Springpoint Senior Living, Inc. and Affiliates

Consolidated Financial Statements and
Supplementary Information

December 31, 2014 and 2013

BAKER TILLY

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Independent Auditors' Report

Board of Trustees
Springpoint Senior Living, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Springpoint Senior Living, Inc. and Affiliates (collectively, the "Company") which comprise the consolidated balance sheet as of December 31, 2014 and 2013, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Springpoint Senior Living, Inc. and Affiliates as of December 31, 2014 and 2013, and the results of their operations and changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating and combining financial information (pages 42 through 54) is presented for purposes of additional analysis rather than to present the financial position, results of operations, changes in net assets (deficit), and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
May 13, 2015

Springpoint Senior Living, Inc. and Affiliates

Consolidated Balance Sheet
December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 38,575,652	$ 39,734,425
Current portion of assets whose use is limited	1,201,853	1,694,646
Accounts receivable, net of allowance for doubtful accounts of $916,757 in 2014 and $1,530,087 in 2013	7,679,212	5,970,522
Other current assets	7,066,801	8,572,094
Total current assets	54,523,518	55,971,687
Investments	76,892,275	60,312,299
Assets Whose Use Is Limited	41,440,377	53,657,821
Investments Held Under Split-Interest Agreements	5,680,640	6,183,188
Investments Held by Others Under Split-Interest Agreements	942,882	933,575
Beneficial Interest in Perpetual Trusts	3,167,564	3,126,165
Notes Receivable	31,786,411	31,183,263
Property and Equipment, Net	354,844,809	361,404,346
Goodwill, Net	39,354,441	39,354,441
Deferred Costs and Other Assets, Net	7,007,884	7,551,728
Total assets	$ 615,640,801	$ 619,678,513

	2014	2013
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt and capital lease obligations	$ 5,461,332	$ 4,941,443
Current portion of line of credit	889,825	695,381
Accounts payable	4,674,266	4,663,421
Accrued expenses	16,570,026	16,223,534
Residents' deposits	2,714,161	3,522,052
Other current liabilities	-	1,262,560
Total current liabilities	30,309,610	31,308,391
Long-Term Debt and Capital Lease Obligations	174,380,442	182,907,147
Capital Advances	80,835,527	80,835,527
Liability for Split-Interest Agreements and Deferred Gift Agreements	4,526,918	4,584,962
Deferred Revenue	14,752,061	14,009,702
Refundable Entrance Fees	233,040,521	219,962,986
Deferred Revenue from Entrance Fees	58,219,767	54,843,774
Future Services Obligation	-	111,000
Construction Line of Credit, Net of Current Portion	9,672,593	16,300,348
Retainage Payable	148,363	143,145
Derivative Instruments	4,133,124	2,605,681
Other Liabilities	2,313,825	1,939,223
Total liabilities	612,332,751	609,551,886
Net (Deficit) Assets		
Unrestricted	(7,824,700)	(489,628)
Temporarily restricted	7,796,434	7,321,338
Permanently restricted	3,336,316	3,294,917
Total net assets	3,308,050	10,126,627
Total liabilities and net assets	$ 615,640,801	$ 619,678,513

See notes to consolidated financial statements

	2014	2013
Changes in Unrestricted Net Assets		
Revenues and other support:		
Revenue from residential facilities	$ 62,928,426	$ 55,917,414
Revenue from healthcare facilities	48,405,696	41,868,445
Services to residents	6,922,140	6,165,627
Developer and management fees	541,083	484,339
Contributions and bequests	478,934	515,127
Interest and dividends	1,899,650	1,767,035
Other revenue	2,973,612	3,557,309
Net assets released from restrictions used for operations	995,674	1,018,490
Total revenues and other support	125,145,215	111,293,786
Expenses:		
Professional care of residents	31,707,632	29,583,695
Resident services	3,678,021	3,183,485
Dining services	16,330,098	14,863,629
Operation and maintenance of facility	26,622,514	22,461,051
Housekeeping and laundry	5,529,130	5,091,631
Administrative and general	21,613,516	21,116,238
Resident assistance and program services	795,616	1,055,347
Marketing	4,810,419	4,380,009
Insurance	1,876,552	1,527,286
Interest	6,808,660	6,314,934
Provision for doubtful accounts	335,111	516,014
Total expenses	120,107,269	110,093,319
Operating income	5,037,946	1,200,467
Change in unrealized gains and losses on investments	(3,490,788)	1,115,572
Net realized gains and losses on investments	6,280,332	1,630,529
Amortization of entrance fees	11,358,406	10,140,370
Transfer to temporarily restricted net assets	-	(175,000)
Expenses related to affiliation with Springpoint Senior Living, Inc.	-	(430,099)
Change in fair value of derivative financial instruments	(1,527,443)	2,431,480
Gain on disposal of fixed assets	12,084	33,003
Net asset transfer	-	(199,137)
Loss on refinancing	(690,526)	(423,133)
Depreciation and amortization	(24,301,914)	(21,372,091)
Revenues and other support less than expenses	(7,321,903)	(6,048,039)
Pension liability adjustment	(124,169)	144,093
Amortization of fair value of derivative financial instruments	-	(142,512)
Change in future services obligation	111,000	709,000
Decrease in unrestricted net assets	(7,335,072)	(5,337,458)
Changes in Temporarily Restricted Net Assets		
Contributions	1,198,961	755,875
Change in value of split-interest agreements	41,577	164,610
Investment income	276,923	265,960
Net unrealized loss on investments	(46,691)	(18,108)
Change in temporarily restricted net assets resulting from membership affiliation	-	1,894,097
Transfer from unrestricted net deficit	-	175,000
Net assets released from restrictions used for operations	(995,674)	(1,018,490)
Increase in temporarily restricted net assets	475,096	2,218,944
Changes in Permanently Restricted Net Assets		
Change in value of perpetual trusts	41,399	343,387
Change in value of restricted endowment	-	(7,203)
Increase in permanently restricted net assets	41,399	336,184
Change in net assets	(6,818,577)	(2,782,330)
Net Assets, Beginning	10,126,627	12,908,957
Net Assets, End of Year	$ 3,308,050	$ 10,126,627

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Consolidated Statement of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Decrease in net assets	$ (6,818,577)	$ (2,782,330)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Cash transferred from Winchester Gardens	-	2,799,337
Changes in net assets resulting from membership affiliation	-	(1,894,097)
Change in value of split-interest agreements	(41,577)	(164,610)
Change in future services obligation	(111,000)	(709,000)
Net change in fair value of derivative instruments	1,527,443	(2,431,480)
Depreciation and amortization	24,301,914	21,372,091
Gain on sale of property and equipment	(12,084)	(33,003)
Net realized and unrealized gains and losses on investments	(2,742,853)	(2,727,993)
Amortization of entrance fees	(11,358,406)	(10,140,370)
Loss on refinancing	690,526	423,133
Net cash received under nonrefundable entrance fee plans	7,285,951	5,519,288
Increase in investments held by others under split-interest agreements	(9,307)	(95,454)
Increase in beneficial interest in perpetual trusts	(41,399)	(343,387)
Changes in assets and liabilities:		
Accounts receivable, net	(1,708,690)	1,537,463
Other current assets	1,505,293	2,110,337
Other assets	(81,975)	(414,601)
Accounts payable	10,845	1,156,395
Accrued expenses	346,492	(1,219,567)
Residents' deposits	(807,891)	(2,358,447)
Other current liabilities	(1,262,560)	(97,990)
Other liabilities	1,116,961	905,469
Net cash provided by operating activities	11,789,106	10,411,184
Cash Flows from Investing Activities		
Net sales of investments and assets whose use is limited	(624,340)	4,932,947
Net change in notes receivable	(603,148)	(627,997)
Purchases of property and equipment	(17,224,827)	(19,689,717)
Net change in retainage payable	5,218	(1,327,869)
Net cash used in investing activities	(18,447,097)	(16,712,636)
Cash Flows from Financing Activities		
Payment of long-term debt and capital lease obligation	(39,704,100)	(47,802,218)
Proceeds from long-term debt and capital lease obligation	31,640,336	40,499,051
Borrowings on construction line of credit	2,470,000	
Payment of construction line of credit	(8,903,311)	(3,686,809)
Net cash received under refundable entrance fee plans	20,525,983	15,380,385
Payments under deferred gift agreements and split-interest agreements	(16,467)	(253,415)
Payment of deferred financing costs	(513,223)	(296,859)
Net cash provided by financing activities	5,499,218	3,840,135
Net decrease in cash and cash equivalents	(1,158,773)	(2,461,317)
Cash and Cash Equivalents, Beginning	39,734,425	42,195,742
Cash and Cash Equivalents, Ending	$ 38,575,652	$ 39,734,425
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 7,041,873	$ 5,913,486
Supplemental Disclosure of Noncash Activities		
Capital lease obligation incurred for property and equipment	$ 355,336	$ 349,051
Write off of deferred financing costs and original issue discount	$ 690,526	$ 423,133
Transfer of membership - see note 1		

See notes to consolidated financial statements

1. Organization

Springpoint Senior Living, Inc. ("SSL") is a not-for-profit organization located in Wall, New Jersey. SSL provides administrative, financial and support services to its affiliated organizations.

Springpoint Senior Living, Inc. and Affiliates (the "Company") consists of SSL, and the following affiliates which are controlled through common board membership. All members of the Company described below are not-for-profit corporations, except as otherwise noted.

Continuing Care Retirement Communities:

Springpoint at Monroe Village, Inc.
Springpoint at Meadow Lakes, Inc.
Springpoint at Crestwood, Inc.
Springpoint at Montgomery, Inc.
Springpoint at The Atrium, Inc.
Marcus L. Ward Home
Senior Net, Inc.

Non-Facility Based:

Springpoint Foundation (the "Foundation")
Springpoint at Haddonfield, Inc.
Springpoint of Northern New Jersey, Inc. (a dormant company)
Springpoint at Stony Brook, Inc.
Springpoint at Watchung Ridge, Inc.
Springpoint at Waterford Glen, Inc.
Senior Living Institute, Inc.
Integrated Management Services, Inc.
Springpoint Realty, Inc.
Springpoint of Eastern, Inc.
Springpoint at Red Bank, Inc.
Springpoint at Home, Inc.
Presbyterian Home at Wall, Inc.
Presbyterian Home of Plainfield, Inc.

Non-Facility Based For Profit:

Princeton Senior Living, LLC ("PSL")
Affordable Housing Solutions, Inc. ("AHS")
Plainfield Tower Solutions, Inc. ("PTS")
Senior Living Solar, Inc. ("SLS")
Manchester Housing Solutions, Inc. ("MHS")

The following affiliates are controlled by SSL's ability to appoint board members:

Affordable Housing Communities:

The Presbyterian Home at Galloway, Inc. ("Countryside Meadow")
The Presbyterian Home at Franklin ("Franklin'')
The Presbyterian Home at Atlantic Highlands, Inc. ("Portland Pointe")
Middlesex Borough Senior Citizens Housing Corporation ("Watchung Terrace")
The Presbyterian Home at Howell, Inc. ("Crossroads'')
The Presbyterian Home at Stafford, Inc. ("Stafford by the Bay")
The Presbyterian Home at East Windsor, Inc. ("Wheaton Pointe")
The Presbyterian Home at West Windsor, Inc. ("The Gables'')
The Presbyterian Home at Dover, Inc. ("The Oaks")
The Presbyterian Home at Manchester, Inc. ("Manchester Pines ")

Marcus L. Ward Home d/b/a Winchester Gardens ("Winchester") was acquired on July 17, 2013. Winchester became an affiliate of Springpoint through a transfer of sole corporate membership. Winchester remains as a separate not-for-profit organization. No consideration was paid or received by Springpoint to consummate the affiliation.

The transfer of membership was treated as an acquisition in accordance with the authoritative guidance. The accompanying consolidated statements of operations, changes in net assets, and cash flows include the activities of Winchester from July 17, 2013 through December 31, 2013, and for the full year ending December 31, 2014. Select summarized consolidated results of operations for Springpoint including Winchester for the year ended December 31, 2013 as if the affiliation occurred as of January 1, 2013 are as follows:

	Unaudited (in thousands) 2013
Revenue and other support	$ 122,015
Operating income	1,377
Revenue and other support less than expenses	(5,388)
Increase in temporarily restricted net assets	2,231

Principles of Consolidation

The consolidated financial statements include the accounts of all of the entities listed in the organization section of this note. All intercompany balances and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with a maturity of three months or less at date of purchase to be cash equivalents, except for those classified as investments and assets whose use is limited.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. Investment income (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenues and other support less than expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Company's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated balance sheet are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Alternative investments (nontraditional, not readily marketable asset classes) within the investments and assets whose use is limited are structured such that the Company holds limited partnership interests and other forms of ownership that are stated at fair value as estimated in an unquoted market. Individual investment holdings may, in turn, include investments in both nonmarketable and market-traded securities. Valuation of the non-marketable securities is determined by the investment manager. Generally, the fair value of the Company's holdings reflect net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The investments may indirectly expose the Company to securities lending, short sales and trading in futures and forward contract options, and other derivative products. The Company's risk is limited to its carrying value. Amounts can be divested only at specified times (e.g., semiannually). The financial statements of the investees are audited annually by independent auditors.

Assets Whose Use is Limited

Assets whose use is limited are recorded at fair value which is determined by reference to quoted market prices. Assets whose use is limited consist of funds held under bond indenture agreements, U.S. Department of Housing and Urban Development ("HUD") agreements, residents' deposits, and other limited uses (see Note 5).

Accounts Receivable

The Company establishes an allowance for uncollectible accounts to reduce its receivables to net realizable value. The allowances are estimated by management based on general factors such as payor mix, aging of the receivables, and historical collection experience. Accounts are written off through bad debt expense when the Company has exhausted all collection efforts and accounts are deemed uncollectible.

