PACIFIC RETIREMENT SERVICES, INC.
AND AFFILIATES

COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2017

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pacific Retirement Services, Inc. and Affiliates
Medford, Oregon

Report on the Financial Statements

We have audited the accompanying combined financial statements of Pacific Retirement Services, Inc. and Affiliates (collectively, the Organization), which comprise the combined statement of financial position as of September 30, 2017, and the related combined statements of activities and changes in net assets (deficit), and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Pacific Retirement Services, Inc. and Affiliates as of September 30, 2017, and the results of their operations, changes in their net assets, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and activities and changes in net assets (deficit) are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
February 15, 2018

PACIFIC RETIREMENT SERVICES, INC. AND AFFILIATES
COMBINED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 62,400,707
Investments	217,159,736
Accounts Receivable, Net	10,025,151
Supplies and Prepaid Expenses	4,190,444
Current Portion of Assets Restricted Under Bond Indenture Agreements	22,484,696
Other Current Assets	163,977
Total Current Assets	316,424,711
PROPERTY AND EQUIPMENT, NET	828,462,474
OTHER ASSETS	
Cash and Cash Equivalents - Escrow Entrance Fee Deposits	1,786,949
Assets Held in Trust	31,905,561
Mineral Assets	36,067,650
Long-Term Investments	1,557,180
Assets Restricted Under Bond Indenture Agreements, Net of Current Portion	29,177,566
Restricted Deposits	4,461,014
Receivables from Members, Noncurrent	112,236
Other Noncurrent Assets	4,737,719
Total Other Assets	109,805,875
Total Assets	$ 1,254,693,060
LIABILITIES AND NET ASSETS (DEFICIT)	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	$ 30,191,986
Construction Accounts Payable and Accrued Expenses	1,062,825
Accrued Interest	10,409,494
Refundable Deposits	7,810,634
Current Portion of Long-Term Debt	19,655,328
Current Portion of Repayable Entrance Fees	12,945,357
Other Liabilities	3,957,327
Total Current Liabilities	86,032,951
OTHER LIABILITIES	
Long-Term Debt and Premium, Net of Current Portion	557,522,064
Less: Unamortized Debt Issuance Costs	(10,834,951)
Long-Term Debt, Net	546,687,113
Repayable Entrance Fees, Net of Current Portion	435,184,949
Deferred Revenue from Entrance Fees	206,711,417
Entrance Fees Board Valuation Adjustment Liability	71,940
Future Services Obligation	679,738
Interest Rate Swap Agreements	10,512,551
Other Long-Term Liabilities	2,390,026
Total Other Liabilities	1,202,237,734
Total Liabilities	1,288,270,685
NET ASSETS (DEFICIT)	
Unrestricted	(139,936,518)
Temporarily Restricted	77,339,648
Permanently Restricted	29,019,245
Total Net Deficit	(33,577,625)
Total Liabilities and Net Assets (Deficit)	$ 1,254,693,060

See accompanying Notes to Combined Financial Statements.

PACIFIC RETIREMENT SERVICES, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEAR ENDED SEPTEMBER 30, 2017

OPERATING REVENUES	
Service Fees	$ 123,007,355
Health Center Revenue, Net	40,488,535
Transfer Fees	2,709,767
Change in Future Services Obligation	7,275,917
Entrance Fees Earned	24,784,695
Contributions	1,290,511
Investment Income	5,198,949
Royalty Income	4,100,634
Management Fee Revenue	2,823,875
Development Fee Revenue	698,820
Gain on Disposal of Property and Equipment	42,659
Other Revenue	21,194,215
Subtotal	233,615,932
Net Assets Released from Restrictions	4,996,110
Total Operating Revenues	238,612,042
OPERATING EXPENSES	
Program Expenses:	
Dietary	34,907,277
Facility Services and Utilities	39,860,926
Health and Social Services	45,419,155
Memory Care	2,669,980
Assisted Living	6,925,747
General and Administrative Expenses:	
Administrative and Marketing	43,193,603
Interest Expense and Financing Fees	19,496,188
Net Settlement Associated to Interest Rate Swap Agreements	2,017,029
Depreciation	37,393,690
Disbursement of Contributed Funds	2,131,132
Loss on Disposal of Property and Equipment	2,846,595
Other Expenses	2,120,527
Total Operating Expenses	238,981,849
OPERATING INCOME (LOSS)	(369,807)
NONOPERATING INCOME (LOSS)	
Unrealized Change in Value of Investments	11,828,514
Change in Fair Value of Mineral Assets	10,011,972
Change in Value of Interest Rate Swap and Cap Agreements	4,939,405
Inherent Contribution	7,858,482
Other Nonoperating Income	34,050
Bankruptcy - Filing Expense	(427,216)
Total Nonoperating Income	34,245,207
CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT) BEFORE INCOME TAXES	33,875,400
INCOME TAX EXPENSE	(190,092)
CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT)	33,685,308

See accompanying Notes to Combined Financial Statements.

PACIFIC RETIREMENT SERVICES, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017

TEMPORARILY RESTRICTED NET ASSETS	
Contributions	$ 3,542,767
Royalty Income	2,104,691
Actuarial Gain on Gift Annuities Receivable	13,491
Investment Income	88,860
Disbursement of Contributed Funds	(60,634)
Unrealized Change in Value of Investments	395,553
Change in Fair Value of Split Interest Trusts	578,323
Net Assets Released from Restrictions	(4,996,110)
Change in Temporarily Restricted Net Assets	1,666,941
PERMANENTLY RESTRICTED NET ASSETS	
Contributions	100
Investment Income	849
Change in Fair Value of Perpetual Trusts	10,019,191
Change in Permanently Restricted Net Assets	10,020,140
CHANGE IN NET ASSETS (DEFICIT)	45,372,389
Net Assets (Deficit) - Beginning of Year	(78,950,014)
NET ASSETS (DEFICIT) - END OF YEAR	$ (33,577,625)

See accompanying Notes to Combined Financial Statements.

PACIFIC RETIREMENT SERVICES, INC. AND AFFILIATES
COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets (Deficit)	$ 45,372,389
Adjustments to Reconcile Change in Net Assets (Deficit) to Net Cash Provided by Operating Activities:	
Depreciation	37,393,690
Amortization of Debt Issuance Costs	631,287
Amortization of Bond Premium	(305,293)
Capital Contributions	(62,402)
Change in Value of Interest Rate Swap and Cap Agreements	(4,939,405)
Nonrepayable Entrance Fees Received	40,901,355
Nonrepayable Entrance Fees Repaid	(966,923)
Entrance Fees Earned	(24,784,695)
Entrance Fees Board Adjustment Valuation Liability Paid	(25,810)
Change in Value of Future Services Obligation	(7,275,917)
Unrealized Change in Value of Investments and Assets Held in Trust	(12,353,179)
Realized Gain and Reinvested Income	(5,370,880)
Change in Fair Value of Assets Held in Trust	(12,703,127)
Change in Fair Value of Mineral Assets	(10,011,972)
Actuarial Changes on Gift Annuities Receivable	(14,352)
Loss on Disposal of Property and Equipment	2,923,023
Inherent Contribution	(7,858,482)
Net Change in:	
Accounts Receivable, Net	(863,860)
Notes Receivable	967,896
Supplies and Prepaid Expenses	2,133,848
Other Current Assets	2,468
Other Noncurrent Assets	47,258
Accounts Payable and Accrued Expenses	(5,810,276)
Accrued Interest	310,298
Escrow Entrance Fee, Restricted and Refundable Deposits	(352,061)
Other Liabilities	(149,108)
Net Cash Provided by Operating Activities	36,835,770
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Property and Equipment	(66,380,485)
Proceeds from Sale of Property and Equipment	48,159
Purchase of Investments	(8,562,890)
Sale of Restricted Investments	2,978,390
Proceeds from Sale of Investments	23,353,794
Cash Receipts from Assets Held in Trust	2,069,937
The Peninsula Regent Cash and Cash Equivalents at Acquisition Date	6,721,374
Purchase of The Peninsula Regent	(2,000,000)
Change in Reserve Funds	(82,223)
Change in Receivables from Members, Noncurrent	(21,979)
Change in Assets Restricted under Bond Indenture Agreements	11,209,441
Net Cash Used by Investing Activities	(30,666,482)

See accompanying Notes to Combined Financial Statements.

PACIFIC RETIREMENT SERVICES, INC. AND AFFILIATES
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017

CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Issuance of Long-Term Debt	$ 24,731,331
Repayments of Long-Term Debt	(17,273,240)
Cost of Debt Issuance	(207,500)
Repayable Entrance Fees Received	50,063,212
Repayable Entrance Fees Repaid	(32,992,507)
Net Cash Provided by Financing Activities	24,321,296
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,490,584
Cash and Cash Equivalents - Beginning of Year	33,697,072
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 64,187,656
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash and Cash Equivalents	$ 62,400,707
Cash and Cash Equivalents - Escrow Entrance Fee Deposits	1,786,949
Total Cash and Cash Equivalents	$ 64,187,656
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash Paid During the Year for Interest and Letter of Credit Fees	$ 18,199,745
Cash Paid for Income Taxes	$ 95,889
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES	
Property and Equipment Financed with Accounts Payable and Accrued Expenses	$ 9,505,992
Capital Contributions	$ 62,402
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES - BASS ACQUISITION	
Assets Acquired, Other Than Cash and Cash Equivalents	
Other Current Assets	$ 334,981
Property and Equipment, Net	5,844,697
Other Assets	90,257
Total Assets Acquired, Other Than Cash and Cash Equivalents	6,269,935
Less: Current Liabilities Assumed	(2,132,827)
Total Assets Acquired, Other Than Cash and Cash Equivalents, Less Liabilities Assumed	4,137,108
Cash and Cash Equivalents at Acquisition Date	6,721,374
Less: Cash Paid to BRIDGE to Acquire BASS	(2,000,000)
Less: Contingent Liability to BRIDGE	(1,000,000)
Total Inherent Contribution Recognized	$ 7,858,482

See accompanying Notes to Combined Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Pacific Retirement Services, Inc. (PRS) was founded as a private, nonprofit, supporting corporation to provide various services and sponsor programs for the elderly, including residential facilities and health and welfare programs. PRS and the related corporations are not an obligated group, and the obligations of each corporation are satisfied solely from that corporation's assets.

The accompanying combined financial statements include the accounts of PRS and the following related corporations, all of which are under common management and are referred to as the Organization:

- Rogue Valley Manor (RVM) (including Rogue Valley Manor Foundation, Inc.);
- The Cumberland Rest, Inc. dba: Trinity Terrace (Trinity Terrace) (including Trinity Terrace Foundation, Inc.);
- Cascade Manor, Inc. (Cascade Manor) (including Cascade Manor Foundation, Inc.);
- Holladay Park Plaza, Inc. (HPP) (including Holladay Park Plaza Foundation, Inc.);
- University Retirement Community at Davis, Inc. (URCAD) (including University Retirement Community at Davis Foundation, Inc.);
- Capitol Lakes, Inc. (Capitol Lakes) (including Capitol Lakes Foundation, Inc., Middleton Glen, Inc. [Middleton Glen] and Senior Housing of Middleton, Inc. [Senior Housing]);
- Mirabella (Mirabella Seattle) (including Mirabella Washington Foundation, dba: Mirabella Seattle Foundation);
- Mirabella at South Waterfront (Mirabella Portland) (including Mirabella Portland Foundation, Inc.);
- 25 Affordable Housing Corporations under various corporate names (AHC);
- Community Volunteer Network (CVN);
- PRS Property Holdings, LLC (included in PRS);
- Crest Park, Incorporated (Crest Park) (including Roxy Ann Peak, LLC);
- Pacific Retirement Services Foundation (PRS Foundation) (included in PRS);
- PRS Management, Inc. (PRS MI) (including PRS Management & Consulting, LLC, and The Centennial, Inc.);
- Mirabella at ASU, Inc. (Mirabella ASU);
- Bay Area Senior Services, Inc. (BASS) dba: The Peninsula Regent (TPR).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The accompanying combined financial statements include the accounts of Pacific Retirement Services, Inc., RVM, Trinity Terrace, Cascade Manor, HPP, URCAD, Capitol Lakes, Mirabella Seattle, Mirabella Portland, AHC, CVN, Crest Park, PRS MI, Mirabella ASU and BASS (collectively referred to as the Organization). The combined financial statements are prepared on the accrual basis of accounting and all significant intercompany balances and transactions have been eliminated.

Performance Indicator

Change in unrestricted net deficit as reflected in the accompanying combined statement of activities and changes in net deficit, is the performance indicator. Change in unrestricted net deficit includes all changes in unrestricted net deficit, including unrealized change in value of trading investments, change in value of mineral assets, change in value of interest rate swap and cap agreements, other nonoperating income expenses incurred as a result of bankruptcy filing, inherent contribution (see Note 20) and excluding receipt of restricted contributions, royalty income, actuarial gain on gift annuities, change in fair value of split interest and perpetual trusts and assets released from donor restrictions, change in value of gift annuities, and investment returns restricted by donors or law.

Cash and Cash Equivalents

Cash and cash equivalents include cash, certificate of deposits, money market accounts, commercial paper, and other securities with maturities of three months or less at the date of acquisition that are not otherwise held by an investment advisor or restricted under bond indenture agreements.

Investments

Investments are stated at fair value based on quoted market prices. Investments acquired by gift are recorded at fair value on the date received. Investments in marketable securities are adjusted to fair value through recognition of unrealized gains and losses in the performance indicator as they are classified as trading securities. Gains or losses are calculated based on specific identification of the investments. Dividend, interest, and other investment income are recorded net of related custodial and advisory fees.

Accounts Receivable

The Organization provides services to residents even though they may lack adequate funds or may participate in programs that do not pay full charges. The Organization receives payment for health services from residents, insurance companies, Medicare, health maintenance organizations (HMO), and other third-party payors. As a result, the Organization is exposed to certain credit risks. The Organization manages its risk by regularly reviewing its accounts, by providing appropriate allowances for uncollectible accounts, and by having secured the accounts through its Residence and Care Agreements with the residents of the community.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

Accounts receivable are stated at the amount management expects to collect. If necessary, management provides for possible uncollectible amounts through a charge to revenues and a credit to a valuation allowance based on its assessment of the current status of individuals' balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to resident accounts receivable.

