

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES

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Independent Auditors' Report

To the Board of Directors
Odd Fellows Healthcare, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Odd Fellows Healthcare, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2014 and 2013, and the related consolidated statements of activities 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Odd Fellows Healthcare, Inc. and Subsidiaries as of September 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
February 24, 2015

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013

ASSETS		2014	2013	LIABILITIES AND NET ASSETS		2014	2013
		2014	2013			2014	2013
Current Assets				Current Liabilities			
Cash and cash equivalents	\$	3,083,136	\$ 1,703,424	Current maturities of long-term debt	\$	256,329	\$ 287,738
Accounts receivable, net		782,048	903,626	Current maturities of capital lease obligations		14,267	-
Accounts receivable from entrance fees		1,956,900	-	Line of credit		368,107	431,607
Prepaid expenses		30,397	59,874	Accounts payable and other accrued expenses		2,885,574	493,765
Supplies inventory		6,467	6,648	Retainage payable		504,000	-
Total current assets		<u>5,858,948</u>	<u>2,673,572</u>	Accrued payroll		145,927	141,457
Other Assets				Accrued vacation and sick pay		230,424	254,691
Investments		2,941,901	3,115,985	Accrued payroll taxes and other withholdings		98,922	151,223
Beneficial interest in perpetual trust		63,636	61,696	Accrued provider tax		205,407	197,903
Deferred financing costs, net		326,739	-	Total current liabilities		<u>4,708,957</u>	<u>1,958,384</u>
Total other assets		<u>3,332,276</u>	<u>3,177,681</u>	Long-Term Liabilities			
Property and Equipment				Long-term debt, net of current portion		12,250,114	4,417,411
Land		2,184,000	2,184,000	Capital lease obligations, net of current portion		27,245	-
Land improvements		234,835	225,835	Deferred revenue from entrance fees		5,480,748	390,000
Building and building improvements		15,793,666	15,609,681	Accrued pension liability		3,922,691	3,083,628
Transportation equipment		52,818	95,685	Total long-term liabilities		<u>21,680,798</u>	<u>7,891,039</u>
Nonmovable equipment		653,586	653,586	Net Assets			
Movable equipment		2,138,759	1,993,465	Unrestricted		6,755,335	6,923,655
		<u>21,057,664</u>	<u>20,762,252</u>	Temporarily restricted		41,229	14,616
Less accumulated depreciation		(11,433,225)	(10,881,537)	Permanently restricted		163,636	161,696
Construction in progress		14,534,292	1,217,422	Total net assets		<u>6,960,200</u>	<u>7,099,967</u>
Net property and equipment		<u>24,158,731</u>	<u>11,098,137</u>	Total Liabilities and Net Assets		<u>\$ 33,349,955</u>	<u>\$ 16,949,390</u>
Total Assets	\$	<u>33,349,955</u>	<u>\$ 16,949,390</u>				

The accompanying notes are an integral part of the consolidated financial statements

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Operating Revenue		
Resident revenues, net of contractual allowances and discounts	\$ 10,630,372	\$ 10,418,419
Provision for bad debts	(102,324)	(68,568)
Net resident revenues less provision for bad debts	10,528,048	10,349,851
Ancillary revenues	1,982,078	2,053,039
Rental income and fees	404,108	397,792
Resident service fees	116,792	-
Interest and investment income	86,171	98,480
Amortization of deferred revenue from entrance fees	65,652	16,200
Contributions	138,409	149,491
Miscellaneous income	132,375	160,377
Net assets released from restriction	37,626	6,000
Total operating revenues	13,491,259	13,231,230
Operating Expenses		
Salaries	6,553,752	6,476,645
Employee benefits	1,852,594	1,832,316
Provider tax	838,252	770,844
Supplies	686,751	667,918
Ancillary	631,503	661,854
Depreciation and amortization	622,695	581,135
Food	391,245	386,555
Utilities	353,288	346,178
Miscellaneous	260,459	227,551
Interest	253,162	203,929
Legal and accounting	185,233	60,253
Consultants	130,950	108,142
Repairs and maintenance	110,820	74,238
Insurance	92,870	78,255
Purchased services	71,012	55,966
Fees - officers	49,729	49,440
Advertising and public relations	27,451	36,259
Data processing	26,974	27,996
Investment fees	20,212	31,038
Telephone	17,982	23,789
Auto	10,609	5,343
Total operating expenses	13,187,543	12,705,644
Operating Income	303,716	525,586

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ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Nonoperating Income (Expense)		
Net realized and unrealized gains on investments	\$ 117,350	\$ 64,960
Income from perpetual trust	1,371	1,491
Pension liability changes other than net periodic cost	(590,757)	1,506,609
Net nonoperating income (expense)	(472,036)	1,573,060
Increase (decrease) in unrestricted net assets	(168,320)	2,098,646
Temporarily Restricted Net Assets		
Interest and investment income	3,441	2,969
Contributions	57,026	4,700
Net realized and unrealized gains on investments	4,555	3,719
Investment fees	(783)	(1,263)
Net assets released from restriction	(37,626)	(6,000)
Increase in temporarily restricted net assets	26,613	4,125
Permanently Restricted Net Assets		
Increase in value of beneficial interest in perpetual trust	1,940	5,277
Change In Net Assets	(139,767)	2,108,048
Net Assets - Beginning of Year	7,099,967	4,991,919
Net Assets - End of Year	\$ 6,960,200	\$ 7,099,967

The accompanying notes are an integral part of the consolidated financial statements