Other Investments

Other investments are included in deferred costs and other assets, net on the consolidated balance sheet and consists of the following at December 31:

	2014	2013
PTS investment in Plainfield Senior Citizens Housing, LP ("PSCH"). PSCH's primary purpose is to operate an affordable senior housing community in New Jersey. PTS's investment constitutes an equity interest in PSCH of .01%, and is accounted for using the cost method of accounting	$ 578,226	$ 578,226
AHS investment in Butler Senior Citizens Housing, LP ("BSCH"). BSCH's primary purpose is to operate an affordable senior housing community in New Jersey. AHS's investment constitutes an equity interest in BSCH of .01%, and is accounted for using the cost method of accounting	195,044	195,044
AHS investment in Wall Senior Citizens Housing, LP ("WSCH"). WSCH's primary purpose is to operate an affordable senior housing community in New Jersey. AHS's investment constitutes an equity interest in WSCH of .01%, and is accounted for using the cost method of accounting	168,487	168,487

	2014	2013
AHS investment in Ramsey Senior Citizens Housing, LP ("RSCH"). RSCH's primary purpose is to operate an affordable senior housing community in New Jersey. AHS's investment constitutes an equity interest in RSCH of .01%, and is accounted for using the cost method of accounting	$ 405,536	$ 405,536
AHS investment in Howell Senior Citizens Housing, LP ("HSCH"). HSCH's primary purpose is to operate an affordable senior housing community in New Jersey. AHS's investment constitutes an equity interest in HSCH of .01%, and is accounted for using the cost method of accounting	355,200	355,200
AHS investment in Mount Holly Senior Citizens Housing, LP ("MHSCH"). MHSCH's primary purpose is to operate an affordable senior housing community in New Jersey. AHS's investment constitutes an equity interest in MHSCH of .01%, and is accounted for using the cost method of accounting	1,026,808	944,831
AHS investment in Asbury Senior Citizens Housing, LP ("ASCH"). ASCH's primary purpose is to operate an affordable senior housing community in New Jersey. AHS's investment constitutes an equity interest in ASCH of .01%, and is accounted for using the cost method of accounting	100	100
Other investments	$ 2,729,401	$ 2,647,424

Residents' Deposits

Residents' deposits consist of security deposits for healthcare residents and amounts received from prospective residents who have entered into a residency agreement, but have not taken occupancy of their unit. The security deposits are held in escrow. The prospective residents' deposits are accounted for as refundable and are deducted from the remaining entrance fee payment which is payable upon occupancy.

Prior to establishing residency, these deposits are refundable to the residents upon termination of the residency agreement. After residency is established, the fees are refundable to the resident on a declining balance basis according to the terms of the specific contract.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the term of the related lease.

Rental Property

Rental property which is included in property and equipment is carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Goodwill

The Company evaluates goodwill for impairment on an annual basis. There was no impairment loss recognized in 2014 and 2013. Goodwill represents amounts recorded upon the transfer of membership of Winchester and Springpoint at Monroe Village, Inc. (”Monroe”) at the dates of acquisition.

Deferred Costs

Included in deferred costs are deferred financing costs, project development costs, costs of acquiring initial continuing care contracts, project acquisition costs, and capitalized marketing costs.

Deferred financing costs represent costs incurred to obtain financing (see Note 9). Amortization of these costs is provided on the straight-line method, which approximates the effective interest method. At December 31, 2014 and 2013, deferred financing costs, net of accumulated amortization, were $2,750,439 and $3,204,500, respectively. Accumulated amortization at December 31, 2014 and 2013 is $1,548,967 and $1,741,571, respectively.

The unamortized balance of deferred financing costs related to long-term debt that was refunded with the proceeds from the Series 2014 Bonds was written off during 2014 in conjunction with the refunding transaction. These unamortized costs were $636,239 and are reported as part of the loss on refinancing in the 2014 consolidated statement of operations and changes in net deficit.

The costs of acquiring initial continuing care contracts represent the direct marketing and contract processing costs associated with acquiring the initial residents for Montgomery. These costs were capitalized through the date of substantial occupancy and are being amortized using the straight-line method based on the expected remaining lives of the initial residents. At December 31, 2014 and 2013, the costs of acquiring initial continuing care contracts, net of accumulated amortization, were $0 and $1,842, respectively. Accumulated amortization at December 31, 2014 and 2013 was $672,736 and $670,894, respectively.

The project acquisition costs for Springpoint at The Atrium, Inc. ("The Atrium") represent the legal expense associated with acquiring the property. Also included in project acquisition costs are expenses related to a change in control of Marcus L. Ward Home ("Winchester Gardens") from a separate board of trustees to one comprised principally of the same individuals who control all of the affiliated entities of SSL. These costs were capitalized and are being amortized using the straight-line method. At December 31, 2014 and 2013, the project acquisition costs, net of accumulated amortization, were $529,540 and $613,474, respectively. Accumulated amortization at December 31, 2014 and 2013 was $308,472 and $224,538, respectively.

Capitalized marketing costs represent direct marketing costs incurred to market new Independent Living units and other related costs that will provide a future economic benefit. These costs were capitalized through the date of substantial occupancy and are being amortized using the straight-line method based on the expected remaining lives of the initial residents. At December 31, 2014 and 2013, the costs of acquiring initial continuing care contracts, net of accumulated amortization, were $500,605 and $586,588, respectively. Accumulated amortization at December 31, 2014 and 2013 was $346,486 and $260,503, respectively.

Also included in deferred costs are $497,900 of purchased licenses to operate forty nursing home beds and are determined to have an indefinite useful life. The assets are not amortized, but instead tested for impairment at least annually in accordance with the authoritative guidance which also requires that intangible assets with estimated useful lives be amortized over their respective estimated useful lives to their estimated residual values.

Split-Interest Agreements

The Foundation has been designated as the remainderman under several charitable remainder trust agreements. In accordance with the trust agreements, the Foundation pays the designated beneficiaries a specified percentage of the income earned on the trust assets or a predetermined annual annuity amount. Upon the death of the beneficiaries, the trust assets are transferred to the Foundation.

The Foundation recognizes contribution revenue at the time an irrevocable charitable remainder trust is created in the amount of the excess of the fair value of the trust assets received over the liability for the present value of the estimated future payments to beneficiaries using a discount rate of 6%.

Beneficial Interest in Perpetual Trusts

The Foundation has been designated the beneficiary under several perpetual trusts. A perpetual trust is held by a third-party and is an arrangement in which the donor establishes and funds a trust to exist in perpetuity that is administered by an individual or organization other than the beneficiary. The Foundation has the irrevocable right to receive the income earned on the trust's assets but will never receive the assets themselves. The Foundation recognizes contribution revenue at the time an irrevocable trust is created at the fair value of the trust's assets, which approximates the discounted present value of cash flows from the beneficial interest. The contribution revenue is classified as permanently restricted. The Foundation revalues its interest in the perpetual trusts annually and reports any gains or losses as changes to the value of the trusts in the consolidated statement of operations and changes in net assets as changes in permanently restricted net assets.

Deferred Revenue from Entrance Fees

Residents at Springpoint at Meadow Lakes, Inc. ("Meadow Lakes"), Monroe, Springpoint at Crestwood, Inc. ("Crestwood"), The Atrium, Montgomery and Winchester Gardens are required to pay a fee to obtain a nontransferable right to lifetime occupancy at one of the retirement communities. Residents entered into different types of continuing care contracts depending on their move-in date and the facility they reside in. Under the terms of the various contracts, entrance fees may be nonrefundable or partially refundable. Nonrefundable entrance fees are recorded as deferred revenue upon receipt and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, adjusted at the beginning of each year. Refundable entrance fees are classified as a liability on the balance sheet.

Gross contractual refund obligations at December 31, 2014 were $260,028,514. The refundable entrance fees and deferred revenue from entrance fees reported on the consolidated balance sheet totaling $291,260,288, is impacted by the portion of the entrance fee earned through amortization and amounts used by those residents under refundable contracts in a higher level of care.

Obligation to Provide Future Services

Montgomery and The Atrium calculate the present value of the net cost of future service and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net obligation to provide future service and use of facilities (discounted at 5%) exceeds the deferred revenue from entrance fees, a liability is recorded with the corresponding charge to income. This calculation is performed annually. The liability for Montgomery was estimated to be approximately $-0- and $111,000 at December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, deferred revenue from entrance fees exceeded the calculation of the present value of the net cost of future services for Atrium. Therefore, an additional liability for an obligation to provide future services and use of facilities is not required.

Derivative Financial Instruments

The Presbyterian Homes & Services of New Jersey 1998 Obligated Group (the "1998 Obligated Group") consists of SSL, Crestwood, Meadow Lakes, Monroe, and the Foundation. The 1998 Obligated Group entered into interest rate swap agreements, which are considered derivative financial instruments, to manage interest rate risk on their long-term debt.

The Atrium, Montgomery and Winchester Gardens also entered into interest rate swap agreements, which are considered derivative financial instruments, to manage its interest rate risk on its long-term debt.

The interest rate swap agreements are reported at fair value in the accompanying consolidated balance sheet and related changes in fair value are reported in the consolidated statement of operations and changes in net assets as a change in fair value of derivative financial instruments. The liability for the fair value of the interest rate swap agreements is $4,133,124 and $2,605,681 at December 31, 2014 and 2013, respectively.

Third-Party Payor Settlements

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are recorded in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in the consolidated statement of operations and changes in net assets in the year of the settlement. No material amounts related to prior year settlements were recorded during 2014 or 2013.

Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. 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, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions.

Classification of Net Assets

The Company separately accounts for and reports donor restricted and unrestricted net assets. Unrestricted net assets are not externally restricted for identified purposes by donors or grantors. Unrestricted net assets include resources that the board of trustees may use for any designated purpose and resources whose use is limited by agreement between the Company and an outside party other than the donor or grantor.

Temporarily restricted net assets are those whose use by the Company has been limited by donors to a specific period or purpose. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are recorded as net assets released from restrictions. Temporarily restricted net assets relate to split-interest agreements, which have a time restriction, funds raised for capital projects, and residents’ charity care assistance.

Permanently restricted net assets are those whose use is permanently limited by the donor and are to be held in perpetuity. Earnings on permanently restricted net assets which are limited to be expended for specific purposes are included in temporarily restricted net assets. Earnings without such restrictions are included in unrestricted net assets. The change in fair value of the beneficial interest in perpetual trusts held by third parties is included in the change in permanently restricted net assets.

Revenue from Residential and Healthcare Facilities

The Company provides care to residents under the Medicare and Medicaid programs. Revenue from the Medicare and Medicaid programs accounted for approximately 13% and 12% of the revenue from residential and healthcare facilities for the years ended December 31, 2014 and 2013, respectively. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Company. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future. The Company 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.

Contributions

Contributions are recorded by the Company at net realizable value at the time an unconditional promise to give is made. Gifts of long-lived assets are recorded at the fair value of the assets at the time the gift is made. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Performance Indicator

The consolidated statement of operations and changes in net assets includes revenues and other support less than expenses as the performance indicator. Changes in unrestricted net assets which are excluded from revenues and other support less than expenses, consistent with industry practice, include contributions of long-lived assets; change in future service obligations; amortization of fair value of derivative financial instruments, and pension liability adjustment.

Malpractice

The Company maintains professional liability coverage through a commercial insurance carrier on a claims-made basis.

Income Taxes

The member entities of the Company, except for PSL, PTS, AHS, MHS and SLS, are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on their exempt income under Section 501(a) of the Internal Revenue Code. The provision for income taxes for PSL, PTS, AHS, MHS and SLS is not material to the Company. The member entities are also exempt from state and local income taxes under similar statutes.

The Company accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2014 and 2013.

The Company's federal Exempt Organization Business Income Tax Returns for the years ended December 31, 2013, 2012, and 2011 remain subject to examination by the Internal Revenue Service.

Subsequent Events

The Company evaluated subsequent events for recognition or disclosure through May 13, 2015, the date the consolidated financial statements were issued.

Reclassifications

Certain amounts relating to 2013 have been reclassified to conform to the 2014 reporting format.

3. Adoption of Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, entities should recognize revenue to depict the transfer of promised goods or services to customers (patients) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. SSL will be required to retrospectively adopt the guidance in ASU No. 2014-09 for years beginning after December 15, 2017; early application is not permitted. SSL has not yet determined the impact the adoption of ASU No. 2014-19 will have on its financial statements.