Assets Restricted Under Bond Indenture Agreements

Under the terms of various bond indenture agreements, certain corporations within the Organization are required to establish certain funds which are held by the Trustee (see Note 3). If, on any payment date, a corporation is deficient in payment of principal and interest, the Trustee is required to transfer money from the Debt Service Reserve Fund to eliminate such deficiency. If money is withdrawn, the corporation is then obligated to make additional deposits into the Debt Service Reserve Fund to maintain its balance in the amount equal to the bond reserve requirements.

Property and Equipment

Purchased property and equipment are recorded at cost, or fair value when received, if donated. The cost basis includes any interest, finance charges, major replacements and improvements, and other related costs capitalized during construction. The Organization capitalizes fixed assets with a cost of greater than $2,000, with the exception of AHC and CVN, whom capitalize fixed assets with a cost of greater than $1,500. Maintenance, repairs, and minor replacements are charged to expense when incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years. When assets are retired or otherwise disposed of, the cost of the asset and its related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income or expense for the period.

The Organization, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets when indicators of impairment are identified. The review addresses the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment losses were present for the year ended September 30, 2017.

Cash and Cash Equivalents – Escrow Entrance Fee Deposits

Mirabella ASU requires each applicant for residency to pay a $1,000 wait list deposit. The wait list deposit is fully refundable, or will be applied to the 10% entrance fee deposit if the prospective resident's application is approved and an apartment is reserved.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents – Escrow Entrance Fee Deposits (Continued)

Mirabella ASU has collected entrance fee deposits from prospective residents of Mirabella ASU equal to 10% of the entrance fee for the selected independent living apartment. These entrance fee deposits are credited to the required entrance fee upon move-in to the independent living apartments of Mirabella ASU. These entrance fee deposits are maintained in separate escrow accounts. If the prospective resident terminates the reservation agreement prior to occupancy, the full amount is refunded to the prospective resident within 30 days.

At September 30, 2017, escrow entrance fee deposits were $1,786,949. There is a corresponding liability, other long-term liabilities, on the statement of financial position.

Assets Held in Trust

Assets held in trust include split interest trusts and perpetual trusts. Trusts are designated to manage the leasing of mineral assets and investments into perpetuity. Mineral income and valuations are determined based on the production of wells, the price of oil, and leasing terms. The Organization records changes in the fair value as changes in temporarily restricted or permanently restricted net assets. Amounts are reclassified from their designated restrictions when distributions are received by the Organization.

Mineral Assets

Mineral assets consist of oil and gas mineral rights located in Texas, New Mexico, and Oklahoma, which are reported at estimated fair value (see Note 14). Distributions are reported as royalty income and changes of the estimated fair value of mineral assets are reported as nonoperating income (loss) in the combined statement of activities and changes in net assets (deficit).

Restricted Deposits

Restricted deposits represent amounts required by the Department of Housing and Urban Development (HUD) to be held for major maintenance, repair, and replacement of property, funds held aside that would otherwise be considered as surplus cash that is generated by project cash flow, tenant security deposits, unemployment deposits, minimum capital investments, and other escrowed funds at the AHC's. Both tenant security deposits and unemployment deposits include an offsetting liability, called Refundable Deposits, in the combined statement of financial position.

In addition, restricted deposits represent segregated accounts established by Capitol Lakes. See Note 6 for a summary of restricted deposit amounts.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables from Members, Noncurrent

As a nonprofit corporation, The Peninsula Regent (TPR) does not terminate membership agreements when Members experience financial difficulties and are unable to fully pay their monthly fees. Instead, a reduced fee is arranged based on each Member's ability to pay, as determined by TPR. The monthly fee reduction under this arrangement is treated as a loan from TPR, which is secured by the member's interest in their condominium and is to be repaid upon the sale of the condominium, along with interest. It is possible that the advances could exceed the sales value of the condominium. Management believes that none of the current advances outstanding, which total $112,236 as of September 30, 2017, exceed the sales value of the Members' condominiums.

Other Noncurrent Assets

The Organization has other noncurrent assets, which include investments in the One West Main building and One West Main, LLC; investment in Caring Communities Reciprocal Risk Retention Group, and a prepaid amount for a waste treatment upgrade. The Organization has title to the third floor of the One West Main building, consisting of office space for PRS and PRS MI staff, as well as commercial space for lease. Roxy Ann Peak, LLC is one of three members of One West Main, LLC, which owns the ground floor and common areas of the One West Main building. PRS has a member savings account with Caring Communities. Mirabella Seattle has an amount that was prepaid and will be amortized to expense over multiple future years for a waste treatment upgrade. RVM has other noncurrent assets which include master plan and urban growth boundary assets, shown net of amortization, assets of the pharmacy, and donated art received from RVM Foundation.

Refundable Deposits

The Organization requires each applicant for residency to pay a $1,000 application fee deposit. This deposit will be refunded if the application is denied. If the application is approved but subsequently withdrawn, a portion is refunded. When a unit becomes available, the applicant is also required to pay an entrance fee deposit, which varies in amount, to reserve the unit prior to occupancy. This deposit is refundable prior to occupancy. Refundable deposits also include the deposits held on leased spaces, and tenant security deposits held by the AHC's.

Deferred Revenue from Entrance Fees

Nonrepayable fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue. The Organization has multiple continuing care contracts, which include repayable amounts ranging from 50% to 100% and nonrepayable contracts. The repayable portion of the entrance fee for these types of contracts is not amortized to income and is described in the following paragraph. The nonrepayable deferred entrance fees are amortized to income over the estimated remaining actuarial life expectancy of the resident. Amounts amortized to income relating to these types of contracts were $24,784,695 for the year ended September 30, 2017, and are included in entrance fees earned in the combined statements of activities and changes in net assets (deficit). At September 30, 2017, the Organization had nonrepayable entrance fees of $206,711,417, related to entrance fees received that will be recognized as revenue in future years.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Repayable Entrance Fees

Repayable contracts are 50% to 100% repayable according to the provisions of the respective contract. The repayable portion of entrance fees as of September 30, 2017 was $448,130,306. Of the repayable portion, $12,945,357 was due to residents as included in current portion of repayable entrance fees and will be repaid according to the provisions of the respective contracts. Actual refunds of such entrance fees were $32,992,507 for the year ended September 30, 2017.

Entrance Fees Board Adjustment Valuation Liability

The Entrance Fee Board Valuation Adjustment liability represents amounts approved at the discretion of the boards of directors of Middleton Glen and Senior Housing to be payable to the resident upon resale of the apartment. Such amounts were awarded only to residents under the applicable contract on the dates the valuation adjustments were approved by the boards of directors.

Future Services Obligation

The Organization annually calculates each Continuing Care Retirement Community’s (CCRC) 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 plus the present value of future monthly fees to be received from current residents. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees plus the present value of future monthly fees to be received from current residents, a liability is recorded (future services obligation) with the corresponding charge to expense. The obligation is discounted at 5.5% for 2017. At September 30, 2017, the future services obligation was $679,738.

Derivative Instruments

The Organization has several derivative instruments, which include three interest rate swaps and three interest rate cap agreements (see Note 8). The swap and cap agreements are recorded on the combined statement of financial position at fair value. As the derivatives do not qualify as effective hedges, the changes in fair value of the derivatives are recognized in nonoperating income (loss) on the combined statement of activities and changes in net assets (deficit) in accordance with Accounting Standards Codification (ASC) 815, *Derivatives and Hedging*.

In addition, there is a collateral posting requirement if either the derivative associated to URCAD or Merrill Lynch (the Counterparty) exceeds a certain dollar threshold in terms of the market value. The Organization reports any collateral posted as other assets on the combined statements of financial position. The collateral posting level is also contingent on the credit rating of URCAD. If URCAD were to experience a downgrade in its credit rating, the posting threshold would increase. The collateral posting requirement at September 30, 2017 was $-0-.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Retirement Obligation

An accrued obligation was established for estimated costs to remediate issues related to asbestos in the multiple CCRC buildings. As of September 30, 2017, the obligation was $152,421 as included in other long-term liabilities in the combined statement of financial position.

Net Assets (Deficit)

The Organization reports three classifications of net assets (deficit). A description of each classification of net assets is as follows:

Unrestricted

Represent unrestricted resources available to support the Organization's operations and temporarily restricted resources which have become available for use by the Organization in accordance with the intention of the donor.

Temporarily Restricted

Represent contributions that are limited in use by the Organization in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Organization according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. Temporarily restricted net assets are available primarily for assistance and other projects as designated by the donors.

Permanently Restricted

Represent net assets subject to donor-imposed stipulations that they be maintained by the Organization in perpetuity. The board of directors of each related corporation that maintain such permanently restricted assets have interpreted their respective state's enacted 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 permanently restricted donations absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanently restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Generally, the donors of these assets permit the Organization to use all or part of the investment return on these assets.

Revenue Recognition

Service fees and health center revenues are recognized in the month in which services are provided and collectability is reasonably assured. In addition, health center revenue is presented net of third-party rate adjustments. Other revenue is recognized as the related services are provided (see Note 12).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Organization provides health care services primarily to residents of its communities. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Transfer Fees

Upon the resale of a condominium, TPR is entitled to a transfer fee equal to 10% of the seller's purchase price plus 75% of any realized appreciation. Revenue is recognized in the period in which the condominium sale takes place. Pursuant to various agreements, TPR allocates portions of earned transfer fees as shown below.

	Share
Marketing Agreement	5.00%
Management Agreement	23.75
Lease Agreement (see Note 20)	71.25
Total	100.00%

Charity Care

The Organization provides care without charge or at amounts less than its established rates to residents who meet certain criteria under its charity care policy. Because the Organization does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue. The Organization recorded charity care of $1,959,461 for the year ended September 30, 2017.

Contributions

The Organization reports unconditional contributions of cash and other assets at fair value at the date the contribution is made. Conditional contributions are reported at fair value at the date the conditions are substantially met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statement of activities and changes in net assets (deficit) as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as temporarily restricted contributions and net assets released from restriction in the accompanying combined financial statements. When temporarily restricted contributions are disbursed, they are reported as disbursement of contributed funds on the combined statement of activities and changes in net assets (deficit).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

PRS and all affiliates of the Organization in which there is operating activity, except for Crest Park and PRS MI (taxable entities), have been recognized by the Internal Revenue Service as nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related activities. A tax provision has been made in the accompanying combined statement of activities and changes in net assets (deficit) for the two taxable entities.

The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Organization recognizes interest and penalties related to income tax matters in operating expenses. At September 30, 2017, there were no such uncertain tax positions.

Deferred Taxes

As of September 30, 2017, the taxable entities have a deferred tax asset of approximately $3,500,000 which is the result of operating losses that have occurred in current and prior years. Accounting guidance for income taxes requires the taxable entities to periodically assess whether it is more likely than not that sufficient taxable income will be generated to realize the deferred tax assets. In making this determination, the entities consider all available positive and negative evidence and make certain assumptions, including among other things, the overall business environment, historical earnings and losses, current industry trends and the outlook for future years. As of September 30, 2017, a valuation allowance has been recorded in the amount of $3,500,000. Operating losses will expire between 2019 and 2035 if not utilized.

Concentrations of Risks

The Organization’s cash, cash equivalents, investments, assets held in trust, and assets restricted under bond indenture agreements consist of various financial instruments. These financial instruments may subject the Organization to concentrations of risk as, from time to time, cash and investment balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC), the fair value of debt securities are dependent on the ability of the issuer to honor its contractual commitments, and the fair value of investments are subject to change. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant credit risk exists at this time.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Risks (Continued)

Concentration of credit risk results from the Organization granting credit without collateral to its residents and patients, most of whom are local residents and may be insured under third-party payor agreements. See Note 2 for the mix of receivables from residents and third-party payors as of September 30, 2017.

Workers' Compensation Insurance

All but three corporations within the Organization are insured for workers' compensation claims under a guaranteed cost policy. Under the policy, premiums are paid based on estimated annual payroll amounts, which are trued up at each year-end. All claims are covered under the policy. Should the claims made policy not be renewed, or replaced with equivalent insurance, claims related to occurrences during their terms but reported subsequent to their termination would be covered by the insurance policy. Accounting principles generally accepted in the United States of America require that a healthcare organization disclose the estimated costs of claims in the period of the incident, if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. Because this is a guaranteed cost policy, and all claims are covered, there is no estimated liability to record.

Trinity Terrace does not subscribe to the Texas workers' compensation program for their employees. Injury benefits are offered to employees as nonsubscribers, and all workers' compensation claims are covered by the professional and general liability policy held by Trinity Terrace. A workplace safety program is in place, and is managed by a professional consultant. Management believes Trinity Terrace is in compliance with all state requirements for nonsubscribers as of September 30, 2017. Trinity Terrace has accrued no liability in its best estimate of the cost of known claims incurred prior to September 30, 2017, and has made no accrual in its best estimate of claims incurred but not yet reported.

Mirabella receives no-fault insurance coverage for its employees through the Washington State Department of Labor & Industries (L & I). The benefits received include medical treatment for workers injured during the course of their employment, or that develop an occupational disease as a result of their work activities. In addition, partial wage replacement benefits are available to eligible employees. Premiums are paid quarterly by Mirabella and are based on the hours worked by employees multiplied by a rate which varies based on the job function of an employee. Mirabella also remits to L & I withholding from employee compensation, which is based on a percentage of taxable wages. Claims are managed by L & I and benefits are paid from the Washington State Fund, which is financed by premiums paid by both the employer and the employee. Mirabella has accrued no liability in its best estimate of the cost of known claims incurred prior to September 30, 2017, and has made no accrual in its best estimate of claims incurred but not yet reported.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Workers' Compensation Insurance (Continued)

The Peninsula Regent (TPR) has coverage through GuardianComp, Inc., a California corporation. Under the policy, premiums are paid based on estimated annual payroll amounts, which are trued up at each year-end. All claims are covered under the policy. Should the policy not be renewed, or replaced with equivalent insurance, claims related to occurrences during their terms, but reported subsequent to their termination, would be covered by the policy.

Professional, Medical Malpractice, and General Liability Insurance

The Organization secured claims-made professional liability and general liability insurance policies with self-insured retentions of $50,000 per claim, coverage limits of $1,000,000 per claim, and $3,000,000 in aggregate per policy period (January 1, 2017 to January 1, 2018).

Certain corporations within the Organization (PRS, RVM, Trinity Terrace, HPP, Capitol Lakes, URCAD, Mirabella Seattle and BASS) also secured an excess professional and general liability insurance policy with limits of $10,000,000 per claim and $20,000,000 aggregate per policy period (January 1, 2017 to January 1, 2018).

