

WAKE ROBIN CORPORATION AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2015 AND 2014

**WAKE ROBIN CORPORATION AND SUBSIDIARY
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF OPERATIONS	5
CONSOLIDATED STATEMENTS OF CHANGES IN NET DEFICIT	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
SCHEDULE 1 – RESIDENTS' ASSISTANCE FUND	25



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Wake Robin Corporation and Subsidiary
Shelburne, Vermont

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Wake Robin Corporation (a Vermont nonprofit Corporation) and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net deficit, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wake Robin Corporation and Subsidiary as of December 31, 2015 and 2014, and the results of their operations, changes in their net deficit, and their cash flows for the years then ended in accordance 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 Residents' Assistance Fund presented in Schedule 1 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial 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.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 2, 2016

WAKE ROBIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,988,967	\$ 2,037,047
Investments	7,117,244	7,273,248
Resident Accounts Receivable and Other Receivables	189,845	317,550
Supplies Inventory	92,426	88,804
Prepaid Expenses	256,177	311,216
Total Current Assets	<u>12,644,659</u>	<u>10,027,865</u>
ASSETS LIMITED AS TO USE		
Under Priority Deposits and Donor Restrictions	3,528,063	3,581,858
Under Bond Indenture Agreement - Held by Trustee	4,641,898	4,580,001
Total Assets Limited as to Use	<u>8,169,961</u>	<u>8,161,859</u>
 PROPERTY AND EQUIPMENT, NET	 54,524,687	 55,356,872
DEFERRED FINANCING COSTS, NET	1,399,638	1,570,932
DEFERRED MARKETING COSTS, NET	<u>56,518</u>	<u>71,770</u>
Total Assets	<u><u>\$ 76,795,463</u></u>	<u><u>\$ 75,189,298</u></u>

See accompanying Notes to Consolidated Financial Statements.

	2015	2014
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 1,570,000	\$ 1,630,000
Estimated Liability for Refunds of Entrance Fees	679,000	728,758
Accounts Payable	472,317	884,982
Accrued Expenses	420,538	604,742
Accrued Interest	238,558	222,789
Priority and Interim Deposits	495,000	529,000
Entrance Fee Deposits	599,300	416,950
Total Current Liabilities	4,474,713	5,017,221
LONG-TERM LIABILITIES		
Long-Term Debt - Bonds, Net of Current Portion	53,324,824	54,903,392
Derivative Financial Instrument	285,539	150,496
Deferred Revenue - Amortizable Entrance Fees	44,091,796	41,175,451
Refundable Entrance Fee Liability	3,389,518	3,163,919
Annuity Obligations	38,765	46,119
Total Long-Term Liabilities	101,130,442	99,439,377
Total Liabilities	105,605,155	104,456,598
COMMITMENTS AND CONTINGENCIES		
NET ASSETS (DEFICIT)		
Unrestricted	(31,726,739)	(32,213,117)
Temporarily Restricted	2,781,046	2,800,041
Permanently Restricted	136,001	145,776
Total Net Assets (Deficit)	(28,809,692)	(29,267,300)
Total Liabilities and Net Assets (Deficit)	\$ 76,795,463	\$ 75,189,298

WAKE ROBIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
REVENUE, GAINS, AND OTHER SUPPORT		
Resident Service Revenue	\$ 11,577,718	\$ 11,075,713
Amortization of Entrance Fees	3,637,148	3,395,566
Termination Fees	1,062,708	645,992
Health Care Revenue	3,555,436	3,311,408
Ancillary and Other Resident Revenue	343,192	400,876
Management Company Revenue	24,978	253,535
Investment Income and Realized Gains	235,236	226,173
Contributions	16,168	6,283
Net Assets Released from Restrictions Used for Operations	25,293	366,866
Net Assets Released for Donor Related Restrictions	62,503	103,084
Total Revenue, Gains, and Other Support	<u>20,540,380</u>	<u>19,785,496</u>
EXPENSES		
General and Administrative	3,008,031	3,170,605
Dining Services	1,867,273	1,811,386
Resident Services	863,006	927,395
Linden Health Center	3,713,428	3,591,329
Environmental Services	2,413,753	2,285,090
Property Tax and Insurance	1,227,530	1,242,107
Utilities	954,093	947,611
Depreciation and Amortization	3,632,884	3,509,618
Interest	2,088,326	2,612,349
Management Company Expense	7,929	175,929
Total Expenses	<u>19,776,253</u>	<u>20,273,419</u>
INCOME (LOSS) FROM OPERATIONS	764,127	(487,923)
NON OPERATING INCOME (LOSS)		
Change in Fair Value of Gift Annuities	(2,471)	(23,738)
Loss on Extinguishment of Bonds	-	(2,238,991)
Total Non Operating Income (Loss)	<u>(2,471)</u>	<u>(2,262,729)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	761,656	(2,750,652)
OTHER CHANGES IN UNRESTRICTED NET DEFICIT		
Change in Fair Value of Derivative Instrument	(135,043)	(150,496)
Unrealized Gain (Loss) on Investments	(140,235)	105,776
Total Other Changes in Unrestricted Net Deficit	<u>(275,278)</u>	<u>(44,720)</u>
(INCREASE) DECREASE IN UNRESTRICTED NET DEFICIT	<u>\$ 486,378</u>	<u>\$ (2,795,372)</u>

See accompanying Notes to Consolidated Financial Statements.

WAKE ROBIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
INCOME (LOSS) FROM OPERATIONS	\$ 764,127	\$ (487,923)
NON OPERATING (LOSS)		
Change in Fair Value of Gift Annuities	(2,471)	(23,738)
Loss on Extinguishment of Bonds	-	(2,238,991)
Total Non Operating (Loss)	<u>(2,471)</u>	<u>(2,262,729)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	761,656	(2,750,652)
OTHER CHANGES IN UNRESTRICTED NET DEFICIT		
Change in Fair Value of Derivative Instrument	(135,043)	(150,496)
Unrealized Gain (Loss) on Investments	<u>(140,235)</u>	<u>105,776</u>
Total Other Changes in Unrestricted Net Deficit	<u>(275,278)</u>	<u>(44,720)</u>
(INCREASE) DECREASE IN UNRESTRICTED NET DEFICIT	486,378	(2,795,372)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	50,730	84,791
Net Assets Released from Restrictions Used for Operations	(25,293)	(366,866)
Net Assets Released for Donor Related Restrictions	(62,503)	(103,084)
Investment Income	47,659	49,164
Realized Gains on Investments	156,395	139,710
Unrealized Losses on Investments	<u>(185,983)</u>	<u>(88,081)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(18,995)	(284,366)
PERMANENTLY RESTRICTED NET ASSETS		
Unrealized Losses on Investments	<u>(9,775)</u>	<u>(4,535)</u>
DECREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>(9,775)</u>	<u>(4,535)</u>
(INCREASE) DECREASE IN NET DEFICIT	457,608	(3,084,273)
NET DEFICIT - BEGINNING OF YEAR	<u>(29,267,300)</u>	<u>(26,183,027)</u>
NET DEFICIT - END OF YEAR	<u>\$ (28,809,692)</u>	<u>\$ (29,267,300)</u>

See accompanying Notes to Consolidated Financial Statements.

WAKE ROBIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
(Increase) Decrease in Net Deficit	\$ 457,608	\$ (3,084,273)
Adjustments to Reconcile (Increase) Decrease in Net Deficit to Net Cash Provided by Operating Activities:		
Amortization of Entrance Fees and Termination Income	(4,699,856)	(4,041,558)
Proceeds from Entrance Fees and Deposits	7,958,700	6,265,017
Accretion of Bond Discount	-	252
Amortization of Bond Premium	(8,568)	-
Depreciation and Amortization	3,632,884	3,509,618
Loss on Extinguishment of Bonds	-	2,238,991
(Gain) Loss on Disposal of Property and Equipment	(11,235)	9,710
Change in Fair Value of Derivative Financial Instruments	135,043	150,496
Net Realized and Unrealized (Gain) Loss on Investments	116,716	(174,413)
(Increase) Decrease in Operating Assets:		
Resident Accounts Receivable and Other Receivables	127,705	(54,393)
Supplies Inventory	(3,622)	12,309
Prepaid Expenses and Other Assets	55,039	189,376
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(596,869)	(144,546)
Accrued Interest	15,769	(27,664)
Priority, Interim, and Entrance Fee Deposits	148,350	412,200
Annuity Obligation	(7,354)	8,393
Net Cash Provided by Operating Activities	<u>7,320,310</u>	<u>5,269,515</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,602,918)	(3,106,307)
Purchases of Investments, Net	39,288	203,857
(Increase) Decrease in Assets Whose Use is Limited	(8,102)	1,124,530
Net Cash Used by Investing Activities	<u>(2,571,732)</u>	<u>(1,777,920)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long-Term Debt	(1,630,000)	(1,365,000)
Redemption of Long-Term Debt	-	(20,485,000)
Proceeds from Long-Term Debt	-	19,955,000
Payment of Deferred Financing Costs	-	(447,884)
Refunds of Entrance Fees	(166,658)	(252,265)
Net Cash Used by Financing Activities	<u>(1,796,658)</u>	<u>(2,595,149)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,951,920	896,446
Cash and Cash Equivalents - Beginning of Year	<u>2,037,047</u>	<u>1,140,601</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 4,988,967</u></u>	<u><u>\$ 2,037,047</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash Paid during the Year for Interest	\$ 2,104,095	\$ 2,462,068
SUPPLEMENTAL CASH FLOW INFORMATION:		
Construction and Equipment Expenditures within Accounts Payable and Accrued Expenses	\$ 156,618	\$ 511,068

See accompanying Notes to Consolidated Financial Statements.

**WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Wake Robin Corporation (the Corporation) was organized in 1984, as a Vermont nonprofit corporation, to operate a retirement community and provide continuing and long-term care for the elderly. The Corporation operates a continuing care retirement community known as Wake Robin Continuing Care Retirement Community (the CCRC). The CCRC consists of 212 independent living homes, a community center, and a health center consisting of 31 residential care units, and 51 nursing care units, all arranged in a campus setting on 136 acres in Shelburne, Vermont. The CCRC provides residents with a living unit, use of the health center and other facilities and services for the resident's lifetime. Residents began occupying the CCRC in June 1993.

