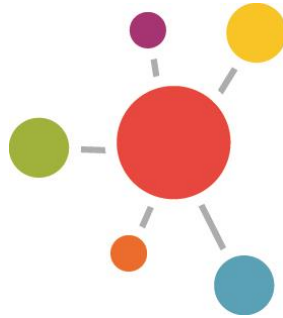


**TRANSFORMING AGE**

**AUDITED  
CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**



**INDEPENDENT AUDITORS' REPORT**

ERROR! BOOKMARK NOT DEFINED.

**CONSOLIDATED FINANCIAL STATEMENTS**

<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF OPERATIONS</b>	<b>5</b>
<b>CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS</b>	<b>6</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>7</b>

**TRANSFORMING AGE  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2018 AND 2017**

<b>ASSETS</b>	2018	2017
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 15,479,265	\$ 20,583,616
Investments	56,851,253	44,479,623
Accounts Receivables, Net	7,214,095	2,178,858
Other Receivables	417,624	225,749
Funds Held in Trust	205,319	37,371
Prepaid Expenses and Other Assets	717,702	846,369
Current Portion of Assets Limited as to Use	14,804,220	25,192,344
Total Current Assets	95,689,478	93,543,930
 <b>ASSETS LIMITED AS TO USE</b>		
Waiting List Deposits	864,165	786,151
Bond Funds Held by Trustee	16,169,821	14,115,995
Total Assets Limited as to Use	17,033,986	14,902,146
 <b>PROPERTY AND EQUIPMENT, NET</b>		
	348,686,166	310,811,778
 <b>OTHER ASSETS</b>		
Goodwill	29,386,106	29,386,106
Beneficial Interest in Trust	415,440	-
Other Long-Term Receivables	-	2,874,330
Total Other Assets	29,801,546	32,260,436
 <b>Total Assets</b>		
	<b>\$ 491,211,176</b>	<b>\$ 451,518,290</b>

See accompanying Notes to Consolidated Financial Statements.

**TRANSFORMING AGE  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)  
SEPTEMBER 30, 2018 AND 2017**

<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>	2018	2017
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 3,624,779	\$ 1,741,858
Accrued Expenses	7,115,341	4,721,906
Accrued Interest	3,617,280	3,554,288
Current Portion of Capital Lease Obligations	142,395	92,004
Current Portion of Sewer Capacity Payable	63,472	59,465
Current Portion of Long-Term Debt	6,752,470	3,869,855
Total Current Liabilities	21,315,737	14,039,376
<b>OTHER LIABILITIES</b>		
Capital Lease Obligations, Less Current Portion	313,889	74,223
Sewer Capacity Payable, Less Current Portion	391,606	455,168
Net Long-Term Debt, Less Current Portion	316,335,421	298,987,762
Entrance Fees Refundable Upon Reoccupancy	178,951,254	172,744,864
Deferred Revenue from Entrance Fees	21,731,515	15,700,884
Future Services Obligation	893,127	3,456,902
Waiting List Deposits	1,902,665	786,151
Refundable Deposits	1,123,936	718,663
Total Other Liabilities	521,643,413	492,924,617
Total Liabilities	542,959,150	506,963,993
<b>NET ASSETS (DEFICIT)</b>		
Unrestricted	(56,662,670)	(57,486,706)
Temporarily Restricted	2,409,350	928,061
Permanently Restricted	2,505,346	1,112,942
Total Net Deficit	(51,747,974)	(55,445,703)
Total Liabilities and Net Deficit	\$ 491,211,176	\$ 451,518,290

See accompanying Notes to Consolidated Financial Statements.

**TRANSFORMING AGE  
CONSOLIDATED STATEMENTS OF OPERATIONS  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<b>OPERATING REVENUE</b>		
Independent Living	\$ 35,762,728	\$ 27,648,351
Assisted Living	32,484,596	20,719,040
Healthcare	30,496,100	9,656,101
Entrance Fees Earned	6,301,855	5,310,151
Interest Income	770,063	845,206
Other	3,798,763	5,148,532
Net Assets Released from Restrictions	697,676	262,582
Total Operating Revenue	110,311,781	69,589,963
<b>OPERATING EXPENSES</b>		
Healthcare	28,931,729	7,621,147
Dining Services	13,601,403	10,188,780
General and Administrative	23,615,330	16,762,742
Management and Rent Fees	18,825	96,204
Maintenance and Housekeeping	11,567,803	8,023,119
Assisted Living	12,775,990	8,999,473
Residential Transportation Services	747,353	403,417
Resident Activities	2,303,875	1,818,414
Interest Expense	14,408,067	12,135,514
Depreciation and Amortization	14,352,021	12,139,877
Provision for Doubtful Accounts	970,111	251,004
Total Operating Expenses	123,292,507	78,439,691
<b>OPERATING LOSS</b>	(12,980,726)	(8,849,728)
<b>NONOPERATING INCOME (LOSS)</b>		
Charitable Contributions	905,372	182,288
Charitable Grant Expense	(497,292)	(306,370)
Change in Future Services Obligation	2,563,775	1,572,396
Loss on Disposal of Property and Equipment	(2,485,446)	(59,825)
Loss on Debt Extinguishment	-	(3,029,672)
Realized and Unrealized Gains on Investments	3,006,852	2,072,345
Inherent Contribution, Net	10,311,501	-
Total Nonoperating Income	13,804,762	431,162
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	\$ 824,036	\$ (8,418,566)

See accompanying Notes to Consolidated Financial Statements.