4. Investments

The classification and composition of the Company's investments is set forth in the following table:

	2014	2013
Cash and cash equivalents	$ 3,464,032	$ 3,057,684
U.S. government obligations	-	2,224,331
Alternative investments-limited partnerships	7,917,848	8,222,128
Commingled funds	19,963,143	-
Common stock	7,851,971	13,838,351
Corporate bonds	14,522,363	10,298,739
Fixed income mutual funds	8,113,618	14,742,780
Equity mutual funds	15,059,300	7,928,286
Total	$ 76,892,275	$ 60,312,299

5. Assets Whose Use Is Limited

The classification and composition of the Company's assets whose use is limited is set forth in the following table:

	2014	2013
Cash and cash equivalents	$ 29,055,710	$ 41,442,659
Certificates of deposit	-	-
U.S. government obligations	466,904	4,013,404
Alternative investments-limited partnerships	861,298	
Fixed income mutual funds	1,720,913	5,731,349
Equity mutual funds	2,978,691	2,199,561
Corporate bonds	2,791,940	1,181,085
Common stock	1,251,905	777,963
Commingled funds	3,514,869	-
Other	-	6,446
Total	42,642,230	55,352,467
Less current portion	1,201,853	1,694,646
Assets whose use is limited, non-current	$ 41,440,377	$ 53,657,821

Assets whose use is limited are held for the following purposes:

	2014	2013
Bond indenture agreements	$ 18,347,092	$ 32,244,038
Liquid reserve	11,013,774	10,063,542
HUD reserve funds	4,797,919	4,587,659
Residents' Assistance Fund	608,358	481,026
Residents' deposits	1,081,513	1,604,364
Other donor restricted funds	5,782,897	5,472,343
Deferred SERP compensation	701,339	580,964
Construction fund escrow	309,338	318,531
Total	$ 42,642,230	$ 55,352,467

6. Fair Value of Financial Instruments

The Company measures its investments, investments held under split-interest agreements, investments held by others under split-interest agreements, beneficial interest in perpetual trusts, and assets whose use is limited at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined 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. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The financial instruments listed below were measured using the following inputs at December 31, 2014 and 2013:

	2014				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Reported at fair value					
Assets:					
Cash and cash equivalents	$ 32,519,742	$ 32,519,742	$ 32,519,742	$ -	$ -
U.S. Government obligations	466,904	466,904	-	466,904	-
Common stock	9,103,877	9,103,877	9,103,877	-	-
Equity mutual funds:					
Managed Vol. Fund	73,899	73,899	73,899	-	-
All cap	6,934,903	6,934,903	6,934,903	-	-
International	5,035,743	5,035,743	5,035,743	-	-
Large cap	99,631	99,631	99,631	-	-
Small cap	24,082	24,082	24,082	-	-
Real Return	5,869,733	5,869,733	5,869,733	-	-
Fixed income mutual funds:					
Core	9,834,531	9,834,531	9,834,531	-	-
Corporate bonds, investment grade	17,314,302	17,314,302	-	17,314,302	-
Commingled equity funds	8,969,373	8,969,373	-	8,969,373	-
Commingled fixed income funds	14,508,639	14,508,639	-	14,508,639	-
Alternative investment-limited partnerships	8,779,146	8,779,146	-	-	8,779,146
Investments held under split-interest agreements	5,680,640	5,680,640	-	5,680,640	-
Investments held by others under split-interest agreements	942,882	942,882	-	-	942,882
Beneficial interest in perpetual trusts	3,167,564	3,167,564	-	-	3,167,564
Total	$ 129,325,591	$ 129,325,591	$ 69,496,141	$ 46,939,858	$ 12,889,592
Liabilities,					
Derivative financial instruments	$ (4,133,124)	$ (4,133,124)	$ -	$ (4,133,124)	$ -
Disclosed at fair value					
Cash and cash equivalents	$ 38,575,652	$ 38,575,652	$ 38,575,652	$ -	$ -
Liability for split-interest and deferred gift agreements	$ 4,526,918	$ 4,526,918	$ -	$ -	$ 4,526,918
Long term debt:					
Series 1998A Bonds	8,452,636	8,456,451	-	8,456,451	-
Series 2010 Bonds	27,127,200	27,127,200	-	-	27,127,200
Series 2011 Bonds	20,000,000	20,000,000	-	-	20,000,000
Series 2012 Bonds	50,030,000	50,030,000	-	-	50,030,000
Series 2013 Bonds	40,150,000	40,150,000	-	-	40,150,000
Series 2014 Bonds	31,165,000	31,165,000	-	-	31,165,000
Loans payable	2,336,140	2,336,140	-	-	2,336,140
Construction line of credit	10,562,418	10,562,418	-	-	10,562,418

	2013				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Reported at fair value					
Assets:					
Cash and cash equivalents	$ 44,500,343	$ 44,500,343	$ 44,500,343	$ -	$ -
U.S. Government obligations	6,237,735	6,237,735	-	6,237,735	-
Common stock	14,616,314	14,616,314	14,616,314	-	-
Equity mutual funds:					
Managed Vol. Fund	88,916	88,916	88,916	-	-
International	3,616,751	3,616,751	3,616,751	-	-
Small cap	56,256	56,256	56,256	-	-
Real Return	1,546,488	1,546,488	1,546,488	-	-
Large cap	4,819,436	4,819,436	4,819,436	-	-
Fixed income mutual funds:					
High yield	4,717,795	4,717,795	4,717,795	-	-
Short term	1,276,535	1,276,535	1,276,535	-	-
Emerging markets	2,450,543	2,450,543	2,450,543	-	-
Real return	4,845,448	4,845,448	4,845,448	-	-
Core	7,183,808	7,183,808	7,183,808	-	-
Corporate bonds, investment grade	11,479,824	11,479,824	-	11,479,824	-
Alternative investment-limited partnerships	8,222,128	8,222,128	-	-	8,222,128
Other	6,446	6,446	6,446	-	-
Investments held under split-interest agreements	6,183,188	6,183,188	-	6,183,188	-
Investments held by others under split-interest agreements	933,575	933,575	-	-	933,575
Beneficial interest in perpetual trusts	3,126,165	3,126,165	-	-	3,126,165
Total	$ 125,907,694	$ 125,907,694	$ 89,725,079	$ 23,900,747	$ 12,281,868
Liabilities,					
Derivative financial instruments	$ (2,605,681)	$ (2,605,681)	$ -	$ (2,605,681)	$ -
Disclosed at fair value					
Cash and cash equivalents	$ 39,734,425	$ 39,734,425	$ 39,734,425	$ -	$ -
Liability for split-interest and deferred gift agreements	$ 4,584,962	$ 4,584,962	$ -	$ -	$ 4,584,962
Long term debt:					
Series 1998A Bonds	10,256,261	10,276,981	-	10,276,981	-
Series 2004 Bonds	35,865,000	35,865,000	-	-	35,865,000
Series 2010 Bonds	27,892,800	27,892,800	-	-	27,892,800
Series 2011 Bonds	20,000,000	20,000,000	-	-	20,000,000
Series 2012 Bonds	51,010,000	51,010,000	-	-	51,010,000
Series 2013 Bonds	40,150,000	40,150,000	-	-	40,150,000
Loans payable	2,336,140	2,336,140	-	-	2,336,140
Construction line of credit	16,995,729	16,995,729	-	-	16,995,729

The assets are included on the consolidated balance sheet at December 31, 2014 and 2013 as follows:

	2014	2013
Current portion of assets whose use is limited	$ 1,201,853	$ 1,694,646
Investments	76,892,275	60,312,299
Assets whose use is limited	41,440,377	53,657,821
Investments held under split-interest agreements	5,680,640	6,183,188
Investments held by others under split-interest agreements	942,882	933,575
Beneficial interest in perpetual trusts	3,167,564	3,126,165
Ending balance	$ 129,325,591	$ 125,907,694

The alternative investments are valued using unobservable inputs (Level 3) in accordance with the authoritative guidance on fair value measurements. Changes to the alternative investments in 2014 and 2013 are as follows:

	2014	2013
Beginning balance	$ 8,222,128	$ 7,657,655
Sales	(1,369,697)	(138,421)
Purchases	1,000,000	229,625
Unrealized gain (loss)	424,692	254,419
Realized gain	502,023	218,850
Ending balance	$ 8,779,146	$ 8,222,128

The following information related to the alternative investments discusses the nature and risk of the investments and whether they have redemption restrictions as of December 31, 2014.

	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Limited partnerships - offshore (a)	$ 5,429,245	Monthly	65 days
Limited partnerships - real estate (b)	1,658,787	Monthly	65 days
Limited partnerships - equity (c)	1,691,114	None	N/A
Total	$ 8,779,146		

(a) The Principal purpose of the funds is to invest in multi manager, multi strategy “fund of funds” formed to invest predominately in limited partnerships and common stock. The objective is to generate risk adjusted absolute returns with low correlation to broad equity and fixed income markets. The fair value of the investments in this category has been estimated using net asset value per share of the investments.

(b) Seeks both current income and long-term capital appreciation through investing in underlying funds that acquire, manage, and dispose of commercial real estate properties. The Fund expects to invest its assets in open-end core underlying funds focused on properties in the US, with "core" meaning high-quality, low-leveraged, income-generating office, industrial, retail, and multi-family properties, generally fully-leased to creditworthy companies and governmental entities.

(c) The Portfolio Interests are private equity investment funds that seek capital appreciation by investing in securities of various types. Redemptions are not permitted and liquidity is available to the extent of distributable realized events.

As of December 31, 2014 and 2013, the Company has no future commitments to invest in Limited Partnerships.

The investment held by others under split-interest agreements are valued using unobservable inputs (Level 3) in accordance with the authoritative guidance on fair value measurements. Changes to investment held by others under split-interest agreements in 2014 and 2013 are as follows:

	2014	2013
Beginning balance	$ 933,575	$ 838,121
Net valuation gain	9,307	95,454
Ending balance	$ 942,882	$ 933,575

The beneficial interest in perpetual trusts is valued using unobservable inputs (Level 3) in accordance with the authoritative guidance on fair value measurements. Changes to the beneficial interest in perpetual trusts in 2014 and 2013 are as follows:

	2014	2013
Beginning balance	$ 3,126,165	$ 2,782,778
Investment income from beneficial interests in perpetual trusts	107,588	120,462
Distributions from beneficial interests in perpetual trusts	(107,588)	(120,482)
Net valuation gain	41,399	343,407
Ending balance	$ 3,167,564	$ 3,126,165

The carrying amounts of cash and cash equivalents and certificates of deposit approximate fair value due to the short-term nature of those instruments.

Common stock is valued using quoted market prices in active markets.

Mutual funds are valued at fair value based on quoted market prices which are considered Level 1 inputs.

Fixed income securities and U.S. government obligations are valued using quoted market prices of similar securities, which are considered Level 2 inputs.

Commingled funds are valued based on the current market values of the underlying assets reported by the investment advisor using audited financial statements of the funds at year end using net asset value ("NAV") of shares held.

The following information relates to the commingled pools and discusses the nature and risk of the investments and whether they have redemption restrictions.

	December 31, 2014 Fair Value (in 000's)	December 31, 2013 Fair Value (in 000's)	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity funds	$ 8,969,373	$ -	Monthly	6-15 days
Fixed income funds	14,508,639	-	Daily or Monthly	10-15 days

Equity funds' strategy is to achieve long-term growth primarily by investing in a diversified portfolio of global equity securities.

Fixed income funds' strategy is to achieve income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities.

Alternative investments are valued using unobservable inputs, which are considered Level 3 inputs and are discussed in Note 2.

The fair value of the notes receivable is not disclosed because the repayment terms on these notes are based on the timing of future events which is currently unknown making estimation of fair value impractical.

The fair value of the Series 1998A bonds approximates the carrying value as reported in the consolidated balance sheet due to current market interest rates. The fair value of the Series 2010, Series 2011A, Series 2011B, Series 2012A bonds, Series 2012B, Series 2013 and Series 2014 approximate carrying value, since these bonds are at a variable interest rate. It is generally not practicable to estimate the fair value of the company's mortgage payable to HUD and Affordable Housing Program loans since terms could not be duplicated in the market and estimating fair values may result in inappropriate amounts.

The Company measures its derivative financial instruments at fair value based on proprietary models of the maker of the instrument based upon estimated future cash flows and forecasted interest rate yields. This value represents the estimated amount the Company would receive or pay upon termination of the agreements, taking into consideration current interest rates.

7. Notes Receivable

Notes receivable consist of the following at December 31:

	2014	2013
Mortgage note receivable from former officer, collateralized by life insurance policies, and to be paid from receipt of life insurance proceeds, non-interest bearing	$ 860,000	$ 860,000
Mt. Holly Senior Housing, LP, fourth mortgage loan, accrues interest at 5.0% per annum, with payments made from available cash flow, and payable in full December 31, 2037	100,540	100,540
Butler Senior Citizens Housing, LP, second mortgage loan receivable, accrues interest at 4.8% per annum, payments made from available cash flow, and payable in full December 31, 2037	1,338,867	1,338,867
Howell Senior Citizens Housing, LP, second mortgage loan receivable, accrues interest at 4.8% per annum, payments made from available cash flow, and payable in full December 31, 2037	2,103,355	2,103,355
Ramsey Senior Citizens Housing, LP, second mortgage loan receivable, accrues interest at 4.8% per annum, payments made from available cash flow, and payable in full December 31, 2037	2,713,413	2,713,413
Wall Senior Citizens Housing, LP, second mortgage loan receivable, accrues interest at 4.8% per annum, payments made from available cash flow, and payable in full December 31, 2037	$ 1,219,893	$ 1,219,893
Plainfield Senior Citizens Housing, LP, second mortgage loan receivable, accrues interest at 4.89% per annum, payments made from available cash flow, and payable in full December 31, 2038	1,624,315	1,624,315

	2014	2013
Mt. Holly Senior Housing, LP, note receivable, accrues interest at 0.0% per annum, with payments made from available cash flow, and payable in full December 31, 2037	47,172	47,172
Asbury Senior Citizens Housing, LP, fourth mortgage loan receivable, accrues interest at 4.6%. Payment shall be due and payable on June 26, 2049 (the fortieth anniversary of the final certificate of occupancy for the project)	6,866,901	6,866,901
Asbury Senior Citizens Housing, LP, fourth mortgage loan receivable, accrues interest at 0.25%. Payment shall be due and payable on June 26, 2049 (the fortieth anniversary of the final certificate of occupancy for the project)	885,000	885,000
Asbury Senior Citizens Housing, LP, fourth mortgage loan receivable, accrues interest at 0.25%. Payment shall be due and payable on June 26, 2049 (the fortieth anniversary of the final certificate of occupancy for the project)	2,894,866	2,894,866
Asbury Senior Citizens Housing, LP, fourth mortgage loan receivable, accrues interest at 0.25%. Payment shall be due and payable on June 26, 2049 (the fortieth anniversary of the final certificate of occupancy for the project)	6,000,000	6,000,000
Accrued interest	5,132,089	4,528,941
Notes receivable	$ 31,786,411	$ 31,183,263

8. Property and Equipment

Property and equipment consist of the following at December 31:

	2014	2013
Land and land improvements	$ 23,624,746	$ 23,444,257
Buildings and improvements	493,171,909	483,177,466
Rental property	88,371,727	88,088,664
Furniture and fixtures	23,794,900	22,587,413
Equipment	27,878,447	25,624,024
Leasehold improvements	135,163	409,620
Total	656,976,892	643,331,444
Less accumulated depreciation	305,608,570	283,333,861
Construction in progress	3,476,487	1,406,763
Property and equipment, net	$ 354,844,809	$ 361,404,346

Equipment includes equipment held under capital lease obligations with a carrying value of $580,798 and $395,338 at December 31, 2014 and 2013, respectively.