In 2011, the Organization formed Wake Robin Management, LLC (WRM), a wholly owned subsidiary that manages a retirement community. WRM offers management services, financial and accounting procedures, and personnel administration to provide quality independent living and assisted living services to the community's residents. WRM is incorporated under the laws of the State of Vermont as a limited liability company.

Principles of Consolidation

The consolidated financial statements include the accounts of Wake Robin Corporation and Wake Robin Management, LLC. All significant intercompany transactions have been eliminated on consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions relating to 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 period. Significant items subject to such estimates and assumptions include valuation of derivative financial instruments, deferred revenue from entrance fees, and the obligation to provide future services and use of facilities to current residents. Actual results could differ from those estimates.

Basis of Presentation

Net assets of the CCRC and changes therein are classified in three categories and reported as follows:

Unrestricted - Those resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues that the Board has set aside for a particular purpose.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Temporarily Restricted - Those resources subject to donor imposed restrictions that will be satisfied by actions of the Corporation or passage of time. The principal amount of temporarily restricted contributions and the related earnings can be spent for donor restricted purposes.

Permanently Restricted - Those resources subject to a donor imposed restriction that be maintained permanently by the Corporation. The principal amount of permanently restricted contributions cannot be spent by the CCRC.

Excess (Deficit) of Revenue Over Expenses

The consolidated statements of operations include the excess (deficit) of revenues over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from such amounts, consistent with industry practice, include unrealized gains and losses on investments, the effective portion of the interest rate swap agreements that are designated as hedging agreements, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets, if any).

Income Taxes

The Corporation is recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from Federal income taxes pursuant to Section 501(a) of the IRC.

The Corporation follows the provisions of the income tax accounting standards regarding the recognition and measurement of uncertain tax positions. The application of these provisions has no impact on the Company's financial statements.

The Corporation's tax returns are subject to review and examination by federal, state and local authorities.

Cash and Cash Equivalents

The Corporation considers cash and cash equivalents to include all highly liquid investments with original maturity dates of three months or less, excluding amounts that are limited as to use under trust agreements, priority deposits, or donor restrictions. The Corporation deposits its temporary cash investments in financial institutions. At times, such investments may be in excess of the FDIC insurance limit.

Accounts Receivable

The Corporation provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice or as the claim is submitted for third-party payors. Accounts past due more than 30 days are individually analyzed for collectability.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

In addition, an allowance is estimated for other accounts based on historical experience. At December 31, 2015 and 2014, there was no allowance for uncollectible accounts.

Supplies Inventory

Inventories of supplies are stated at the lower of cost (determined by the first-in, first-out method), or market.

Investments and Investment Income

Investments are comprised of U.S. Government and Government Agency and corporate obligations, certificates of deposit, fixed income mutual funds and common stock and are stated at fair value in the statement of financial position. Investment income or loss, including realized gains and losses on investment, interest and dividends, and write down of impaired investments, if any, are included in the operating income or loss. Unrealized gains and losses on investments are excluded from the operating income or loss.

A decline in the market value of any security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to the operating loss and a new cost basis for the security is established. To determine whether impairment is other-than-temporary, the Corporation considers whether it has the ability and intent to hold the investment security until a market price recovery occurs and considers whether evidence indicating the cost of the investment security is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in market value subsequent to year end and forecasted performance of the investment security.

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

Assets Limited as to Use

Assets limited as to use are comprised of U.S. Government and Government Agency and corporate obligations, certificates of deposit, fixed income mutual funds and common stock and are stated at fair value, based on quoted market prices. Assets limited as to use consists of assets set aside by the board of directors in accordance with donor restrictions, deposit agreements, and terms of Loan and Trust agreements in connection with the issuance of the bonds. These deposits become available to the Corporation upon satisfaction of certain criteria outlined by each donor stipulation and in each agreement. Amounts required to meet current liabilities of the CCRC have been reclassified to current assets in the statements of financial position at December 31, 2015 and 2014.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Corporation emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The fair values of financial instruments are summarized further in Note 13.

Property and Equipment

Property and equipment are recorded at cost. The Corporation's policy is to capitalize expenditures for major improvements and to charge maintenance and repairs that do not extend the useful lives of the related assets. Donated property and equipment are recorded at their estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful life of each class of depreciable asset. Estimated lives generally fall into the following ranges; 4 years for transportation equipment, 3 to 12 years for furniture and equipment, 20 years for land improvements, and 40 years for buildings. The Corporation capitalizes property and equipment with a cost basis of \$5,000 or greater and a useful life of greater than one year.

Construction in Progress

Construction in progress consists of costs related primarily to ongoing projects in process. Depreciation of these costs is being deferred until the projects have been completed. When the planned projects are completed the construction in progress costs are capitalized and depreciated over the life of the projects.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs (Net)

Financing costs relating to the issuance of the 2006, 2012 and 2014 Vermont Economic Development Authority Revenue Bonds are being amortized by the straight-line method which approximates the effective interest method over the lives of the related bond issues. In conjunction with the issuance of the Series 2014 bonds, the Corporation recorded deferred financing costs of \$447,884. In addition, \$628,158 of deferred financing costs were written off in conjunction with the refinancing of the Series 2006A Bonds. Amortization expense was \$171,294 and \$75,830 for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, deferred financing costs, net, are as follows:

	2015	2014
Deferred Financing Costs	\$ 1,833,522	\$ 1,833,522
Less: Accumulated Amortization	433,884	262,590
Deferred Financing Costs, Net	<u>\$ 1,399,638</u>	<u>\$ 1,570,932</u>

Deferred Marketing Costs (Net)

Deferred marketing costs that represented costs incurred with obtaining the initial Residence and Care Agreements of the community were being amortized on a straight-line basis over the estimated remaining lives of the community's first residents, 12 years. Costs related to the initial residents of the units have been fully amortized. Costs related to the initial marketing of additional units are being amortized over 12 years commencing in 2007 when these units were occupied. Amortization expense was \$15,252 for each of the years ended December 31, 2015 and 2014. The Corporation also incurs advertising costs associated with the marketing of the CCRC, on an ongoing basis. Costs of this advertising are expensed as incurred. As of December 31, 2015 and 2014, deferred marketing costs, net, are as follows:

	2015	2014
Deferred Marketing Costs	\$ 183,000	\$ 183,000
Less: Accumulated Amortization	126,482	111,230
Deferred Marketing Costs, Net	<u>\$ 56,518</u>	<u>\$ 71,770</u>

Deposits

Priority and interim deposits are received from prospective residents and deposited into an escrow account. Both deposits are fully refundable upon demand with the interest income accruing to the Corporation. Priority deposits are made in order for the prospective resident to receive a priority number. The number enables the prospective resident to receive priority status prior to move-in and unit selection. Prospective residents typically make an interim deposit when they are within approximately one year of their expected move-in date. Priority deposits totaled \$427,000 and \$443,000 at December 31, 2015 and 2014, respectively. Interim deposits totaled \$68,000 and \$86,000 at December 31, 2015 and 2014, respectively.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits

Upon execution of a Residence and Care Agreement and prior to move-in, residents must pay a deposit equal to 25% of the entrance fee amount. The resident pays the balance of the entrance fee upon move-in. The entrance fee deposits are part of the Corporation's unrestricted cash and the liability is recorded as a refundable entrance fee deposit.

Donor Restrictions

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated net assets. When a donor restriction expires (this is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations and changes in net deficit as net assets released from restrictions.

The Corporation reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Derivative Financial Instrument

The Corporation utilizes a derivative financial instrument to reduce its exposure to the market risk from changes in interest rates. The instrument used to mitigate this risk is an interest rate swap. The instrument held by the Corporation is designated as a highly effective cash flow hedge of interest rate risk on variable rate debt and, accordingly, the changes in the fair value of this instrument is excluded from the performance indicator in other changes in unrestricted net assets for the year.

Entrance Fees

The Corporation offers two options for Residence and Care Agreements: the Fully Amortizing Entrance Fee and the Partially Amortizing Entrance Fee. Under both agreements, the prospective resident is required to pay a deposit in the amount of 25% of the entrance fee at the time the contract is executed, with the balance of the entrance fee paid at the time of move in. Upon the occupancy of the unit, entrance fees are recorded as deferred revenue and amortized into revenue. Under the Partially Amortizing Entrance Fee Agreement, it is the policy of the Corporation to amortize up to the contractually refundable amount. In 2015 Wake Robin began offering a Long Term Care Insurance Benefit, which provides for a discount on entrance fees and a feature converting to a per diem rate for a specified number of days while in skilled nursing.

In the event of termination of the Residence and Care Agreement due to withdrawal, death or dismissal, a refund may be paid. The refund is based upon the type of entrance fee agreement executed. If a resident enters into a Fully Amortizing Entrance Fee Agreement, their refund will equal the entrance fee paid less 2% for each month of occupancy from the month of move-in to and including the month of termination. No refund will be paid after 50 months of occupancy.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Entrance Fees (Continued)

If a resident enters into a Partially Amortizing Entrance Fee Agreement and the termination is during the first 25 months after move-in, their refund will equal the entrance fee paid less 2% for each month of occupancy from the month of move-in to and including the month of termination. If the termination is after 25 months, the resident will be refunded 50% of their entrance fee at any time the termination occurs. Partially Amortizing Entrance Fee Agreements require a premium payment for the entrance fee. Under these refund policies, entrance fees totaling approximately \$16,706,000 and \$13,844,000 remained unexpired and contractually refundable at December 31, 2015 and 2014, respectively.

In 2015, the Corporation added a Long-term Care Insurance Benefit addendum to their Residence and Care Agreements. The addendum provides the option for a \$40,000 reduction of the standard entrance fee per person. The monthly fee changes after the first 120 days in skilled nursing from the standard fee to the per diem rate. The per diem rate is charged for up to 850 days while in skilled nursing and after that the fee reverts back to the standard monthly fee.

Obligation to Provide Future Services

The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities to current residents). The obligation is discounted at 4% for the first five years and 6% thereafter. As of December 31, 2015 and 2014, the calculation did not result in a liability.

Charity Care

The mission of the Corporation is to create an active community of adults that honors both mutual support and independence and addresses the health and wellness needs of each resident. The Corporation provides financial assistance on an as needed basis through the Wake Robin Residents' Assistance Fund. The fund was initially funded by the Corporation with the majority of subsequent funding from residents or their estates. The Wake Robin Residents' Assistance Fund is administered by a committee comprised of three staff of the Corporation and two residents.