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ (139,767)	\$ 2,108,048
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Proceeds from entrance fees, net of refunds	3,199,500	379,200
Depreciation and amortization	622,695	581,135
Bad debt expense	102,324	68,568
Net realized and unrealized investment gains	(121,905)	(68,679)
Change in value of beneficial interest in perpetual trust	(1,940)	(5,277)
Amortization of deferred revenue from entrance fees	(65,652)	(16,200)
(Increase) decrease in operating assets:		
Accounts receivable	19,254	(126,026)
Inventory	181	(5,253)
Prepaid expenses	29,477	(17,194)
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued expenses	203,772	(156,528)
Accrued payroll	4,470	38,576
Accrued vacation and sick pay	(24,267)	11,222
Accrued payroll taxes and other withholdings	(52,301)	109,488
Accrued provider tax	7,504	(4,647)
Accrued pension liability	839,063	(1,702,031)
Net cash provided by operating activities	4,622,408	1,194,402
Cash Flows from Investing Activities		
Purchases of property and equipment	(10,894,848)	(947,019)
Purchases of investments	(88,644)	(103,356)
Sales of investments	384,633	687,024
Net cash used in investing activities	(10,598,859)	(363,351)
Cash Flows from Financing Activities		
Repayment of long-term debt	(2,750,555)	(276,725)
Proceeds from long-term debt	10,174,954	-
Repayment of capital lease obligations	(4,736)	-
Repayment of line of credit	(63,500)	-
Drawdown of line of credit	-	112,338
Net cash provided by (used in) financing activities	7,356,163	(164,387)
Net Increase in Cash and Cash Equivalents	1,379,712	666,664
Cash and Cash Equivalents - Beginning of Year	1,703,424	1,036,760
Cash and Cash Equivalents - End of Year	\$ 3,083,136	\$ 1,703,424

The accompanying notes are an integral part of the consolidated financial statements

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Odd Fellows Healthcare, Inc. (Healthcare) is a Connecticut nonstock corporation formed in 2007 to provide management services to Odd Fellows Home of Connecticut, Inc. Healthcare is the sole member of the Odd Fellows Home of Connecticut, Inc. (Home), a Connecticut nonstock corporation incorporated in 1973 and Odd Fellows Faith, Hope and Charity Fund, Inc. (Faith), a Connecticut nonstock corporation formed in 2007. Collectively, Healthcare, Home and Faith are referred to as the Organization. The mission of the Home is to provide residents with nursing care and rehabilitation services.

The Home operates under two trade names, Fellowship Manor and Fairview. Fellowship Manor consists of a 24-unit congregate housing project for the elderly and a continuing care retirement community (CCRC). During 2014, Fellowship Manor began construction of the CCRC, called Thames Edge, which consists of a community building and 15 residential buildings containing a total of 23 residential units. Fairview is a 120-bed nursing home, which is separated into an operating fund and a nonoperating fund.

Basis of Accounting and Presentation - The accompanying consolidated financial statements include Healthcare, Home and Faith. All intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of the Organization are reported in the following net asset categories:

Unrestricted Net Assets - Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and also include accumulated investment income and gains on donor-restricted assets that have not been appropriated for expenditure.

Permanently Restricted Net Assets - Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Organization to expend the income earned thereon. These permanently restricted net assets include the Organization's proportionate share of a beneficial interest in perpetual trust, for which the Organization is an income beneficiary.

Cash and Cash Equivalents - Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less exclusive of cash held by brokers. Included in cash and cash equivalents are residents' personal funds of \$36,538 and \$29,163 at September 30, 2014 and 2013, respectively. The Organization maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the Organization's deposits are not subject to significant credit risk.

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable - Accounts receivable are considered delinquent and written off when all attempts to collect from individuals or other payor sources have been exhausted. Accounts receivable from entrance fees are recognized upon receipt of a signed continuing care agreement by residents of Thames Edge. Management maintains an allowance for doubtful accounts that is based on a review of significant balances and past experience. Accounts receivable are net of an allowance for doubtful accounts of \$77,583 and \$111,566 at September 30, 2014 and 2013, respectively.

Investment Valuation and Income Recognition - Investments are reported at fair value. Fair value is 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. See Note 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains (losses) on investments includes the Organization's gains and losses on investments bought and sold as well as held during the year.

Beneficial Interest in Perpetual Trust - The Organization retains a beneficial interest in a trust established by a donor and held by a third party. Under this arrangement, the Organization receives investment income from the trust in perpetuity but does not have access to the principal. The beneficial interest is carried at the present value of estimated future receipts from the trust, which is measured by the fair market value of the assets in the trust. Changes in the carrying amount of the beneficial interest are recognized as increases or decreases in permanently restricted net assets.

Property and Equipment - Repairs and maintenance are charged to expense as incurred. Property and equipment acquisitions and improvements, or groups of improvements, thereon that exceed \$2,500 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives as follows:

Building and building improvements	7-40 years
Land improvements	8-30 years
Movable equipment	3-20 years
Nonmovable equipment	5-20 years
Transportation equipment	3-5 years

Deferred Financing Costs - Deferred financing costs are amortized on a straight-line basis over the life of the corresponding notes payable.

Resident Revenues - Patient service revenue is reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered.

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim or final settlements are reported in operations in the year of settlement. It is management's opinion that all applicable reimbursement principles have been followed and any settlement amounts will not have a material impact on the Organization's financial position or results of operations.

Contributions - Unconditional contributions are recognized when received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. The Home reports contributions as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Operating Reserve - The State of Connecticut Department of Social Services (DSS) monitors Connecticut retirement communities and their compliance with existing state regulations. Among other things, DSS requires that retirement communities maintain an operating reserve equal to approximately one month's cash operating costs. The Organization maintained an adequate operating reserve as of September 30, 2014.

Income Taxes - Healthcare, Home and Faith are exempt from federal and state income taxes as public charities under Section 501(c)(3) of the Internal Revenue Code. The Organization's informational returns for the years ended September 30, 2011 through 2014 are subject to examination by the Internal Revenue Service and the State of Connecticut.

Risks and Uncertainties - Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported in the consolidated statements of financial position and activities.

Reclassification - Certain amounts in the 2013 consolidated financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events - In preparing these consolidated financial statements, management has evaluated subsequent events through February 24, 2015, which represents the date the consolidated financial statements were available to be issued.

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. When, as a practical expedient, an investment is measured at fair value on the basis of net asset value, its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3.

The following is a description of the valuation methodologies and investment strategies used for assets measured at fair value:

Mutual Funds - Mutual funds are valued at the closing price reported in the active market in which the individual securities are traded.

