recorded as temporarily restricted net assets. Adjustments to the carrying value of the trust assets are 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.

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 2016 and 2015 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):

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, 2016 and 2015, no such liability was determined to be required. The discount rate used to estimate the FSO was 4.5% in 2016 and 2015.

2. Assets limited as to use:

The following is a summary of assets limited as to use at December 31, 2016 and 2015:

	2016	2015
Debt service fund	$ 1,190	$ 1,188
Debt service reserve fund	462,862	461,894
Renovation fund		3,001,120
	$ 464,052	$ 3,464,202

During 2016, amounts were 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, 2016 and 2015 is summarized as follows:

	2016	2015
Mutual funds	$ 17,258,669	$ 5,360,196

3. Investments and investment income (continued):

Net investment return is summarized as follows:

	2016	2015
Net investment income, included in unrestricted revenue:		
Interest and dividends	$ 313,136	$ 126,973
Net realized gains (loss) on sales of securities	(225,551)	25,233
	87,585	152,206
Net investment losses included in temporarily restricted revenue:		
Interest and dividends	15,902	13,835
Net realized gains (losses) on sales of securities	(77,971)	(32,724)
	(62,069)	(18,889)
Unrealized gains (losses) on investments:		
Unrestricted	444,854	(310,610)
Temporarily restricted	113,122	(31,720)
	557,976	(342,330)
Total net investment income (loss)	$ 583,492	$ (209,013)

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 the Community 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;

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.

4. Fair value (continued):

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 the Community 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, 2016 and 2015:

	2016		2015	
		Measurement		Measurement
	Fair Value	Quoted Prices in Active Markets (Level 1)	Fair Value	Quoted Prices in Active Markets (Level 1)
Mutual funds:				
Fixed income	$ 4,079,424	$ 4,079,424	$ 3,350,559	$ 3,350,559
Equities	13,179,245	13,179,245	2,009,637	2,009,637
	$ 17,258,669	$ 17,258,669	$ 5,360,196	$ 5,360,196

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.

5. Long-term debt:

	2016	2015
Term loan payable to a bank, bearing interest at LIBOR plus applicable basis points ranging from 2.2% to 2.5% (2.817% at December 31, 2016 and 2.744% at December 31, 2015). The applicable basis points are determined by the computation of a certain covenant under provisions of the term loan agreement. Monthly principal payments ranging from $47,500 to $83,333 through July 1, 2023, with a balloon payment of the remaining principal and interest due on July 1, 2023. The note is secured by primarily all assets of Laurel Lake and subject to certain covenants and restrictions, see (A) below	$ 20,440,833	$ 21,354,167
Term loan payable to a bank, bearing interest at fixed rate of 5.168%. Due in monthly principal payments ranging from $22,917 to $34,583 through July 1, 2023, with a balloon payment of the remaining principal and interest due on July 1, 2023. The note is secured by primarily all assets of Laurel Lake and subject to certain covenants and restrictions, see (B) below	12,174,583	12,465,833

5. Long-term debt (continued):

	2016	2015
Bonds payable, see (C) below	13,541,980	13,788,663
	46,157,396	47,608,663
Less current portion	1,605,417	1,454,583
Less debt issuance costs	861,507	900,667
	$ 43,690,472	$ 45,253,413

(A) In February 2017, the loan was repaid with the proceeds of a new debt agreement as follows: $16,782,499 term loan payable to a bank, bearing interest at LIBOR plus 195 basis points. Monthly principal payments ranging from $47,500 to $83,333 through maturity in December 2026. As part of the refinance, $3,500,000 of additional principal payments were made by the Community. The note is secured by primarily all assets of Laurel Lake and subject to certain covenants and restrictions.

(B) In February 2017, the loan was repaid with the proceeds of a new debt agreement as follows: $12,123,750 term loan payable to a bank, bearing interest at LIBOR plus 195 basis points. Monthly principal payments ranging from $22,917 to $34,583 through maturity in December 2026. The note is secured by primarily all assets of Laurel Lake and subject to certain covenants and restrictions.

(C) 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 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, 2023. The interest rate will reset under terms of the bond agreement on July 1, 2023. In February 2017, the reset date was extended to 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. The bonds are subject to certain mandatory sinking fund redemption requirements beginning in 2017.

$2,000,000 (less discount of $28,731 in 2016 and $30,038 in 2015) 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 beginning on October 1, 2017. The bonds are subject to certain mandatory sinking fund redemption requirements beginning on October 1, 2017 and optional redemption requirements on October 1, 2018.

$2,700,000 (less discount of $44,286 in 2016 and $46,299 in 2015) 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 beginning on October 1, 2017. The bonds are subject to certain mandatory sinking fund redemption requirements beginning on October 1, 2017 and optional redemption requirements on October 1, 2018.