The Corporation received contributions to the Wake Robin Residents' Assistance Fund of \$2,700 and \$6,800 for the years ended December 31, 2015 and 2014, respectively.

The financial assistance provided to several residents of the community from the Wake Robin Residents' Assistance Fund was \$109,842 (paid in 2016) and \$91,482 for years ended December 31, 2015 and 2014, respectively.

Reclassifications

Certain items in the 2014 financial statements have been classified to conform to the 2015 financial presentation. These reclassifications had no effect on changes in net assets (deficit).

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these consolidated financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 2, 2016, the date the consolidated financial statements were issued.

NOTE 2 INVESTMENTS

Assets Limited as to Use

The composition of assets limited as to use, stated at fair value, at December 31, 2015 and 2014, is set forth in the following table:

	2015	2014
Under Deposits and Donor Restrictions:		
Cash and Cash Equivalents	\$ 497,087	\$ 422,995
Certificates of Deposit	749,286	837,683
Equities	2,145,897	2,151,699
Corporate Bonds	135,793	169,481
Total	3,528,063	3,581,858
Under Bond Indenture Agreement and		
Held by Trustee:		
Cash and Cash Equivalents	1,405,392	3,089,203
Corporate Bonds	2,986,895	-
U.S. Government Agencies	249,611	1,490,798
Total	4,641,898	4,580,001
Total	\$ 8,169,961	\$ 8,161,859

Other Investments

The composition of other investments, stated at fair value and classified as other than trading, at December 31, 2015 and 2014, is set forth in the following table:

	2015	2014
Certificates of Deposit	\$ 3,000,036	\$ 2,961,024
U.S. Government Agencies	278,824	692,696
Corporate Bonds	1,850,956	1,940,932
Equity Mutual Funds	1,987,428	1,678,596
Total	\$ 7,117,244	\$ 7,273,248

Management conducts due diligence on its investments. Unrealized losses were analyzed by management as of December 31, 2015 and the unrealized losses were deemed to be immaterial in relation to the financial statements.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 INVESTMENTS (CONTINUED)

As of December 31, 2015, declines in the fair value of investments and investments limited as to use reflect declines in the overall equities market. The Corporation does not believe that any individual unrealized loss as of December 31, 2015 represents an other-than-temporary impairment. The Corporation has the intent and ability to hold these investments for the time necessary to recover the amortized cost.

NOTE 3 PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2015 and 2014 follows:

	2015	2014
Land	\$ 2,133,946	\$ 2,133,946
Land Improvements	10,240,814	10,183,052
Buildings and Improvements	78,804,468	77,854,317
Furniture and Equipment	4,042,220	4,191,929
Transportation Equipment	538,685	531,416
Projects in Process - Other	1,993,687	1,462,964
Total	97,753,820	96,357,624
Less: Accumulated Depreciation	(43,229,133)	(41,000,752)
Property and Equipment, Net	<u>\$ 54,524,687</u>	<u>\$ 55,356,872</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$3,446,338 and \$3,418,536, respectively.

Substantially all of the Corporation's property and equipment is pledged as security for the bonds described in Note 5.

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2015 and 2014:

	2015	2014
Purchase of Property and Equipment	\$ 91,578	\$ 91,578
Resident Activities	94,099	88,659
The Fund for Wake Robin	46,649	46,643
The Wake Robin Endowment Fund	489,589	457,384
Residents Assistance	1,910,701	1,897,983
The Wake Robin Gift Annuity Fund	53,438	71,146
Aquatic Fund	94,992	146,648
Total	<u>\$ 2,781,046</u>	<u>\$ 2,800,041</u>

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

During 2015 and 2014, \$87,796 and \$469,950, respectively, of net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

NOTE 5 LONG-TERM DEBT

Bonds Payable and Derivative Financial Instrument

On December 1, 2014, The Corporation entered into a Loan Agreement and Mortgage with the State of Vermont, acting by and through the Vermont Economic Development Authority (the "Authority") pursuant to which the Authority sold the Series 2014 Bond in the amount of \$19,955,000 on December 11, 2014 to Manufacturers & Traders Trust. The Series 2014 Bond bears a variable interest rate equal to 75% of the 30-Day LIBOR Rate plus 1.85%.

On December 10, 2014, the Corporation entered into an Interest Rate Swap Agreement with Manufactures & Traders Trust to enact a variable to fixed rate swap for the Series 2014 Bond effective December 11, 2014. The swap agreement will hedge the Series 2014 Bond by effectively converting interest payments from variable rate to a fixed rate. The swap agreement, designated as a derivative at December 31, 2015 is recorded at fair value as a liability in the statement of financial position with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The expiration of the swap is December 1, 2021 and the effective fixed rate of the swap is 1.492%. As of December 31, 2015 and 2014, the fair value of the interest rate swap is recorded as a liability of \$285,539 and \$150,496, respectively.

The fair value of the Corporation's interest rate swap is obtained from the market values provided by the brokers. The values represent the estimated amount the Corporation would pay to terminate the agreement, taking into consideration the difference between the contract rate of interest and the rate currently quoted for the agreement. For the years ended December 31, 2015 and 2014, the change in the fair value of the interest rate swap resulted in unrealized losses of \$135,043 and \$150,496, respectively.

On May 31, 2012, the Corporation entered into a Loan Agreement and Mortgage with the State of Vermont, acting by the Vermont Economic Development Authority (the "Authority") pursuant to which the authority sold the following issues of bonds:

Vermont Economic Development Authority Bonds:

Series 2012 Serial Bonds	\$ 10,480,000
Series 2012 Term Bonds	2,655,000
Series 2012 Term Bonds	10,700,000
Total	<u>\$ 23,835,000</u>

**WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Bonds Payable and Derivative Financial Instrument (Continued)

From the proceeds, the organization borrowed \$23,835,000 of Mortgage Revenue Bonds (Wake Robin Corporation Project), Series 2012 (referred to as the "Series 2012 Bonds"). The Series 2012 Bonds are comprised of 1) \$10,480,000 of Serial Bonds bearing interest at fixed rates between 2.75% and 5.125% with a yield ranging between 2.75% and 5.125% over the life of the issuance; 2) \$2,655,000 of term bonds at a fixed rate of 5.3% and with a yield of 5.3% and 3) \$10,700,000 of term bonds at a fixed rate of 5.4% and with a yield of 5.3%.

A portion of the proceeds from the sale of the Series 2012 Bonds were used to fund a debt service reserve fund and to pay costs of issuance relating to the Series 2012 Bonds.

On June 1, 2006, the Corporation entered into a Loan Agreement and Mortgage with the State of Vermont with the Vermont Economic Development Authority pursuant to which the authority sold the following issues of bonds and lent the proceeds to the Corporation:

Vermont Economic Development Authority Bonds:

Series 2006A, Mortgage Revenue Bonds	\$ 23,500,000
Series 2006B, Variable Rate Demand Mortgage Revenue Bonds	16,455,000
Series 2006C, Variable Rate Demand Mortgage Revenue Bonds	8,250,000
Series 2006D, Variable Rate Demand Mortgage Revenue Bonds - Taxable	2,250,000
Total	<u>\$ 50,455,000</u>

The proceeds of these bonds were used to finance the construction and equipping of an additional 37 independent living and 18 skilled nursing units, to advance refund the Wake Robin Mortgage Revenue Bonds Series 1999B Bonds, to establish reserves required to be maintained by the trustee, for acquisition, improvement and development of the facility site, for routine capital expenditures of the Corporation, and to pay for the costs of bond issuance. During the year ended December 31, 2014, the Series 2006A were defeased using the proceeds from the issuance of the Series 2014 bonds. During the years ended December 31, 2008 and 2007, the Series 2006C and 2006D bonds were retired with the proceeds of entrance fees received from the expansion.

On December 30, 2013, the Corporation executed a Letter of Credit with M & T Bank with an expiration date of December 30, 2016. In January 2015, the Letter of Credit was extended. The new expiration date of the Letter of Credit is December 30, 2017. This agreement requires the Corporation to maintain not less than 180 Days Cash on Hand, tested quarterly, a Debt Service Coverage Ratio of not less than 1.20 to 1.00, tested quarterly, and occupancy of at least 90%, tested annually.

On April 1, 2014, the Corporation executed the First Amendment to the Letter of Credit and Reimbursement Agreement. Under the terms of the Amendment, the Corporation will be required to repay any unreimbursed drawings of principal and interest beginning in 2017, assuming there is no uncured event of default.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 5 LONG-TERM DEBT (CONTINUED)

Bonds Payable and Derivative Financial Instrument (Continued)

The Corporation is subject to various covenants under the bond agreements. These covenants require various reporting, financial, and operational requirements. As of December 31, 2015, the Corporation is not aware of any instances of non-compliance with these covenants.

A summary of long-term debt financed through the Vermont Economic Development Authority at December 31, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Series 2014 Variable Rate Mortgage Revenue Bonds, due in varying monthly installments from January 1, 2015 to May 1, 2036. Interest is payable monthly at 75% of one-month LIBOR plus 1.85%. Until December 1, 2021 the variable rate was effectively converted to a fixed rate using a derivative with a rate of 1.492%.	\$ 19,240,000	\$ 19,955,000
Series 2012 Fixed Rate Mortgage Revenue Bonds, due in graduated annual installments ranging from \$100,000 on May 1, 2013 to \$10,700,000 on May 1, 2033. Interest is payable semi-annually at rates ranging from 3.25% to 3.5%.	21,160,000	22,075,000
Series 2006B Variable Rate Demand Mortgage Revenue Bonds, due in graduated annual installments ranging from \$125,000 in 2017 to \$2,550,000 in 2029. Interest is payable at a weekly rate to be determined by the remarketing agreement.	14,350,000	14,350,000
Total	54,750,000	56,380,000
Unamortized Bond Premium		
Series 2012	144,824	153,392
Total Long-Term Debt	54,894,824	56,533,392
Current Portion of Long-Term Debt	(1,570,000)	(1,630,000)
Total Long-Term Debt, Net of Current Portion	<u>\$ 53,324,824</u>	<u>\$ 54,903,392</u>

**WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Future maturities of long-term debt as of December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 1,570,000
2017	1,660,000
2018	1,755,000
2019	1,790,000
2020	1,860,000
2020 and Thereafter	46,115,000
Total	<u>\$ 54,750,000</u>

The Series 2006, 2012, and 2014 bonds are secured by a first mortgage and security interest on property and equipment, certain tangible and intangible property interests, the gross revenues and entrance fees (subject to certain provisions) of the Corporation and by certain funds held by the Trustee as defined in the Loan and Trust Agreement.