Included in construction in progress as of December 31, 2014 and 2013 is $148,363 and $143,145, respectively, of retainage payable. Also included in construction in progress is $110,333 and $598,892 of capitalized interest as of December 31, 2014 and 2013, respectively.

Depreciation expense was $23,796,448 and $20,671,554 during 2014 and 2013, respectively. During 2014 and 2013 certain property and equipment was disposed of, reducing accumulated depreciation by $1,521,739 and $6,263, respectively.

9. Long-Term Debt

Long-term debt consists of the following at December 31:

	2014	2013
New Jersey Economic Development Authority ("NJEDA") Fixed Rate Revenue Bonds, Presbyterian Homes & Services of New Jersey 1998 Obligated Group, Series 1998A tax-exempt bonds with maturities through 2019 and interest at 5.31% per annum	$ 8,452,636	$ 10,256,261
NJEDA, Series 2004A fixed rate Revenue Refunding Bonds (the "2004A Bonds"), issued on behalf of Winchester Gardens. The bonds were fully redeemed in 2014.	-	28,535,000

	2014	2013
NJEDA, Series 2004B variable rate Revenue Refunding Bonds (the “2004B Bonds”), issued on behalf of Winchester Gardens. The bonds were fully redeemed in 2014.	$ -	$ 7,330,000
NJEDA Variable Rate Revenue Bonds, Springpoint Senior Living Obligated Group, Series 2010 bank qualified tax-exempt bonds with maturities through 2035. The bonds have a variable interest rate of 1 month LIBOR x 65% plus 179 basis points. As of December 31, 2014 the rate was 1.90%	27,127,200	27,892,800
Affordable Housing Program loans due October 8, 2017, February 10, 2020 and March 1, 2024, bearing no interest	2,336,140	2,336,140
NJEDA Revenue Bonds, Series 2011A tax-exempt, issued on behalf of the Atrium, with first tender date in 2016. The bonds have a variable interest rate of the sum of 1 month LIBOR plus 400 basis points x 82%. As of December 31, 2014 the rate was 3.41%	10,000,000	10,000,000
NJEDA Revenue Bonds, Series 2011B tax-exempt, issued on behalf of the Atrium, with first tender date in 2016. The bonds have a variable interest rate of the sum of 1 month LIBOR plus 200 basis points x 82%. As of December 31, 2014 the rate was 1.77%	10,000,000	10,000,000
NJEDA Variable Rate Revenue Bonds, Series 2012A tax-exempt, issued on behalf of Montgomery, with first tender date in 2018. The bonds have a variable rate of the 1 month LIBOR x 80% plus 195 basis points. As of December 31, 2014 the rate was 2.07%	31,245,000	31,630,000
NJEDA Variable Rate Revenue Bonds, Series 2012B tax-exempt, issued on behalf of Montgomery, with first tender date in 2018. The bonds have a variable rate of the sum 1 month LIBOR plus 275 basis points X 69%. As of December 31, 2014 the rate was 2.00%	18,785,000	19,380,000
Variable Rate Revenue Bonds, Springpoint Senior Living Obligated Group, Series 2013 taxable bonds with first tender date in 2018. The bonds have a variable interest rate of 1 month LIBOR plus 135 basis points. As of December 31, 2014 the rate was 1.52%	40,150,000	40,150,000

	2014	2013
NJEDA, Series 2014 variable rate Revenue Refunding Bonds (the “Series 2014 Bonds”), issued on behalf of Winchester Gardens, due in varying annual installments through November 2034. The bonds have a variable rate of the sum of 1 month LIBOR plus 145 basis points x 69%. As of December 31, 2014 the rate was 1.12%	$ 31,165,000	$ -
Capital lease obligations	580,798	395,338
Total	179,841,774	187,905,539
Less:		
Original issue discount	-	56,949
Current maturities	5,461,332	4,941,443
Long-term debt, net	$ 174,380,442	$ 182,907,147

On December 28, 1998, the NJEDA issued, on behalf of the 1998 Obligated Group, $29,600,000 Series 1998A Fixed Rate Revenue Bonds (“Series 1998A bonds”). All members of the 1998 Obligated Group are jointly and severally liable for all outstanding obligations with respect to the 1998 bonds.

The proceeds from the Series 1998A bonds were allocated to each member of the 1998 Obligated Group based on their direct use of the proceeds. The total proceeds from the Series 1998A bonds were used to (a) finance a portion of the purchase of the Crestwood facility; (b) refinance various existing mortgages; (c) finance renovations to certain properties owned and operated by the 1998 Obligated Group; (d) fund a debt service reserve fund; and (e) pay certain costs associated with the issuance of the Series 1998A bonds. The Series 1998A bonds and Series 2013 Bonds are collateralized by certain property with an approximate net book value of $121,837,512 and $123,659,545 at December 31, 2014 and 2013, respectively, and a pledge of gross receipts of the 1998 Obligated Group.

On January 15, 2004, the NJEDA issued, on behalf of Winchester Gardens, $45,810,000 Series 2004 Bonds, consisting of $35,810,000 2004A Bonds and $10,000,000 2004B Bonds. The bonds were repaid during 2014 with proceeds from the issuance of the Series 2014 bonds. The unamortized original issue discount of $54,287 was written off during 2014 and is reported as part of the loss on refinancing in the 2014 statement of operations and changes in net deficit.

Winchester Gardens entered into an irrevocable letter-of-credit agreement with a bank to secure the 2004B Bonds. In connection with the refunding of the 2004B Bonds, the letter-of-credit agreement was terminated.

During 2010, the 1998 Obligated Group entered into a supplemental loan and trust agreement to provide for the issuance of parity debt and allow for such parity debt to be secured by collateral securing all other obligations of the 1998 Obligated Group. As permitted by the agreement, on December 14, 2010, the NJEDA issued, on behalf of the 1998 Obligated Group, $30,000,000 Series 2010 Variable Rate Revenue Bonds ("Series 2010 bonds"). These bonds are bank qualified bonds and were all purchased by financial institutions. The bonds amortize monthly on a 25 year amortization schedule with first tender date in 2018. There are provisions in the bond documents to extend the balloon payment subject to approval of the borrower and the lender. All members of the 1998 Obligated Group are jointly and severally liable for all outstanding obligations with respect to the Series 2010 bonds.

The proceeds from the Series 2010 Bonds were allocated to members of the 1998 Obligated Group based on their direct use of the proceeds. The total proceeds from the Series 2010 Bonds were used to (a) finance renovations to certain properties owned and operated by the 1998 Obligated Group and (b) to finance certain costs of issuance of the 2010 Bond.

The Company has entered into note agreements with banks under the Affordable Housing Program ("AHP") of the Federal Home Loan Bank of New York whereby Bank of America and TD Bank advanced to the Company an amount not to exceed $778,780 each for development of Franklin, Stafford and Dover. The notes are collateralized by security agreements on the real estate owned by the Company. The notes bear no interest and are not required to be repaid so long as the housing remains available to eligible very low-income elderly persons or very low-income persons for a period of 15 years in accordance with federal regulations which govern the operations of AHP. The maturity dates of the notes are October 8, 2017, February 10, 2020 and March 1, 2024 for Franklin, Stafford and Dover, respectively. If the Company defaults on the notes, interest will be payable at a default rate of interest and shall be due on demand.

On December 9, 2011, the NJEDA issued on behalf of the Atrium, $20,000,000 Variable Rate Revenue Bonds (the "Series 2011 bonds"), which consist of $10,000,000 Series 2011A and $10,000,000 Series 2011B, with first tender dates in 2016. Proceeds from the Series 2011 bonds were used to pay off a bank loan; pay off a portion of an SSL note; and pay certain costs incurred in connection with the issuance of the Series 2011 Bonds; and pay certain costs associated with the issuance of the bonds. The Series 2011 bonds are collateralized by substantially all property and equipment, a pledge of gross receipts and all net entrance fees (first priority on the existing building entrance fees, second priority on the new building entrance fees).

On November 1, 2012, the NJEDA issued on behalf of Montgomery, $52,735,000 Variable Rate Revenue Bonds (the "Series 2012 bonds"), which consist of $32,735,000 Series 2012A and $20,000,000 Series 2012B, with first tender dates in 2018. Proceeds from the Series 2012 bonds were used to refund the 2001A Fixed Rate Revenue Bonds; pay certain costs incurred in connection with the issuance of the Series 2012 Bonds; and finance certain improvements to the property owned and operated by Montgomery. The Series 2012 bonds are collateralized by substantially all property and equipment of Montgomery and a pledge of gross receipts.

On July 25, 2013, the 1998 Obligated Group entered into a supplemental loan and trust agreement to issue the Series 2013 bonds for the purpose of refinancing existing bonds. As permitted by the agreement, the $40,150,000 Series 2013 Variable Rate Revenue Bonds were issued. ("Series 2013 bonds"). These bonds are direct purchase bonds with first tender date in 2018, and were all purchased by financial institutions.

On November 1, 2014, the NJEDA issued on behalf of Winchester Gardens, $31,285,000 Series 2014 bonds. Proceeds from the Series 2014 bonds were used to refund the 2004A Bonds and the 2004B Bonds and pay certain costs incurred in connection with the issuance of the Series 2014 Bonds. The Series 2014 bonds are collateralized by substantially all property and equipment of Winchester Gardens and a pledge of gross receipts.

Scheduled maturities of long-term debt are as follows:

Years ending December 31:	
2015	$ 5,461,332
2016	5,640,661
2017	5,776,619
2018	4,639,964
2019	4,713,200
Thereafter	153,609,998
Total	$ 179,841,774

Under the terms of the respective loan agreements, the 1998 Obligated Group, Montgomery, The Atrium and Winchester Gardens are required to maintain certain financial ratios and to be in compliance with other restrictive covenants. The 1998 Obligated Group, Montgomery, The Atrium and Winchester Gardens were in compliance with all financial covenants at December 31, 2014.

10. Derivative Financial Instruments

In connection with certain bonds, the 1998 Obligated Group, The Atrium, Montgomery and Winchester Gardens have entered into interest rate swap agreements with a financial institution which are considered derivative financial instruments. The objective of these swap agreements was to minimize the risks associated with financing activities by reducing the impact of changes in the interest rates on variable rate debt. The swap agreement is a contract to exchange variable rate for fixed rate payments over the term of the swap agreement without the exchange of the underlying notional amount. The notional amount of the swap agreement is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable amount, if any, which may be generated as a result of the swap agreement. Management believes that losses related to credit risk are remote and that the swaps are continuing to function as intended.

The net cash paid or received under the swap agreement is recognized as an adjustment to unrestricted net assets. The 1998 Obligated Group, The Atrium, Montgomery and Winchester Gardens do not utilize interest rate swap agreements or other financial instruments for trading or other speculative purposes.

Changes in fair value of the interest rate swap agreements are recorded as a change in fair value of derivative financial instruments. The change in fair value on derivative financial instruments was $(1,527,443) in 2014 and $2,431,480 in 2013.

During the year ended December 31, 2014, the 1998 Obligated Group had the following interest rate swaps in effect:

Notional Amount	Fixed Rate	Variable Rate	Period
$40,150,000	2.87%	USD-LIBOR (0.17% at December 31, 2014)	July 2013 to August 2018
$27,127,200	1.09%	USD-LIBOR (0.17% at December 31, 2014)	October 2013 to November 2018

The fair value of the interest rate swap agreements was $(2,528,791) at December 31, 2014 and $(2,679,397) at December 31, 2013 and was obtained from the financial institution.

During the year ended December 31, 2014, the Atrium had the following interest rate swaps in effect:

Notional Amount	Fixed Rate	Variable Rate	Period
$10,000,000	1.14%	USD-LIBOR x 82% (0.14% at December 31, 2014)	December 2012 to December 2016
$10,000,000	1.14%	USD-LIBOR x 82% (0.14% at December 31, 2014)	December 2012 to December 2016

The fair value of the interest rate swap agreements was $(200,035) at December 31, 2014 and $(305,795) at December 31, 2013 and was obtained from the financial institution.

During the year ended December 31, 2014, Montgomery had the following interest rate swaps in effect.

Notional Amount	Fixed Rate	Variable Rate	Period
$31,245,000	2.723%	USD-LIBOR x 80% plus 195 basis points (2.07% at December 31, 2014)	November 2012 to January 2018
$18,785,000	2.61%	Sum of USD-LIBOR plus 275 basis points x 69% (2.0% at December 31, 2014)	November 2012 to January 2018

The fair value of the interest rate swap agreements was $162,422 at December 31, 2014 and $379,511 at December 31, 2013 and was obtained from the financial institution.

During the year ended December 31, 2014, Winchester Gardens had the following interest rate swap in effect:

Notional Amount	Fixed Rate	Variable Rate	Period
$31,063,000	3.04%	USD-LIBOR x 69% plus 100 basis points (1.12% at December 31, 2014)	December 2014 to November 2029

The fair value of the interest rate swap agreements was $(1,566,720) at December 31, 2014 and was obtained from the financial institution.

11. Construction Line of Credit

On December 9, 2011, the Atrium entered into a $25,000,000 construction line of credit ("Construction Line") with a commercial bank that matures in January 2016. The interest rate at December 31, 2014 was 2.0% on the remaining balance. The line was issued to provide financing for the construction of 60 new independent living units. Borrowings on the Construction Line were $7,202,593 at December 31, 2014 and $15,410,523 at December 31, 2013. The line is collateralized by substantially all property and equipment, a pledge of gross receipts, and all net entrance fees.

Under the terms of the above agreement, the Atrium is required to maintain certain financial ratios and to be in compliance with other restrictive covenants. As of December 31, 2014, the Atrium was in compliance with all financial covenants. The Atrium did not comply with certain covenants at December 31, 2013, however the covenants were waived.