5. Long-term debt (continued):

Future maturities of long-term debt are as follows (assuming the bonds are extended through January 1, 2022):

Year ending December 31,	
2017	$ 1,605,417
2018	1,645,833
2019	1,293,333
2020	1,354,167
2021	1,424,417
Thereafter	38,834,229
	$ 46,157,396

In February 2017, the Community entered into two interest rate swap agreements with notional amounts of $15,282,494 (2.44% fixed rate) and $12,123,750 2.46% fixed rate). These interest rate swap agreements are considered derivative instruments and are used to manage the Community's exposure to interest rate risk on its variable rate debt.

Included in interest expense on the consolidated statements of activities and changes in net assets is interest of $1,917,819 in 2016 and $2,033,722 in 2015 less amortization of the bond discounts plus amortization of debt issuance costs.

6. 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 2013.

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:

6. Taxes (continued):

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 $445,650 in 2016 and $421,000 in 2015. This expense is included in other expenses on the consolidated statements of activities and changes in net assets.

7. Endowments:

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
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

7. Endowments (continued):

Laurel Lake's disclosure of its endowment net asset composition by type of fund as of December 31, 2015, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 188,871	$ 190,906	$ 379,777

Changes in endowment net assets for the year ended December 31, 2015:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 226,483	$ 188,381	$ 414,864
Investment return:			
Investment income	10,943		10,943
Net realized and unrealized loss	(26,016)		(26,016)
Total investment return	(15,073)		(15,073)
Contributions		2,525	2,525
Appropriation of endowment assets for expenditure	(22,539)		(22,539)
Endowment net assets, end of year	$ 188,871	$ 190,906	$ 379,777

8. Net assets:

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

	2016	2015
Staff education	$ 15,538	$ 16,260
Wellness	49,469	51,688
Stine – SN care	27,383	28,635
Other programs	837,656	560,851
Accumulated earnings on endowment funds not expended	172,205	188,871
	$ 1,102,251	$ 846,305

8. Net assets (continued):

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

	2016	2015
Veraar Campus Endowment Fund	$ 174,573	$ 174,573
Other endowments	17,723	16,333
	$ 192,296	$ 190,906

9. 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 $138,800 in 2016 and $142,300 in 2015.

10. 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. The current and long-term portion of these amounts is included in the consolidated statements of financial position at December 31, 2016 and 2015.

11. 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:

	2016	2015
Residential services	$ 12,990,766	$ 12,702,236
Health care services	6,954,160	6,520,064
General and administrative	2,254,239	2,367,209
Fundraising	188,608	362,559
	$ 22,390,083	$ 21,952,068

12. 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, 2016 and 2015. 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, 2016 and 2015 is included in accrued expenses, other in the consolidated statements of financial position.

13. Consolidated statements of cash flows:

Cash paid during the year for:	2016	2015
Interest	$ 1,925,321	$ 1,995,628

14. Subsequent events:

In preparing this financial statement, Laurel Lake management has evaluated events and transactions for potential recognition or disclosure through May 16, 2017, the date Laurel Lake's financial statement were available to be issued.

During 2017, the Community made an equity contribution of $100 for a 33.3% interest in a joint venture for the purpose of providing hospice service to the Community. In addition, the Community contributed $165,000 for start-up costs in 2017.

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, 2016 and 2015, and have issued our report thereon dated May 16, 2017 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 23 through 25 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
May 16, 2017

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

ASSETS

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	$ 6,609,052	$ 470,483		$ 7,079,535
Accounts receivable:				
Trade, net of allowance for doubtful accounts of $10,000	662,516			662,516
Intercompany	231,019		$ (231,019)	
Other	3,584	66,510		70,094
Entrance fees receivable	64,600			64,600
Prepaid expenses and other	269,908			269,908
Total current assets	7,840,679	536,993	(231,019)	8,146,653
Property and equipment:				
Land and improvements	5,162,353			5,162,353
Buildings and improvements	64,970,070			64,970,070
Equipment	3,395,366			3,395,366
Furniture and fixtures	2,106,394			2,106,394
Construction-in-progress	463,514			463,514
	76,097,697			76,097,697
Less accumulated depreciation	9,291,950			9,291,950
	66,805,747			66,805,747
Other assets:				
Assets limited as to use	464,052			464,052
Investments:				
Available-for-sale securities	11,825,450	5,433,219		17,258,669
Other	94,208			94,208
Operating rights to licensed beds	1,500,000			1,500,000
Other		11,457		11,457
	13,883,710	5,444,676		19,328,386
	$ 88,530,136	**$ 5,981,669**	**$ (231,019)**	**$ 94,280,786**