NOTE 6 RELATED PARTY TRANSACTIONS

A director emeritus of the Corporation serves as the Corporation's legal counsel. The director's law firm was paid \$57,690 and \$96,009 for legal services provided in 2015 and 2014, respectively.

NOTE 7 LIABILITY INSURANCE

The Corporation's general liability and resident health care facility professional liability insurance are covered under a "claims made" policy. There are no claims outstanding as of December 31, 2015 and 2014.

NOTE 8 AMENDED CERTIFICATE OF AUTHORITY (THE COA)

In April 2006, The Department of Financial Regulation (the Department), formerly the Vermont Department of Banking, Insurance and Health Care Administration, issued the Corporation a Certificate of Authority approving the execution of Residence and Care Agreements, as well as the collection of deposits from prospective residents of Phase II.

In July, 2006 the Department issued another Certificate of Authority (COA) approved the Phase II expansion project and the issuance of the 2006 Bond to fund it. Among other conditions the COA required the Corporation to maintain the reserve fund required by 8 V.S.A. Section 8009, the Statutory Reserve in a separate account. The Statutory Reserve required is to be funded to no less than the greater of the following: the total annual principal and interest payments on all debt, or 15% of all operating expenses, determined at the end of the fiscal year based on projected amounts for the following fiscal year (Required Balance).

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 8 AMENDED CERTIFICATE OF AUTHORITY (THE COA) (CONTINUED)

As required by the COA, Wake Robin maintains a separate investment account, the Cash Reserve Account, with a Vermont Investment Company. The Corporation is required to transfer cash to the Cash Reserve Account, until such times as the balance in the accounts equals the required balance. The COA permits the Corporation to expend funds from the Statutory Reserve Account without approval from the Department after first exhausting all other unrestricted funds of the Corporation, or to the extent that the balance in the Cash Reserve Account exceeds the Required Balance.

As soon as practicable after December 31, 2022, or earlier date as determined by the Department at its discretion, the Corporation will transfer the Required Balance in the Cash Reserve Account to a Statutory Reserve Account with the Vermont State Treasurer's Office. Thereafter, the Corporation will make deposits to the Statutory Reserve Account sufficient to maintain the Required Balance. All income or gain on investment of the funds held in the Statutory Reserve Account will be retained in and become part of such account.

When the funds are transferred to the Statutory Reserve Account with the Vermont Treasurer's Office, the Corporation will not permit any person or entity other than the Department to acquire a perfected lien or security interest in the Statutory Reserve Account.

As of December 31, 2015 and 2014, the amount in the Cash Reserve Account of the Corporation exceeded the Required Balance.

NOTE 9 RESIDENT FUNDS HELD BY THIRD PARTY (UNAUDITED)

Under an agreement with the Vermont Community Foundation, The Norman Winde Residents' Fund (the Fund) was established on May 26, 1999 by residents of the CCRC. The contributions and earnings thereon are held by the Vermont Community Foundation. The purposes of the Fund are to provide support to the Corporation to benefit its residents, primarily for, but not limited to, the provision of financial assistance in connection with the monthly fees due from residents of the CCRC, such residents having demonstrated financial need. The Vermont Community Foundation shall accumulate, grant or expend for the purposes of the Fund as much of the net income and/or principal of the Fund as the Vermont Community Foundation from time to time deems advisable.

A summary of the Fund, which is not reflected in the accompanying financial statements, at December 31, 2015 and 2014 follows:

	2015	2014
Contribution	\$ 23,509	\$ -
Investment Return	(14,776)	24,918
Administrative Fee	(5,553)	(5,369)
Excess of Revenue over Expenses	3,180	19,549
Balance - Beginning of Year	685,786	666,237
Balance - End of Year	<u>\$ 688,966</u>	<u>\$ 685,786</u>

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 10 EMPLOYEE BENEFIT PLAN

The Corporation has a 403(b) Thrift Plan, which is a defined contribution voluntary retirement savings plan for all employees with no minimum age or service requirement. Employees can contribute any percentage of their salary, limited only by the maximum contribution amounts defined by the Internal Revenue Service. The Corporation matches employee contributions at the lesser of 50% of employee contributions or \$2,000 for each of the years ended December 31, 2015 and 2014. The Corporation contributed \$123,381 and \$124,900 to the plan in 2015 and 2014, respectively.

NOTE 11 MANAGEMENT AGREEMENT

The Corporation entered into an agreement with Eastview at Middlebury, Inc. dated May 26, 2011, to operate as manager of the Community start-up, supervise, direct and control day-to-day business activities, financial and accounting procedures and provide personnel administration as necessary to carry out the goals of providing quality independent living and assisted living to the Community's residents. Subsequent to the execution of this agreement, the Corporation assigned the agreement to Wake Robin Management LLC (WRM). The term of the agreement was for four years.

Effective July 1, 2013, the management agreement between Wake Robin and EastView at Middlebury was amended and the annual fixed monthly management fees were lowered to \$9,357. On December 29, 2014, the management agreement was further amended and the annual fixed monthly fee was reduced to \$4,750. The amendment changed the services provided by WRM to financial and accounting assistance. April 10, 2015, the agreement was extended to December 31, 2015 and the fixed monthly fee was eliminated and replaced with an hourly rate. In early January 2016 the agreement was extended to March 31, 2016.

Eastview at Middlebury paid management fees of \$24,978 for the year ended December 31, 2015 and \$253,535 (\$112,262 of monthly management fees and \$141,273 of unreimbursed expenses) for the year ended December 31, 2014.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 12 FAIR VALUE MEASUREMENTS

The following table presents the Corporation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 and 2014:

2015	Level 1	Level 2	Level 3	Total
Assets:				
Assets Limited as to Use - Investments	\$ 8,169,961	\$ -	\$ -	\$ 8,169,961
Investments	7,117,244	-	-	7,117,244
Liabilities:				
Fair Value of Interest Rate Swap Agreement	-	285,539	-	285,539
2014	Level 1	Level 2	Level 3	Total
Assets Limited as to Use - Investments	\$ 8,161,859	\$ -	\$ -	\$ 8,161,859
Investments	7,273,248	-	-	7,273,248
Liabilities:				
Fair Value of Interest Rate Swap Agreement	-	150,496	-	150,496

The following disclosure represents a financial instrument in which the ending balances at December 31, 2015 are not carried at fair value on the statement of financial position. The fair value of variable rate long-term debt approximates market value since the bonds are remarketed on a regular basis. The fair value of fixed rate bonds is based on an estimate prepared by the bond underwriter using market data regarding comparable fixed rate debt.

	Carrying Amount	Fair Value
Long-Term Debt	\$ 54,894,824	\$ 55,982,208

The determination of the fair values above incorporates various factors. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Corporation's nonperformance risk on its liabilities.

The fair value of investments is determined by third party service providers utilizing various methods dependent upon the specific type of investment. When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include money market funds and bank deposits, certificates of deposits, U.S. government agency securities, corporate bonds, equities, and mutual funds.

Liabilities utilizing Level 2 inputs are derivatives. The carrying amount represents fair market value and is based on a price estimated by a third party using the income approach, which uses valuation techniques to convert future cash flows to a discounted value, using current market expectations.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following methods and assumptions were used by the Corporation in estimating the fair value of its other financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts receivable: The carrying amount reported in the balance sheet approximates fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates fair value.

NOTE 14 FUNCTIONAL EXPENSES

The Corporation provides residential living services and general health care services to its residents. Expenses related to providing these services are as follows:

	2015	2014
Program Activities	\$ 18,365,036	\$ 18,523,063
General and Administrative	1,411,217	1,750,356
Total	<u>\$ 19,776,253</u>	<u>\$ 20,273,419</u>

WAKE ROBIN CORPORATION AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
SCHEDULE 1 – RESIDENTS’ ASSISTANCE FUND
YEARS ENDED DECEMBER 31, 2015 AND 2014

The following represents the activity of the Resident’s Assistance Fund, which is included in unrestricted and temporarily restricted net assets.

	2015	2014
REVENUE, GAINS, AND OTHER SUPPORT		
Investment Income	\$ 31,575	\$ 37,961
Contributions	2,700	6,800
Realized Gain on Investments	119,600	102,142
Unrealized Loss on Investments	(131,336)	(63,631)
Total Revenue, Gains, and Other Support	<u>22,539</u>	<u>83,272</u>
EXPENSES		
Investment Management Fee	10,723	10,567
Assistance Paid, Net of Refunds	-	91,482
Total Expenses	<u>10,723</u>	<u>102,049</u>
EXCESS (DEFICIT) OF REVENUE, GAINS, AND OTHER SUPPORT OVER EXPENSES	11,816	(18,777)
Net Assets - Beginning of Year	<u>1,914,591</u>	<u>1,933,368</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,926,407</u></u>	<u><u>\$ 1,914,591</u></u>
(A) NET ASSETS ARE COMPRISED OF:		
Board Designated	\$ 15,706	\$ 16,608
Temporarily Restricted	\$ 1,910,701	\$ 1,897,983

WAKE ROBIN CORPORATION AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2014 AND 2013

**WAKE ROBIN CORPORATION AND SUBSIDIARY
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF OPERATIONS	5
CONSOLIDATED STATEMENTS OF CHANGES IN NET DEFICIT	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
SCHEDULE 1 – RESIDENTS' ASSISTANCE FUND	26

INDEPENDENT AUDITORS' REPORT

Board of Directors
Wake Robin Corporation and Subsidiary
Shelburne, Vermont

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Wake Robin Corporation (a Vermont nonprofit Corporation) and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of operations and changes in net deficit 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.