**TRANSFORMING AGE**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>NET ASSETS - SEPTEMBER 30, 2016</b>	\$ (49,068,140)	\$ 845,814	\$ 1,065,144	\$ (47,157,182)
Deficit of Revenues Over Expenses	(8,418,566)	-	-	(8,418,566)
Net Assets Released from Restrictions	-	(262,582)	-	(262,582)
Charitable Contributions	-	296,919	-	296,919
Realized and Unrealized Gains on Investments	-	47,910	47,798	95,708
Changes in Net Assets	<u>(8,418,566)</u>	<u>82,247</u>	<u>47,798</u>	<u>(8,288,521)</u>
<b>NET ASSETS - SEPTEMBER 30, 2017</b>	(57,486,706)	928,061	1,112,942	(55,445,703)
Excess of Revenues Over Expenses	824,036	-	-	824,036
Net Assets Released from Restrictions	-	(697,676)	-	(697,676)
Charitable Contributions	-	406,820	-	406,820
Realized and Unrealized Gains on Investments	-	158,775	22,149	180,924
Inherent Contribution - Restricted Portion	-	1,613,370	1,370,255	2,983,625
Changes in Net Assets	<u>824,036</u>	<u>1,481,289</u>	<u>1,392,404</u>	<u>3,697,729</u>
<b>NET ASSETS - SEPTEMBER 30, 2018</b>	<u>\$ (56,662,670)</u>	<u>\$ 2,409,350</u>	<u>\$ 2,505,346</u>	<u>\$ (51,747,974)</u>

See accompanying Notes to Consolidated Financial Statements.

**TRANSFORMING AGE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 3,697,729	\$ (8,288,521)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	14,352,021	12,139,877
Change in Value of Investments	(3,187,776)	(2,072,345)
Loss on Disposal of Property and Equipment	2,485,446	725,825
Loss on Debt Extinguishment	-	3,029,672
Nonrefundable Entrance Fees Received	8,250,786	3,152,327
Nonrefundable Entrance Fees Refunds Paid	(150,980)	-
Entrance Fees Earned	(6,301,855)	(5,310,151)
Change in Value of Future Services Obligation	(2,563,775)	(1,572,396)
Amortization of Debt Issue Costs	343,508	179,569
Amortization of Debt Premium, Net	(548,313)	(354,247)
Amortization of Capitalized Marketing Costs	56,039	1,159,998
Inherent Contribution, Net	(13,295,126)	-
Net Change in:		
Receivables, Net	(2,816,189)	(3,506,963)
Funds Held in Trust	(90,223)	(22,548)
Prepaid Expenses and Other Assets	337,359	2,615,486
Beneficial Interest in Trust	(374)	-
Accounts Payable	2,253,124	2,742,308
Accrued Expenses	(3,936,027)	3,017,437
Accrued Interest	(81,075)	749,300
Waiting List Deposits	78,014	355,130
Refundable Deposits	363,923	140,572
Net Cash Provided (Used) by Operating Activities	(753,764)	8,880,330
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(22,298,266)	(21,413,346)
Proceeds from Sale of Property and Equipment	-	211,757
Acquisition of the Communities (MSL)	-	(109,010,000)
Purchase of Investments	(27,361,438)	(50,686,106)
Sale of Investments	22,471,035	18,724,939
Purchase of Assets Limited as to Use	(940,146)	(159,659,446)
Sale of Assets Limited as to Use	10,265,661	132,568,784
Purchase of Other Intangible Assets	-	(29,077,062)
Principal Payments on Sewer Capacity Payable	(59,555)	(56,158)
Changes in Notes Receivable, Net	2,677,315	1,069,229
Acquirees' Cash at Acquisition Date	1,614,342	-
Net Cash Used by Investing Activities	(13,631,052)	(217,327,409)

See accompanying Notes to Consolidated Financial Statements.

**TRANSFORMING AGE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Long-Term Debt	\$ -	\$ 294,093,969
Principal Payments on Long-Term Debt	(2,049,050)	(104,454,351)
Payments for Debt Issuance Costs	-	(6,465,577)
Principal Payments on Capital Lease Obligations	(145,102)	(103,798)
Proceeds from Revolving Note and Lines of Credit	7,625,857	2,063,254
Principal Payments on Revolving Note and Lines of Credit	(2,063,254)	-
Entrance Fees Received	11,589,012	18,516,292
Entrance Fees Refunded	(5,676,998)	(7,397,150)
Net Cash Provided by Financing Activities	9,280,465	196,252,639
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(5,104,351)	(12,194,440)
Cash and Cash Equivalents - Beginning of Year	20,583,616	32,778,056
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 15,479,265	\$ 20,583,616
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 14,638,905	\$ 11,499,903
Noncash Acquisition of Property and Equipment	\$ 1,173,446	\$ 460,987

See accompanying Notes to Consolidated Financial Statements.