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

Hedge Funds of Funds - Interests in hedge funds of funds are valued by external investment managers taking into consideration the fair value of the underlying assets and liabilities, current distribution rates and discounts for redemption and liquidity restrictions. The valuations involve assumptions and methods that are reviewed by the Organization's Board of Directors. Because investments in these funds are not readily marketable, their estimated fair value is subject to uncertainty and may differ significantly from the value that would have been used had a market for such investments existed. All interests in hedge funds of funds were sold during 2014.

Beneficial Interest in Perpetual Trusts - Beneficial interests in perpetual trusts held by third parties are valued at the present value of the future distributions expected to be received over the term of the agreement, which is measured by the fair values of the underlying assets. The Organization cannot access assets in the trust.

There have been no changes in the methodologies used at September 30, 2014 and 2013.

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

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2014 and 2013:

	2014			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds:				
Money market	\$ 32,310	\$ 32,310	\$ -	\$ -
Diversified	635,689	635,689	-	-
Equities	1,715,622	1,715,622	-	-
Fixed income	558,280	558,280	-	-
Total investments	<u>2,941,901</u>	<u>2,941,901</u>	<u>-</u>	<u>-</u>
Beneficial interest in perpetual trust	<u>63,636</u>	<u>-</u>	<u>-</u>	<u>63,636</u>
Total	<u>\$ 3,005,537</u>	<u>\$ 2,941,901</u>	<u>\$ -</u>	<u>\$ 63,636</u>

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

	2013			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Money market	\$ 404,935	\$ 404,935	\$ -	\$ -
Diversified	223,308	223,308	-	-
Equities	1,494,817	1,494,817	-	-
Fixed income	889,199	889,199	-	-
Alternative investments:				
Hedge funds of funds	103,726	-	103,726	-
Total investments	3,115,985	3,012,259	103,726	-
Beneficial interest in perpetual trust	61,696	-	-	61,696
Total	\$ 3,177,681	\$ 3,012,259	\$ 103,726	\$ 61,696

There were no transfers between levels of investments during the years ended September 30, 2014 and 2013.

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended September 30, 2014 and 2013:

	Beneficial Interest in Perpetual Trust
Balance - September 30, 2012	\$ 56,419
Change in value of beneficial interest in perpetual trust	5,277
Balance - September 30, 2013	61,696
Change in value of beneficial interest in perpetual trust	1,940
Balance - September 30, 2014	\$ 63,636

Gains and losses (realized and unrealized) included in changes in net assets for the years ended September 30, 2014 and 2013, are reported in net realized and unrealized gains on investments in the consolidated statements of activities.

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - PROPERTY AND EQUIPMENT

Costs included in construction in progress of approximately \$2,761,000 and \$35,000 were included in accounts payable and other accrued expenses and retainage payable on the consolidated statements of financial position as of September 30, 2014 and 2013, respectively.

Depreciation expense was \$605,026 and \$581,125 for the years ended September 30, 2014 and 2013, respectively.

Interest expense capitalized related to construction was \$124,192 for the year ended September 30, 2014.

NOTE 4 - DEFERRED FINANCING COSTS

Deferred financing costs as of September 30, 2014, consist of the following:

Deferred financing costs	\$ 342,434
Less accumulated amortization	<u>(15,695)</u>
Total Deferred Financial Costs	<u>\$ 326,739</u>

Amortization expense of \$15,695 for the year ended September 30, 2014 is included in depreciation and amortization expense on the accompanying consolidated statements of activities. Estimated amortization is \$17,122 for each of the next five years.

NOTE 5 - CONTINUING CARE AGREEMENTS

A continuing care agreement is signed by all residents of Thames Edge. Some of the principal terms and conditions of the continuing care agreement are as follows:

In consideration for the resident's payment of an entrance fee, Thames Edge agrees to furnish to the resident a living unit in the residence complex for his or her personal use and occupancy for the balance of the resident's lifetime unless sooner terminated under the provisions of the agreement.

Full payment of the entrance fee is obtained from the resident prior to occupancy. The entrance fee consists of a refundable and nonrefundable portion. The refundable portion varies depending upon which of the three contract plans is selected. Under two of the continuing care agreements, amounts may be refundable after the living unit is reoccupied.

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - CONTINUING CARE AGREEMENTS (Continued)

The 90% refundable contract plan calls for a guaranteed 90% refund of the entrance fee upon the living unit being reoccupied. The entrance fee is 100% refundable for the first six months of occupancy. The 10% nonrefundable portion, following the first six months of occupancy, is amortized into income over the residents' actuarially determined remaining life as calculated by Thames Edge.

The declining balance contract plan calls for a variable refund of the entrance fee upon the living unit being reoccupied. The refundable portion of the entrance fee initially declines, and is amortized into income, 5% during the first month of residency, and thereafter 1% per each month of residency.

The flex plan allows for no refund. The entrance fee is amortized into income over the residents' actuarially determined remaining life as calculated by the Home.

For the duration of the resident's lifetime or until termination of the agreement, the Home agrees to furnish to the resident utilities, interior and exterior maintenance, an emergency call system, property taxes and access to the community clubhouse according to the terms and conditions specified in the residence agreement. In return, the resident agrees to pay the Home a monthly residence fee. The monthly residence fee may be increased or decreased on 30 days written notice.

The continuing care agreement also provides priority admission to the nursing home. Costs incurred in providing this care are paid for by residents first through their applicable insurance provider and then by the resident at a rate equivalent to 75% of the daily private pay skilled nursing facility rate in addition to the monthly residence fee.

Fellowship Manor congregate housing unit tenants are also subject to an entrance fee, which is amortized into income over the tenants first three years of occupancy.

As of September 30, 2014 and 2013, unamortized entrance fees totaled \$5,480,748 and \$390,000, respectively, and were included on the consolidated statements of financial position as deferred revenue from entrance fees. As of September 30, 2014 and 2013, all deferred revenue from entrance fees are refundable in accordance with the contract terms noted above. As of September 30, 2014, accounts receivable and deferred revenue from entrance fees include \$1,956,900 related to unpaid amounts due from residents with signed continuing care agreements. For the years ended September 30, 2014 and 2013, entrance fees of \$65,652 and \$16,200, respectively, were amortized into income and included on the consolidated statements of activities as amortization of deferred revenue from entrance fees.