Other corporations within the organization (Cascade Manor and Mirabella Portland) secured an excess professional and general liability insurance policy with limits of $5,000,000 per claim and $20,000,000 aggregate per policy period (January 1, 2017 to January 1, 2018).

In addition, RVM, on behalf of its three employed physicians, has secured claims-made policies for medical malpractice insurance with no self-insured retention with coverage limits of $1,000,000 per claim, and $3,000,000 in aggregate per policy period (Physician 1 – March 8, 2017 to March 8, 2018; Physician 2 – September 21, 2017 to September 21, 2018; Physician 3 – August 16, 2017 to August 16, 2018).

The Organization has accrued approximately $450,000 liability in its best estimate of the cost of known claims incurred prior to September 30, 2017. In addition, the Organization has accrued no liability as of September 30, 2017, in its best estimate of the cost of claims incurred but not yet reported.

Use of Estimates

The preparation of combined financial statements, in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The Organization's policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. See Note 14 for fair value hierarchy disclosure.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Organization expenses advertising costs as incurred. The Organization's advertising expense for the year ended September 30, 2017, was $3,201,016.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2017 consisted of the following:

	Amount	Percentage
Medicare	$ 3,167,628	29%
Resident Monthly Fees	2,645,583	24
Secondary Insurance	2,580,720	24
Entrance Fees	917,542	9
Medicaid	322,787	3
Other Receivables	1,176,419	11
Total Accounts Receivable	10,810,679	100%
Less: Allowance for Doubtful Accounts	(785,528)	
Accounts Receivable, Net	$ 10,025,151	

NOTE 3 ASSETS RESTRICTED UNDER BOND INDENTURE AGREEMENTS

Assets restricted under bond indenture agreements at September 30, 2017 consisted of the current portion and long-term portion as follows:

Current portion:

	Amount
Debt Service Reserve Funds	$ 12,856,565
Operating Reserve Funds	6,881,622
Other Various Funds	2,746,509
Assets Restricted under Bond Indenture Agreements	$ 22,484,696

Long-term portion:

	Amount
Debt Service Reserve Funds	$ 24,119,618
Project Funds	2,709,300
Capitalized Interest Fund	1,170,348
Refund Shortfall Funds	1,073,296
Other Various Funds	105,004
Assets Restricted under Bond Indenture Agreements	$ 29,177,566

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2017 consisted of the following:

	Amount
Land	$ 77,248,413
Buildings and Land Improvements	1,065,500,161
Equipment and Furnishings	66,989,858
Subtotal	1,209,738,432
Less: Accumulated Depreciation	(407,925,089)
Subtotal	801,813,343
Construction in Progress	26,649,131
Property and Equipment, Net	$ 828,462,474

Interest costs incurred on borrowed funds during the construction of capital assets are capitalized as a component of acquiring those assets, and depreciated over the estimated useful lives by the straight-line method of depreciation.

Construction in progress at September 30, 2017 includes costs related to various routine continued apartment remodeling and other capital improvements at the CCRC's, which are funded by operations. In addition, the CCRC's have the following capital project activity:

RVM

RVM had construction in progress at September 30, 2017 of approximately $5,210,000 related to capital projects including a memory care construction project. Total costs of the project are expected to be approximately $18.5 million, which are being funded by operations.

Trinity Terrace

Trinity Terrace had construction in progress at September 30, 2017 consisted of ongoing routine facility improvements and unit renovations, which are funded by operations. During the year ended September 30, 2017, Trinity Terrace capitalized interest of $4,480,893 related to the River Tower project, which was completed during the fiscal year ended September 30, 2017.

HPP

HPP had construction in progress at September 30, 2017 of approximately $7,812,000 related to a 10-unit independent living expansion project known as Holladay East (see Note 17). Total costs of the project are expected to be approximately $12.4 million, which are being funded by operations.

URCAD

URCAD had construction in progress at September 30, 2017 of approximately $6,077,000 related primarily to a health care center expansion project that is expected to be completed in 2018. Total costs as of September 30, 2017 are $4,672,648, with a total project budget of approximately $8 million, which are being funded by operations.

NOTE 4 PROPERTY AND EQUIPMENT (CONTINUED)

Mirabella ASU

Mirabella ASU had construction in progress related to the construction of a 304-unit CCRC on a 1.89-acre site in Tempe, Arizona. The CCRC is planned to include 252 independent living residential apartments, 11 assisted living apartments, 20 memory care units and 21 private skilled nursing beds and related common and administrative areas. Nine of the independent living apartments are designed to be converted to assisted living units in the future as the need for additional assisted living units arises. The CCRC will include four dining venues, together with an indoor pool and wellness center, an auditorium, a library, and underground parking. Construction is expected to commence in February 2018 and continue through approximately August 31, 2020. The total costs associated with the development is $289,500,000 and is to be financed by the issuance of the Series 2017 bonds (see Note 21).

NOTE 5 ASSETS HELD IN TRUST

Assets held in trust represent the principal and earnings of perpetual trusts and split interest trusts whose assets and distribution of income are controlled by third-party trustees. Trinity Terrace is the beneficiary to one split interest trust. Trinity Terrace has an unconditional right to receive a portion of the specified cash flows from the assets held pursuant to the underlying trust agreements.

In addition to the split interest trust, Trinity Terrace is also the beneficiary to three perpetual trusts. In accordance with standard accounting guidance for split interest trusts and perpetual trusts, Trinity Terrace records changes in the fair value as changes in temporarily restricted or permanently restricted net assets. Amounts are reclassified from their designated restriction when distributions are received by Trinity Terrace.

Additionally, resident funds are held in trust for Capitol Lakes’ health care and assisted living residents.

The trust assets at September 30, 2017 have been stated at fair market value:

	Amount
Hutt Trust	$ 25,864,980
Stonestreet Trust	5,175,291
Martin Trust	806,343
Harrison Trust	40,000
Resident Trust Funds	18,947
Total Assets Held in Trust	$ 31,905,561

NOTE 5 ASSET HELD IN TRUST (CONTINUED)

The net trust asset activity for the year ended September 30, 2017 is comprised of the following:

	Amount
Beginning Balance	$ 21,272,372
Change in Fair Value	12,916,346
Trustee Fees	(214,141)
Cash Received from Asset Held in Trust	(2,069,016)
Ending Balance	$ 31,905,561

NOTE 6 RESTRICTED DEPOSITS

Restricted deposits at September 30, 2017 consisted of the following:

	Capitol Lakes	AHC	Total
Reserve for Replacement	$ -	$ 2,878,978	$ 2,878,978
Entrance Fee Repayment Reserve	832,969	-	832,969
Tenant Security Deposits	-	280,474	280,474
Escrow Deposits	-	221,720	221,720
Unemployment Deposits	-	136,912	136,912
Residual Receipts Reserve	-	105,605	105,605
Minimum Capital Investment	-	4,356	4,356
Total Restricted Deposits	$ 832,969	$ 3,628,045	$ 4,461,014

NOTE 7 LONG-TERM DEBT

Long-term debt at September 30, 2017 consisted of the following:

	Amount
RVM Series 2013A and 2013B Bonds	$ 101,020,000
Trinity Terrace Series 2014A Bonds	82,260,000
Trinity Terrace Compass 2014 Loan	36,651,924
Cascade Series 2014 Bonds	22,483,000
URCAD Series 2013 Bonds	29,373,000
HPP Series 2010 Bonds	12,540,000
HPP Series 2013 Bonds	10,238,000
Mirabella at ASU Piper Jaffray Senior Living Fund	6,750,000
Mirabella Portland Series 2014 Bonds	91,510,000
Mirabella Seattle Series 2006AR Bonds	30,750,000
Mirabella Seattle Series 2012 Bonds	79,320,000
Mirabella Seattle Stern Note Payable	596,420
Capitol Lakes Credit and Security Agreement	51,782,904
Middleton Glen Series 1998 Bonds	3,270,000
Senior Housing Series 2001 Bonds	2,744,685
AHC Mortgage Notes Payable	3,872,168
Roxy Ann Peak Loan	5,357,644
Total Long-Term Debt	570,519,745
Add: Unamortized Premium	6,657,647
Subtotal	577,177,392
Less: Unamortized Debt Issuance Costs	(10,834,951)
Less: Current Portion	(19,655,328)
Long-Term Debt, Net	$ 546,687,113

The terms of the Organization’s outstanding long-term debt at September 30 related to numerous bonds and notes payable are discussed in the following paragraphs. In addition, certain Corporations of the Organization have entered into interest rate swap and cap agreements (see Note 8).

RVM

Series 2013A Fixed Rate Revenue Refunding Bonds

On April 4, 2013, the Hospital Facilities Authority of the City of Medford, Oregon (the Authority) issued the Official Statement for a fixed rate financing to refinance its Series 2012 Bonds and redeem $15,000,000 of its Series 2007 Bonds. On April 11, 2013, the 2013A Bonds were issued in the amount of $60,200,000 with a maturity of October 2042.

The bonds are secured by a bond trust indenture between the Authority and the Trustee (U.S. Bank National Association). The principal of, premium, if any, and interest on the bonds will be payable solely from the revenues pledged under the bond indenture, including (i) amounts payable under a loan agreement between the Authority and RVM, including payments made on an obligation issued by RVM under a master trust indenture to evidence and secure the loan by the Authority to RVM, and (ii) the funds established under the bond indenture.

NOTE 7 LONG-TERM DEBT (CONTINUED)

RVM (Continued)

Series 2013B Revenue Refunding Bonds

On November 19, 2013, the Hospital Facilities Authority of the City of Medford, Oregon, issued $50,000,000 directly placed with Bank of America. The bonds were issued at a premium of $3,244,303. The bonds initially bear interest at 67% of one-month LIBOR plus an applicable spread of 1.27%. On June 24, 2014, the applicable spread was decreased from 1.27% to 1.17%.

The bonds were secured by a bond trust indenture between the Authority and the Trustee. The principal of, premium, if any, and interest on the bonds will be payable solely from the revenues pledged under the bond indenture, including (i) amounts payable under a loan agreement between the Authority and RVM, including payments made on an obligation issued by RVM under a master trust indenture to evidence and secure the loan by the Authority to RVM, and (ii) the funds established under the bond indenture.

RVM has granted a security interest and lien on certain real property, improvements, and tangible personal property in connection with the Bonds described above. The security interest and lien are described in the Master Trust Indenture entered into with U.S. Bank National Association, as master trustee, and the associated deed of trust.

RVM is subject to financial covenants on debt which include a debt service coverage ratio and minimum days of cash-on-hand requirement. Management believes that RVM was in compliance with both of these covenants as of and for the year ended September 30, 2017.

Trinity Terrace

Series 2014A Revenue Bonds

On December 18, 2014, Tarrant County Cultural Education Facilities Finance Corporation issued $82,640,000 (Series 2014A) of Revenue Bonds. The bonds were issued at a premium of $4,102,084 and bear interest at an average coupon of 4.91%. The bonds are subject to redemptions, as scheduled, prior to final maturity in October 2049. The amortization of the bond in 2017 and 2018 are based on anticipated receipts of entrance fees and actual amortization of the bond in those years may differ from the assumed amortization due to the timing differences in the entrance fee. The bonds were used to pay off the Series 2011 Revenue Refunding Bonds and to finance capital assets.

Compass 2014 Tax Exempt Loan

On December 18, 2014, Tarrant County Cultural Education Facilities Finance Corporation issued a $45,000,000 loan directly placed with Compass Mortgage Corporation. The loan initially bears interest at 65.01% of LIBOR plus an applicable margin of 1.80%. Interest is calculated based on the balance of disbursements drawn on the Series 2014·loan for costs of the project known as the River Tower. The interest rate as of September 30, 2017 was 2.60%. The loan has a final maturity in December 2024 and a balloon payment up to $20,000,000 will be due in 2018 based on draws on the loan. As of September 30, 2017, Trinity Terrace has drawn $40,931,924. The amortization of the loan in 2017 and 2018 is based on anticipated receipts of entrance fees and actual amortization of the loan in those years may differ from the assumed amortization due to the timing differences in the receipt of entrance fees.

NOTE 7 LONG-TERM DEBT (CONTINUED)

Trinity Terrace (Continued)

Compass 2014 Tax Exempt Loan (Continued)

Trinity Terrace has granted a security interest and lien on certain real property, improvements, and tangible personal property in connection with the Bonds described above. The security interest and lien are described in the Master Trust Indenture entered into with the U.S. Bank National Association, as master trustee, and the associated deed of trust.

The bond indenture agreement also contains provisions regarding the maintenance of certain covenants and financial ratios. Management believes that Trinity Terrace was in compliance with all provisions as of September 30, 2017.

Cascade Manor

Series 2014 Revenue Refunding Bonds

On October 15, 2014, the Hospital Facilities Authority of the City of Medford, Oregon, issued $33,842,000 of Series 2014 revenue refunding bonds (Series 2014 Bonds) directly placed with Compass Mortgage Corporation. The bonds initially bear interest at 65.01% of one-month LIBOR plus an applicable spread of 1.65%. The purpose of the Series 2014 bonds is to refinance the Series 2010 variable rate demand revenue refunding bonds and to finance, develop, construct and equip a 30-unit expansion commonly known as 29th Place, certain improvements to Cascade Manor's existing facility, and pay for certain costs of issuance of the bonds.

The bonds are subject to optional and required redemption provisions. Initial entrance fees collected as of September 30, 2017 of $2,207,000 were remitted as principal payments on the Series 2014 Bonds in accordance with the Continuing Covenant Agreement. Under the terms of the Continuing Covenant Agreement, the total minimum debt redemption requirement related to the initial entrance fees was $11,271,000. Accordingly, the shortfall in collection of initial entrance fees of $629,000 is due on or before October 15, 2018.

Cascade Manor has granted a security interest and lien on certain real property, improvements, and tangible personal property in connection with the bonds described above.

The Series 2014 bonds also contain provisions regarding the maintenance of certain covenants and financial ratios. Management believes Cascade Manor was in compliance with all provisions as of September 30, 2017.

NOTE 7 LONG-TERM DEBT (CONTINUED)

URCAD

Series 2013 Variable Rate Demand Revenue Refunding Bonds

On August 29, 2013, the California Statewide Communities Development Authority (the Authority) issued $33,708,000 Series 2013 Variable Rate Demand Revenue Bonds (Series 2013). The bonds were issued under and secured by an Indenture between the Authority and the Bond Trustee (U.S. Bank National Association). On August 29, 2013, URCAD entered into a loan agreement with the Authority and a Continuing Covenant Agreement with Bank of America (the initial holder of the bonds). The Series 2013 bonds, initially bore interest at 67% of the one-month LIBOR plus an applicable spread as defined in the Bond Indenture, are subject to 10-year call provisions beginning August 29, 2023, and matured based on the rate mode in effect on November 1, 2033. The interest rate payable to bond holders at September 30, 2017, was approximately 2.23%.