On November 1, 2012, Montgomery entered into a $7,265,000 construction line of credit ("Construction Line") with a commercial bank that matures in December 2037. The interest rate at December 31, 2014 was 3.44%. The line was issued to provide financing for renovations to the fitness center, healthcare center and common areas, as well as pay down a portion of a bank loan (see Note 8). Borrowings on the Construction Line were $889,825 and $1,585,206 at December 31, 2014 and 2013, respectively. The line is collateralized by substantially all property and equipment and a pledge of gross receipts.

Under the terms of the above agreement, Montgomery is required to maintain certain financial ratios and to be in compliance with other restrictive covenants. Montgomery was in compliance with all financial covenants at December 31, 2014 and 2013.

Scheduled maturities for the construction line of credit based on the expected draw down are as follows:

Years ending December 31:	
2015	$ 1,232,514
2016	1,282,851
2017	1,336,443
2018	1,391,662
2019	1,326,149
Total	$ 6,569,619

On November 1, 2014, Winchester Gardens entered into a $12,215,000 construction line of credit ("Construction Line") with a commercial bank that matures in December 2024. The interest rate at December 31, 2014 was 1.46%. The line was issued to provide financing for renovations to the healthcare center and common areas, as well as pay certain costs related to the financing and establish a liquid reserve fund (see note 15). Borrowings on the Construction Line were $2,470,000 at December 31, 2014. The line is collateralized by substantially all property and equipment and a pledge of gross receipts.

Under the terms of the above agreement, Winchester Gardens is required to maintain certain financial ratios and to be in compliance with other restrictive covenants. Winchester Gardens was in compliance with all financial covenants at December 31, 2014.

Scheduled maturities for the construction line of credit based on the expected draw down are as follows:

Years ending December 31:	
2017	$ 124,000
2018	1,508,000
2019	1,587,000
Thereafter	8,996,000
Total	$ 12,215,000

12. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets of $7,796,434 and $7,321,338 at December 31, 2014 and 2013, respectively, are donor restricted amounts for the benefit of residents and development of SSL affiliates.

Temporarily restricted net assets are held for the following purposes:

	2014	2013
Split-interest agreements	$ 1,634,862	$ 1,593,285
Restricted for the benefit of residents and community needs	6,161,572	5,728,053
Total	$ 7,796,434	$ 7,321,338

Permanently restricted net assets of $3,336,316 and $3,294,917 at December 31, 2014 and 2013, respectively, represent donor-restricted investments to be held in perpetuity for the benefit of the Foundation. Included in permanently restricted net assets are amounts which represent the Foundation's beneficial interest in certain perpetual trusts which are held by third-party trustees.

13. Capital Advances

The Company has entered into capital advance agreements with HUD, whereby HUD will advance the Company an amount not to exceed $81,686,800 for development of various projects. The capital advances are due to the Federal Housing Administration and are collateralized by a deed of trust on the rental property of such projects. The capital advances bear no interest and will not be required to be repaid so long as the housing remains available to eligible very low-income elderly persons or very low-income persons with disabilities for a period of 40 years in accordance with Section 202 of the National Housing Act of 1959. The maturity dates of the agreements range from September 13, 2035 to December 25, 2050.

As of December 31, 2014 and 2013, the capital advances received totaled $80,835,527, which has been reported as a noncurrent liability in the consolidated balance sheet.

14. Retirement Plans

SSL and its affiliates (excluding Winchester Gardens) sponsor a 401(k) defined contribution plan (the “Plan”). Under the Plan, SSL and its affiliates make annual contributions to the Plan of 3% of each participant’s annual compensation (“Safe Harbor”), as defined by the Plan. Employees are eligible to participate in the plan upon completion of one year of service and at least 1,000 hours. Employees become 100% vested in both Safe Harbor and employee contributions immediately upon their participation. The Plan provides for SSL and its affiliates to match 50% of the employee contributions not to exceed 3% of annual compensation. The employer matching contributions are subject to a five-year vesting schedule.

Winchester Gardens sponsors a defined contribution 401(k) plan (the “Plan”). Employees are eligible to participate in the plan if they are at least 21 years of age and have worked at least 1,000 hours in the previous calendar year. The Plan provides for Winchester Gardens to match 100% of the employee contributions not to exceed 3% of annual compensation, and 50% of the employee contributions on an additional 2% of annual compensation. Employees become 100% vested in both employee and employer contributions immediately upon their participation. On December 31, 2014 the Plan was frozen to new participants. On January 1, 2015, eligible employees will begin making contributions to the Springpoint Senior Living, Inc. 401(k) plan.

In 2005, SSL initiated a Supplemental Executive Retirement Plan (“SERP”). During 2014 and 2013, the SERP funding was approximately $83,000 and $80,000, respectively, and carried a balance of approximately $701,000 and $581,000 at December 31, 2014 and 2013, respectively.

Pension expense under the Plan and the SERP was approximately $1,803,000 and $1,794,000 for the years ended December 31, 2014 and 2013, respectively.

Additionally, Meadow Lakes has a defined benefit pension plan covering substantially all of its union employees (the “Union Plan”). Benefits under the Union Plan are based on a collective bargaining agreement. Meadow Lakes’ funding policy is to contribute amounts sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974 and any additional amounts as determined by the actuary. Effective December 31, 2000, the Board of Trustees and the union, UFCW Local 152 (formerly Local 56), agreed to freeze the benefit accruals under the Union Plan. The UFCW Local 56 employees became eligible to participate in the Plan effective January 1, 2001.

The following table is a reconciliation of the beginning and ending balances of the Company's Union Plan projected benefit obligation and fair value of plan assets at December 31, 2014 and 2013:

	2014	2013
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 938,893	$ 985,207
Interest cost	41,382	41,108
Service cost	2,309	2,264
Actuarial loss (gain)	146,896	(25,753)
Benefits paid	(94,053)	(63,933)
Projected benefit obligation at end of year	1,035,427	938,893
Change in plan assets:		
Fair value of plan assets at beginning of year	726,775	667,337
Actual return on plan assets	14,347	90,967
Employer contribution	32,404	32,404
Benefits paid	(94,053)	(63,933)
Fair value of plan assets at end of year	679,473	726,775
Funded status at end of year	$ (355,954)	$ (212,118)

Amounts recognized in the balance sheet at December 31:

	2014	2013
Accrued expenses	$ (355,954)	$ (212,118)

Amounts recognized in net assets, unrestricted at December 31:

	2014	2013
Unrecognized net loss	$ 459,432	$ 335,263

A net actuarial loss of $305,091 represents the unrecognized component of net periodic pension cost at December 31, 2014.

An actuarial loss of $44,486 is expected to be recognized in net periodic pension cost in the next fiscal year.

The accumulated benefit obligation at December 31, 2014 and 2013 is $1,035,427 and $938,893, respectively.

The measurement date used to determine the fair value of the pension plan assets and projected benefit obligation was December 31.

The components of net periodic pension expense for 2014 and 2013 are as follows:

	2014	2013
Service cost	$ 2,309	$ 2,264
Interest cost	41,382	41,108
Expected return on plan assets	(21,792)	(20,231)
Amortization of net loss	30,172	47,604
Total	$ 52,071	$ 70,745

Weighted-average assumptions used to determine the benefit obligation at December 31, 2014 and 2013 are as follows:

	2014	2013
Discount rate	4.00 %	4.50 %
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic (benefit) pension cost at December 31, 2014 and 2013 are as follows:

	2014	2013
Discount rate	4.50 %	4.25 %
Expected long-term rate of return on plan assets	3.00	3.00

The expected long-term rate of return on plan assets assumption of 3.0% was selected based on the guaranteed rate of return of the group annuity contracts.

The following table for the Union Plan sets forth the actual asset allocation and target asset allocation for plan assets at December 31, 2014 and 2013:

	2014	2013	Target Asset Allocation Range
Common stock	29 %	27 %	0-15%
Unallocated insurance contract	71	73	85-100%
Total	100 %	100 %	

The Company's investment policy is designed to achieve the following long-term investment objectives:

- To maintain or exceed a target funding level of 100% of the Union Plan's liabilities, defined as the market value of the portfolio assets as a percentage of the accumulated benefit obligation including a target allocation of a conservative mix of investments, and

- To achieve a long-term rate of return of 3.00% as established by the Union Plan's actuarial consultant.

The following tables summarize instruments measured at fair value on a recurring basis for the Plan at December 31, 2014 and 2013:

	Assets at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Common stock	$ 194,562	$ -	$ -	$ 194,562
Unallocated insurance contract	-	-	484,911	484,911
Total	$ 194,562	$ -	$ 484,911	$ 679,473

	Assets as Fair Value as of December 31, 2013			
Common stock	$ 193,951	$ -	$ -	$ 193,951
Unallocated insurance contract	-	-	532,824	532,824
Total	$ 193,951	$ -	$ 532,824	$ 726,775

The following table presents the change in fair value for the unallocated insurance contact:

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)	
	2014	2013
Balance, beginning of year	$ 532,824	$ 548,852
Additional deposits	32,404	32,404
Dividends	3,507	3,633
Change in value	10,229	11,869
Expenses	(1,982)	(2,210)
Payments	(92,071)	(61,724)
Balance, end of year	$ 484,911	$ 532,824

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014.

Common stock is valued based on quoted prices from an active market for identical assets.

Unallocated investment contract is valued based on unobservable inputs, as observable inputs are not available, using valuation methodologies to determine fair value to include discounted cash flows and other similar techniques.

The preceding methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ending December 31:	
2015	$ 28,111
2016	32,262
2017	32,979
2018	35,364
2019	36,309
Thereafter	256,293
Total	$ 421,318

The Company anticipates making a contribution of $32,304 the Union Plan during 2014.

15. Commitments and Contingencies

SSL leases office space and equipment through noncancelable operating leases. The total rental expense under these leases was $549,436 and $505,486 for the years ended December 31, 2014 and 2013, respectively. The future minimum rental commitment under these noncancelable leases is as follows:

2015	$ 544,090
2016	531,975
2017	509,763
2018	501,844
2019	333,764
Thereafter	-
Total	$ 2,421,436

Meadow Lakes, Monroe, Crestwood, Montgomery, The Atrium and Marcus L. Ward Home are regulated by the New Jersey Department of Community Affairs ("DCA") pursuant to the Continuing Care Retirement Community Regulation and Financial Disclosures Act (the "Act"). The Act requires, among other things, that these affiliates establish and maintain a liquid reserve fund which is calculated as the greater of the following years debt service or 15% of the projected operating expenses, excluding depreciation and amortization and expenses related to private pay residents. Funds held under bond indenture agreements can be used to satisfy the requirement. The entities have complied with the requirements at December 31, 2014 and 2013.

The Foundation is obligated under a deferred compensation agreement to pay an $860,000 death benefit to a former employee. In March 2005, a $1,000,000 life insurance policy on the former employee was purchased by the Foundation. Concurrent with obtaining the life insurance policy, the Foundation acquired an annuity in the amount of $500,000 and expects that the annuity rate of return will fund a majority of the insurance premiums. Upon the former employee's death and the subsequent payment of the $1,000,000 life insurance proceeds, $500,000 will be retained by the Foundation as reimbursement of the forfeited annuity, with the remaining $500,000 being paid to the estate of the former employee to satisfy the deferred compensation agreement. The remaining death benefit of $360,000, which is not covered under the insurance policy, is recorded in other liabilities at its net present value, which is $360,000 at December 31, 2014 and 2013, respectively. In addition, upon settlement of the estate of the former employee receiving the deferred compensation identified above, a portion of the total death benefit, $360,000, is to be remitted back to the Foundation to satisfy his note to the Foundation.

Commitments under agreements for various construction projects totaled approximately $5,996,000 at December 31, 2014 and $1,262,000 at December 31, 2013.

SSL and the Foundation are Guarantors of Asbury Senior Citizens Housing, LP ("ASCH"). ASCH's primary purpose is to operate an affordable senior housing community in New Jersey. As Guarantors, they guarantee compliance of the General Partner, Affordable Housing Solutions ("AHS"), with respect to Operating Deficit Contributions, Credit Adjuster Advances, and the purchase of limited partner interest as defined in the Partnership Agreement. This guarantee is limited to $1.7 million and is projected to expire in 2015. Additionally, a guarantee of commercial space income has been provided for $60,068 annually. This guarantee will expire when the Compliance Period has ended as defined in the Partnership Agreement.

SSL and the Foundation are Guarantors of Robert Noble Manor, LP ("RNM"). RNM's primary purpose is to operate an affordable senior housing community in New Jersey. As Guarantors, they guarantee compliance of the General Partner (Robert Noble Manor, LLC) and South Amboy Renaissance Corporation, with respect to achievement of Stabilized Operations, repurchase, recapture, tax credit adjusters, operating deficits, resizing of any of the permanent financing, and certain representations and warranties. This guarantee is projected to expire in 2016.

SSL is the Guarantor of Butler Senior Citizens Housing, LP ("BSCH"), Wall Senior Citizens Housing, LP ("WSCH"), Ramsey Senior Citizens Housing, LP ("RSCH"), Howell Senior Citizens Housing, LP ("HSCH"), and Mount Holly Senior Citizens Housing, LP ("MHSCH"). The primary purpose of each of these entities is to operate affordable senior housing communities in New Jersey. SSL guarantees compliance of the General Partner, AHS, with respect to Operating Deficit Contributions, Credit Adjuster Advances, and the purchase of limited partner interest as defined in each Partnership Agreement.

The senior living services industry is subject to numerous laws, regulations, and administrative directives of federal, state, and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity has continued to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance.

Nursing services provided to Medicaid program beneficiaries are paid at prospectively determined rates per day. The rates are determined using state-wide nursing facility cost information and Montgomery’s cost information from a prior year. The reimbursement methodology is subject to various limitations and adjustments.