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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wake Robin Corporation and Subsidiary as of December 31, 2014 and 2013, and the changes in their net deficit and their cash flows for the years then ended in accordance 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 Residents' Assistance Fund presented in Schedule 1 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial 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.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 10, 2015

WAKE ROBIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,037,047	\$ 1,140,601
Investments	7,273,248	7,302,692
Current Portion of Assets Limited as to Use	3,089,203	4,154,977
Resident Accounts Receivable and Other Receivables	317,550	263,157
Supplies Inventory	88,804	101,113
Prepaid Expenses	443,375	632,751
Total Current Assets	<u>13,249,227</u>	<u>13,595,291</u>
ASSETS LIMITED AS TO USE		
Under Priority Deposits and Donor Restrictions	3,581,858	3,794,996
Under Bond Indenture Agreement - Held by Trustee	4,580,001	7,031,147
	<u>8,161,859</u>	<u>10,826,143</u>
Less: Assets Limited as to Use Required for Current Liabilities	<u>(3,089,203)</u>	<u>(4,154,977)</u>
Total Assets Limited as to Use	5,072,656	6,671,166
PROPERTY AND EQUIPMENT, NET	55,356,872	55,678,811
DEFERRED FINANCING COSTS, NET	1,438,773	1,694,877
DEFERRED MARKETING COSTS, NET	<u>71,770</u>	<u>87,022</u>
Total Assets	<u>\$ 75,189,298</u>	<u>\$ 77,727,167</u>

See accompanying Notes to Consolidated Financial Statements.

	2014	2013
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 1,630,000	\$ 1,340,000
Estimated Liability for Refunds of Entrance Fees	728,758	574,000
Accounts Payable	884,982	1,068,855
Accrued Expenses	604,742	565,415
Accrued Interest	222,789	373,070
Priority and Interim Deposits	529,000	478,000
Entrance Fee Deposits	416,950	55,750
Total Current Liabilities	<u>5,017,221</u>	<u>4,455,090</u>
LONG-TERM LIABILITIES		
Long-Term Debt - Bonds, Net of Current Portion	54,903,392	56,894,444
Derivative Financial Instrument	150,496	-
Deferred Revenue - Amortizable Entrance Fees	41,175,451	39,249,515
Refundable Entrance Fee Liability	3,163,919	3,273,419
Annuity Obligations	46,119	37,726
Total Long-Term Liabilities	<u>99,439,377</u>	<u>99,455,104</u>
Total Liabilities	104,456,598	103,910,194
COMMITMENTS AND CONTINGENCIES		
NET ASSETS (DEFICIT)		
Unrestricted	(32,213,117)	(29,417,745)
Temporarily Restricted	2,800,041	3,084,407
Permanently Restricted	145,776	150,311
Total Net Assets (Deficit)	<u>(29,267,300)</u>	<u>(26,183,027)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 75,189,298</u>	<u>\$ 77,727,167</u>

**WAKE ROBIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
REVENUE, GAINS, AND OTHER SUPPORT		
Resident Service Revenue	\$ 11,075,713	\$ 10,821,491
Amortization of Entrance Fees	3,395,566	3,341,869
Termination Fees	645,992	1,476,248
Health Care Revenue	3,311,408	3,007,003
Ancillary and Other Resident Revenue	400,876	475,725
Management Company Revenue	253,535	310,084
Investment Income and Realized Gains	226,173	172,590
Contributions	6,283	6,775
Net Assets Released from Restrictions Used for Operations	366,866	10,169
Net Assets Released for Donor Related Restrictions	103,084	193,931
Total Revenue, Gains, and Other Support	19,785,496	19,815,885
EXPENSES		
General and Administrative	3,170,605	3,173,889
Dining Services	1,811,386	1,836,507
Resident Services	927,395	747,780
Housekeeping	730,299	726,243
Linden Health Center	3,591,329	3,475,923
Environmental Services	1,554,791	1,444,539
Property Tax and Insurance	1,242,107	822,689
Utilities	947,611	919,106
Depreciation and Amortization	3,509,618	3,574,161
Interest	2,612,349	2,815,399
Management Company Expense	175,929	163,631
Total Expenses	20,273,419	19,699,867
INCOME (LOSS) FROM OPERATIONS	(487,923)	116,018
NON OPERATING INCOME (LOSS)		
Change in Fair Value of Gift Annuities	(23,738)	-
Gain (Loss) on Extinguishment of Bonds	(2,238,991)	16,376
Total Non Operating Income (Loss)	(2,262,729)	16,376
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	(2,750,652)	132,394
OTHER CHANGES IN UNRESTRICTED NET DEFICIT		
Change in Fair Value of Derivative Instrument	(150,496)	-
Unrealized Gain on Investments	105,776	46,708
Total Other Changes in Unrestricted Net Deficit	(44,720)	46,708
(INCREASE) DECREASE IN UNRESTRICTED NET DEFICIT	\$ (2,795,372)	\$ 179,102

See accompanying Notes to Consolidated Financial Statements.

WAKE ROBIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
INCOME (LOSS) FROM OPERATIONS	\$ (487,923)	\$ 116,018
NON OPERATING INCOME (LOSS)		
Change in Fair Value of Gift Annuities	(23,738)	-
Gain (Loss) on Extinguishment of Bonds	<u>(2,238,991)</u>	<u>16,376</u>
Total Non Operating Income (Loss)	<u>(2,262,729)</u>	<u>16,376</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	(2,750,652)	132,394
OTHER CHANGES IN UNRESTRICTED NET DEFICIT		
Change in Fair Value of Derivative Instrument	(150,496)	-
Unrealized Gain on Investments	<u>105,776</u>	<u>46,708</u>
Total Other Changes in Unrestricted Net Deficit	<u>(44,720)</u>	<u>46,708</u>
(INCREASE) DECREASE IN UNRESTRICTED NET DEFICIT	(2,795,372)	179,102
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	84,791	82,717
Net Assets Released from Restrictions Used for Operations	(366,866)	(10,169)
Net Assets Released for Donor Related Restrictions	(103,084)	(193,931)
Investment Income	49,164	53,407
Realized Gains on Investments	139,710	39,046
Unrealized Gains (Losses) on Investments	<u>(88,081)</u>	<u>302,061</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(284,366)	273,131
PERMANENTLY RESTRICTED NET ASSETS		
Unrealized Gains (Losses) on Investments	<u>(4,535)</u>	<u>17,630</u>
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	<u>(4,535)</u>	<u>17,630</u>
(INCREASE) DECREASE IN NET DEFICIT	(3,084,273)	469,863
NET DEFICIT - BEGINNING OF YEAR	<u>(26,183,027)</u>	<u>(26,652,890)</u>
NET DEFICIT - END OF YEAR	<u>\$ (29,267,300)</u>	<u>\$ (26,183,027)</u>

See accompanying Notes to Consolidated Financial Statements.

**WAKE ROBIN CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
(Increase) Decrease in Net Deficit	\$ (3,084,273)	\$ 469,863
Adjustments to Reconcile (Increase) Decrease in Net Deficit to Net Cash Provided by Operating Activities:		
Amortization of Entrance Fees and Termination Income	(4,041,558)	(4,818,117)
Proceeds from Entrance Fees and Deposits	6,265,017	6,726,941
Accretion of Bond Discount	252	504
Depreciation and Amortization	3,509,618	3,574,161
(Gain) Loss on Extinguishment of Bonds	2,238,991	(16,376)
Loss on Disposal of Property and Equipment	9,710	17,003
Change in Fair Value of Derivative Financial Instruments	150,496	-
Net Realized and Unrealized Gain on Investments	(174,413)	(158,821)
(Increase) Decrease in Operating Assets:		
Resident Accounts Receivable and Other Receivables	(54,393)	113,466
Entrance Fees Receivable	-	50,000
Supplies Inventory	12,309	(9,417)
Prepaid Expenses and Other Assets	189,376	(269,953)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(144,546)	881,528
Accrued Interest	(27,664)	(8,674)
Priority, Interim, and Entrance Fee Deposits	412,200	(1,195,650)
Annuity Obligation	8,393	(21,998)
Net Cash Provided by Operating Activities	5,269,515	5,334,460
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(3,106,307)	(2,747,415)
Purchases of Investments, Net	203,857	(387,056)
(Increase) Decrease in Assets Whose Use is Limited	1,124,530	(314,998)
Net Cash Used by Investing Activities	(1,777,920)	(3,449,469)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long-Term Debt	(1,365,000)	(1,550,000)
Redemption of Long-Term Debt	(20,485,000)	-
Proceeds from Long-Term Debt	19,955,000	-
Payment of Deferred Financing Costs	(447,884)	-
Refunds of Entrance Fees	(252,265)	(668,590)
Net Cash Used by Financing Activities	(2,595,149)	(2,218,590)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	896,446	(333,599)
Cash and Cash Equivalents - Beginning of Year	1,140,601	1,474,200
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,037,047</u>	<u>\$ 1,140,601</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash Paid during the Year for Interest	\$ 2,462,068	\$ 2,806,725
SUPPLEMENTAL CASH FLOW INFORMATION:		
Construction and Equipment Expenditures within Accounts Payable and Accrued Expenses	\$ 511,068	\$ 464,670

See accompanying Notes to Consolidated Financial Statements.

**WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Wake Robin Corporation (the Corporation) was organized in 1984, as a Vermont nonprofit corporation, to operate a retirement community and provide continuing and long-term care for the elderly. The Corporation operates a continuing care retirement community known as Wake Robin Continuing Care Retirement Community (the CCRC). The CCRC consists of 212 independent living units, a community center, and a health center consisting of 31 residential care units, and 51 nursing care units, all arranged in a campus setting on 136 acres in Shelburne, Vermont. The CCRC provides residents with a living unit, use of the health center and other facilities and services for the resident's lifetime. Residents began occupying the CCRC in June 1993.

In 2011, the Organization formed Wake Robin Management, LLC (WRM), a wholly owned subsidiary that manages a retirement community. WRM offers management services, financial and accounting procedures, and personnel administration to provide quality independent living and assisted living services to the community's residents. WRM is incorporated under the laws of the State of Vermont as a limited liability company.

Principles of Consolidation

The consolidated financial statements include the accounts of Wake Robin Corporation and Wake Robin Management, LLC. All significant intercompany transactions have been eliminated on consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions relating to 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 period. Significant items subject to such estimates and assumptions include valuation of derivative financial instruments, deferred revenue from entrance fees, and the obligation to provide future services and use of facilities to current residents. Actual results could differ from those estimates.