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT

At September 30, 2014 and 2013, the Organization had the following outstanding indebtedness:

	2014	2013
Adjustable rate promissory note payable to Chelsea Groton Savings Bank (the Bank), in the original amount of \$5,152,000, payable in monthly installments of principal and interest of \$31,794 through December 2033, at which time all outstanding amounts are due and payable.	\$ 5,026,469	\$ -
Mortgage note payable to the Bank, in the maximum amount of \$5,000,000. The note is payable in monthly installments of interest only through December 2014 with monthly installments of principal and interest of \$24,729 through December 2043, at which time all outstanding amounts are due and payable.	5,000,000	-
Construction to permanent commercial mortgage note payable to the Bank, periodically advanced to the Organization during the construction period through December 2014, to a maximum amount of \$1,590,000. The note is payable in monthly installments of interest only through December 2014 with monthly installments of principal and interest through December 2043, at which time all outstanding amounts are due and payable.	1,112,814	-
Revolving construction to permanent promissory note payable to the Bank, periodically advanced to the Organization during the construction period through December 2015, to a maximum amount outstanding of \$5,000,000 during construction, and a maximum amount outstanding of \$2,000,000 at the conclusion of the construction period. The Organization may extend the construction period through November 2016. The note is payable in monthly installments of interest only through December 2015 with monthly installments of principal and interest through December 2033, at which time all outstanding amounts are due and payable. If the construction period is extended, interest only payments would continue through December 2016 with principal and interest payments through December 2036.	1,367,160	-

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT (Continued)

	2014	2013
<p>Mortgage note payable to the Bank, in the original amount of \$5,828,000, payable in monthly installments of principal and interest of \$36,748 through March 2026. The note bore interest at a variable rate, which was 3.88% at September 30, 2013.</p>	\$ -	\$ 4,383,264
<p>Mortgage note payable to the Bank, in the original amount of \$350,000, payable in monthly installments of principal and interest of \$2,310 through March 1, 2031. The note bore interest at a variable rate, which was 5% at September 30, 2013.</p>	-	321,885
	12,506,443	4,705,149
Less current portion	256,329	287,738
	\$ 12,250,114	\$ 4,417,411

The long-term debt as of September 30, 2013 was secured by real and personal property of the Organization and was refinanced during the year ended September 30, 2014. The long-term debt is also subject to certain financial covenants.

The interest rate on the long-term debt as of September 30, 2014 is adjustable every 5 years, based on the Federal Home Loan Bank of Boston's Five Year Classic Advance Rate plus 2.25%, with a minimum interest rate of 4.15%. The interest rate was 4.15% at September 30, 2014. The notes are collateralized by real property and all tangible and intangible personal property of the Organization.

The aggregate annual maturities of long-term debt for fiscal years ending subsequent to September 30, 2014 are as follows:

2015	\$	256,329
2016		333,894
2017		361,940
2018		377,363
2019		393,441
Thereafter		10,783,476
	\$	12,506,443

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - LINE OF CREDIT

Faith has an available line of credit with UBS Bank of \$1,000,000, with no set expiration date. Interest is charged at a variable rate, which was 2.9% at September 30, 2014 and 2013, and amounted to \$11,781 and \$11,960 for the years ended September 30, 2014 and 2013, respectively.

NOTE 8 - CAPITAL LEASE COMMITMENTS

The Organization has two three-year capital leases for equipment that began during the year ended September 30, 2014. The agreements require monthly payments of principal and interest of \$1,438 with an interest rate of approximately 8.5%.

The following is a summary of property under capital lease as of September 30, 2014:

Moveable equipment	\$ 46,248
Less accumulated amortization	<u>(2,164)</u>
Net Equipment Under Capital Leases	<u>\$ 44,084</u>

Amortization expense of \$2,164 for the year ended September 30, 2014 relative to the above property is included in depreciation and amortization expense on the accompanying consolidated statements of activities.

The following is a schedule by years of future minimum payments under capital leases, together with the present value of minimum lease payments as of September 30, 2014:

<u>Year Ending September 30</u>	
2015	\$ 17,251
2016	17,251
2017	<u>12,166</u>
Total minimum lease payments	46,668
Less amount representing interest	<u>5,156</u>
Capital Lease Obligations	<u>\$ 41,512</u>

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - NET ASSETS

Temporarily restricted net assets as of September 30, 2014 and 2013, are available for the following purposes or time periods:

	2014	2013
Purpose restrictions:		
Scholarships	\$ 7,487	\$ 6,463
Special services or equipment	33,742	8,153
Total Temporarily Restricted Net Assets	\$ 41,229	\$ 14,616

Temporarily restricted net assets of \$37,626 and \$6,000 were released from restrictions during the years ended September 30, 2014 and 2013, respectively, by incurring expenses satisfying the purpose restriction of special services or equipment.

Permanently restricted net assets as of September 30, 2014 and 2013, are restricted to investment in perpetuity, the income from which is expendable to support the following:

	2014	2013
Special services or equipment	\$ 100,000	\$ 100,000
Beneficial interest in perpetual trust for any activities of the Organization	63,636	61,696
Total Permanently Restricted Net Assets	\$ 163,636	\$ 161,696

NOTE 10 - ENDOWMENT

Interpretation of Relevant Law - The Board of Directors of the Organization has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - ENDOWMENT (Continued)

expenditure by the Organization in a manner consistent with the standard of prudence prescribed by CTPMIFA. In accordance with CTPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Changes in endowment net assets for the years ended September 30, 2013 and 2014, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - September 30, 2012	\$ -	\$ 4,434	\$ 156,419	\$ 160,853
Investment return:				
Investment income, net of fees	-	2,853	-	2,853
Net realized and unrealized gains	-	3,166	-	3,166
Total investment return	-	6,019	-	6,019
Change in value of beneficial interest in perpetual trust	-	-	5,277	5,277
Appropriation of endowment assets for expenditure	-	(6,000)	-	(6,000)
Endowment net assets - September 30, 2013	-	4,453	161,696	166,149
Investment return:				
Investment income, net of fees	-	3,134	-	3,134
Net realized and unrealized gains	-	4,055	-	4,055
Total investment return	-	7,189	-	7,189
Change in value of beneficial interest in perpetual trust	-	-	1,940	1,940
Appropriation of endowment assets for expenditure	-	(10,000)	-	(10,000)
Endowment Net Assets - September 30, 2014	\$ -	\$ 1,642	\$ 163,636	\$ 165,278

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - ENDOWMENT (Continued)

Funds with Deficiencies - From time to time, the fair value of investments associated with donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies of this nature as of September 30, 2014 and 2013.