Prior to July 1, 2014, nursing services provided to Medicaid program beneficiaries were paid at prospectively determined rates per day ("Case Mix Rates"). These Case Mix Rates varied according to a resident classification system that was based on clinical, diagnostic, and other factors and the reimbursement methodology was subject to various limitations and adjustments. Effective July 1, 2014, the State of New Jersey (the “State”) changed the Medicaid reimbursement system for nursing facilities to a managed care reimbursement model. Under this new model, the State provides funding to managed care organizations (“MCOs”) to coordinate all healthcare services, including long-term care services, for Medicaid beneficiaries. In turn, the MCOs will reimburse nursing facilities for services rendered. The reimbursement received by the nursing facilities is negotiated between the MCOs and the nursing facilities. For the period July 1, 2014 through June 30, 2015, the Case Mix Rates in effect on June 30, 2014 are the minimum amounts that will be received by nursing facilities for services rendered. The possible future financial effects of this matter on Montgomery are not presently determinable.

SSL actively engages in evaluating new business opportunities as they present themselves. As such, SSL from time to time may enter into contractual arrangements for the development or acquisition of new communities. These new business opportunities may require the guarantee of SSL, or one or more of its affiliates.

The Company participates in self-insured workers compensation, unemployment and health insurance programs. The Company estimates self-insurance reserves based upon fully developed case reserves that are actuarially determined. These estimates are based on historical loss experience along with certain assumptions about future events. Changes in assumptions for such things as medical costs, as well as changes in actual loss experience could cause these estimates to change in the near term. The Company recognized expense of approximately $9,572,432 and $10,648,000 for the years ending December 31, 2014 and 2013, respectively. These amounts are included in the various departmental expense categories in the accompanying consolidated financial statements.

16. Concentrations

The Company grants credit without collateral to its residents, most of whom are local residents and some of whom are insured under third-party payor agreements. Concentrations of gross accounts receivable from residents and third-party payors are as follows:

	2013	2012
Medicare	12 %	11 %
Medicaid	6	5
Self-pay residents and other	82	84
Total	100 %	100 %

Meadow Lakes has entered into a collective bargaining agreement with the United Food and Commercial Workers Union, Local 152 (formerly Local 56) (the "Agreement"). The Agreement covers approximately 85% of Meadow Lakes' labor force and expires May 8, 2016.

The Company maintains cash accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not subject to any significant credit risk on its cash accounts.

17. Rental Assistance Contracts

The Company has entered into various rental assistance contracts with HUD whereby the Company will receive rental assistance payments on behalf of eligible tenants. Such amounts are included in revenue from residential facilities in the consolidated statement of operations and changes in net assets. The initial term of the contracts is 20 years from completion of the housing project.

18. Functional Expenses

The Company provides housing, health care, and other related services to residents within its geographic locations. Expenses related to providing these services are as follows:

	2014	2013
Program services	$ 115,773,585	$ 103,925,863
Management and general	27,670,049	26,454,115
Fundraising	965,549	1,085,432
Total operating expenses	$ 144,409,183	$ 131,465,410

Springpoint Senior Living, Inc. and Affiliates

Consolidating Balance Sheet
December 31, 2014

	Continuing Care Retirement Communities	Affordable Housing Communities	Other Entities	Combined Total	Eliminating and Consolidating Entries	Consolidated Balance
Assets						
Current Assets						
Cash and cash equivalents	$ 33,067,534	$ 790,428	$ 4,717,690	$ 38,575,652	$ -	$ 38,575,652
Current portion of assets whose use is limited	1,168,613	-	33,240	1,201,853	-	1,201,853
Accounts receivable, net	7,439,051	3,755	236,406	7,679,212	-	7,679,212
Due from affiliates	-	-	3,197,784	3,197,784	(3,197,784)	-
Other current assets	2,175,310	107,067	6,291,417	8,573,794	(1,506,993)	7,066,801
Total current assets	43,850,508	901,250	14,476,537	59,228,295	(4,704,777)	54,523,518
Investments	47,949,893	-	29,701,190	77,651,083	(758,808)	76,892,275
Assets Whose Use is Limited	18,999,958	4,797,919	17,642,500	41,440,377	-	41,440,377
Investments Held under Split-Interest Agreements	-	-	5,680,640	5,680,640	-	5,680,640
Investments Held by Others under Split-Interest Agreements	-	-	942,882	942,882	-	942,882
Beneficial Interest in Perpetual Trusts	-	-	3,791,167	3,791,167	(623,603)	3,167,564
Due from Other Affiliates	-	-	6,790,045	6,790,045	(6,790,045)	-
Notes Receivable	-	-	31,786,411	31,786,411	-	31,786,411
Loans Receivable from Affiliate	-	-	27,916,842	27,916,842	(27,916,842)	-
Property and Equipment, Net	291,430,974	62,685,584	4,171,694	358,288,252	(3,443,443)	354,844,809
Goodwill, Net	39,354,441	-	-	39,354,441	-	39,354,441
Deferred Costs and Other Assets, Net	3,697,606	-	3,310,278	7,007,884	-	7,007,884
Total assets	$ 445,283,380	$ 68,384,753	$ 146,210,186	$ 659,878,319	$ (44,237,518)	$ 615,640,801

Springpoint Senior Living, Inc. and Affiliates

Consolidating Balance Sheet
December 31, 2014

	Continuing Care Retirement Communities	Affordable Housing Communities	Other Entities	Combined Total	Eliminating and Consolidating Entries	Consolidated Balance
Liabilities and Net Assets (Deficit)						
Current Liabilities						
Current maturities of long-term debt and capital lease obligations	$ 4,972,609	$ -	$ 488,723	$ 5,461,332	$ -	$ 5,461,332
Current portion of line of credit	889,825	-	-	889,825	-	889,825
Accounts payable	3,800,764	342,494	531,008	4,674,266	-	4,674,266
Accrued expenses	8,971,740	257,423	9,887,209	19,116,372	(2,546,346)	16,570,026
Due to affiliates	851,482	82,498	2,927,473	3,861,453	(3,861,453)	-
Residents' deposits	2,437,270	271,891	5,000	2,714,161	-	2,714,161
Total current liabilities	21,923,690	954,306	13,839,413	36,717,409	(6,407,799)	30,309,610
Long-Term Debt and Capital Lease Obligations	160,975,692	2,336,140	11,068,610	174,380,442	-	174,380,442
Notes Payable to Affiliate	26,600,000	50,000	1,266,842	27,916,842	(27,916,842)	-
Capital Advances	-	80,835,527	-	80,835,527	-	80,835,527
Due to Affiliates	5,087,023	-	-	5,087,023	(5,087,023)	-
Liability for Split-Interest Agreements and Deferred Gift Agreements	-	-	4,526,918	4,526,918	-	4,526,918
Deferred Revenue	-	-	14,752,061	14,752,061	-	14,752,061
Refundable Entrance Fees	233,040,521	-	-	233,040,521	-	233,040,521
Deferred Revenue from Entrance Fees	58,219,767	-	-	58,219,767	-	58,219,767
Construction Line of Credit, Net of Current Portion	9,672,593	-	-	9,672,593	-	9,672,593
Retainage Payable	148,363	-	-	148,363	-	148,363
Derivative Instruments	3,781,995	-	351,129	4,133,124	-	4,133,124
Other Liabilities	-	-	2,313,825	2,313,825	-	2,313,825
Total liabilities	519,449,644	84,175,973	48,118,798	651,744,415	(39,411,664)	612,332,751
Net Assets (Deficit)						
Unrestricted	(76,964,736)	(15,791,220)	89,133,507	(3,622,449)	(4,202,251)	(7,824,700)
Temporarily restricted	2,798,472	-	4,997,962	7,796,434	-	7,796,434
Permanently restricted	-	-	3,959,919	3,959,919	(623,603)	3,336,316
Total net assets (deficit)	(74,166,264)	(15,791,220)	98,091,388	8,133,904	(4,825,854)	3,308,050
Total liabilities and net assets (deficit)	$ 445,283,380	$ 68,384,753	$ 146,210,186	$ 659,878,319	$ (44,237,518)	$ 615,640,801

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Consolidating Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2014

	Continuing Care Retirement Communities	Affordable Housing Communities	Other Entities	Combined Total	Eliminating and Consolidating Entries	Consolidated Balance
Changes in Unrestricted Net Assets (Deficit)						
Revenues and other support:						
Revenue from residential facilities	$ 55,580,052	$ 7,348,374	$ -	$ 62,928,426	$ -	$ 62,928,426
Revenue from healthcare facilities	47,833,661	-	572,035	48,405,696	-	48,405,696
Services to residents	6,659,005	-	263,135	6,922,140	-	6,922,140
Developer and management fees	-	-	9,031,544	9,031,544	(8,490,461)	541,083
Contributions and bequests	402,528	-	883,879	1,286,407	(807,473)	478,934
Interest and dividends	1,182,073	1,669	780,156	1,963,898	(64,248)	1,899,650
Other revenue	2,147,134	434,360	1,285,157	3,866,651	(893,039)	2,973,612
Net assets released from restrictions used for operations	703,185	-	342,194	1,045,379	(49,705)	995,674
Total revenues and other support	114,507,638	7,784,403	13,158,100	135,450,141	(10,304,926)	125,145,215
Expenses:						
Professional care of residents	31,086,713	-	620,919	31,707,632	-	31,707,632
Resident services	3,678,021	-	-	3,678,021	-	3,678,021
Dining services	16,527,640	-	-	16,527,640	(197,542)	16,330,098
Operation and maintenance of facility	22,724,783	3,825,048	72,683	26,622,514	-	26,622,514
Housekeeping and laundry	5,529,130	-	-	5,529,130	-	5,529,130
Administrative and general	10,594,902	2,390,745	9,118,912	22,104,559	(491,043)	21,613,516
Resident assistance and program services	-	-	1,652,794	1,652,794	(857,178)	795,616
Marketing	3,822,171	-	988,248	4,810,419	-	4,810,419
Insurance	1,499,472	285,982	91,098	1,876,552	-	1,876,552
Springpoint Senior Living, Inc. management fee	7,249,195	510,510	783,067	8,542,772	(8,542,772)	-
Interest	6,352,329	-	520,579	6,872,908	(64,248)	6,808,660
Provision for bad debts	318,106	-	17,005	335,111	-	335,111
Total expenses	109,382,462	7,012,285	13,865,305	130,260,052	(10,152,783)	120,107,269
Operating income (loss)	5,125,176	772,118	(707,205)	5,190,089	(152,143)	5,037,946
Change in unrealized gains and losses on investments	(3,269,912)	-	(220,876)	(3,490,788)	-	(3,490,788)
Net realized gains and losses on investments	4,498,706	-	1,781,626	6,280,332	-	6,280,332
Amortization of entrance fees	11,358,406	-	-	11,358,406	-	11,358,406
Change in fair value of derivative financial instruments	(1,539,823)	-	12,380	(1,527,443)	-	(1,527,443)
Loss on disposal of fixed assets	13,463	-	(1,379)	12,084	-	12,084
Net asset transfer	-	-	81,977	81,977	(81,977)	-
Loss on refinancing	(690,526)	-	-	(690,526)	-	(690,526)
Depreciation and amortization	(21,616,188)	(2,291,664)	(518,843)	(24,426,695)	124,781	(24,301,914)
Revenues and other support (less than) in excess of expenses	(6,120,698)	(1,519,546)	427,680	(7,212,564)	(109,339)	(7,321,903)
Pension liability adjustment	(124,169)	-	-	(124,169)	-	(124,169)
Change in future services obligation	111,000	-	-	111,000	-	111,000
Change in unrestricted net assets	$ (6,133,867)	$ (1,519,546)	$ 427,680	$ (7,225,733)	$ (109,339)	$ (7,335,072)

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Consolidating Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2014

	Continuing Care Retirement Communities	Affordable Housing Communities	Other Entities	Combined Total	Eliminating and Consolidating Entries	Consolidated Balance
Changes in Temporarily Restricted Net Assets						
Contributions	$ 731,895	$ -	$ 516,771	$ 1,248,666	$ (49,705)	$ 1,198,961
Change in value of split-interest agreements	-	-	41,577	41,577	-	41,577
Investment income	82,192	-	194,731	276,923	-	276,923
Net unrealized loss on investments	(46,691)	-	-	(46,691)	-	(46,691)
Net assets released from restrictions for operations	(703,185)	-	(342,194)	(1,045,379)	49,705	(995,674)
Net asset transfer	-	-	-	-	-	-
Increase in temporarily restricted net assets	64,211	-	410,885	475,096	-	475,096
Changes in Permanently Restricted Net Assets						
Change in value of perpetual trusts	-	-	34,346	34,346	7,053	41,399
Increase in permanently restricted net assets	-	-	34,346	34,346	7,053	41,399
Change in unrestricted net assets (deficit)	(6,069,656)	(1,519,546)	872,911	(6,716,291)	(102,286)	(6,818,577)
Net Assets (Deficit), Beginning	(68,096,608)	(14,271,674)	97,218,477	14,850,195	(4,723,568)	10,126,627
Net Assets (Deficit), Ending	$ (74,166,264)	$ (15,791,220)	$ 98,091,388	$ 8,133,904	$ (4,825,854)	$ 3,308,050

See notes to consolidated financial statements

Springpoint Senior Living, Inc. And Affiliates

Continuing Care Retirement Communities, Combining Balance Sheet
December 31, 2014

	The Atrium	Crestwood Manor	Meadow Lakes	Monroe Village	Stonebridge @ Montgomery	Winchester Gardens	Combined Total
Assets							
Current Assets							
Cash and cash equivalents	$ 8,389,912	$ 3,026,544	$ 4,592,475	$ 2,819,277	$ 10,218,140	$ 4,021,186	$ 33,067,534
Current portion of assets whose use is limited	347,784	71,355	229,983	22,226	65,398	431,867	1,168,613
Accounts receivable, net	473,723	1,631,252	1,428,592	2,678,057	1,039,366	188,061	7,439,051
Other current assets	631,686	214,469	601,744	361,568	263,451	102,392	2,175,310
Total current assets	9,843,105	4,943,620	6,852,794	5,881,128	11,586,355	4,743,506	43,850,508
Investments	-	7,861,032	909,913	181,140	10,444,202	28,553,606	47,949,893
Assets Whose Use Is Limited	2,572,405	2,288,734	3,422,053	2,662,824	3,232,414	4,821,528	18,999,958
Property and Equipment, Net	67,371,756	35,675,107	56,447,768	28,825,323	64,658,304	38,452,716	291,430,974
Goodwill, Net	-	-	-	675,588	-	38,678,853	39,354,441
Deferred Costs and Other Assets, Net	1,503,718	152,844	266,556	114,230	713,105	947,153	3,697,606
Total assets	$ 81,290,984	$ 50,921,337	$ 67,899,084	$ 38,340,233	$ 90,634,380	$ 116,197,362	$ 445,283,380