URCAD has granted a security interest and lien on certain real property, improvements, and tangible personal property in connection with the Bonds described above. The security interest and lien are described in the Master Trust Indenture entered into with U.S. Bank National Association, as master trustee, and the associated deed of trust.

The bond agreements also contained provisions regarding the maintenance of certain covenants. Management believes that URCAD was in compliance with all provisions as of September 30, 2017.

HPP

Series 2010 Revenue Refunding Bonds

On December 23, 2010, The Hospital Facility Authority of Multnomah County (the Issuer) issued $14,460,000 in Series 2010 variable rate demand revenue refunding bonds. The bonds were issued pursuant to an indenture by and between the Issuer and U.S. Bank National Association (Bond Trustee). The Series 2010 bonds are tax-exempt bank qualified bonds pursuant to Internal Revenue Code Section 265(c).

On December 23, 2010, HPP entered into a loan agreement with the Issuer and a credit agreement with Union Bank (the initial holder of the bonds). The Series 2010 bonds shall initially bear interest at 65% of the one-month LIBOR rate (1.235% at September 30, 2017) plus an applicable margin of 1.376%. The Series 2010 bonds are subject to a put provision beginning December 1, 2023, and mature on December 1, 2040. The proceeds of the Series 2010 bonds were used to pay off the Series 2003 bonds.

Series 2013 Revenue Bonds

On October 31, 2013, the Hospital Facilities Authority of Multnomah County, Oregon (the Issuer) issued $14,138,000 in Variable Rate Demand Revenue Bonds, Series 2013A. The bonds were issued pursuant to an indenture by and between the Issuer and U.S. Bank National Association (Trustee). The purpose of the Series 2013A bonds is to finance, develop, construct, and equip a 19-unit expansion commonly known as Holladay North, certain improvements to HPP’s existing facility and pay for certain costs of issuance of the Bonds.

NOTE 7 LONG-TERM DEBT (CONTINUED)

HPP (Continued)

Series 2013 Revenue Bonds (Continued)

On October 31, 2013, HPP entered into a Loan Agreement with the Issuer and a Credit Agreement with Union Bank (the purchaser of the bonds). The Series 2013A bonds shall bear an initial rate of .3198% plus 65.01% of the sum of the one-month LIBOR rate plus the Applicable Margin.

HPP has granted a security interest and lien on certain real property, improvements, and tangible personal property in connection with the Bonds described above. The security interest and lien are described in the Master Trust Indenture entered into with U.S. Bank National Association, as master trustee, and the associated deed of trust.

The bond indenture agreement also contains provisions regarding the maintenance of certain covenants and financial ratios. Management believes that HPP was in compliance with all provisions as of September 30, 2017.

Mirabella Portland

Series 2014A Revenue Refunding Bonds

On September 30, 2014, the Hospital Facilities Authority of Multnomah County, Oregon (the Authority) issued $93,380,000 (Series 2014A) of Revenue Refunding Bonds. The bonds were issued at a premium of $682,837 and bear interest at a fixed rate of 5.40%. The bonds are subject to redemptions, as scheduled, prior to final maturity in October 2049. The proceeds of the bonds were used to pay off the Series 2008 Variable Rate Demand Revenue Bonds.

The bonds were issued under and secured by a bond indenture between the Authority and the Bond Trustee (U.S. Bank National Association). The principal of and interest on the bonds are payable solely from revenues pledged under the bond indenture, including (i) amounts payable under a loan agreement between the Authority and Mirabella Portland and (ii) the funds established under the bond indenture. Redemptions are scheduled annually.

Mirabella Portland has granted a security interest and lien on certain real property, improvements, and tangible personal property in connection with the Bonds described above. The security interest and lien are described in the Master Trust Indenture entered into with U.S. Bank National Association, as master trustee, and the associated deed of trust.

Mirabella Portland is subject to financial covenants including a debt service coverage ratio, a debt service reserve requirement, and a minimum days cash-on-hand requirement. Management believes that Mirabella Portland was in compliance with all of these covenants as of and for the year ended September 30, 2017.

NOTE 7 LONG-TERM DEBT (CONTINUED)

Mirabella Seattle

Series 2012 Bonds

On December 27, 2012, the Washington State Housing Finance Commission (the Commission) issued Series 2012 Bonds, consisting of $81,440,000 in Series 2012A fixed rate bonds and $7,800,000 in Series 2012C temporary fixed rate bonds pursuant to an Indenture Trust between the Commission and U.S. Bank National Association (the Trustee). The proceeds of the bonds were used pursuant to a Mortgage Origination and Financing Agreement (Loan Agreement) to (i) refund a portion of the outstanding Washington State Housing Finance Commission Variable Rate Demand Nonprofit Housing Revenue Series 2006A Bonds, (ii) fund the debt service reserve fund for the 2012A Bonds, (iii) reimburse Mirabella and pay for costs of the project, and (iv) pay the costs of issuing the bonds. The Series 2012A Bonds were issued in three tranches with interest rates that range from 6.00% to 6.75% and maturities that range from October 1, 2022 to October 1, 2047. The Series 2012C Bonds consist of term bonds with an interest rate of 5.00% and maturity date of October 1, 2017.

The Series 2012A Bonds are subject to optional redemption prior to maturity by the Commission at the direction of Mirabella Seattle in whole or in part on October 1, 2022, or any date thereafter, at the redemption price equal to the principal amount of such Series 2012A bonds to be redeemed, together with accrued interest to the redemption date. The Series 2012C Bonds are not subject to optional redemption prior to maturity.

In conjunction with the issuance of the Series 2012 Bonds, the Commission refunded and retired $86,900,000 of the Series 2006A Bonds, and $30,750,000 of the Series 2006A bonds were reissued as Series 2006AR Subordinate Bonds, which are secured by a Series 2006AR subordinate note. Interest is accrued on the Subordinate Bonds pursuant to the terms of the Indenture. The outstanding principal and accrued interest on the Series 2006AR Bonds were $32,246,622 at September 30, 2017, which carried an interest rate of 1% as of September 30, 2017.

Mirabella Seattle has granted a security interest and lien on certain real property, improvements, and tangible personal property in connection with the Bonds described above. The security interest and lien are described in the Master Trust Indenture entered into with U.S. Bank National Association, as master trustee, and the associated deed of trust.

The Series 2006AR and 2012 Bonds also contain provisions regarding the maintenance of certain covenants and financial ratios, which include a debt service coverage ratio, a debt service reserve requirement, an operating reserve requirement, an occupancy requirement, a management fee cap, and a minimum days cash on hand requirement, which began during the 2015 fiscal year. Management believes Mirabella was in compliance with all provisions as of September 30, 2017.

NOTE 7 LONG-TERM DEBT (CONTINUED)

Mirabella Seattle (Continued)

Stern Note Payable

Mirabella Seattle entered into an agreement with Lela O. Stern as a part of the land purchase for Mirabella Seattle stipulating a payment of $4,000 per month of principal and interest to Ms. Stern from July 2006 to July 2031. The payments will be adjusted in July 2022, and 2030 for inflation, based on an inception present value of $660,000 and an interest rate of 4.96%.

Capitol Lakes

Credit and Security Agreement

Resulting from the Chapter 11 petition, Capitol Lakes entered into a Credit and Security Agreement (the Agreement) with Santander Bank, N.A. as administrative agent for itself and KBC Bank N.V., and all previous bond and interest rate swap agreements were terminated. Under the terms of the Plan and the Agreement, Capitol Lakes agreed to the following:

- Surrender all debt service reserve funds toward payment of the long-term debt obligation;
- Make quarterly payments over ten and a half years, calculated by taking one-quarter of $36,000,000 times the higher of 4.65% or the average of the Prime rate during any calendar quarter plus 1.15%, with any resulting increase in quarterly payments taken as a reduction against the final balloon payment due on March 31, 2027;
- Comply with certain covenants;
- Pay all general unsecured claims existing as of the date of petition in full and without interest.

The above transactions are considered a troubled debt restructure, and as a result, the long-term debt held by the bondholders on Capitol Lakes' statement of financial position does not get adjusted.

The credit and security agreement granted a security interest in all tangible and intangible property of Capitol Lakes as defined under the agreement.

Management believes Capitol Lakes is in compliance with all covenant provisions as of September 30, 2017.

Middleton Glen

Series 1998 Bonds

The Wisconsin Health and Educational Facilities Authority issued $6,065,000 of Revenue Bonds on October 1, 1998 (Series 1998 Bonds). On the same date, the Wisconsin Health and Educational Facilities Authority loaned the bond proceeds to Middleton Glen. The loan proceeds were used to finance the acquisition and construction of Middleton Glen's facilities. The bonds are secured by Middleton Glen's facilities, equipment, and lease agreements. The bonds were issued at interest rates ranging from 4.40% to 5.90% and mature on October 1 through the year 2028.

NOTE 7 LONG-TERM DEBT (CONTINUED)

Senior Housing

Series 2001 Bonds

The Wisconsin Health and Educational Facilities Authority issued $4,970,000 of Revenue Bonds on April 1, 2001 (Series 2001 Bonds). On the same date, The Wisconsin Health and Educational Facilities Authority loaned the bond proceeds to Senior Housing. The loan proceeds were used to finance the acquisition and construction of Senior Housing's facilities. The bonds are secured by Senior Housing's facilities, equipment, and lease agreements. The bonds mature through April 1, 2030 and were issued at an adjustable interest rate. At September 30, 2017, the interest rate on the bonds was 3.75%.

The Series 2001 Bonds contain an option to the owner of the bond to tender the bonds on April 1, 2012. On December 31, 2016, Senior Housing entered into an Extension and Modification Agreement (the Agreement) with Johnson Bank (the Trustee). Among other modifications, the Agreement deferred the optional tender of the bonds to January 31, 2018, modified the applicable rate to 3.90% through January 31, 2023, and converts to a variable interest rate based on the five-year Treasury Rate plus 3% on February 1, 2023.

The bond indenture agreements contain provisions regarding the maintenance of certain covenants and financial ratios. Management believes that Senior Housing, Middleton Glen, and Capitol Lakes were in compliance with all provisions as of September 30, 2017.

Mirabella ASU Loan Payable

Mirabella ASU and Piper Jaffray Senior Living Fund I, L.P. entered into a loan agreement on August 22, 2017. The amount outstanding on the loan at September 30, 2017 is $6,750,000. The loan is scheduled to mature on March 1, 2019. Interest only payments are due until the maturity date. Interest rate is 14% per annum. The aggregate interest paid and payable with respect to the loan shall in no event be less than $500,000. Interest on the loan shall accrue monthly and be due and payable in arrears on the earlier to occur of (i) the maturity date or (ii) the date on which the loan is repaid in full. On December 22, 2017, the loan payable was repaid from the proceeds of the issuance of the Industrial Development Authority of the City of Tempe, Arizona Series 2017 Bonds (see Note 21).

AHC Mortgage Notes Payable

AHC has three mortgage notes with a total principal balance of $3,872,167 at September 30, 2017. The notes mature between August 2035 and February 2049. At September 30, 2017, the interest rates on the notes ranged from 4.43% to 8.75%. The mortgage notes to HUD are secured by all real and personal property of the individual HUD project facilities.

Roxy Ann Peak Loan Payable

In 2015, Roxy Ann Peak, LLC entered into a loan agreement with Umpqua Bank, in the amount of $5,700,000. The loan has a fixed interest rate of 4.10% for the first five years. The interest rate will then be adjusted to a rate equal to the sum of the five-year long-term amortizing fixed-rate advance, as published by the Federal Home Loan Bank of Seattle, plus 2.50% per annum. The loan has a final maturity of March 10, 2025.

NOTE 7 LONG-TERM DEBT (CONTINUED)

Aggregate maturities of long-term debt are as follows:

Year Ending September 30,	Amount
2018	$ 19,655,328
2019	36,069,193
2020	17,789,656
2021	11,447,025
2022	11,883,068
Thereafter	473,675,475
Total	$ 570,519,745

Unamortized Debt Issuance Costs

Issue costs relating to the bond issues, mortgage notes and loans as shown above total $10,834,951, and were reported as a direct reduction of the carrying amount of debt. Unamortized debt issuance costs are amortized over the term of the debt. For the year ended September 30, 2017, amortization expense was $631,288 and accumulated amortization was $2,619,590. Amortization expense of $96,678 was capitalized as part of construction in progress for Trinity Terrace.

NOTE 8 INTEREST RATE SWAP AND CAP AGREEMENTS

RVM

On November 24, 2008, RVM entered into a contract for a fixed-pay interest rate swap with Deutsche Bank. This interest rate swap has a trade date and an effective date of November 24, 2008, and a termination date of August 15, 2031. It was entered into for the benefit of RVM to manage interest rate risk on its variable rate bonds; however, it is not being accounted for as an effective hedge.

Under this interest rate swap agreement, RVM agrees with other parties to pay, at specified intervals, the fixed rate of 3.80%, while receiving the variable rate of 65% of the three-month LIBOR interest according to the outstanding notional principal amount. The outstanding notional principal amount decreases ratably with scheduled annual principal payments. The outstanding notional amount under the interest rate swap agreement at September 30, 2017 was $22,625,000.

NOTE 8 INTEREST RATE SWAP AND CAP AGREEMENTS (CONTINUED)

Trinity Terrace

On December 28, 2006, Trinity Terrace entered into a contract with Morgan Stanley (counterparty) for a fixed pay interest rate swap. This interest rate swap has a trade date and an effective date of December 14, 2006, and a termination date of August 15, 2036. It was entered into for the benefit of Trinity Terrace to manage interest rate risk on its variable rate bonds; however, it is not being accounted for as an effective hedge.

Under this interest rate swap agreement, which had a $48,276,850 original notional amount, Trinity Terrace agrees to pay, at specified intervals, the fixed-rate of 3.47%, while receiving the variable-rate interest of 67% of the one-month LIBOR. The outstanding notional principal amount decreases ratably with scheduled annual principal payments. The outstanding notional amount under the interest rate swap agreement was $17,872,800 at September 30, 2017.