Basis of Presentation

Net assets of the CCRC and changes therein are classified in three categories and reported as follows:

Unrestricted - Those resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues that the Board has set aside for a particular purpose.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Temporarily Restricted - Those resources subject to donor imposed restrictions that will be satisfied by actions of the Corporation or passage of time. The principal amount of temporarily restricted contributions and the related earnings can be spent for donor restricted purposes.

Permanently Restricted - Those resources subject to a donor imposed restriction that be maintained permanently by the Corporation. The principal amount of permanently restricted contributions cannot be spent by the CCRC.

Excess (Deficit) of Revenue Over Expenses

The consolidated statements of operations include the excess (deficit) of revenues over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from such amounts, consistent with industry practice, include unrealized gains and losses on investments, the effective portion of the interest rate swap agreements that are designated as hedging agreements, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets, if any).

Income Taxes

The Corporation is recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from Federal income taxes pursuant to Section 501(a) of the IRC.

The Corporation follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Corporation's consolidated financial statements.

The Corporation's tax returns are subject to review and examination by federal, state and local authorities. The tax returns for the years 2011 to 2013 are open to examination by federal, local and state authorities.

Cash and Cash Equivalents

The Corporation considers cash and cash equivalents to include all highly liquid investments with original maturity dates of three months or less, excluding amounts that are limited as to use under trust agreements, priority deposits, or donor restrictions. The Corporation deposits its temporary cash investments in financial institutions. At times, such investments may be in excess of the FDIC insurance limit.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Corporation provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice or as the claim is submitted for third-party payors. Accounts past due more than 30 days are individually analyzed for collectability. In addition, an allowance is estimated for other accounts based on historical experience. At December 31, 2014 and 2013, there was no allowance for uncollectible accounts.

Supplies Inventory

Inventories of supplies are stated at the lower of cost (determined by the first-in, first-out method), or market.

Investments and Investment Income

Investments are comprised of Certificates of Deposit, U.S. Government Agency Obligations, Equity Mutual Funds, and Corporate Bonds and are stated at fair value in the statement of financial position. Investment income or loss, including realized gains and losses on investment, interest and dividends, and write down of impaired investments, if any, are included in the operating loss. Unrealized gains and losses on investments are excluded from the operating loss.

A decline in the market value of any security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to the operating loss and a new cost basis for the security is established. To determine whether impairment is other-than-temporary, the Corporation considers whether it has the ability and intent to hold the investment security until a market price recovery occurs and considers whether evidence indicating the cost of the investment security is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in market value subsequent to year end and forecasted performance of the investment security.

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

Assets Limited as to Use

Assets limited as to use are comprised of U.S. Government and Government Agency and corporate obligations, certificates of deposit, fixed income mutual funds and common stock and are stated at fair value, based on quoted market prices. Assets limited as to use consists of assets set aside by the board of directors in accordance with donor restrictions, deposit agreements, and terms of Loan and Trust agreements in connection with the issuance of the bonds. These deposits become available to the Corporation upon satisfaction of certain criteria outlined by each donor stipulation and in each agreement. Amounts required to meet current liabilities of the CCRC have been reclassified to current assets in the statements of financial position at December 31, 2014 and 2013.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Corporation emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The fair values of financial instruments are summarized further in Note 13.

Derivative Financial Instrument

The Corporation executed an Interest Rate Swap agreement related to the Series 2014 Mortgage Revenue Bonds, which is considered a derivative financial instrument, in order to protect against the adverse effects of market risks.

Property and Equipment

Property and equipment are recorded at cost. The Corporation's policy is to capitalize expenditures for major improvements and to charge maintenance and repairs that do not extend the useful lives of the related assets. Donated property and equipment are recorded at their estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful life of each class of depreciable asset. Estimated lives generally fall into the following ranges; 4 years for transportation equipment, 3 to 12 years for furniture and equipment, 20 years for land improvements, and 40 years for buildings. The Corporation capitalizes property and equipment with a cost basis of \$2,000 or greater and a useful life of greater than one year.

Construction in Progress

Construction in progress consists of costs related primarily to ongoing projects in process. Depreciation of these costs is being deferred until the projects have been completed. When the planned projects are completed the construction in progress costs are capitalized and depreciated over the life of the projects.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs (Net)

Financing costs relating to the issuance of the 2006, 2012 and 2014 Vermont Economic Development Authority Revenue Bonds are being amortized by the straight-line method which approximates the effective interest method over the lives of the related bond issues. In conjunction with the issuance of the Series 2014 bonds, the Corporation recorded deferred financing costs of \$447,884. In addition, \$628,158 of deferred financing costs were written off in conjunction with the refinancing of the Series 2006A Bonds. Amortization expense was \$75,830 and \$79,992 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, deferred financing costs, net, are as follows:

	2014	2013
Deferred Financing Costs	\$ 1,701,363	\$ 2,132,510
Less: Accumulated Amortization	262,590	437,633
Deferred Financing Costs, Net	<u>\$ 1,438,773</u>	<u>\$ 1,694,877</u>

Deferred Marketing Costs (Net)

Deferred marketing costs that represented costs incurred with obtaining the initial Residence and Care Agreements of the community were being amortized on a straight-line basis over the estimated remaining lives of the community's first residents, 12 years. Costs related to the initial residents of the units have been fully amortized. Costs related to the initial marketing of additional units are being amortized over 12 years commencing in 2007 when these units were occupied. Amortization expense was \$15,252 for each of the years ended December 31, 2014 and 2013. The Corporation also incurs advertising costs associated with the marketing of the CCRC, on an ongoing basis. Costs of this advertising are expensed as incurred. As of December 31, 2014 and 2013, deferred marketing costs, net, are as follows:

	2014	2013
Deferred Marketing Costs	\$ 183,000	\$ 183,000
Less: Accumulated Amortization	111,230	95,978
Deferred Marketing Costs, Net	<u>\$ 71,770</u>	<u>\$ 87,022</u>

Deposits

Priority and interim deposits are received from prospective residents and deposited into an escrow account. Both deposits are fully refundable upon demand with the interest income accruing to the Corporation. Priority deposits are made in order for the prospective resident to receive a priority number. The number enables the prospective resident to receive priority status prior to move-in and unit selection. Prospective residents must make an interim deposit when they are within approximately one year of their expected move-in date. Priority deposits totaled \$443,000 and \$418,000 at December 31, 2014 and 2013, respectively. Interim deposits totaled \$86,000 and \$60,000 at December 31, 2014 and 2013, respectively.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits

Upon execution of a Residence and Care Agreement and prior to move-in, residents must pay a deposit equal to 25% of the entrance fee amount. The resident pays the balance of the entrance fee upon move-in. The entrance fee deposits are part of the Corporation's unrestricted cash and the liability is recorded as a refundable entrance fee deposit.

Donor Restrictions

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated net assets. When a donor restriction expires (this is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations and changes in net deficit as net assets released from restrictions.

The Corporation reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Entrance Fees

The Corporation offers two options for Residence and Care Agreements: the Fully Amortizing Entrance Fee and the Partially Amortizing Entrance Fee. Under both agreements, the prospective resident is required to pay a deposit in the amount of 25% of the entrance fee at the time the contract is executed, with the balance of the entrance fee paid at the time of move in. Upon the occupancy of the unit, entrance fees are recorded as deferred revenue and amortized into revenue. Under the Partially Amortizing Entrance Fee Agreement, it is the policy of the Corporation to amortize up to the contractually refundable amount.

In the event of termination of the Residence and Care Agreement due to withdrawal, death or dismissal, a refund may be paid. The refund is based upon the type of entrance fee agreement executed. If a resident enters into a Fully Amortizing Entrance Fee Agreement, their refund will equal the entrance fee paid less 2% for each month of occupancy from the month of move-in to and including the month of termination. No refund will be paid after 50 months of occupancy. If a resident enters into a Partially Amortizing Entrance Fee Agreement and the termination is during the first 25 months after move-in, their refund will equal the entrance fee paid less 2% for each month of occupancy from the month of move-in to and including the month of termination. If the termination is after 25 months, the resident will be refunded 50% of their entrance fee at any time the termination occurs. Partially Amortizing Entrance Fee Agreements require a premium payment for the entrance fee. Under these refund policies, entrance fees totaling approximately \$13,844,000 and \$12,504,000 remained unexpired and contractually refundable at December 31, 2014 and 2013, respectively.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Obligation to Provide Future Services

The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities to current residents). The obligation is discounted at 4% for the first five years and 6% thereafter. As of December 31, 2014 and 2013, the calculation did not result in a liability.

Charity Care

The mission of the Corporation is to create an active community of adults that honors both mutual support and independence and addresses the health and wellness needs of each resident. The Corporation provides financial assistance on an as needed basis through the Wake Robin Residents' Assistance Fund. The fund was initially funded by the Corporation with the majority of subsequent funding from residents or their estates. The Wake Robin Residents' Assistance Fund is administered by a committee comprised of three staff of the Corporation and two residents.

The Corporation received contributions to the Wake Robin Residents' Assistance Fund of \$6,800 and \$7,792 for the years ended December 31, 2014 and 2013, respectively.

The financial assistance provided to several residents of the community from the Wake Robin Residents' Assistance Fund was \$91,482 and \$95,143 for years ended December 31, 2014 and 2013, respectively. During 2014 and 2013, the Wake Robin Assistance Fund received \$0 and \$31,840, respectively, in repayment of assistance previously provided upon the death of a resident.

Reclassifications

Certain items in the 2013 financial statements have been classified to conform to the 2014 financial presentation. These reclassifications had no effect on changes in net assets (deficit).