See notes to consolidated financial statements

Springpoint Senior Living, Inc. And Affiliates

Continuing Care Retirement Communities, Combining Balance Sheet
December 31, 2014

	The Atrium	Crestwood Manor	Meadow Lakes	Monroe Village	Stonebridge @ Montgomery	Winchester Gardens	Combined Total
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Current maturities of long-term debt and capital lease obligations	$ 697,188	$ 288,228	$ 1,206,584	$ 844,306	$ 627,150	$ 1,309,153	$ 4,972,609
Current portion of line of credit	-	-	-	-	889,825	-	889,825
Accounts payable	340,250	507,282	830,225	572,561	563,643	986,803	3,800,764
Accrued expenses	2,946,893	700,598	2,420,828	937,637	873,504	1,092,280	8,971,740
Due to affiliates	87,521	62,674	106,260	79,983	76,487	438,557	851,482
Residents' deposits	266,449	100,878	471,241	443,556	596,131	559,015	2,437,270
Total current liabilities	4,338,301	1,659,660	5,035,138	2,878,043	3,626,740	4,385,808	21,923,690
Long-Term Debt and Capital Lease Obligations	19,350,182	26,312,361	25,815,359	10,154,979	49,427,012	29,915,799	160,975,692
Notes Payable to Affiliate	26,600,000	-	-	-	-	-	26,600,000
Due to Affiliates	5,087,023	-	-	-	-	-	5,087,023
Refundable Entrance Fees	30,005,884	11,157,156	37,708,638	29,043,021	52,942,997	72,182,825	233,040,521
Deferred Revenue from Entrance Fees	11,425,169	5,524,158	13,553,775	7,699,743	12,928,289	7,088,633	58,219,767
Construction Line of Credit, Net of Current Portion	7,202,593	-	-	-	-	2,470,000	9,672,593
Retainage Payable	-	-	83,534	64,829	-	-	148,363
Derivative Instruments	200,035	1,463,280	329,994	384,388	(162,422)	1,566,720	3,781,995
Total liabilities	104,209,187	46,116,615	82,526,438	50,225,003	118,762,616	117,609,785	519,449,644
Net Assets (Deficit)							
Unrestricted	(22,936,150)	4,754,652	(14,974,953)	(12,161,719)	(28,134,907)	(3,511,659)	(76,964,736)
Temporarily restricted	17,947	50,070	347,599	276,949	6,671	2,099,236	2,798,472
Total net assets (deficit)	(22,918,203)	4,804,722	(14,627,354)	(11,884,770)	(28,128,236)	(1,412,423)	(74,166,264)
Total liabilities and net assets (deficit)	$ 81,290,984	$ 50,921,337	$ 67,899,084	$ 38,340,233	$ 90,634,380	$ 116,197,362	$ 445,283,380

See notes to consolidated financial statements

Springpoint Senior Living, Inc. And Affiliates

Continuing Care Retirement Communities, Combining Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2014

	The Atrium	Crestwood Manor	Meadow Lakes	Monroe Village	Stonebridge @ Montgomery	Winchester Gardens	Combined Total
Changes in Unrestricted Net Assets (Deficit)							
Revenues and other support:							
Revenue from residential facilities	$ 5,384,025	$ 8,700,091	$ 11,013,554	$ 8,145,712	$ 11,842,731	$ 10,493,939	$ 55,580,052
Revenue from healthcare facilities	3,321,131	7,365,024	12,958,199	8,430,075	8,395,554	7,363,678	47,833,661
Services to residents	463,894	1,569,939	977,386	2,199,705	1,052,539	395,542	6,659,005
Contributions and bequests	112,155	76,447	62,898	67,867	76,830	6,331	402,528
Interest and dividends	34,726	110,302	26,876	13,463	206,384	790,322	1,182,073
Other revenue	386,829	108,950	775,626	702,644	128,947	44,138	2,147,134
Net assets released from restriction used for operations	61,515	163,389	100,640	152,507	132,770	92,364	703,185
Total revenues and other support	9,764,275	18,094,142	25,915,179	19,711,973	21,835,755	19,186,314	114,507,638
Expenses:							
Professional care of patients	3,262,490	4,807,473	7,634,230	6,124,945	5,771,956	3,485,619	31,086,713
Resident services	547,442	494,739	618,998	624,234	638,100	754,508	3,678,021
Dining services	1,706,838	2,760,352	3,485,872	2,998,337	2,980,116	2,596,125	16,527,640
Operation and maintenance of facility	2,489,827	2,721,389	5,079,256	3,237,932	3,454,503	5,741,876	22,724,783
Housekeeping and laundry	636,600	1,054,064	1,212,349	684,743	911,345	1,030,029	5,529,130
Administrative and general	1,243,014	2,018,616	1,901,187	2,060,756	1,776,671	1,594,658	10,594,902
Marketing	643,820	634,912	550,773	673,287	605,997	713,382	3,822,171
Insurance	244,587	243,308	278,869	221,227	219,272	292,209	1,499,472
Springpoint Senior Living, Inc. management fee	674,163	1,143,148	1,578,787	1,221,936	1,380,431	1,250,730	7,249,195
Interest	919,469	1,146,869	798,020	489,414	1,410,709	1,587,848	6,352,329
Provision for doubtful accounts	11,276	34,111	55,182	105,923	38,359	73,255	318,106
Total expenses	12,379,526	17,058,981	23,193,523	18,442,734	19,187,459	19,120,239	109,382,462
Operating income (loss)	(2,615,251)	1,035,161	2,721,656	1,269,239	2,648,296	66,075	5,125,176
Change in unrealized gains and losses on investments	674	16,228	(24,249)	(12,387)	11,741	(3,261,919)	(3,269,912)
Net realized gains and losses on investments	-	(32,141)	2,303	2,445	37,134	4,488,965	4,498,706
Amortization of entrance fees	1,926,468	1,871,136	2,220,225	1,985,424	2,125,507	1,229,646	11,358,406
Net change in fair value of derivative financial instruments	105,760	165,748	(71,063)	43,541	(217,089)	(1,566,720)	(1,539,823)
Gain on disposal of fixed assets	-	(82)	-	(6,455)	-	20,000	13,463
Loss on refinancing	-	-	-	-	-	(690,526)	(690,526)
Depreciation and amortization	(3,091,230)	(2,875,504)	(5,389,696)	(2,778,340)	(3,710,349)	(3,771,069)	(21,616,188)
Revenues and other support (less than) in excess of expenses	(3,673,579)	180,546	(540,824)	503,467	895,240	(3,485,548)	(6,120,698)
Pension liability adjustment	-	-	(124,169)	-	-	-	(124,169)
Change in future services obligation	-	-	-	-	111,000	-	111,000
Change in unrestricted net assets	$ (3,673,579)	$ 180,546	$ (664,993)	$ 503,467	$ 1,006,240	$ (3,485,548)	$ (6,133,867)

See notes to consolidated financial statements

Springpoint Senior Living, Inc. And Affiliates

Continuing Care Retirement Communities, Combining Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2014

	The Atrium	Crestwood Manor	Meadow Lakes	Monroe Village	Stonebridge @ Montgomery	Winchester Gardens	Combined Total
Changes in Temporarily Restricted Net Assets							
Contributions	$ 61,135	$ 168,384	$ 138,763	$ 127,164	$ 135,111	$ 101,338	$ 731,895
Investment income	-	-	10,682	58,383	-	13,127	82,192
Net unrealized gain (loss) on investments	-	-	(2,715)	(43,976)	-	-	(46,691)
Net assets released from restriction	(61,515)	(163,389)	(100,640)	(152,507)	(132,770)	(92,364)	(703,185)
Increase (decrease) in temporarily restricted net assets	(380)	4,995	46,090	(10,936)	2,341	22,101	64,211
Change in unrestricted net assets (deficit)	(3,673,959)	185,541	(618,903)	492,531	1,008,581	(3,463,447)	(6,069,656)
Net Assets (Deficit), Beginning	(19,244,244)	4,619,181	(14,008,451)	(12,377,301)	(29,136,817)	2,051,024	(68,096,608)
Net Assets (Deficit), Ending	$ (22,918,203)	$ 4,804,722	$ (14,627,354)	$ (11,884,770)	$ (28,128,236)	$ (1,412,423)	$ (74,166,264)

See notes to consolidated financial statements

Springpoint Senior Living, Inc. And Affiliates

Affordable Housing Communities, Combining Balance Sheet
December 31, 2014

	PH at Dover	PH at Galloway (Countryside Meadows)	PH at East Windsor (Wheaton Pointe)	PH at Franklin	PH at Howell (Howell Crossroads)	PH at Manchester	PH at Atlantic Highlands (Portland Pointe)	Middlesex Borough Senior Citizens Housing Corporation (Watchung Terrace)	PH at Stafford (Stafford)	PH At West Windsor (the Gables)	Combined Total
Assets											
Current Assets											
Cash and cash equivalents	$ 87,683	$ 22,983	$ 85,384	$ 111,326	$ 87,038	$ 26,460	$ 87,100	$ 88,936	$ 113,342	$ 80,176	$ 790,428
Accounts receivable, net	-	110	408	(238)	631	591	651	445	420	737	3,755
Other current assets	8,260	11,510	19,001	12,625	12,579	5,833	9,196	10,158	10,288	7,617	107,067
Total current assets	95,943	34,603	104,793	123,713	100,248	32,884	96,947	99,539	124,050	88,530	901,250
Assets Whose Use Is Limited	435,571	380,017	549,152	629,399	481,785	371,394	484,866	693,553	388,961	383,221	4,797,919
Property and Equipment, Net	11,282,569	3,281,827	5,610,660	7,073,319	4,728,290	12,307,238	2,993,656	3,268,298	6,550,851	5,588,876	62,685,584
Total assets	$ 11,814,083	$ 3,696,447	$ 6,264,605	$ 7,826,431	$ 5,310,323	$ 12,711,516	$ 3,575,469	$ 4,061,390	$ 7,063,862	$ 6,060,627	$ 68,384,753
Liabilities and Net Assets (Deficit)											
Current Liabilities											
Accounts payable	$ 24,273	$ 32,447	$ 35,569	$ 56,050	$ 29,338	$ 14,692	$ 32,930	$ 47,914	$ 54,309	$ 14,972	$ 342,494
Accrued expenses	23,579	30,247	24,117	26,206	27,175	25,036	20,831	42,635	15,601	21,996	257,423
Due to affiliates	7,760	(5,211)	4,990	8,013	5,818	31,272	4,459	3,802	15,845	5,750	82,498
Residents' deposits	33,980	26,071	20,729	30,682	30,262	30,660	21,073	32,967	29,222	16,245	271,891
Total current liabilities	89,592	83,554	85,405	120,951	92,593	101,660	79,293	127,318	114,977	58,963	954,306
Long-Term Debt	778,680	-	-	778,680	-	-	-	-	778,780	-	2,336,140
Notes Payable to Affiliate	-	-	-	-	-	-	-	-	50,000	-	50,000
Capital Advances	10,812,100	5,773,700	8,179,100	8,767,400	7,434,000	12,439,400	5,274,727	6,270,600	7,869,900	8,014,600	80,835,527
Total liabilities	11,680,372	5,857,254	8,264,505	9,667,031	7,526,593	12,541,060	5,354,020	6,397,918	8,813,657	8,073,563	84,175,973
Net Assets (Deficit)											
Unrestricted	133,711	(2,160,807)	(1,999,900)	(1,840,600)	(2,216,270)	170,456	(1,778,551)	(2,336,528)	(1,749,795)	(2,012,936)	(15,791,220)
Total liabilities and net assets (deficit)	$ 11,814,083	$ 3,696,447	$ 6,264,605	$ 7,826,431	$ 5,310,323	$ 12,711,516	$ 3,575,469	$ 4,061,390	$ 7,063,862	$ 6,060,627	$ 68,384,753

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Affordable Housing Communities, Combining Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2014

	PH at Dover	PH at Galloway (Countryside Meadows)	PH at East Windsor (Wheaton Pointe)	PH at Franklin	PH at Howell (Howell Crossroads)	PH at Manchester	PH at Atlantic Highlands (Portland Pointe)	Middlesex Borough Senior Citizens Housing Corporation (Watchung Terrace)	PH at Stafford (Stafford)	PH at West Windsor (the Gables)	Combined Total
Revenues and Other Support											
Revenue from residential facilities	$ 705,476	$ 812,636	$ 759,526	$ 774,423	$ 718,435	$ 674,787	$ 591,762	$ 780,356	$ 822,232	$ 708,741	$ 7,348,374
Interest and dividends	171	129	205	232	165	122	176	301	33	135	1,669
Other revenue	5,074	4,498	3,508	4,073	4,485	5,252	3,883	5,249	393,986	4,352	434,360
Total revenues and other support	710,721	817,263	763,239	778,728	723,085	680,161	595,821	785,906	1,216,251	713,228	7,784,403
Expenses:											
Operation and maintenance of facility	314,678	343,014	381,001	364,457	329,116	345,230	260,770	360,800	815,502	310,480	3,825,048
Administrative and general	215,667	268,727	217,790	252,787	226,127	209,564	234,409	299,683	217,600	248,391	2,390,745
Insurance	35,842	27,940	24,327	28,740	28,912	34,127	19,854	25,495	35,648	25,097	285,982
Springpoint Senior Living, Inc. management fee	53,162	51,792	52,779	53,142	55,080	47,808	35,568	56,347	52,416	52,416	510,510
Total expenses	619,349	691,473	675,897	699,126	639,235	636,729	550,601	742,325	1,121,166	636,384	7,012,285
Operating income	91,372	125,790	87,342	79,602	83,850	43,432	45,220	43,581	95,085	76,844	772,118
Depreciation and amortization	(317,718)	(181,492)	(214,209)	(248,376)	(219,741)	(323,314)	(153,133)	(192,585)	(244,090)	(197,006)	(2,291,664)
Change in unrestricted net assets (deficit)	(226,346)	(55,702)	(126,867)	(168,774)	(135,891)	(279,882)	(107,913)	(149,004)	(149,005)	(120,162)	(1,519,546)
Net Assets (Deficit), Beginning	360,057	(2,105,105)	(1,873,033)	(1,671,826)	(2,080,379)	450,338	(1,670,638)	(2,187,524)	(1,600,790)	(1,892,774)	(14,271,674)
Net Assets (Deficit), Ending	$ 133,711	$ (2,160,807)	$ (1,999,900)	$ (1,840,600)	$ (2,216,270)	$ 170,456	$ (1,778,551)	$ (2,336,528)	$ (1,749,795)	$ (2,012,936)	$ (15,791,220)