Cascade Manor

On November 13, 2014, Cascade Manor entered into an interest rate cap agreement with the Commonwealth Bank of Australia for a notional amount of $10,000,000. This interest rate cap has a trade date and an effective date of November 13, 2014, and a termination date of October 15, 2022. The agreement was entered into for the benefit of Cascade Manor, to manage interest rate risk on the Series 2014 bonds. Interest rate protection occurs if 65% of the one-month LIBOR rate exceeds 4.00%.

URCAD

On November 1, 2005, URCAD entered into a contract for a fixed-pay interest rate swap for a variable rate (the original transaction) with the Counterparty. This interest rate swap has a trade date of September 7, 2005, an effective date of November 1, 2005, and a termination date of November 15, 2030. It was entered into for the benefit of URCAD to manage interest rate risk on its variable rate bonds; however, it is not being accounted for as an effective hedge.

Under this interest rate swap agreement, which had a $45,085,000 original notional amount, URCAD agrees with other parties to pay, at specified intervals, the fixed-rate of 3.2%, while receiving the variable-rate interest of 67% of the three-month LIBOR (67% of LIBOR was approximately .89% at September 30, 2017) according to the outstanding notional principal amount. The outstanding notional principal amount decreases ratably with scheduled annual principal payments. The outstanding notional amount under the interest rate swap agreement was $30,335,000 at September 30, 2017. This interest rate swap agreement will help URCAD manage its interest rate risk on its variable rate debt.

On September 15, 2010, URCAD amended and restated the terms and conditions of the original transaction in order to release the financial guaranty insurance policy.

NOTE 8 INTEREST RATE SWAP AND CAP AGREEMENTS (CONTINUED)

HPP

On August 11, 2011, HPP entered into an interest rate cap agreement with the Commonwealth Bank of Australia (Counterparty). This interest rate cap has a trade date and an effective date of August 11, 2011, and a termination date of December 1, 2017. It was entered into for the benefit of HPP, to manage interest rate risk on a portion of the Series 2010 Bonds.

Under this interest rate cap agreement, which has an initial notional amount of $7,230,000, HPP agreed to pay an upfront premium of $56,000 to the Counterparty in return for interest rate protection if 65% of the one-month LIBOR rate exceeds 3.45% (cap rate) during the term of the contract.

If 65% of the one-month LIBOR rate exceeds 3.45% for a given month (reset the beginning of each month), HPP will receive a payment from the Counterparty equal to the difference by which 65% of the one-month LIBOR rate exceeds the cap rate, effectively capping the interest rate risk associated to approximately half of the Series 2010 Bonds.

The outstanding notional amount decreases annually. The outstanding notional amount under the interest rate cap agreement at September 30, 2017 was $6,277,500.

On October 22, 2015, HPP entered into an interest rate cap agreement with the Commonwealth Bank of Australia (Counterparty). This interest rate cap has a trade date of October 22, 2015, an effective date of November 5, 2015, and a termination date of October 1, 2023. This agreement was entered into for the benefit of HPP, to manage interest rate risk on its long-term debt.

Under this interest rate cap agreement, which has a notional amount of $15,000,000, HPP agreed to pay an upfront premium of $124,200 to the Counterparty in return for interest rate protection if 65% of the one-month LIBOR rate plus a spread of 1.39% exceeds 4.50% (cap rate) during the term of the contract. If 65% of the one-month LIBOR rate plus a spread of 1.39% exceeds 4.50% for a given month (reset at the beginning of each month), HPP will receive a payment from the Counterparty equal to the difference by which 65% of the one-month LIBOR rate plus a spread of 1.39% exceeds the cap rate, effectively capping the interest rate risk associated to the long-term debt. The outstanding notional amount under the interest rate cap agreement at September 30, 2017 was $15,000,000.

NOTE 9 OTHER LIABILITIES

In July 2016, Mirabella Seattle entered into a settlement agreement (the Agreement) with Lehman Brothers Special Financing, Inc. (LBSF), acting through its Plan Administrator, Lehman Brothers Holdings, Inc. (solely in its capacity as such, the Plan Administrator) and Lehman Brothers Holdings, Inc. (solely in its capacity as credit support provider of LBSF), in which it was agreed that Mirabella would pay the LBSF $5,400,000. The amount was payable with an initial one-time payment of $2,000,000 with the remaining $3,400,000 payable in semi-annual payments of $500,000 and a final payment of $400,000 on October 7, 2019. As of September 30, 2017 the Organization had a liability of $1,400,000 reported and included in other long-term liabilities.

NOTE 10 RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2017 consisted of the following:

	Amount
AHC - Section 202, Capital Advance Program	$ 62,895,561
Trinity Terrace	6,798,127
Rogue Valley Manor	3,796,492
HPP	1,675,736
Capitol Lakes	993,980
Mirabella	368,489
Mirabella Portland	351,308
Pacific Retirement Services	209,783
Cascade Manor	170,918
Others	79,254
Total Temporarily Restricted Net Assets	$ 77,339,648

NOTE 10 RESTRICTED NET ASSETS (CONTINUED)

Net assets released from temporary restrictions for the year ended September 30, 2017 were released for the following purposes:

	Amount
Funds Released from Assets Held in Trust	$ 2,069,936
Employee Appreciation Fund	1,491,995
Resident Assistance Fund	677,366
Employee Scholarships/Development Fund	199,546
Medical Transport Fund	186,675
Fairy Godmother Fund	107,663
Miscellaneous Other Funds	84,067
PRS Grant	83,183
Health Center Fund	57,073
Special Care/Memory Care Fund	19,776
Cultural/Spiritual Enrichment Fund	10,630
Community Services	8,200
Total Temporary Net Assets Released from Restrictions	$ 4,996,110

Permanently restricted net assets at September 30, 2017 consisted of the following:

	Amount
Trinity Terrace	$ 26,802,932
RVM Foundation	1,352,267
HPP Foundation	773,078
Capitol Lakes Foundation	76,327
PRS Foundation	14,641
Total Permanently Restricted Net Assets	$ 29,019,245

The Organization's endowment consists of various individual funds established for various purposes. Its endowment includes donor-restricted endowment funds. As required by ASC 958-205, *Not-for-Profit Entities*, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the 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, the Organization 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.

NOTE 10 RESTRICTED NET ASSETS (CONTINUED)

In accordance with UPMIFA, Trinity Terrace, PRS Foundation, RVM Foundation, HPP Foundation, and Capitol Lakes Foundation, consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of 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.
- The investment policies.

Endowments by net assets class in total:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ENDOWMENT NET ASSETS - SEPTEMBER 30, 2016	$ 995,512	$ 2,174,866	$ 2,215,365	$ 5,385,743
Investment Return:				
Investment Income, Net	-	54,557	849	55,406
Realized Gains	-	3,183	-	3,183
Unrealized Gains	-	252,553	-	252,553
Contributions	-	103,801	100	103,901
Appropriations of Endowment Assets for Expenditures	-	(439,995)	-	(439,995)
ENDOWMENT NET ASSETS - SEPTEMBER 30, 2017	$ 995,512	$ 2,148,965	$ 2,216,314	$ 5,360,791

The Organization has adopted investment and spending policies for endowment assets that 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 the organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the board, the endowment assets are invested in a manner that exceeds the consumer price index plus 4%. The respective foundations have an Investment Policy Statement that outlines their designated asset allocations.

Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 11 THIRD-PARTY RATE ADJUSTMENTS AND REVENUE

For the year ended September 30, 2017, approximately 49% of health center revenue was derived under federal third-party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. In the opinion of management, retroactive adjustments, if any, would not be material to the combined financial position, the combined statement of activities and changes in net assets (deficit), or combined statement of cash flows of the Organization.

NOTE 12 OTHER REVENUE

Other revenue consisted of the following for the year ended September 30, 2017:

	Amount
Urban Housing and Development Operations	$ 6,819,745
Private Duty	2,876,818
Food and Beverage	2,859,684
Golf Course Operations	2,209,873
Other Miscellaneous	1,797,437
Pharmacy	1,358,040
Medical Services	1,223,934
Lease/Rental	600,255
Facility Services	550,449
Guest Room	416,592
Media/Marketing Services	213,912
Parking	123,676
Application Fees	143,800
Total Other Revenue	$ 21,194,215

NOTE 13 INVESTMENT INCOME

Income from investments, assets restricted under bond indenture agreements, and cash and cash equivalents consisted of the following for the year ended September 30, 2017:

	Amount
Realized Gain on Investments	$ 865,329
Dividends and Interest, Net of Investment Expense	4,423,329
Total Investment Income	$ 5,288,658

Investment income is reported net of investment expenses of $751,683 for the year ended September 30, 2017.

The total unrealized gains (losses) on investments was $12,224,067 for the year ended September 30, 2017.

NOTE 14 FINANCIAL INSTRUMENTS

FASB Accounting Standards Codification (ASC) 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value per share (or its equivalent) with the ability to redeem the investment in the near term.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the combined statement of financial position at September 30, 2017, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Cash and Cash Equivalents: Cash and cash equivalents approximate fair value due to the short maturity of such instruments, and include those held in bond sinking funds and held for refundable deposits.

Investments and Assets Restricted Under Bond Indenture Agreements: Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents held for investment, exchange traded equities and mutual funds, debt securities, and fixed income securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics, discounted cash flows, or net asset values. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Mineral Assets: The Organization has interest in several trusts that contain mineral rights. The values of the mineral lease interests were estimated based on a multiplier of annual net revenue. Significant increases (decreases) in the annual net revenue would significantly increase (decrease) the estimated fair value measurement.

Interest Rate Swap and Cap Agreements: The interest rate swap and cap agreements' fair values are based upon current settlement values, quoted market prices of comparable instruments, or, if there are no relevant comparables, on pricing models or formulas using current assumptions and are classified within Level 2 of the hierarchy.

NOTE 14 FINANCIAL INSTRUMENTS (CONTINUED)

Gift Annuities: The gift annuities receivable value is based on life expectancy tables and an assumed rate of return of 4%, and is classified within Level 2 of the hierarchy.

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis at September 30, 2017:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and Cash Equivalents	$ 39,730,271	$ -	$ -	$ 39,730,271
Domestic Equity:				
Small Cap	2,715,880	-	-	2,715,880
Mid Cap	1,623,461	-	-	1,623,461
Large Cap	40,327,435	-	-	40,327,435
International Equity:				
Developed	852,777	-	-	852,777
Emerging	422,045	-	-	422,045
Fixed Income:				
Asset Backed Securities	6,066,696	-	-	6,066,696
Corporate Bonds and Notes	30,345,712	-	-	30,345,712
Municipal Securities	204,123	-	-	204,123
U.S. Government Securities	33,346,337	-	-	33,346,337
Mutual Funds:				
Equities	48,960,277	-	-	48,960,277
Fixed Income	58,590,857	-	-	58,590,857
Other	191,638	-	-	191,638
Nontraditional	16,696,921	-	-	16,696,921
Mineral Assets	-	-	62,738,973	62,738,973
Gift Annuity Receivable	-	199,512	-	199,512
Interest Rate Cap Agreement	-	30,748	-	30,748
Total Assets	$ 280,074,430	$ 230,260	$ 62,738,973	$ 343,043,663
Liabilities:				
Interest Rate Swap Agreement	$ -	$ 10,512,551	$ -	$ 10,512,551

The following table reconciles the beginning and ending balances of recurring fair value measurements for significant unobservable (Level 3) inputs:

	Amount
Balance - Beginning of Year	$ 42,673,055
Total Net Realized and Unrealized Gains Included in Earnings	26,829,217
Distributions	(6,763,299)
Balance - End of Year	$ 62,738,973

NOTE 14 FINANCIAL INSTRUMENTS (CONTINUED)

Quantitative information on significant unobservable inputs on Level 3 investments is summarized as follows:

Investments	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Mineral Assets	Multiples of Cash Flow	Annual Net Revenue Multiplier	5 - 12 (9)

The board of directors, in conjunction with the external investment advisors and management, monitors and analyzes the valuation of the investments on a quarterly basis. The valuations consider variables such as financial performance of several publicly traded companies in the oil and gas market, recent sales prices of investments, and other pertinent information.

The financial instruments are classified in the combined statement of financial position at September 30, 2017:

	Amount
Investments	$ 218,716,916
Assets Held in Trust	31,905,561
Mineral Assets	36,067,650
Assets Restricted Under Bond Indenture	51,662,262
Restricted Deposits	4,461,014
Gift Annuity Receivable	199,512
Interest Rate Cap Agreement	30,748
Total Assets	$ 343,043,663

NOTE 15 RETIREMENT PLANS

The Pacific Retirement Services, Inc. 401(k) Plan allows employees of all corporations of the Organization to defer funds from their compensation into the 401(k) plan. As well, safe harbor matching funds are provided by the employer to eligible employees based on the employee contributions up to a maximum of 4% of the employee’s eligible annual compensation. Nonelective profit-sharing contributions are also provided at the election of the employer and are based on a percentage of the qualified employee’s eligible annual compensation, as defined by the plan.

Total contributions charged to expense were $4,921,708 for the year ended September 30, 2017.

NOTE 16 CAPITAL ADVANCES ON HUD PROJECTS

The AHC's have obtained capital advances from HUD. The capital advances bear no interest and are not required to be repaid so long as the housing offered by the AHC remains available to eligible low income households for a period of 40 years in accordance with Section 202 of the National Housing Act of 1959. The capital advances are secured by mortgages on the AHC's properties and constitutes a valid first lien on the AHC's property improvements. The capital advances have been classified as temporarily restricted net assets.

NOTE 17 COMMITMENTS AND CONTINGENCIES

The Organization is party to various claims and legal actions in the normal course of business. In the opinion of management, the Organization has substantial meritorious defenses to pending or threatened litigation and, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the combined financial position of the Organization.

RVM

RVM entered into a construction contract on May 10, 2017 with Adroit Construction Co, Inc. for the construction of a memory care center. The sum of the contract, including executed change orders, is $13,271,594. As of September 30, 2017, the balance to finish the contract, including retainage, was $10,768,788.

HPP

On November 16, 2016, HPP entered into a construction contract with Turner Construction Company for the sum of $9,576,903 for the expansion project known as Holladay East, with subsequent change orders bringing the sum to $10,027,345, of which $4,045,491 remained outstanding at September 30, 2017. The project is estimated to be completed in April 2018.

URCAD

On December 12, 2016, URCAD entered into a construction contract with RCP Construction, Inc. for the sum of $5,369,689 for the health care center expansion project. Change orders completed through September 30, 2017 have increased the contract total to $6,409,166. As of September 30, 2017 the balance to finish the contract, including retainage was $3,615,431.