Subsequent Events

In preparing these consolidated financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 10, 2015 the date the consolidated financial statements were issued.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 2 INVESTMENTS

Assets Limited as to Use

The composition of assets limited as to use, stated at fair value, at December 31, 2014 and 2013, is set forth in the following table:

	<u>2014</u>	<u>2013</u>
Under Deposits and Donor Restrictions:		
Cash and Cash Equivalents	\$ 422,995	\$ 643,277
Certificates of Deposit	837,683	759,231
Equities	2,151,699	2,087,292
U.S. Government Agencies	-	51,747
Corporate Bonds	169,481	253,449
Total	<u>3,581,858</u>	<u>3,794,996</u>
Under Bond Indenture Agreement and Held by Trustee:		
Cash and Cash Equivalents	3,089,203	4,154,977
U.S. Government Agencies	1,490,798	2,876,170
Total	<u>4,580,001</u>	<u>7,031,147</u>
Total	<u>\$ 8,161,859</u>	<u>\$ 10,826,143</u>

Other Investments

The composition of other investments, stated at fair value and classified as other than trading, at December 31, 2014 and 2013, is set forth in the following table:

	<u>2014</u>	<u>2013</u>
Certificates of Deposit	\$ 2,961,024	\$ 3,177,817
U.S. Government Agencies	692,696	602,955
Corporate Bonds	1,940,932	2,262,655
Equity Mutual Funds	1,678,596	1,259,265
Total	<u>\$ 7,273,248</u>	<u>\$ 7,302,692</u>

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 3 PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2014 and 2013 follows:

	2014	2013
Land	\$ 2,133,946	\$ 2,133,946
Land Improvements	10,183,052	10,183,052
Buildings and Improvements	77,854,317	76,407,310
Furniture and Equipment	4,191,929	3,960,988
Transportation Equipment	531,416	464,825
Projects in Process - Other	1,462,964	175,838
Total	96,357,624	93,325,959
Less: Accumulated Depreciation	(41,000,752)	(37,647,148)
Property and Equipment, Net	<u>\$ 55,356,872</u>	<u>\$ 55,678,811</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$3,418,536 and \$3,478,917, respectively.

Substantially all of the Corporation's property and equipment is pledged as security for the bonds described in Note 5.

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2014 and 2013:

	2014	2013
Purchase of Property and Equipment	\$ 91,578	\$ 437,057
Resident Activities	88,659	18,668
The Fund for Wake Robin	46,643	46,639
The Wake Robin Endowment Fund	457,384	435,917
Residents Assistance	1,897,983	1,916,760
The Wake Robin Gift Annuity Fund	71,146	87,062
Aquatic Fund	146,648	142,304
Total	<u>\$ 2,800,041</u>	<u>\$ 3,084,407</u>

During 2014 and 2013, \$469,950 and \$204,100, respectively, of net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 5 LONG-TERM DEBT

Bonds Payable and Derivative Financial Instrument

On December 1, 2014, The Corporation entered into a Loan agreement and Mortgage with the State of Vermont, acting by and through the Vermont Economic Development Authority (the "Authority") pursuant to which the Authority sold the Series 2014 Bond in the amount of \$19,955,000 on December 11, 2014 to Manufacturers & Traders Trust.

Along with the proceeds from the bond, the 2006A Debt Service Reserve Fund and other funds, were used to advance refund the 2006A Series Bonds and to pay costs of issuance relating to the Series 2014 Bond.

The Series 2014 Bond bears a variable interest rate equal to 75% of the 30-Day LIBOR Rate plus 1.85%.

The Corporation utilizes derivative financial instruments to reduce its exposure to the market risk from changes in interest rates. The instruments used to mitigate this risk are interest rate swaps. The instruments held by the Corporation are designated as highly effective cash flow hedges of interest rate risk on variable rate debt and, accordingly, the changes in the fair value of these instruments are excluded from the performance indicator in other changes in unrestricted net assets for the year.

On December 10, 2014, the Corporation entered into an Interest Rate Swap Agreement with Manufactures & Traders Trust to enact a variable to fixed rate swap for the Series 2014 Bond effective December 11, 2014. The swap agreement will hedge the Series 2014 Bond by effectively converting interest payments from variable rate to a fixed rate. The swap agreement, designated as a derivative at December 31, 2014 is recorded at fair value as a liability in the statement of financial position with the unrealized gain (loss) reported in the statement of operations below the operating indicator. The expiration of the swap is December 1, 2021 and the effective fixed rate of the swap is 1.492%. As of December 31, 2014, the fair value of the interest rate swap is recorded as a liability of \$150,496.

The fair value of the Corporation's interest rate swaps are obtained from the market values provided by the brokers. The values represent the estimated amount the Corporation would pay to terminate the agreements, taking into consideration the difference between the contract rates of interest and the rates currently quoted for the agreements. For the years ended December 31, 2014 and 2013, the change in the fair value of the interest rate swaps resulted in unrealized gains (losses) of \$(150,496) and \$0, respectively.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 5 LONG-TERM DEBT (CONTINUED)

Bonds Payable and Derivative Financial Instrument (Continued)

On May 31, 2012, the Corporation entered into a Loan Agreement and Mortgage with the State of Vermont, acting by the Vermont Economic Development Authority (the "Authority") pursuant to which the authority sold the following issues of bonds:

Vermont Economic Development Authority Bonds:

Series 2012 Serial Bonds	\$ 10,480,000
Series 2012 Term Bonds	2,655,000
Series 2012 Term Bonds	10,700,000
Total	<u>\$ 23,835,000</u>

From the proceeds, the organization borrowed \$23,835,000 of Mortgage Revenue Bonds (Wake Robin Corporation Project), Series 2012 (referred to as the "Series 2012 Bonds"). The Series 2012 Bonds are comprised of 1) \$10,480,000 of Serial Bonds bearing interest at fixed rates between 2.75% and 5.125% with a yield ranging between 2.75% and 5.125% over the life of the issuance; 2) \$2,655,000 of term bonds at a fixed rate of 5.3% and with a yield of 5.3% and 3) \$10,700,000 of term bonds at a fixed rate of 5.4% and with a yield of 5.3%.

A portion of the proceeds from the sale of the Series 2012 Bonds, along with other funds, were used to refund the Series 1999A Bonds, to fund a debt service reserve fund and to pay costs of issuance relating to the Series 2012 Bonds.

On June 1, 2006, the Corporation entered into a Loan Agreement and Mortgage with the State of Vermont with the Vermont Economic Development Authority pursuant to which the authority sold the following issues of bonds and lent the proceeds to the Corporation.

Vermont Economic Development Authority Bonds:

Series 2006A, Mortgage Revenue Bonds	\$ 23,500,000
Series 2006B, Variable Rate Demand Mortgage Revenue Bonds	16,455,000
Series 2006C, Variable Rate Demand Mortgage Revenue Bonds	8,250,000
Series 2006D, Variable Rate Demand Mortgage Revenue Bonds - Taxable	2,250,000
Total	<u>\$ 50,455,000</u>

The proceeds of these bonds were used to finance the construction and equipping of an additional 37 independent living and 18 skilled nursing units, to advance refund the Wake Robin Mortgage Revenue Bonds Series 1999B Bonds, to establish reserves required to be maintained by the trustee, for acquisition, improvement and development of the facility site, for routine capital expenditures of the Corporation, and to pay for the costs of bond issuance. During the years ended December 31, 2008 and 2007, the Series 2006C and 2006D bonds were retired with the proceeds of entrance fees received from the expansion.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 5 LONG-TERM DEBT (CONTINUED)

Bonds Payable and Derivative Financial Instrument (Continued)

Management entered into a Letter of Credit with Santander (formerly Sovereign Bank, N.A.) on September 22, 2011. The Corporation paid to the bank, upon execution and delivery of the Letter of Credit, a \$15,000 amendment fee. The expiration date of the extended Letter of Credit was July 13, 2012. The terms specified in the modification of the Letter of Credit indicate that all fee payment dates commencing with October 1, 2011, the Letter of Credit fee rate will be 2.25% per annum. As a precondition to the extension of the Series 2006B Letter of Credit, the Corporation paid to the bank an amount of \$1,100,000 that was applied to the repayment of the principal amount outstanding tender advance and as such, a corresponding principal amount of Series 2006B Bonds was retired. In addition to extinguishment of debt noted above, various covenants, conditions, and modifications were agreed upon in conjunction with the execution of the Letter of Credit extension.

On May 15, 2012, the Corporation executed a modification and extension agreement with Santander (formerly Sovereign Bank, N.A.), which extended the termination date of the Letter of Credit on the Series 2006B Bonds from July 13, 2012 to July 13, 2014. In addition, this agreement required the Corporation to maintain not less than 180 Days' Cash on Hand at quarterly liquidity dates and to make additional principal payments on the Series 2006B Bonds quarterly in an amount which represents the excess of the Corporation's unrestricted investments over the amount required to result in 220 Days Cash on Hand. In 2013, a portion of the outstanding 2012 Bonds were called resulting in a gain of \$16,376 on extinguishment.

On December 30, 2013, the Corporation executed a Letter of Credit with M & T Bank, to replace the previous Letter of Credit, which extends the expiration of the Letter of Credit to December 30, 2016. This agreement requires the Corporation to maintain not less than 180 Days Cash on Hand, tested quarterly, a Debt Service Coverage Ratio of not less than 1.20 to 1.00, tested quarterly, and occupancy of at least 90%, tested annually. The Letter of Credit was extended in January 2015. The new expiration date of the Letter of Credit is December 30, 2017.

On April 1, 2014, the Corporation executed the First Amendment to the Letter of Credit and Reimbursement Agreement. Under the terms of the Amendment, the Corporation will be required to repay any unreimbursed drawings of principal and interest beginning in 2017, assuming there is no uncured event of default.

The Corporation is subject to various covenants under the bond agreements. These covenants various reporting, financial, and operational requirements. As of December 31, 2014, the Corporation is not aware of any instances of non-compliance with these covenants.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 5 LONG-TERM DEBT (CONTINUED)

A summary of long-term debt financed through the Vermont Economic Development Authority at December 31, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Series 2014 Fixed Rate Mortgage Revenue Bonds, due in graduated annual installments ranging from \$100,000 on May 1, 2013 to \$10,700,000 on May 1, 2033. Interest is payable semi-annually at variable rates.	\$ 19,955,000	\$ -
Series 2012 Fixed Rate Mortgage Revenue Bonds, due in graduated annual installments ranging from \$100,000 on May 1, 2013 to \$10,700,000 on May 1, 2033. Interest is payable semi-annually at rates ranging from 3.25% to 3.5%.	22,075,000	22,965,000
Series 2006A Mortgage Revenue Bonds, repaid from the proceeds of the 2014 bond issuance. Interest was payable semi-annually at rates ranging from 5.0% to 5.375%.	-	20,960,000
Series 2006B Variable Rate Demand Mortgage Revenue Bonds, due in graduated annual installments ranging from \$125,000 in 2017 to \$2,550,000 in 2029. Interest is payable at a weekly rate to be determined by the remarketing agreement.	<u>14,350,000</u>	<u>14,350,000</u>
Total	56,380,000	58,275,000
Unamortized Bond (Discounts) Premiums		
Series 2006	-	(202,516)
Series 2012	<u>153,392</u>	<u>161,960</u>
Total Long-Term Debt	56,533,392	58,234,444
Current Portion of Long-Term Debt	<u>(1,630,000)</u>	<u>(1,340,000)</u>
Total Long-Term Debt, Net of Current Portion	<u>\$ 54,903,392</u>	<u>\$ 56,894,444</u>

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 5 LONG-TERM DEBT (CONTINUED)

Future maturities of long-term debt as of December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2015	\$ 1,630,000
2016	1,570,000
2017	1,660,000
2018	1,755,000
2019	1,790,000
2020 and Thereafter	47,975,000
Total	<u>\$ 56,380,000</u>

The Series 2006, 2012, and 2014 bonds are secured by a first mortgage and security interest on property and equipment, certain tangible and intangible property interests, the gross revenues and entrance fees (subject to certain provisions) of the Corporation and by certain funds held by the Trustee as defined in the Loan and Trust Agreement.