LIABILITIES AND NET ASSSETS

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Consolidated
Current liabilities:				
Accounts payable:				
Trade	$ 816,832			$ 816,832
Intercompany		$ 231,019	$ (231,019)	
Accrued expenses:				
Salaries, wages and related liabilities	362,530			362,530
Compensated absences	251,328			251,328
Real estate taxes	186,961			186,961
Interest	237,077			237,077
Other	255,684			255,684
Current portion of refundable entrance fee liability				
Current portion of long-term debt	1,605,417			1,605,417
Total current liabilities	3,715,829	231,019	(231,019)	3,715,829
Long-term liabilities:				
Security deposits	1,195,628			1,195,628
Long-term debt, net of current portion and debt issuance costs	43,690,472			43,690,472
Refundable entrance fee liability, net of current portion	2,519,132			2,519,132
Accrued real estate taxes, net of current portion				
Gift annuities payable		583,343		583,343
Deferred revenue, entrance fees	29,564,525			29,564,525
Total liabilities	80,685,586	814,362	(231,019)	81,268,929
Net assets:				
Unrestricted	7,844,550	3,872,760		11,717,310
Temporarily restricted		1,102,251		1,102,251
Permanently restricted		192,296		192,296
Total net assets	7,844,550	5,167,307		13,011,857
	$ 88,530,136	**$ 5,981,669**	**$ (231,019)**	**$ 94,280,786**

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2016

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Consolidated
Revenue and other support:				
Resident services:				
Service fees	$ 15,464,404			$ 15,464,404
Amortization of deferred revenue	5,332,640			5,332,640
Nursing services and other	3,478,645			3,478,645
Investment income (loss), net	120,794	$ (33,209)		87,585
Contributions		69,490		69,490
Total revenue and other support	24,396,483	36,281		24,432,764
Expenses:				
Salaries and wages	7,937,105			7,937,105
Employee benefits	2,124,279			2,124,279
Total employment expenses	10,061,384			10,061,384
Purchased services	2,298,697			2,298,697
Supplies	1,726,002			1,726,002
Utilities	1,430,360			1,430,360
Rent	3,669			3,669
Insurance	354,665			354,665
Interest	1,956,979			1,956,979
Depreciation	3,205,611			3,205,611
Other	838,778			838,778
Foundation expenses:				
Program		475,294		475,294
Operating		38,644		38,644
Total expenses	21,876,145	513,938		22,390,083
Excess of revenue and other support over expenses	2,520,338	(477,657)		2,042,681
Other changes in unrestricted net assets:				
Net assets released from restriction for capital expenditures	265,349			265,349
Unrealized gains on investments, net	133,345	311,509		444,854
Increase (decrease) in unrestricted net assets	2,919,032	(166,148)		2,752,884
Temporarily restricted net assets:				
Contributions		470,242		470,242
Unrealized gains on investments, net		113,122		113,122
Investment losses, net		(62,069)		(62,069)
Net assets released from restriction for capital expenditures		(265,349)		(265,349)
Increase in temporarily restricted net assets		255,946		255,946
Permanently restricted net assets:				
Contributions		1,390		1,390
Increase in permanently restricted net assets		1,390		1,390
Increase in net assets	2,919,032	91,188		3,010,220
Net assets, beginning of year	4,925,518	5,076,119		10,001,637
Net assets, end of year	**$ 7,844,550**	**$ 5,167,307**	**$**	**$ 13,011,857**

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Consolidated
Cash flows from operating activities:				
Increase in net assets	$ 2,919,032	$ 91,188		$ 3,010,220
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:				
Unrealized gains on investments, net	(133,345)	(424,631)		(557,976)
Realized losses on investments, net	3,801	299,721		303,522
Depreciation	3,205,611			3,205,611
Amortization of debt issuance costs	39,160			39,160
Amortization of bond discounts	3,320			3,320
Amortization of deferred revenue, entrance fees	(5,332,640)			(5,332,640)
Bad debt	20,096			20,096
Entrance fees received	4,553,364			4,553,364
Contributions restricted for long-lived assets and permanently restricted contributions		(266,739)		(266,739)
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable and other assets	213,506	(66,719)	$ (92,037)	54,750
Increase (decrease) in accounts payable and other current liabilities	(337,977)	(92,037)	92,037	(337,977)
Net cash provided by (used in) operating activities	5,153,928	(459,217)		4,694,711
Cash flows from investing activities:				
Expenditures for property and equipment	(4,132,769)			(4,132,769)
Proceeds from project fund	3,000,150			3,000,150
Proceeds from sale of investments	12,753,391	6,586,421		19,339,812
Purchase of investments	(24,449,297)	(6,534,534)		(30,983,831)
Net cash provided by (used in) investing activities	(12,828,525)	51,887		(12,776,638)
Cash flows from financing activities:				
Change in gift annuities payable, net		12,706		12,706
Contributions received restricted for long-lived assets and permanently restricted contributions		266,739		266,739
Payments on long-term debt	(1,454,587)			(1,454,587)
Net cash provided by (used in) financing activities	(1,454,587)	279,445		(1,175,142)
Net decrease in cash and cash equivalents	(9,129,184)	(127,885)		(9,257,069)
Cash and cash equivalents, beginning of year	15,738,236	598,368		16,336,604
Cash and cash equivalents, end of year	**$ 6,609,052**	**$ 470,483**	**$**	**$ 7,079,535**