NOTE 17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Mirabella ASU

Mirabella ASU selected McCarthy General Construction (McCarthy) as the general contractor for the Project. McCarthy has been involved with the design of the construction of the CCRC throughout the planning process. On December 11, 2017, Mirabella ASU entered into a construction contract for the Project with McCarthy for the sum of $167,128,748. Construction is anticipated to begin in February 2018 and continue through approximately August 31, 2020.

On December 6, 2017, Mirabella ASU also entered into an architect services contract with Ankrom Moisan Associated Architects, Inc. of Portland, Oregon for the sum of $7,893,275.

AHC

AHC operate 25 apartment complexes with a total of 1,095 units. The Facility's operations are concentrated in the multi-family real estate market. In addition, the Facility operates in a heavily regulated environment. The operations of the Facility are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

NOTE 18 OREGON STATE RESERVE REQUIREMENTS

In accordance with Oregon Revised Statues Chapter 101.060(1), RVM, Cascade Manor, HPP, and Mirabella Portland must maintain a debt service liquid reserve (as defined) in an amount exceeding the total of all principal and interest payments due during the next 12 months as well as an operating liquid reserve (as defined) in an amount equal to or exceeding the total projected operating expenses for three months. At September 30, 2017, management believes RVM, Cascade Manor, HPP, and Mirabella Portland were in compliance with these reserve requirements.

NOTE 19 STATUTORY RESERVES

URCAD and BASS are certified as a Continuing Care Retirement Community (CCRC) by the State of California Department of Social Services. California Code Chapter 10, Article 6, Section 1792 requires CCRCs to establish "liquid reserves" (cash, marketable securities, etc.) equal to, or greater than, the annual principal and interest payments on long-term obligations plus 75 days of the CCRC's adjusted operating expenses. URCAD and BASS' liquid reserves at September 30, 2017 were sufficient to meet this requirement.

NOTE 20 BAY AREA SENIOR SERVICES, INC. (BASS) DBA: THE PENINSULA REGENT

Organization

Bay Area Senior Services, Inc. (BASS) dba: The Peninsula Regent (TPR), is the lessee and operator of TPR, a retirement community providing housing and other related services in San Mateo, California. The Corporation is a tax-exempt, nonprofit corporation incorporated under the laws of the state of California on July 1, 1986. The land and common areas are owned and were developed by BAC Associates (BAC), a California limited partnership. Each resident (Member) of TPR becomes a Member of the Continuing Care Members Association and the Home Owners' Association.

TPR changed its fiscal year-end from December 31 to September 30 subsequent to the acquisition by PRS to align its fiscal year-end with that of PRS.

Affiliation, Purchase, and Sale Agreement

TPR was incorporated on July 1, 1986 as a support organization for, and was an affiliate of, BRIDGE Housing Corporation (BRIDGE), a nonprofit corporation located in San Francisco, California. BRIDGE and PRS entered into an Affiliation, Purchase, and Sale Agreement (the Agreement) on November 17, 2016. Under the terms of the Agreement, which became effective on March 1, 2017, PRS acquired from BRIDGE the right to appoint all of the directors of TPR and a release by BRIDGE of any rights of BRIDGE in the value of the TPR's assets.

Under the terms of the Agreement, PRS paid a guaranteed payment of $2,000,000 to BRIDGE and recorded a contingent liability of $1,000,000, which is also payable to BRIDGE. The fee is contingent upon PRS' acquisition of a 100% fee interest in Parcel A, as defined in the Lease Agreement (see below). PRS considers the likelihood of making the contingent payment to be high at the time the combined financial statements were available to be issued.

PRS entered into the agreement in order to further its mission to provide housing and services to seniors. The affiliating nonprofit organization also recognized the advantages of joining with an organization that shared a similar mission and could provide the technical specialty services they needed.

NOTE 20 BAY AREA SENIOR SERVICES, INC. (BASS) DBA: THE PENINSULA REGENT (CONTINUED)

Lease Agreement

BAC (Landlord) and TPR entered into a lease agreement in 2003, subsequently amended in 2013. Under the terms of the lease agreement TPR is leasing the portion of TPR called “Parcel A”. Parcel A, as defined in the amended lease agreement, is the portion of TPR in which continuing care and other services are provided and consists of the land, below ground infrastructure, garage, first floor, penthouse, roof, elevators, elevator shafts, stairwells, rooms containing utility boxes, utility shafts, and the exterior building walls. Parcel B, as defined in the amended lease agreement, is the portion of TPR which consists of the residences and hallways on floors two through ten and is owned by the members and the Peninsula Regent Residential Parcel Homeowners’ Association (the HOA). The residences are owned by the members and the hallways are owned by the HOA. Each condominium owner is a Member of the HOA and has an equal part ownership in it.

The lease term is through December 31, 2062. Under the terms of the amended lease agreement rent consists of two parts: base rent and contingent rent. The base rent will equal the total fixed leasehold payments collected by TPR in accordance with its Membership Agreements. The contingent rent consists of 75% of all transfer fees paid to TPR, less certain adjustments agreed to by the Landlord and TPR.

Inherent Contribution

An inherent contribution of $7,858,482 was recognized in the combined statement of activities and changes in net assets (deficit) in the acquisition of BASS. The inherent contribution was calculated by subtracting the consideration transferred and payable from the total assets acquired less liabilities assumed as shown in the table below:

	Amount
Consideration Transferred and Payable:	
Cash and Cash Equivalents	$ 2,000,000
Contingent Consideration	1,000,000
Total Fair Value of Consideration Transferred and Payable	3,000,000
Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed:	
Cash and Cash Equivalents	$ 6,721,374
Other Current Assets	334,981
Property and Equipment, Net	5,844,697
Other Assets	90,257
Total Assets Acquired	12,991,309
Current Liabilities Assumed	2,132,827
Inherent Contribution Recognized	$ 7,858,482

The combined statement of activities and changes in net assets (deficit) includes the TPR activity from the acquisition date (March 1, 2017) to September 30, 2017.

NOTE 21 MIRABELLA ASU

Organization

Mirabella ASU is an Arizona nonprofit corporation, which has been formed for the principal purpose of developing, owning and operating a continuing care retirement community in Tempe, Arizona. Mirabella ASU has been determined by the Internal Revenue Service to be exempt from federal income taxes to the extent provided by Section 501(a) of the Internal Revenue Code of 1986, as amended (the Code), as an organization described in Section 501(c)(3) of the Code. The Internal Revenue Service has determined Mirabella ASU to be a public charity under Section 509(a)(2) of the Code.

Mirabella ASU was formed on August 16, 2016, by an independent affiliate of Arizona State University, Mirabella ASU Tempe LLC, an Arizona limited liability company (MAT), and PRS. MAT is entirely owned by University Realty LLC, an Arizona limited liability company, which in turn is wholly owned by ASU Enterprise Partners, an Arizona nonprofit corporation that is exempt from tax as an organization described in Section 501(c)(3) of the Code and that is an independent affiliate of Arizona State University (ASU).

The Corporation is constructing a 304-unit continuing care retirement community (CCRC) called Mirabella at ASU (the Project) within the main campus of Arizona State University (ASU) in Tempe, Arizona that will be leased to the Corporation under a 99-year ground lease. Since inception on August 16, 2016 through September 30, 2017, operations have been devoted to planning and development of the Project, obtaining licenses and permits, obtaining financing, and marketing the Project. The total anticipated cost of the Project is approximately $285,000,000.

MAT and PRS are both members of the Corporation under Arizona law. Mirabella ASU is governed by a seven-member board of directors, with four members appointed by PRS and three members appointed by MAT. Mirabella ASU's board of directors has general authority to manage and direct the business and affairs of Mirabella ASU. However, day-to-day management will be performed by PRS pursuant to a Management and Support Services Agreement. In addition, (i) the board of directors may not take or approve certain fundamental actions without the unanimous consent of both MAT and PRS in their capacities as the members of Mirabella ASU, including merger, dissolution, the sale or other transfer of substantially all the assets of Mirabella ASU, and any transfer of a member's membership interest in Mirabella ASU; (ii) PRS, as a member, has the exclusive authority to approve the strategic plan for the Corporation, approve policies and monitor progress towards Mirabella ASU's strategic goals, and (iii) approve of the operating and capital budgets and facility planning of Mirabella ASU.

Further, certain decisions that qualify as "Major Decisions" must be approved by an affirmative majority vote of the directors appointed by PRS (the PRS Block) and the affirmative majority vote of the directors appointed by MAT (the MAT Block). Finally, the business and affairs of Mirabella ASU, and the relationship of the members to one another, are subject to a Membership Agreement, which controls in the event of a conflict between the Membership Agreement on the one hand, and the articles of incorporation and bylaws of Mirabella ASU and the Arizona Non-Profit Corporation Act.

NOTE 21 MIRABELLA ASU (CONTINUED)

Development Services Agreement

Subsequent to September 30, 2017, Mirabella ASU and PRS entered into a development services agreement, dated as of October 6, 2017. Under the terms of the agreement Mirabella ASU has engaged PRS as a co-development manager to provide development services in connection with the development of the Project. Development services under the agreement include, but are not limited to:

- Assembly of project team
- Construction planning advice and make recommendations regarding finishes and value engineering
- Development of plan/project budget
- Assist MAT in identifying and procuring federal, state, and local permits, approvals and other requirements for the development and construction of the Project
- Assist the architect in preparing final construction plans for the Project
- Review of architectural plans and specifications
- Marketing and initial sales to residents
- Assist Mirabella ASU in securing appropriate financing for the construction of the Project

As compensation for the development services to be rendered by PRS, Mirabella ASU agrees to pay to PRS a fee (the Development Fee) consisting of four percent (4%) of Project Costs, plus reimbursement of PRS' actual out-of-pocket expenses. In accordance with the Membership Agreement between PRS and MAT dated September 26, 2017, PRS shall contribute, at the time of bond financing, the Development Fee due under this agreement to Mirabella ASU as a financial contribution to Mirabella ASU and the Project. The Development Fee is estimated to be approximately eight million, nine hundred thousand dollars ($8,900,000).

Consulting Services Agreement

Subsequent to September 30, 2017, Mirabella ASU and MAT entered into a consulting services agreement, dated as of October 6, 2017. Under the terms of the agreement, Mirabella ASU has engaged MAT as a consultant to provide the consulting and other services in connection with the development of the Project. Under the terms of the consulting services agreement, MAT is expected to assist in the development services described above.

As compensation for the consulting services to be rendered by MAT, Mirabella ASU agrees to pay to MAT a fee (the Consulting Fee) consisting of two percent (2%) of Project Costs, plus reimbursement of MAT's actual out-of-pocket expenses. In accordance with the Membership Agreement between PRS and MAT dated September 26, 2017, MAT shall contribute, at the time of bond financing, the Consulting Fee due under this agreement to Mirabella ASU as a financial contribution to Mirabella ASU and the Project. The Consulting Fee is estimated to be approximately four million, five hundred thousand dollars ($4,500,000).

NOTE 21 MIRABELLA ASU (CONTINUED)

Management and Support Services Agreement

Subsequent to September 30, 2017, Mirabella ASU and PRS entered into a management and support services agreement, dated as of October 6, 2017. Under the terms of the agreement, Mirabella ASU has engaged PRS to oversee and manage the general operations of the Project. The management and support services agreement shall commence on that date that is one hundred and eighty (180) days prior to the date that Mirabella ASU intends to commence operations within the Project (the Commencement Date) and shall have an initial term of ten (10) years after the Commencement Date, unless sooner terminated as provided in the management and support services agreement.

Beginning on the Commencement Date, Mirabella ASU shall pay PRS a Base Management Fee equal to five percent (5%) of the Net Cash Operating Revenue of the Corporation or seventy-five thousand dollars ($75,000) per month, whichever is greater. Mirabella ASU shall also pay PRS additional fees for information technology and accounting services, based upon the rate of usage by Mirabella ASU.

Land Lease

On December 15, 2017, Mirabella ASU and Arizona Board of Regents (ABOR), a body corporate, for and on behalf of Arizona State University (ASU) entered into a lease for the land on which the Project will be developed. The effective date of the lease is December 20, 2017. The term of the lease is ninety-nine (99) years. Under the terms of the lease Mirabella ASU has agreed to prepay rent to ABOR in the amount of $7,011,414 on the effective date of the lease. Under the terms of the Membership Agreement, referenced above, MAT is to remit the prepaid rent directly to ASU at the execution of the lease.

Series 2017 Bonds

On December 22, 2017, the Industrial Development Authority of the City of Tempe, Arizona issued the Series 2017 bonds in the amount of $251,155,000 to finance the construction of the Mirabella ASU CCRC facility. The Series 2017 bonds bear interest between 3.95% and 6.09%. Principal payments begin on October 1, 2024 and vary from $1,045,000 to $11,360,000. The Series 2017 bonds mature on October 1, 2052. Mirabella ASU is expected to repay $159,150,000 of the Series 2017 during fiscal years 2023-2025 from initial entrance fees collected by the facility.

NOTE 22 SUBSEQUENT EVENTS

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

NOTE 22 SUBSEQUENT EVENTS (CONTINUED)

Mirabella ASU

On October 6, 2017, Mirabella ASU entered into three agreements described in Note 21 of the combined financial statements.

On December 6 and 11, 2017, Mirabella ASU entered into contracts in relation to the design and construction of the Project (see Note 17).

On December 15, 2017, Mirabella ASU entered into a lease agreement for land on which the Project will be constructed (see Note 21).

On December 22, 2017, the Industrial Development Authority of the City of Tempe, Arizona issued the Series 2017 bonds (see Note 21).

Trinity Terrace

On October 25, 2017, Trinity Terrace entered into a construction contract with Manhattan Construction, Inc. for the sum of $4,382,197 for the renovation of the first floor dining venue and kitchen.

The Organization evaluated all events or transactions that occurred after September 30, 2017, up through February 15, 2018, the date the combined financial statements were available to be issued.

PRS and PRS MI

On December 21, 2017, PRS and PRS MI executed a Reimbursement Agreement with Washington Federal, National Association to issue an irrevocable standby letter of credit in the face amount not exceeding $8,000,000. The letter of credit expiration date is December 21, 2022. Advances on the line of credit will mature on the day which is the earlier of (i) the Expiration date and (ii) acceleration of the Obligations pursuant to Section 9.2.(b), on which day the Advance shall be repaid by the Obligors. Prepayment is allowed with no penalties, and will be in increments of $25,000. Advances will bear interest until the due date at a rate per annum equal to the sum of LIBOR plus 3%.