Spending Policy and How the Investment Objectives Relate to Spending Policy - During the years ended September 30, 2014 and 2013, the Organization reviewed its endowment and decided to appropriate \$10,000 and \$6,000, respectively, of accumulated earnings for expenditure. The Organization will monitor the endowment earnings in the future to determine how much, if any, of the earnings will be spent, or alternatively kept in the fund to maintain purchasing power of the assets held in perpetuity.

NOTE 11 - BENEFIT PLANS

Defined Benefit Plan - The Home sponsors a defined benefit pension plan (the Pension Plan) covering substantially all of its employees over 21 years of age who have completed 1 year of service and at least 1,000 hours of service. Pension benefits are based on years of service and the employee's average monthly compensation during the credited service years. The Home's funding policy is to make at least the minimum annual contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Employees rehired on or after August 1, 2012 are not eligible to participate in the Pension Plan, but may regain participation status and continue to accrue years of service for vesting purposes under the terms of the Plan.

The following table sets forth further information about the Home's defined benefit pension plan as of and for the years ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Unfunded liability	\$ (3,922,691)	\$ (3,083,628)
Benefits paid	(357,652)	(250,888)
Employer contributions	291,666	545,422

Amounts recognized in the consolidated statements of financial position at September 30, 2014 and 2013, consist of the following:

	<u>2014</u>	<u>2013</u>
Pension Liability	\$ <u>3,922,691</u>	\$ <u>3,083,628</u>

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - BENEFIT PLANS (Continued)

Amounts previously recognized in changes in unrestricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Net loss	\$ 4,075,570	\$ 3,520,811
Prior service cost	<u>(498,208)</u>	<u>(534,206)</u>
Total	<u>\$ 3,577,362</u>	<u>\$ 2,986,605</u>

The following table details information for the pension plan at September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Projected benefit obligation	\$ 10,827,340	\$ 9,734,558
Accumulated benefit obligation	9,944,179	8,996,059
Fair value of plan assets	6,904,649	6,650,930

Other changes in plan assets and benefit obligations recognized in the consolidated statements of activities consisted of the following for the years ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Net periodic benefit cost	\$ <u>539,972</u>	\$ <u>711,790</u>
Net (gain) loss	715,984	(1,633,950)
Amortization of net loss	(161,225)	(269,310)
Amortization of prior service cost	<u>35,998</u>	<u>34,861</u>
Total pension liability changes other than net periodic cost	<u>590,757</u>	<u>(1,868,399)</u>
Total Recognized in Changes in Unrestricted Net Assets	<u>\$ 1,130,729</u>	<u>\$ (1,156,609)</u>

The estimated net loss that will be amortized from changes in unrestricted net assets into net periodic benefit cost in 2015 is \$223,847.

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - BENEFIT PLANS (Continued)

The following weighted-average assumptions were used to determine benefit obligations for the years ended September 30, 2014 and 2013:

	2014	2013
Discount rate	4.40%	5.00%
Rate of compensation increase	2.50	2.50

The following weighted-average assumptions were used to determine net periodic benefit cost for the years ended September 30, 2014 and 2013:

	2014	2013
Discount rate	5.00%	5.00%
Expected return on plan assets	7.50	7.50
Rate of compensation increase	2.50	2.50

The expected rate of return on Pension Plan assets is determined by those assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

The Home's overall investment strategy seeks to maximize return with limited risk, which is achieved through a balanced portfolio of equity and fixed income investments, as well as alternative investment classes. Within each asset class, a diversified mix of individual securities and bonds is selected. Equity allocations are targeted between 55-70% of the portfolio, with the remaining allocations in government debt, corporate debt and a small portion in alternative asset classes such as real estate and money market funds.

The Home's contribution to the Pension Plan in 2015 is estimated to be \$350,000.

The following benefits are expected to be paid for the fiscal years ending September 30:

2015	\$	320,000
2016		320,000
2017		340,000
2018		360,000
2019		380,000
2020-2024		2,490,000

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - BENEFIT PLANS (Continued)

The fair values of the Home's Pension Plan assets at September 30, 2014 and 2013, by asset class are as follows:

<u>Asset Class</u>	<u>Fair Value Measurements at September 30, 2014</u>		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Mutual funds:	\$	\$	\$
Fixed income	1,004,771	1,004,771	-
Equities - domestic	1,496,122	1,496,122	-
Equities - international	661,841	661,841	-
Separate accounts:			
Fixed income	2,260,661	-	2,260,661
Equities - domestic	1,481,254	-	1,481,254
Total	\$ 6,904,649	\$ 3,162,734	\$ 3,741,915

<u>Asset Class</u>	<u>Fair Value Measurements at September 30, 2013</u>		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash equivalents	\$ 218,477	\$ 218,477	\$ -
Mutual funds:			
Fixed income	2,916,511	1,809,826	1,106,685
Equities - diversified	1,573,025	1,573,025	-
Equities - domestic	1,269,566	1,269,566	-
Equities - international	673,351	673,351	-
Total	\$ 6,650,930	\$ 5,544,245	\$ 1,106,685

Defined Contribution Plan - The Home maintains a 403(b) savings plan for all employees. Employees may contribute amounts not to exceed a certain dollar limit as set by law. The plan does not require employer contributions. On October 15, 2012, the Organization began the Fairview 403(b) Plan (Fairview Plan). The Fairview Plan is open to all employees who may contribute amounts not to exceed a certain dollar limit as set by law. The Fairview Plan also allows for a discretionary employer match to employees who normally work more than 20 hours per week, are 21 years old, and have 1 year of service for the Organization. Total 403(b) plan expense was \$55,096 and \$54,436 for the years ended September 30, 2014 and 2013, respectively.