NOTE 6 RELATED PARTY TRANSACTIONS

A director emeritus of the Corporation serves as the Corporation's legal counsel. The director's law firm was paid \$96,009 and \$70,559 for legal services provided in 2014 and 2013, respectively.

NOTE 7 LIABILITY INSURANCE

The Corporation's general liability and resident health care facility professional liability insurance are covered under an occurrence basis policy. There are no claims outstanding as of December 31, 2014 and 2013.

NOTE 8 AMENDED CERTIFICATE OF AUTHORITY (THE COA)

In April 2006, The Department of Financial Regulation (the Department), formerly the Vermont Department of Banking, Insurance and Health Care Administration, issued the Corporation a Certificate of Authority approving the execution of Residence and Care Agreements, as well as the collection of deposits from prospective residents of Phase II.

In July, 2006 the Department issued another Certificate of Authority (COA) approved the Phase II expansion project and the issuance of the 2006 Bond to fund it. Among other conditions the COA required the Corporation to maintain the reserve fund required by 8 V.S.A. Section 8009, the Statutory Reserve in a separate account. The Statutory Reserve required is to be funded to no less than the greater of the following: the total annual principal and interest payments on all debt, or 15% of all operating expenses, determined at the end of the fiscal year based on projected amounts for the following fiscal year (Required Balance).

**WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 8 AMENDED CERTIFICATE OF AUTHORITY (THE COA) (CONTINUED)

As required by the COA, Wake Robin maintains a separate investment account, the Cash Reserve Account, with a Vermont Investment Company. The Corporation is required to transfer cash to the Cash Reserve Account, until such times as the balance in the accounts equals the required balance. The COA permits the Corporation to expend funds from the Statutory Reserve Account without approval from the Department after first exhausting all other unrestricted funds of the Corporation, or to the extent that the balance in the Cash Reserve Account exceeds the Required Balance.

As soon as practicable after December 31, 2022, or earlier date as determined by the Department at its discretion, the Corporation will transfer the Required Balance in the Cash Reserve Account to a Statutory Reserve Account with the Vermont State Treasurer's Office. Thereafter, the Corporation will make deposits to the Statutory Reserve Account sufficient to maintain the Required Balance. All income or gain on investment of the funds held in the Statutory Reserve Account will be retained in and become part of such account.

When the funds are transferred to the Statutory Reserve Account with the Vermont Treasurer's Office, the Corporation will not permit any person or entity other than the Department to acquire a perfected lien or security interest in the Statutory Reserve Account.

As of December 31, 2014 and 2013, the amount in the Cash Reserve Account of the Corporation exceeded the Required Balance.

NOTE 9 RESIDENT FUNDS HELD BY THIRD PARTY (UNAUDITED)

Under an agreement with the Vermont Community Foundation, The Norman Winde Residents' Fund (the Fund) was established on May 26, 1999 by residents of the CCRC. The contributions and earnings thereon are held by the Vermont Community Foundation. The purposes of the Fund are to provide support to the Corporation to benefit its residents, primarily for, but not limited to, the provision of financial assistance in connection with the monthly fees due from residents of the CCRC, such residents having demonstrated financial need. The Vermont Community Foundation shall accumulate, grant or expend for the purposes of the Fund as much of the net income and/or principal of the Fund as the Vermont Community Foundation from time to time deems advisable.

A summary of the Fund, which is not reflected in the accompanying financial statements, at December 31, 2014 and 2013 follows:

	2014	2013
Contribution	\$ -	\$ 22,870
Investment Return	24,918	80,277
Administrative Fee	(5,369)	(4,774)
Excess of Revenue over Expenses	19,549	98,373
Balance - Beginning of Year	666,237	567,864
Balance - End of Year	<u>\$ 685,786</u>	<u>\$ 666,237</u>

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 10 INVESTMENTS

Management conducts due diligence on its investments. Unrealized losses were analyzed by management as of December 31, 2014 and the unrealized losses were deemed to be immaterial in relation to the financial statements.

As of December 31, 2014, declines in the fair value of investments and investments limited as to use reflect declines in the overall equities market. The Corporation does not believe that any individual unrealized loss as of December 31, 2014 represents an other-than-temporary impairment. The Corporation has the intent and ability to hold these investments for the time necessary to recover the amortized cost.

NOTE 11 EMPLOYEE BENEFIT PLAN

The Corporation has a 403(b) Thrift Plan, which is a defined contribution voluntary retirement savings plan for all employees with no minimum age or service requirement. Employees can contribute any percentage of their salary, limited only by the maximum contribution amounts defined by the Internal Revenue Service. The Corporation matches employee contributions at the lesser of 50% of employee contributions or \$2,000 for each of the years ended December 31, 2014 and 2013. The Corporation contributed \$124,900 and \$116,174 to the plan in 2014 and 2013, respectively.

NOTE 12 MANAGEMENT AGREEMENT

The Corporation entered into an agreement with Eastview at Middlebury, Inc. dated May 26, 2011, to operate as manager of the Community start-up, supervise, direct and control day-to-day business activities, financial and accounting procedures and provide personnel administration as necessary to carry out the goals of providing quality independent living and assisted living to the Community's residents. Subsequent to the execution of this agreement, the Corporation assigned the agreement to Wake Robin Management LLC (WRM). The term of the agreement is for four years.

During the years ended December 31, 2014 and 2013, Eastview at Middlebury paid \$112,262 and \$168,417 under the agreement for fixed monthly management fees. Effective July 1, 2013, the management agreement between Wake Robin and EastView at Middlebury was amended and the annual fixed monthly management fees were lowered to \$9,357. Additional expenses reimbursable to the corporation under the agreement paid by Eastview at Middlebury amount to \$138,635 and \$138,752 for the years ended December 31, 2014 and 2013. On December 29, 2014, the management agreement was further amended and the annual fixed monthly fee was reduced to \$4,750. The amendment changed the services provided by WRM to financial and accounting assistance.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 13 FAIR VALUE MEASUREMENTS

The following table presents the Corporation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and 2013:

2014	Level 1	Level 2	Level 3	Total
Assets:				
Assets Limited as to Use - Investments	\$ 9,851,639	\$ -	\$ -	\$ 9,851,639
Investments	7,273,248	-	-	7,273,248
Liabilities:				
Fair Value of Interest Rate Swap Agreement		150,496		
2013	Level 1	Level 2	Level 3	Total
Assets Limited as to Use - Investments	\$ 10,826,143	\$ -	\$ -	\$ 10,826,143
Investments	7,302,692	-	-	7,302,692

The following disclosure represents a financial instrument in which the ending balances at December 31, 2014 are not carried at fair value on the statement of financial position. The fair value of variable rate long-term debt approximates market value since the bonds are remarketed on a regular basis. The fair value of fixed rate bonds is based on an estimate prepared by the bond underwriter using market data regarding comparable fixed rate debt.

	Carrying Amount	Fair Value
Long-Term Debt	\$ 56,533,392	\$ 57,690,563

The determination of the fair values above incorporates various factors. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Corporation's nonperformance risk on its liabilities.

The fair value of investments is determined by third party service providers utilizing various methods dependent upon the specific type of investment. When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include money market funds and bank deposits, certificates of deposits, U.S. government agency securities, corporate bonds, equities, and mutual funds.

Liabilities utilizing Level 2 inputs are derivatives. The carrying amount represents fair market value and is based on a price estimated by a third party using the income approach, which uses valuation techniques to convert future cash flows to a discounted value, using current market expectations.

WAKE ROBIN CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following methods and assumptions were used by the Corporation in estimating the fair value of its other financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts receivable: The carrying amount reported in the balance sheet approximates fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates fair value.

NOTE 14 FUNCTIONAL EXPENSES

The Corporation provides residential living services and general health care services to its residents. Expenses related to providing these services are as follows:

	2014	2013
Program Activities	\$ 18,523,063	\$ 17,892,029
General and Administrative	1,750,356	1,807,838
Total	<u>\$ 20,273,419</u>	<u>\$ 19,699,867</u>

**WAKE ROBIN CORPORATION AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
SCHEDULE 1 – RESIDENTS' ASSISTANCE FUND
YEARS ENDED DECEMBER 31, 2014 AND 2013**

The following represents the activity of the Resident's Assistance Fund, which is included in unrestricted and temporarily restricted net assets.

	2014	2013
REVENUE, GAINS, AND OTHER SUPPORT		
Investment Income	\$ 37,961	\$ 30,798
Contributions	6,800	7,792
Realized Gain on Investments	102,142	39,046
Unrealized Gain (Loss) on Investments	(63,631)	213,152
Total Revenue, Gains, and Other Support	<u>83,272</u>	<u>290,788</u>
EXPENSES		
Investment Management Fee	10,567	6,602
Assistance Paid, Net of Refunds	91,482	63,303
Total Expenses	<u>102,049</u>	<u>69,905</u>
EXCESS (DEFICIT) OF REVENUE, GAINS, AND OTHER SUPPORT OVER EXPENSES	(18,777)	220,883
Net Assets - Beginning of Year	<u>1,933,368</u>	<u>1,712,485</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,914,591</u></u>	<u><u>\$ 1,933,368</u></u>
(A) NET ASSETS ARE COMPRISED OF:		
Board Designated	\$ 16,608	\$ 16,608
Temporarily Restricted	\$ 1,897,983	\$ 1,916,760