PACIFIC RETIREMENT SERVICES, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

ASSETS	Pacific Retirement Services, Inc.	PRS Management, Inc.	Rogue Valley Manor	The Cumberland Rest, Inc.	Cascade Manor, Inc.	Holladay Park Plaza, Inc.	University Retirement Community at Davis, Inc.	Mirabella at ASU, Inc.	The Peninsula Regent
CURRENT ASSETS									
Cash and Cash Equivalents	$ 13,531,216	$ 1,435,325	$ 4,775,705	$ 13,544,293	$ 2,919,979	$ 656,999	$ 1,699,382	$ 1,633,851	$ 7,499,194
Investments	2,123,416	-	82,577,593	35,507,030	7,332,839	21,380,775	42,883,462	-	-
Accounts Receivable, Net	24,299	105,114	1,527,197	1,022,281	502,179	1,147,675	586,808	61,770	168,660
Supplies and Prepaid Expenses	286,826	332,147	1,055,957	300,988	145,879	200,048	285,101	20,503	270,956
Current Portion of Assets Restricted Under Bond Indenture Agreements	-	-	2,594,812	5,209,245	437,770	41,564	151,637	-	-
Other Current Assets	-	-	-	163,977	-	-	-	-	-
Current Portion of Due from Affiliates	4,298,144	1,839,482	-	-	-	-	-	-	-
Total Current Assets	20,263,901	3,712,068	92,531,264	55,747,814	11,338,646	23,427,061	45,606,390	1,716,124	7,938,810
PROPERTY AND EQUIPMENT, NET	819,476	-	151,757,093	136,961,650	34,228,510	48,223,626	50,886,897	4,617,757	4,554,421
DUE FROM AFFILIATES, Net of Current Portion	24,491,573	611,130	-	-	-	-	-	-	-
INVESTMENT IN AFFILIATES	12,606,059	-	-	-	-	-	-	-	-
OTHER ASSETS									
Cash and Cash Equivalents - Escrow Entrance Fee Deposits	-	-	-	-	-	-	-	1,786,949	-
Assets Held in Trust	-	-	-	31,886,614	-	-	-	-	-
Mineral Assets	-	-	-	36,067,650	-	-	-	-	-
Restricted Cash	-	-	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	1,557,180	-	-	-	-	-
Assets Restricted Under Bond Indenture Agreements, Net of Current Portion	-	-	4,874,249	10,710,159	-	-	-	-	-
Restricted Deposits	-	-	-	-	-	-	-	-	-
Receivables from Members, Noncurrent	-	-	-	-	-	-	-	-	112,236
Other Noncurrent Assets	1,827,170	459,401	617,318	69,619	4,328	32,322	4,841	-	-
Beneficial Interest in Net Assets of Foundation	-	-	-	-	-	-	-	-	-
Notes Receivable from Affiliate	2,440,724	-	-	-	-	-	-	-	-
Total Other Assets	4,267,894	459,401	5,491,567	80,291,222	4,328	32,322	4,841	1,786,949	112,236
Total Assets	$ 62,448,903	$ 4,782,599	$ 249,779,924	$ 273,000,686	$ 45,571,484	$ 71,683,009	$ 96,498,128	$ 8,120,830	$ 12,605,467

PACIFIC RETIREMENT SERVICES, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2017

	Mirabella	Capitol Lakes, Inc.	Affordable Housing Corporation	Community Volunteer Network	Mirabella at South Waterfront	Crest Park Incorporated	Eliminations/ Reclassifications	Total
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	$ 5,015,431	$ 5,711,182	$ 196,959	$ 56,297	$ 3,452,399	$ 272,495	$ -	$ 62,400,707
Investments	5,000,416	4,111,822	-	-	16,242,383	-	-	217,159,736
Accounts Receivable, Net	1,507,358	2,222,818	44,844	28,998	1,075,150	-	-	10,025,151
Supplies and Prepaid Expenses	461,476	320,740	136,613	2,571	370,639	-	-	4,190,444
Current Portion of Assets Restricted Under Bond Indenture Agreements	10,319,837	279,632	-	-	3,450,199	-	-	22,484,696
Other Current Assets	-	-	-	-	-	-	-	163,977
Current Portion of Due from Affiliates	-	29,450	-	-	-	50,601	(6,217,677)	-
Total Current Assets	22,304,518	12,675,644	378,416	87,866	24,590,770	323,096	(6,217,677)	316,424,711
PROPERTY AND EQUIPMENT, NET	187,518,311	49,659,461	40,700,452	-	150,601,759	5,539,347	(37,606,286)	828,462,474
DUE FROM AFFILIATES, Net of Current Portion	-	-	-	-	-	-	(25,102,703)	-
INVESTMENT IN AFFILIATES	-	-	-	-	-	-	(12,606,059)	-
OTHER ASSETS								
Cash and Cash Equivalents - Escrow Entrance Fee Deposits	-	-	-	-	-	-	-	1,786,949
Assets Held in Trust	-	18,947	-	-	-	-	-	31,905,561
Mineral Assets	-	-	-	-	-	-	-	36,067,650
Restricted Cash	-	-	-	-	-	-	-	-
Long-Term Investments	-	-	-	-	-	-	-	1,557,180
Assets Restricted Under Bond Indenture Agreements, Net of Current Portion	7,191,656	502,192	-	-	5,899,310	-	-	29,177,566
Restricted Deposits	-	832,969	3,628,045	-	-	-	-	4,461,014
Receivables from Members, Noncurrent	-	-	-	-	-	-	-	112,236
Other Noncurrent Assets	645,970	-	-	-	-	1,076,750	-	4,737,719
Beneficial Interest in Net Assets of Foundation	-	-	-	29,017	-	-	(29,017)	-
Notes Receivable from Affiliate	-	-	-	-	-	-	(2,440,724)	-
Total Other Assets	7,837,626	1,354,108	3,628,045	29,017	5,899,310	1,076,750	(2,469,741)	109,805,875
Total Assets	$ 217,660,455	$ 63,689,213	$ 44,706,913	$ 116,883	$ 181,091,839	$ 6,939,193	$ (84,002,466)	$ 1,254,693,060

PACIFIC RETIREMENT SERVICES, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2017

LIABILITIES AND NET ASSETS (DEFICIT)	Pacific Retirement Services, Inc.	PRS Management, Inc.	Rogue Valley Manor	The Cumberland Rest, Inc.	Cascade Manor, Inc.	Holladay Park Plaza, Inc.	University Retirement Community at Davis, Inc.	Mirabella at ASU, Inc.	The Peninsula Regent
CURRENT LIABILITIES									
Accounts Payable and Accrued Expenses	$ 938,835	$ 2,881,840	$ 5,873,210	$ 5,363,895	$ 1,031,619	$ 2,547,246	$ 2,842,441	$ 43,330	$ 2,445,750
Construction Accounts Payable and Accrued Expenses	-	-	-	-	-	-	-	1,062,825	-
Accrued Interest	-	1,906	1,483,529	1,918,284	47,516	41,527	109,848	103,562	-
Current Portion of Due to Affiliates	1,793,825	57,969	324,672	1,524,987	427,289	196,280	181,782	109,467	571,796
Refundable Deposits	-	-	852,600	2,475,645	28,450	583,022	240,383	1,786,949	114,002
Current Portion of Long-Term Debt	-	-	2,516,500	10,640,000	390,000	560,000	1,253,000	-	-
Current Portion of Repayable Entrance Fees	-	-	-	3,915,295	940,347	-	-	-	-
Other Liabilities	2,588,358	162,134	-	-	-	-	87,136	-	65,616
Total Current Liabilities	5,321,018	3,103,849	11,050,511	25,838,106	2,865,221	3,928,075	4,714,590	3,106,133	3,197,164
OTHER LIABILITIES									
Long-Term Debt and Premium, Net of Current Portion	-	-	101,034,618	111,800,645	22,093,000	22,218,000	28,120,000	6,750,000	-
Less: Unamortized Debt Issuance Costs	-	-	(1,723,089)	(2,013,345)	(599,274)	(611,689)	(332,844)	(196,579)	-
Long-Term Debt, Net	-	-	99,311,529	109,787,300	21,493,726	21,606,311	27,787,156	6,553,421	-
Repayable Entrance Fees, Net of Current Portion	-	-	-	46,707,293	31,574,959	-	-	-	-
Deferred Revenue from Entrance Fees	-	-	86,768,352	21,861,327	5,956,088	22,595,687	37,829,838	-	-
Entrance Fees Board Valuation Adjustment Liability	-	-	-	-	-	-	-	-	-
Future Services Obligation	-	-	-	-	-	-	-	-	-
Interest Rate Swap Agreements	-	-	3,735,966	3,155,657	-	-	3,620,928	-	-
Other Long-Term Liabilities	375,916	2,902,413	5,562	-	78,224	67,185	-	-	-
Due to Affiliates	-	-	611,130	-	-	-	-	-	-
Total Other Liabilities	375,916	2,902,413	190,432,539	181,511,577	59,102,997	44,269,183	69,237,922	6,553,421	-
Total Liabilities	5,696,934	6,006,262	201,483,050	207,349,683	61,968,218	48,197,258	73,952,512	9,659,554	3,197,164
NET ASSETS (DEFICIT)									
Unrestricted	56,527,545	(1,223,663)	43,148,115	32,049,943	(16,567,652)	21,036,937	22,462,901	(1,538,724)	9,408,303
Temporarily Restricted	209,783	-	3,796,492	6,798,128	170,918	1,675,736	82,715	-	-
Permanently Restricted	14,641	-	1,352,267	26,802,932	-	773,078	-	-	-
Total Net Assets (Deficit)	56,751,969	(1,223,663)	48,296,874	65,651,003	(16,396,734)	23,485,751	22,545,616	(1,538,724)	9,408,303
Total Liabilities and Net Assets (Deficit)	$ 62,448,903	$ 4,782,599	$ 249,779,924	$ 273,000,686	$ 45,571,484	$ 71,683,009	$ 96,498,128	$ 8,120,830	$ 12,605,467

PACIFIC RETIREMENT SERVICES, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2017

LIABILITIES AND NET ASSETS (DEFICIT)	Mirabella	Capitol Lakes, Inc.	Affordable Housing Corporation	Community Volunteer Network	Mirabella at South Waterfront	Crest Park Incorporated	Eliminations/ Reclassifications	Total
CURRENT LIABILITIES								
Accounts Payable and Accrued Expenses	$ 1,606,473	$ 2,248,253	$ 570,581	$ 54,092	$ 1,744,421	$ -	$ -	$ 30,191,986
Construction Accounts Payable and Accrued Expenses	-	-	-	-	-	-	-	1,062,825
Accrued Interest	4,132,802	102,831	15,285	-	2,440,200	12,204	-	10,409,494
Current Portion of Due to Affiliates	86,437	65,805	416,688	134,677	389,432	40,809	(6,321,915)	-
Refundable Deposits	404,529	627,052	280,592	-	417,410	-	-	7,810,634
Current Portion of Long-Term Debt	812,458	2,265,720	60,037	-	1,010,000	147,883	(270)	19,655,328
Current Portion of Repayable Entrance Fees	3,542,990	2,390,015	-	-	2,156,710	-	-	12,945,357
Other Liabilities	1,000,000	53,749	-	334	-	-	-	3,957,327
Total Current Liabilities	11,585,689	7,753,425	1,343,183	189,103	8,158,173	200,896	(6,322,185)	86,032,951
OTHER LIABILITIES								
Long-Term Debt and Premium, Net of Current Portion	109,853,961	55,531,868	3,824,486	-	91,097,808	5,209,761	(12,083)	557,522,064
Less: Unamortized Debt Issuance Costs	(3,052,438)	(168,177)	(192,955)	-	(1,916,739)	(27,822)	-	(10,834,951)
Long-Term Debt, Net	106,801,523	55,363,691	3,631,531	-	89,181,069	5,181,939	(12,083)	546,687,113
Repayable Entrance Fees, Net of Current Portion	175,682,308	47,876,180	-	-	133,344,209	-	-	435,184,949
Deferred Revenue from Entrance Fees	13,215,076	6,358,610	-	-	12,126,439	-	-	206,711,417
Entrance Fees Board Valuation Adjustment Liability	-	71,940	-	-	-	-	-	71,940
Future Services Obligation	679,738	-	-	-	-	-	-	679,738
Interest Rate Swap Agreements	-	-	-	-	-	-	-	10,512,551
Other Long-Term Liabilities	1,400,000	1,450	-	-	-	-	(2,440,724)	2,390,026
Due to Affiliates	17,235,539	1,377,892	-	-	5,761,436	-	(24,985,997)	-
Total Other Liabilities	315,014,184	111,049,763	3,631,531	-	240,413,153	5,181,939	(27,438,804)	1,202,237,734
Total Liabilities	326,599,873	118,803,188	4,974,714	189,103	248,571,326	5,382,835	(33,760,989)	1,288,270,685
NET ASSETS (DEFICIT)								
Unrestricted	(109,307,907)	(56,184,282)	(23,163,362)	(78,013)	(67,830,795)	1,556,358	(50,232,222)	(139,936,518)
Temporarily Restricted	368,489	993,980	62,895,561	5,793	351,308	-	(9,255)	77,339,648
Permanently Restricted	-	76,327	-	-	-	-	-	29,019,245
Total Net Assets (Deficit)	(108,939,418)	(55,113,975)	39,732,199	(72,220)	(67,479,487)	1,556,358	(50,241,477)	(33,577,625)
Total Liabilities and Net Assets (Deficit)	$ 217,660,455	$ 63,689,213	$ 44,706,913	$ 116,883	$ 181,091,839	$ 6,939,193	$ (84,002,466)	$ 1,254,693,060