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

The Home grants credit without collateral to its residents, some of whom are funded under third-party payor agreements. The mix of gross receivables at September 30, 2014 and 2013, is as follows:

	2014	2013
Medicare	22%	21%
Medicaid, including pending Medicaid patients	43	46
Private pay and other	35	33
	100%	100%

NOTE 13 - CASH FLOWS

Additional Cash Flow Information - The Organization paid cash for interest of \$359,970 and \$203,929 during the years ended September 30, 2014 and 2013, respectively.

Noncash Investing and Financing Activities - During the year ended September 30, 2014, the Organization purchased equipment for \$46,248 by incurring capital lease obligations for the same amount. During the year ended September 30, 2014, the Organization obtained long-term debt of \$5,058,803 through the refinancing of existing long-term debt and payment of deferred financing and other closing costs. For the year ended September 30, 2014, purchases of property and equipment were reduced by \$2,726,498 for amounts included in accounts payable and other accrued expenses and retainage payable as of September 30, 2014.

NOTE 14 - HEALTH CARE INDUSTRY

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements (which are a precondition to the receipt of reimbursement for patient services), the Medicare False Claims Act, the Stark Anti-Referral Act and the Anti-Kickback legislation and other Medicaid fraud and abuse legislation. Government activity has increased with respect to investigations that have led to allegations concerning possible violations by health care providers of those statutes and regulations. Violations of those laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as the imposition of significant obligations on the part of the provider to repay patient services previously illegally billed and received. Management believes that the Home is in compliance with the licensure, accreditation, government healthcare program participation requirements and other Medicaid fraud

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - HEALTH CARE INDUSTRY (Continued)

and abuse legislation, and with other government regulatory and statutory laws and provisions. While no material regulatory inquiries have been initiated by government agencies, compliance with such laws and regulations can be subject to future government review and can lead to other new statutory and regulatory interpretations, as well as other regulatory actions unknown or unasserted at this time.

NOTE 15 - COMMITMENTS

At September 30, 2014, the Organization entered into a contract with the general contractor for a construction project. The contract calls for costs totaling \$13,221,000 of which \$11,763,000 have been completed through September 30, 2014, included as construction in progress in property, plant and equipment on the consolidated statements of financial position.

During the year ended September 30, 2014, it was determined the Organization failed to pay required premiums to the Pension Benefit Guaranty Corporation. The Organization will be required to pay the past due premiums as well as interest and late payment penalty charges. No provision has been made in the accompanying consolidated financial statements for the anticipated charges since the ultimate liability cannot be reasonably estimated.

NOTE 16 - SUBSEQUENT EVENTS

In connection with Fellowship Manor's phase 2 development of Thames Edge, which includes the construction of 17 additional CCRC units, the Organization closed on two loans to finance the project on December 29, 2014. Total financing available under the two loans is \$9,600,000.

The first loan, a variable rate commercial construction mortgage note totaling \$3,600,000, includes financing to construct and install infrastructure for the development site and pay nontrade contract costs and contingencies. This loan will begin accruing interest on December 29, 2014 at 4.25%. The interest rate will be adjusted on February 1, 2015, and the first day of each month thereafter, to the lender's base rate plus 1% per annum. Monthly payments of interest on the unpaid principal of the loan, in arrears, shall begin on February 1, 2015 and continue on the first day of each month thereafter until maturity of the loan on January 1, 2016. At maturity, the unpaid principal balance of this loan, together with all accrued and unpaid interest, shall be due and payable.

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 - SUBSEQUENT EVENTS (Continued)

The second loan, an adjustable rate commercial construction/permanent mortgage note totaling \$6,000,000, is financing for construction of 17 CCRC units. This loan will begin accruing interest on December 29, 2014 at 4.50%. The interest rate will be adjusted on January 1, 2020, and on the same day every five years thereafter, to the Federal Home Loan Bank of Boston's Five Year Regular Classic Advance Rate plus 2.25% rounded up to the nearest one-eighth percent. Monthly payments of interest on the unpaid principal of the loan, in arrears, shall begin on February 1, 2015 and continue on the first day of each month through the conversion date of January 1, 2016. If Thames Edge exercises its option to extend the conversion date, payments of interest would continue through January 1, 2017. On the conversion date, Thames Edge shall make a principal reduction payment in order to reduce the outstanding principal balance of the loan to a sum not to exceed \$2,500,000. On the first day of the first month subsequent to the conversion date, and continuing each month thereafter, monthly payments of principal and interest in an amount sufficient to pay the unpaid principal of this loan on a 20-year direct reduction loan basis will begin. The unpaid principal balance of this loan, with all accrued and unpaid interest, shall be due and payable on January 1, 2036 or January 1, 2037 if the option to extend the conversion date is exercised.

The loans and all related obligations are jointly and severally guaranteed by Healthcare and Faith. The loans are collateralized by real property and all tangible and intangible personal property of the Organization and will be subject to certain financial covenants at the conclusion of the construction period.

In connection with the development, the Organization has entered into an agreement dated September 11, 2014 with a construction manager for the Thames Edge development project. The guaranteed maximum price of the agreement is \$9,216,374. Construction began during December 2014.