Springpoint Senior Living, Inc. And Affiliates

Other Entities, Combining Balance Sheet
December 31, 2014

	SSL	Foundation	PH at Wall	PH at Plainfield	Affordable Housing Solutions	Senior Net	Integrated Management Services	Plainfield Tower Sol	Springpoint at Stony Brook	Springpoint at Watchung	Springpoint at Waterford	Springpoint at Haddonfield	Springpoint at Eastern	Springpoint at Red Bank	Senior Living Solar	Springpoint At Home	Combined Total
Assets																	
Current Assets																	
Cash and cash equivalents	$ (7,339,066)	$ 4,477,943	$ 7,627,999	$ 124,670	$ -	$ (72,041)	$ (333,135)	$ -	$ -	$ -	$ -	$ 9,673	$ -	$ -	$ 23,615	$ 198,032	$ 4,717,690
Current portion of assets whose use is limited	-	33,240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,240
Accounts receivable, net	-	-	-	-	-	61,738	-	-	-	-	-	-	-	-	-	174,668	236,406
Due from affiliates	1,673,488	1,269,766	-	-	-	-	254,530	-	-	-	-	-	-	-	-	-	3,197,784
Other current assets	5,594,241	39,634	-	-	-	15,120	637,130	-	-	-	-	-	-	-	5,132	160	6,291,417
Total current assets	(71,337)	5,820,583	7,627,999	124,670	-	4,817	558,525	-	-	-	-	9,673	-	-	28,747	372,860	14,476,537
Investments	1,229,148	27,853,234	618,808	-	-	-	-	-	-	-	-	-	-	-	-	-	29,701,190
Assets Whose Use Is Limited	1,046,693	3,072,366	-	-	-	-	-	-	-	-	-	-	6,015,801	7,507,640	-	-	17,642,500
Investments Held Under Split-Interest Agreements	-	5,680,640	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,680,640
Investments Held by Others under Split-Interest Agreements	-	942,882	-	-	-	-	-	-	-	-	-	-	-	-	-	-	942,882
Beneficial Interest in Perpetual Trusts	-	3,167,564	-	-	-	-	-	-	-	-	-	623,603	-	-	-	-	3,791,167
Due from Other Affiliates	5,087,552	-	1,124,267	578,226	-	-	-	-	-	-	-	-	-	-	-	-	6,790,045
Notes Receivable	26,937,147	1,005,810	1,653,199	2,190,255	-	-	-	-	-	-	-	-	-	-	-	-	31,786,411
Loans Receivable from Affiliate	26,650,000	-	1,266,842	-	-	-	-	-	-	-	-	-	-	-	-	-	27,916,842
Property and Equipment, Net	1,828,756	6,723	-	-	-	7,293	94,270	-	-	-	-	-	-	-	2,151,468	83,184	4,171,694
Deferred Costs and Other Assets, Net	580,877	-	-	-	2,151,175	-	-	578,226	-	-	-	-	-	-	-	-	3,310,278
Total assets	$ 63,288,836	$ 47,549,802	$ 12,291,115	$ 2,893,151	$ 2,151,175	$ 12,110	$ 652,795	$ 578,226	$ -	$ -	$ -	$ 633,276	$ 6,015,801	$ 7,507,640	$ 2,180,215	$ 456,044	$ 146,210,186

Springpoint Senior Living, Inc. And Affiliates

Other Entities, Combining Balance Sheet
December 31, 2014

	SSL	Foundation	PH at Wall	PH at Plainfield	Affordable Housing Solutions	Senior Net	Integrated Management Services	Plainfield Tower Sol	Springpoint at Stony Brook	Springpoint at Watchung	Springpoint at Waterford	Springpoint at Haddonfield	Springpoint at Eastern	Springpoint at Red Bank	Senior Living Solar	Springpoint At Home	Combined Total
Liabilities and Net Assets (Deficit)																	
Current Liabilities																	
Current maturities of long-term debt and capital lease obligations	$ 456,595	$ -	$ -	$ -	$ -	$ -	$ 32,128	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 488,723
Accounts payable	491,614	20,316	-	-	-	9,345	-	-	-	-	-	-	-	-	-	9,733	531,008
Accrued expenses	9,749,160	118,435	-	-	-	10,573	(77,721)	-	-	-	-	-	-	-	-	86,762	9,887,209
Due to affiliates	-	-	-	-	1,772,838	3,256	-	580,526	-	-	-	-	3,800	3,800	276	562,977	2,927,473
Resident's deposits	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000
Total current liabilities	10,702,369	138,751	-	-	1,772,838	23,174	(45,593)	580,526	-	-	-	-	3,800	3,800	276	659,472	13,839,413
Long-Term Debt and Capital Lease Obligations	10,999,720	-	-	-	-	-	68,890	-	-	-	-	-	-	-	-	-	11,068,610
Notes Payable to Affiliate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,266,842	-	1,266,842
Liability for Split-Interest Agreements and Deferred Gift Agreements	-	4,526,918	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,526,918
Deferred Revenue	14,591,317	-	58,555	102,189	-	-	-	-	-	-	-	-	-	-	-	-	14,752,061
Derivative Instruments	351,129	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	351,129
Other Liabilities	1,283,268	390,176	-	-	-	4,276	636,105	-	-	-	-	-	-	-	-	-	2,313,825
Total liabilities	37,927,803	5,055,845	58,555	102,189	1,772,838	27,450	659,402	580,526	-	-	-	-	3,800	3,800	1,267,118	659,472	48,118,798
Net Assets (Deficit)																	
Unrestricted	25,361,033	34,159,679	12,232,560	2,790,962	378,337	(15,340)	(6,607)	(2,300)	-	-	-	9,673	6,012,001	7,503,840	913,097	(203,428)	89,133,507
Temporarily restricted	-	4,997,962		-		-	-	-	-	-	-	-	-	-	-	-	4,997,962
Permanently restricted	-	3,336,316		-		-	-	-	-	-	-	623,603	-	-	-	-	3,959,919
Total net assets (deficit)	25,361,033	42,493,957	12,232,560	2,790,962	378,337	(15,340)	(6,607)	(2,300)	-	-	-	633,276	6,012,001	7,503,840	913,097	(203,428)	98,091,388
Total liabilities and net assets (deficit)	$ 63,288,836	$ 47,549,802	$ 12,291,115	$ 2,893,151	$ 2,151,175	$ 12,110	$ 652,795	$ 578,226	$ -	$ -	$ -	$ 633,276	$ 6,015,801	$ 7,507,640	$ 2,180,215	$ 456,044	$ 146,210,186

Springpoint Senior Living, Inc. and Affiliates

Other Entities, Combining Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2014

	SSL	Foundation	PH at Wall	PH at Plainfield	Affordable Housing Solutions	Senior Net	Integrated Management Services	Plainfield Tower Sol	Springpoint at Stony Brook	Springpoint at Watchung	Springpoint at Waterford	Springpoint at Haddonfield	Springpoint at Eastern	Springpoint at Red Bank	Senior Living Solar	Springpoint At Home	Combined Total
Changes in Unrestricted Net Assets (Deficit)																	
Revenues and other support:																	
Revenue from healthcare facilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 572,035	$ 572,035
Services to residents	-	-	-	-	-	72,150	-	-	-	-	-	-	-	-	-	190,985	263,135
Developer and management fees	8,500,686	-	-	-	-	-	530,858	-	-	-	-	-	-	-	-	-	9,031,544
Contributions and bequests	-	404,405	81,977	-	-	241,143	156,354	-	-	-	-	-	-	-	-	-	883,879
Interest and dividends	100,909	558,889	64,248	-	-	-	-	-	42	40	41	639	30,915	24,433	-	-	780,156
Other revenue	988,213	(58,208)	-	-	-	-	204,695	-	-	-	-	-	-	-	150,457	-	1,285,157
Net assets released from restrictions used for operations	-	322,586	-	-	-	-	-	-	-	-	-	19,608	-	-	-	-	342,194
Total revenues and other support	9,589,808	1,227,672	146,225	-	-	313,293	891,907	-	42	40	41	20,247	30,915	24,433	150,457	763,020	13,158,100
Expenses:																	
Professional care of patients	-	-	-	-	-	(14,056)	-	-	-	-	-	-	-	-	-	634,975	620,919
Operation and maintenance of facility	62,101	-	-	-	-	-	-	-	-	-	-	-	-	-	8,113	2,469	72,683
Administrative and general	7,596,398	964,614	-	-	1,800	210,772	1,685	2,300	-	(70)	163	-	113	-	2,801	338,336	9,118,912
Residents assistance and program services	-	1,456,878	-	-	-	71,547	104,761	-	-	-	-	19,608	-	-	-		1,652,794
Marketing	984,732	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,516	988,248
Insurance	44,762	856	-	-	-	1,643	11,606	-	5,586	5,079	5,149	2,865	-	-	2,882	10,670	91,098
Springpoint Senior Living, Inc. management fee	-	-	-	-	-	3,500	735,312	-	-	-	-	-	-	-	-	44,255	783,067
Interest	450,317	-	-	-	-	-	6,014	-	-	-	-	-	-	-	64,248	-	520,579
Provision for doubtful accounts	-	-	-	-	-	5,015	-	-	-	-	-	-	-	-	-	11,990	17,005
Total expenses	9,138,310	2,422,348	-	-	1,800	278,421	859,378	2,300	5,586	5,009	5,312	22,473	113	-	78,044	1,046,211	13,865,305
Operating (loss) income	451,498	(1,194,676)	146,225	-	(1,800)	34,872	32,529	(2,300)	(5,544)	(4,969)	(5,271)	(2,226)	30,802	24,433	72,413	(283,191)	(707,205)
Change in unrealized gains and losses on investments	(9,062)	(211,814)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(220,876)
Net realized gains and losses on investments	2,988	1,778,638	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,781,626
Net change in fair value of derivative financial instruments	12,380	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,380
Gain (loss) on disposal of fixed assets	(1,300)	(79)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,379)
Net asset transfer (to) from affiliate	1,794,117	-	6,480,651	-	81,977	2,912,000	365,000	-	(1,188,532)	248,588	1,287,998	(2,142,171)	(2,100,218)	(7,657,433)	-	-	81,977
Depreciation and amortization	(387,819)	(4,805)	-	-	-	(2,766)	(34,991)	-	-	-	-	-	-	-	(78,235)	(10,227)	(518,843)
Revenues and other support in excess of (less than) expenses	1,862,802	367,264	6,626,876	-	80,177	2,944,106	362,538	(2,300)	(1,194,076)	243,619	1,282,727	(2,144,397)	(2,069,416)	(7,633,000)	(5,822)	(293,418)	427,680
Change in unrestricted net assets (deficit)	1,862,802	367,264	6,626,876	-	80,177	2,944,106	362,538	(2,300)	(1,194,076)	243,619	1,282,727	(2,144,397)	(2,069,416)	(7,633,000)	(5,822)	(293,418)	427,680
Changes in Temporarily Restricted Net Assets																	
Contributions	-	497,162	-	-	-	-	-	-	-	-	-	19,609	-	-	-	-	516,771
Change in value of split-interest agreements	-	41,577	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41,577
Investment income	-	194,731	-	-	-	-	-	-	-	-	-	-	-	-	-	-	194,731
Net assets released from restrictions used for operations	-	(322,586)	-	-	-	-	-	-	-	-	-	(19,608)	-	-	-	-	(342,194)
Increase (decrease) in temporarily restricted net assets	-	410,884	-	-	-	-	-	-	-	-	-	1	-	-	-	-	410,885
Changes in Permanently Restricted Net Assets																	
Change in value of perpetual trust	-	41,399	-	-	-	-	-	-	-	-	-	(7,053)	-	-	-	-	34,346
Increase in permanently restricted net assets	-	41,399	-	-	-	-	-	-	-	-	-	(7,053)	-	-	-	-	34,346
Change in net assets (deficit)	1,862,802	819,547	6,626,876	-	80,177	2,944,106	362,538	(2,300)	(1,194,076)	243,619	1,282,727	(2,151,449)	(2,069,416)	(7,633,000)	(5,822)	(293,418)	872,911
Net Assets (Deficit), Beginning	23,498,231	41,674,410	5,605,684	2,790,962	298,160	(2,959,446)	(369,145)	-	1,194,076	(243,619)	(1,282,727)	2,784,725	8,081,417	15,136,840	918,919	89,990	97,218,477
Net Assets (Deficit), Ending	$ 25,361,033	$ 42,493,957	$ 12,232,560	$ 2,790,962	$ 378,337	$ (15,340)	$ (6,607)	$ (2,300)	$ -	$ -	$ -	$ 633,276	$ 6,012,001	$ 7,503,840	$ 913,097	$ (203,428)	$ 98,091,388