PACIFIC RETIREMENT SERVICES, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEAR ENDED SEPTEMBER 30, 2017

	Pacific Retirement Services, Inc.	PRS Management, Inc.	Rogue Valley Manor	The Cumberland Rest, Inc.	Cascade Manor, Inc.	Holladay Park Plaza, Inc.	University Retirement Community at Davis, Inc.	Mirabella at ASU, Inc.	The Peninsula Regent
OPERATING REVENUES									
Service Fees	$ -	$ -	$ 32,753,971	$ 11,485,293	$ 6,655,347	$ 8,411,664	$ 13,771,227	$ -	$ 8,562,662
Health Center Revenue, Net	-	-	3,892,161	3,637,693	2,290,956	5,708,899	4,013,065	-	-
Transfer Fees	-	-	-	-	-	-	-	-	2,709,767
Change in Future Services Obligation	-	-	-	-	-	-	-	-	-
Entrance Fees Earned	-	-	8,902,031	1,887,874	1,000,634	2,762,176	5,154,548	-	-
Contributions	64,588	42,902	514,568	46,136	64,590	12,422	64,619	-	-
Investment Income (Loss)	63,192	(4,526)	1,175,061	1,149,044	180,264	424,777	801,311	-	10,146
Royalty Income	-	-	-	4,100,634	-	-	-	-	-
Management Fee Revenue	11,918,471	2,823,881	-	-	-	-	-	-	-
Development Fee Revenue	1,126,099	698,820	-	-	-	-	-	-	-
Gain on Disposal of Property and Equipment	-	-	42,659	-	-	-	-	-	-
Other Revenue	3,675,826	2,645,749	5,133,647	375,845	354,575	524,289	742,791	-	508,353
Subtotal	16,848,176	6,206,826	52,414,098	22,682,519	10,546,366	17,844,227	24,547,561	-	11,790,928
Net Assets Released from Restrictions	-	-	1,134,054	2,229,930	156,715	448,400	229,612	-	-
Total Operating Revenues	16,848,176	6,206,826	53,548,152	24,912,449	10,703,081	18,292,627	24,777,173	-	11,790,928
OPERATING EXPENSES									
Program Expenses:									
Dietary	-	679,947	8,528,742	3,490,337	1,706,652	2,709,313	3,637,961	-	2,237,720
Facility Services and Utilities	95,231	1,155,615	9,263,024	4,123,466	2,090,180	2,743,517	3,820,513	-	2,485,944
Health and Social Services	-	-	10,246,710	4,382,199	2,373,762	4,615,027	4,165,396	-	206,291
Memory Care	-	-	1,316,377	-	-	-	380,026	-	-
Assisted Living	-	-	1,483,344	671,595	378,459	468,901	690,898	-	954,850
General and Administrative Expenses:									
Administrative and Marketing	2,409,620	14,294,344	4,499,547	3,168,067	1,589,086	2,010,646	2,286,172	1,490,288	2,046,704
Interest Expense and Financing Fees	-	31,624	3,524,360	2,489,602	579,526	583,796	597,991	-	-
Net Settlement Associated to Interest Rate Swap Agreements	-	-	731,272	529,082	-	-	756,675	-	-
Depreciation	355,122	-	8,722,746	3,565,959	2,245,639	2,420,398	3,079,572	48,436	377,311
Disbursement of Contributed Funds	-	-	615,678	194,578	67,908	212,758	233,858	-	-
Loss on Disposal of Property and Equipment	1,237	-	669,210	1,715,718	18,161	142,758	218,551	-	-
Other Expenses	-	66,000	-	-	-	-	-	-	2,230,111
Fees to Affiliates	10,555,369	(10,608,849)	2,950,000	1,610,959	774,460	1,184,707	1,581,687	-	581,230
Total Operating Expenses	13,416,579	5,618,681	52,551,010	25,941,562	11,823,833	17,091,821	21,449,300	1,538,724	11,120,161
OPERATING INCOME (LOSS)	3,431,597	588,145	997,142	(1,029,113)	(1,120,752)	1,200,806	3,327,873	(1,538,724)	670,767

PACIFIC RETIREMENT SERVICES, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017

	Mirabella	Capitol Lakes, Inc.	Affordable Housing Corporation	Community Volunteer Network	Mirabella at South Waterfront	Crest Park Incorporated	Eliminations/ Reclassifications	Total
OPERATING REVENUES								
Service Fees	$ 19,242,481	$ 11,072,232	$ -	$ -	$ 13,180,383	$ -	$ (2,127,905)	$ 123,007,355
Health Center Revenue, Net	4,913,955	10,258,748	-	-	5,773,058	-	-	40,488,535
Transfer Fees	-	-	-	-	-	-	-	2,709,767
Change in Future Services Obligation	7,275,917	-	-	-	-	-	-	7,275,917
Entrance Fees Earned	1,776,540	1,154,631	-	-	2,146,261	-	-	24,784,695
Contributions	179,896	207,641	8,067	550,625	7,761	-	(473,304)	1,290,511
Investment Income (Loss)	672,307	75,258	3,097	56	650,679	-	(1,717)	5,198,949
Royalty Income	-	-	-	-	-	-	-	4,100,634
Management Fee Revenue	-	-	-	-	-	-	(11,918,477)	2,823,875
Development Fee Revenue	-	-	-	-	-	-	(1,126,099)	698,820
Gain on Disposal of Property and Equipment	-	-	-	-	-	-	-	42,659
Other Revenue	1,799,723	543,370	6,775,512	65,402	1,413,703	462,722	(3,827,292)	21,194,215
Subtotal	35,860,819	23,311,880	6,786,676	616,083	23,171,845	462,722	(19,474,794)	233,615,932
Net Assets Released from Restrictions	345,733	123,354	-	-	328,312	-	-	4,996,110
Total Operating Revenues	36,206,552	23,435,234	6,786,676	616,083	23,500,157	462,722	(19,474,794)	238,612,042
OPERATING EXPENSES								
Program Expenses:								
Dietary	5,514,891	2,839,295	-	-	4,044,472	-	(482,053)	34,907,277
Facility Services and Utilities	5,260,364	3,073,094	3,289,818	-	3,261,562	-	(801,402)	39,860,926
Health and Social Services	5,700,669	8,824,969	-	-	4,948,351	-	(44,219)	45,419,155
Memory Care	750,342	223,235	-	-	-	-	-	2,669,980
Assisted Living	1,015,946	1,113,510	-	-	358,423	-	(210,179)	6,925,747
General and Administrative Expenses:								
Administrative and Marketing	3,036,097	2,993,922	1,892,066	591,641	2,242,482	15,145	(1,372,224)	43,193,603
Interest Expense and Financing Fees	6,134,322	377,902	191,099	-	4,948,865	229,346	(192,245)	19,496,188
Net Settlement Associated to Interest Rate Swap Agreements	-	-	-	-	-	-	-	2,017,029
Depreciation	5,688,754	3,437,696	2,112,414	29	4,952,782	306,081	80,751	37,393,690
Disbursement of Contributed Funds	357,702	113,218	-	-	335,432	-	-	2,131,132
Loss on Disposal of Property and Equipment	13,858	37,131	22,674	-	7,297	-	-	2,846,595
Other Expenses	-	-	24,366	30,940	-	-	(230,890)	2,120,527
Fees to Affiliates	1,828,748	1,554,441	865,005	-	1,666,347	53,480	(14,597,584)	-
Total Operating Expenses	35,301,693	24,588,413	8,397,442	622,610	26,766,013	604,052	(17,850,045)	238,981,849
OPERATING INCOME (LOSS)	904,859	(1,153,179)	(1,610,766)	(6,527)	(3,265,856)	(141,330)	(1,624,749)	(369,807)

PACIFIC RETIREMENT SERVICES, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017

	Pacific Retirement Services, Inc.	PRS Management, Inc.	Rogue Valley Manor	The Cumberland Rest, Inc.	Cascade Manor, Inc.	Holladay Park Plaza, Inc.	University Retirement Community at Davis, Inc.	Mirabella at ASU, Inc.	The Peninsula Regent
NONOPERATING INCOME (LOSS)									
Unrealized Change in Value of Investments	$ 127,104	$ 6,088	$ 4,546,479	$ 2,416,866	$ 242,291	$ 809,905	$ 2,853,323	$ -	$ -
Change in Fair Value of Mineral Assets	-	-	-	10,011,972	-	-	-	-	-
Change in Value of Interest Rate Swap and Cap Agreements	-	-	1,588,896	1,427,854	(2,065)	(3,903)	1,928,623	-	-
Inherent Contribution	-	-	-	-	-	-	-	-	-
Other Nonoperating Income (Loss)	-	593,529	(357,137)	-	-	-	-	-	-
Bankruptcy - Filing Expense	-	-	-	-	-	-	-	-	-
Contribution from (to) Affiliate	(264,488)	-	-	-	-	-	-	-	(119,896)
Total Nonoperating Income (Loss)	(137,384)	599,617	5,778,238	13,856,692	240,226	806,002	4,781,946	-	(119,896)
CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT) BEFORE INCOME TAXES	3,294,213	1,187,762	6,775,380	12,827,579	(880,526)	2,006,808	8,109,819	(1,538,724)	550,871
INCOME TAX BENEFIT (EXPENSE)	(10,910)	(179,227)	-	-	-	-	-	-	-
CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT)	3,283,303	1,008,535	6,775,380	12,827,579	(880,526)	2,006,808	8,109,819	(1,538,724)	550,871
TEMPORARILY RESTRICTED NET ASSETS (DEFICIT)									
Contributions	138,992	-	1,458,957	232,972	234,174	249,811	266,864	-	-
Royalty Income	-	-	-	2,104,691	-	-	-	-	-
Actuarial Gain (Loss) on Gift Annuities Receivable	-	-	9,087	5,265	-	(809)	(52)	-	-
Investment Income	1,390	-	22,089	31,139	-	21,916	-	-	-
Disbursement of Contributed Funds	(123,325)	-	-	-	-	-	-	-	-
Unrealized Change in Value of Investments	-	-	152,582	143,000	-	99,971	-	-	-
Change in Fair Value of Split Interest Trusts	-	-	-	578,323	-	-	-	-	-
Other Changes	-	-	-	-	-	-	-	-	-
Contributions from (to) Affiliate	-	-	-	-	28,585	51,044	-	-	-
Net Assets Released from Restrictions	-	-	(1,134,054)	(2,229,930)	(156,715)	(448,400)	(229,612)	-	-
Change in Temporarily Restricted Net Assets (Deficit)	17,057	-	508,661	865,460	106,044	(26,467)	37,200	-	-
PERMANENTLY RESTRICTED NET ASSETS (DEFICIT)									
Contributions	-	-	-	-	-	100	-	-	-
Investment Income	-	-	-	-	-	849	-	-	-
Change in Fair Value of Perpetual Trusts	-	-	-	10,019,191	-	-	-	-	-
Change in Permanently Restricted Net Assets (Deficit)	-	-	-	10,019,191	-	949	-	-	-
CHANGE IN NET ASSETS (DEFICIT)	3,300,360	1,008,535	7,284,041	23,712,230	(774,482)	1,981,290	8,147,019	(1,538,724)	550,871
Net Assets (Deficit) - Beginning of Year	53,451,609	(2,232,198)	41,012,833	41,938,773	(15,622,252)	21,504,461	14,398,597	-	8,857,432
NET ASSETS (DEFICIT) - END OF YEAR	$ 56,751,969	$ (1,223,663)	$ 48,296,874	$ 65,651,003	$ (16,396,734)	$ 23,485,751	$ 22,545,616	$ (1,538,724)	$ 9,408,303

PACIFIC RETIREMENT SERVICES, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017

	Mirabella	Capitol Lakes, Inc.	Affordable Housing Corporation	Community Volunteer Network	Mirabella at South Waterfront	Crest Park Incorporated	Eliminations/ Reclassifications	Total
NONOPERATING INCOME (LOSS)								
Unrealized Change in Value of Investments	$ (138,249)	$ 164,182	$ -	$ -	$ 800,525	$ -	$ -	$ 11,828,514
Change in Fair Value of Mineral Assets	-	-	-	-	-	-	-	10,011,972
Change in Value of Interest Rate Swap and Cap Agreements	-	-	-	-	-	-	-	4,939,405
Inherent Contribution	-	-	-	-	-	-	7,858,482	7,858,482
Other Nonoperating Income (Loss)	-	-	-	-	-	(54,159)	(148,183)	34,050
Bankruptcy - Filing Expense	-	(427,216)	-	-	-	-	-	(427,216)
Contribution from (to) Affiliate	-	-	-	-	-	-	384,384	-
Total Nonoperating Income (Loss)	(138,249)	(263,034)	-	-	800,525	(54,159)	8,094,683	34,245,207
CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT) BEFORE INCOME TAXES	766,610	(1,416,213)	(1,610,766)	(6,527)	(2,465,331)	(195,489)	6,469,934	33,875,400
INCOME TAX BENEFIT (EXPENSE)	-	-	-	-	-	45	-	(190,092)
CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT)	766,610	(1,416,213)	(1,610,766)	(6,527)	(2,465,331)	(195,444)	6,469,934	33,685,308
TEMPORARILY RESTRICTED NET ASSETS (DEFICIT)								
Contributions	385,305	127,941	-	-	434,275	-	13,476	3,542,767
Royalty Income	-	-	-	-	-	-	-	2,104,691
Actuarial Gain (Loss) on Gift Annuities Receivable	-	-	-	-	-	-	-	13,491
Investment Income	-	12,326	-	-	-	-	-	88,860
Disbursement of Contributed Funds	-	-	-	(3,462)	-	-	66,153	(60,634)
Unrealized Change in Value of Investments	-	-	-	-	-	-	-	395,553
Change in Fair Value of Split Interest Trusts	-	-	-	-	-	-	-	578,323
Other Changes	-	-	-	1,247	-	-	(1,247)	-
Contributions from (to) Affiliate	-	-	-	-	-	-	(79,629)	-
Net Assets Released from Restrictions	(345,733)	(123,354)	-	-	(328,312)	-	-	(4,996,110)
Change in Temporarily Restricted Net Assets (Deficit)	39,572	16,913	-	(2,215)	105,963	-	(1,247)	1,666,941
PERMANENTLY RESTRICTED NET ASSETS (DEFICIT)								
Contributions	-	-	-	-	-	-	-	100
Investment Income	-	-	-	-	-	-	-	849
Change in Fair Value of Perpetual Trusts	-	-	-	-	-	-	-	10,019,191
Change in Permanently Restricted Net Assets (Deficit)	-	-	-	-	-	-	-	10,020,140
CHANGE IN NET ASSETS (DEFICIT)	806,182	(1,399,300)	(1,610,766)	(8,742)	(2,359,368)	(195,444)	6,468,687	45,372,389
Net Assets (Deficit) - Beginning of Year	(109,745,600)	(53,714,675)	41,342,965	(63,478)	(65,120,119)	1,751,802	(56,710,164)	(78,950,014)
NET ASSETS (DEFICIT) - END OF YEAR	$ (108,939,418)	$ (55,113,975)	$ 39,732,199	$ (72,220)	$ (67,479,487)	$ 1,556,358	$ (50,241,477)	$ (33,577,625)