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Independent Auditors' Report on Supplementary Information

To the Board of Directors
Odd Fellows Healthcare, Inc. and Subsidiaries

We have audited the consolidated financial statements of Odd Fellows Healthcare, Inc. and Subsidiaries as of and for the years ended September 30, 2014 and 2013, and our report thereon dated February 24, 2015, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities as of and for the year ended September 30, 2014 are presented for the purposes of additional analysis and are 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 audits 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
February 24, 2015

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2014

	Odd Fellows Home of Connecticut, Inc.					Odd Fellows Faith, Hope and Charity Fund, Inc.	Eliminations	Total
	Odd Fellows Healthcare, Inc.	d/b/a Fairview		d/b/a Fellowship Manor	Total			
		Operating Fund	Nonoperating Fund					
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 16,794	\$ 1,383,331	\$ 3,495	\$ 1,554,104	\$ 2,940,930	\$ 125,412	\$ -	\$ 3,083,136
Accounts receivable, net	-	781,161	-	887	782,048	-	-	782,048
Accounts receivable from entrance fees	-	-	-	1,956,900	1,956,900	-	-	1,956,900
Prepaid expenses	-	30,397	-	-	30,397	-	-	30,397
Supplies inventory	-	6,467	-	-	6,467	-	-	6,467
Total current assets	<u>16,794</u>	<u>2,201,356</u>	<u>3,495</u>	<u>3,511,891</u>	<u>5,716,742</u>	<u>125,412</u>	<u>-</u>	<u>5,858,948</u>
Other Assets								
Investments	-	-	-	-	-	2,941,901	-	2,941,901
Due from related parties	201,670	392,238	-	-	392,238	-	(593,908)	-
Beneficial interest in perpetual trust	-	-	-	-	-	63,636	-	63,636
Deferred financing costs, net	-	10,799	-	315,940	326,739	-	-	326,739
Total other assets	<u>201,670</u>	<u>403,037</u>	<u>-</u>	<u>315,940</u>	<u>718,977</u>	<u>3,005,537</u>	<u>(593,908)</u>	<u>3,332,276</u>
Property and Equipment								
Land	-	180,600	2,003,400	-	2,184,000	-	-	2,184,000
Land improvements	-	228,323	-	6,512	234,835	-	-	234,835
Building and building improvements	-	10,413,984	-	5,379,682	15,793,666	-	-	15,793,666
Transportation equipment	-	13,873	-	38,945	52,818	-	-	52,818
Nonmovable equipment	-	653,586	-	-	653,586	-	-	653,586
Movable equipment	-	1,830,965	-	307,794	2,138,759	-	-	2,138,759
	<u>-</u>	<u>13,321,331</u>	<u>2,003,400</u>	<u>5,732,933</u>	<u>21,057,664</u>	<u>-</u>	<u>-</u>	<u>21,057,664</u>
Less accumulated depreciation	-	(7,499,390)	-	(3,933,835)	(11,433,225)	-	-	(11,433,225)
Construction in progress	-	52,913	-	14,481,379	14,534,292	-	-	14,534,292
Net property and equipment	<u>-</u>	<u>5,874,854</u>	<u>2,003,400</u>	<u>16,280,477</u>	<u>24,158,731</u>	<u>-</u>	<u>-</u>	<u>24,158,731</u>
Total Assets	<u>\$ 218,464</u>	<u>\$ 8,479,247</u>	<u>\$ 2,006,895</u>	<u>\$ 20,108,308</u>	<u>\$ 30,594,450</u>	<u>\$ 3,130,949</u>	<u>\$ (593,908)</u>	<u>\$ 33,349,955</u>

(Continued on next page)

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2014

	Odd Fellows Home of Connecticut, Inc.							
	Odd Fellows Healthcare, Inc.	d/b/a Fairview		d/b/a Fellowship Manor				Total
		Operating Fund	Nonoperating Fund					
Current Liabilities								
Current maturities of long-term debt	\$ -	\$ 136,634	\$ -	\$ 119,695	\$ 256,329	\$ -	\$ -	\$ 256,329
Current maturities of capital lease obligations	-	14,267	-	-	14,267	-	-	14,267
Line of credit	-	-	-	-	-	368,107	-	368,107
Accounts payable and other accrued expenses	-	625,661	755	2,257,446	2,883,862	1,712	-	2,885,574
Retainage payable	-	-	-	504,000	504,000	-	-	504,000
Accrued payroll	-	145,927	-	-	145,927	-	-	145,927
Accrued vacation and sick pay	-	230,424	-	-	230,424	-	-	230,424
Accrued payroll taxes and other withholdings	-	98,922	-	-	98,922	-	-	98,922
Accrued provider tax	-	205,407	-	-	205,407	-	-	205,407
Total current liabilities	<u>-</u>	<u>1,457,242</u>	<u>755</u>	<u>2,881,141</u>	<u>4,339,138</u>	<u>369,819</u>	<u>-</u>	<u>4,708,957</u>
Long-Term Liabilities								
Long-term debt, net of current portion	-	3,753,836	-	8,496,278	12,250,114	-	-	12,250,114
Capital lease obligations, net of current portion	-	27,245	-	-	27,245	-	-	27,245
Due to related parties	-	10,000	-	577,209	587,209	6,699	(593,908)	-
Deferred revenue from entrance fees	-	-	-	5,480,748	5,480,748	-	-	5,480,748
Accrued pension liability	-	3,922,691	-	-	3,922,691	-	-	3,922,691
Total long-term liabilities	<u>-</u>	<u>7,713,772</u>	<u>-</u>	<u>14,554,235</u>	<u>22,268,007</u>	<u>6,699</u>	<u>(593,908)</u>	<u>21,680,798</u>
Net Assets								
Unrestricted	218,464	(691,767)	2,006,140	2,672,932	3,987,305	2,549,566	-	6,755,335
Temporarily restricted	-	-	-	-	-	41,229	-	41,229
Permanently restricted	-	-	-	-	-	163,636	-	163,636
Total net assets	<u>218,464</u>	<u>(691,767)</u>	<u>2,006,140</u>	<u>2,672,932</u>	<u>3,987,305</u>	<u>2,754,431</u>	<u>-</u>	<u>6,960,200</u>
Total Liabilities and Net Assets	<u>\$ 218,464</u>	<u>\$ 8,479,247</u>	<u>\$ 2,006,895</u>	<u>\$ 20,108,308</u>	<u>\$ 30,594,450</u>	<u>\$ 3,130,949</u>	<u>\$ (593,908)</u>	<u>\$ 33,349,955</u>

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Odd Fellows Home of Connecticut, Inc.					Odd Fellows Faith, Hope and Charity Fund, Inc.	Eliminations	Total
	Odd Fellows Healthcare, Inc.	d/b/a Fairview		d/b/a Fellowship Manor	Total			
		Operating Fund	Nonoperating Fund					
Operating Revenue								
Resident revenues, net of contractual allowances and discounts	\$ -	\$ 10,630,372	\$ -	\$ -	\$ 10,630,372	\$ -	\$ -	\$ 10,630,372
Provision for bad debts	-	(102,324)	-	-	(102,324)	-	-	(102,324)
Net resident revenues less provision for bad debts	-	10,528,048	-	-	10,528,048	-	-	10,528,048
Ancillary revenues	-	1,982,078	-	-	1,982,078	-	-	1,982,078
Rental income and fees	-	-	-	404,108	404,108	-	-	404,108
Resident service fees	-	-	-	116,792	116,792	-	-	116,792
Interest and investment income	4	1,964	2	1,216	3,182	82,985	-	86,171
Amortization of deferred revenue from entrance fees	-	-	-	65,652	65,652	-	-	65,652
Contributions	-	-	3,591	-	3,591	134,818	-	138,409
Miscellaneous income	-	120,567	3,006	4,500	128,073	4,302	-	132,375
Management fees	60,000	-	-	-	-	-	(60,000)	-
Net assets released from restriction	-	21,000	-	-	21,000	16,626	-	37,626
Total operating revenues	60,004	12,653,657	6,599	592,268	13,252,524	238,731	(60,000)	13,491,259
Operating Expenses								
Salaries	-	6,442,450	-	50,107	6,492,557	61,195	-	6,553,752
Employee benefits	-	1,843,011	-	4,228	1,847,239	5,355	-	1,852,594
Provider tax	-	838,252	-	-	838,252	-	-	838,252
Supplies	-	686,751	-	-	686,751	-	-	686,751
Ancillary	-	631,503	-	-	631,503	-	-	631,503
Depreciation and amortization	-	425,866	-	196,829	622,695	-	-	622,695
Food	-	391,245	-	-	391,245	-	-	391,245
Utilities	-	257,501	-	95,787	353,288	-	-	353,288
Miscellaneous	939	233,282	7,165	4,959	245,406	14,114	-	260,459
Interest	-	186,064	-	55,317	241,381	11,781	-	253,162
Legal and accounting	-	182,333	-	-	182,333	2,900	-	185,233
Consultants	-	130,950	-	-	130,950	-	-	130,950
Repairs and maintenance	-	97,815	-	13,005	110,820	-	-	110,820
Insurance	-	67,893	-	24,977	92,870	-	-	92,870
Purchased services	-	29,593	-	39,627	69,220	1,792	-	71,012
Fees - officers	49,440	289	-	-	289	-	-	49,729
Advertising and public relations	-	11,357	-	43	11,400	16,051	-	27,451
Data processing	-	26,974	-	-	26,974	-	-	26,974
Investment fees	-	-	-	2	2	20,210	-	20,212
Telephone	-	17,982	-	-	17,982	-	-	17,982
Auto	-	10,609	-	-	10,609	-	-	10,609
Management fees	-	60,000	-	-	60,000	-	(60,000)	-
Total operating expenses	50,379	12,571,720	7,165	484,881	13,063,766	133,398	(60,000)	13,187,543
Operating Income	9,625	81,937	(566)	107,387	188,758	105,333	-	303,716

(Continued on next page)

ODD FELLOWS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Odd Fellows Home of Connecticut, Inc.					Odd Fellows Faith, Hope and Charity Fund, Inc.	Eliminations	Total
	Odd Fellows Healthcare, Inc.	d/b/a Fairview		d/b/a Fellowship Manor	Total			
		Operating Fund	Nonoperating Fund					
Nonoperating Income (Expense)								
Net realized and unrealized gains on investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,350	\$ -	\$ 117,350
Income from perpetual trust	-	-	-	-	-	1,371	-	1,371
Pension liability changes other than net periodic cost	-	(590,757)	-	-	(590,757)	-	-	(590,757)
Transfers	-	48,586	-	200,342	248,928	(248,928)	-	-
Net nonoperating income (expense)	<u>-</u>	<u>(542,171)</u>	<u>-</u>	<u>200,342</u>	<u>(341,829)</u>	<u>(130,207)</u>	<u>-</u>	<u>(472,036)</u>
Increase (decrease) in unrestricted net assets	<u>9,625</u>	<u>(460,234)</u>	<u>(566)</u>	<u>307,729</u>	<u>(153,071)</u>	<u>(24,874)</u>	<u>-</u>	<u>(168,320)</u>
Changes in Temporarily Restricted Net Assets								
Interest and investment income	-	-	-	-	-	3,441	-	3,441
Contributions	-	21,000	-	-	21,000	36,026	-	57,026
Net realized and unrealized gains on investments	-	-	-	-	-	4,555	-	4,555
Investment fees	-	-	-	-	-	(783)	-	(783)
Net assets released from restriction	-	(21,000)	-	-	(21,000)	(16,626)	-	(37,626)
Increase in temporarily restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,613</u>	<u>-</u>	<u>26,613</u>
Permanently Restricted Net Assets								
Increase in value of beneficial interest in perpetual trust	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,940</u>	<u>-</u>	<u>1,940</u>
Change in Net Assets	<u>9,625</u>	<u>(460,234)</u>	<u>(566)</u>	<u>307,729</u>	<u>(153,071)</u>	<u>3,679</u>	<u>-</u>	<u>(139,767)</u>
Net Assets - Beginning of Year	<u>208,839</u>	<u>(231,533)</u>	<u>2,006,706</u>	<u>2,365,203</u>	<u>4,140,376</u>	<u>2,750,752</u>	<u>-</u>	<u>7,099,967</u>
Net Assets - End of Year	<u>\$ 218,464</u>	<u>\$ (691,767)</u>	<u>\$ 2,006,140</u>	<u>\$ 2,672,932</u>	<u>\$ 3,987,305</u>	<u>\$ 2,754,431</u>	<u>\$ -</u>	<u>\$ 6,960,200</u>