

Springpoint Senior Living, Inc. and Affiliates

Consolidated Financial Statements and
Supplementary Information

December 31, 2010 and 2009



Springpoint Senior Living, Inc. and Affiliates

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Independent Auditors' Report

Board of Trustees
Springpoint Senior Living, Inc. and Affiliates

We have audited the accompanying consolidated balance sheets of Springpoint Senior Living, Inc. and Affiliates (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain affiliates listed in Note 1, which statements in aggregate reflect total assets of \$70,991,309 and \$64,686,233 as of December 31, 2010 and 2009, and total unrestricted revenues of \$6,316,763 and \$6,761,271 for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for these affiliates, is based solely on the reports of the other auditors.

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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Springpoint Senior Living, Inc. and Affiliates as of December 31, 2010 and 2009, and the results of their operations and changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

ParenteBeard LLC

Philadelphia, Pennsylvania
August 8, 2011

Springpoint Senior Living, Inc. and Affiliates

Consolidated Balance Sheet
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Cash and cash equivalents	\$ 25,908,832	\$ 23,588,218	Current maturities of long-term debt	\$ 4,298,994	\$ 4,491,178
Current portion of assets whose use is limited	7,257,846	6,799,805	Current maturities of capital lease obligations	173,283	136,299
Accounts receivable, net of allowance for doubtful accounts of \$1,186,000 in 2010 and \$921,000 in 2009	7,596,941	7,023,697	Accounts payable	5,131,776	5,586,280
Bequests receivable	-	15,969	Accrued expenses	14,953,791	13,654,207
Other current assets	<u>8,794,667</u>	<u>13,949,857</u>	Residents' deposits	<u>3,879,832</u>	<u>3,178,373</u>
Total current assets	49,558,286	51,377,546	Total current liabilities	28,437,676	27,046,337
Investments	35,630,180	31,171,254	Long-Term Debt	196,409,544	156,499,243
Assets Whose Use Is Limited	27,553,735	22,476,640	Capital Lease Obligations	334,449	355,551
Investments Held under Split-Interest Agreements	6,472,697	7,602,555	Capital Advances	76,052,086	69,587,571
Investments Held by Others Under Split-Interest Agreements	518,373	340,110	Liability for Split-Interest Agreements and Deferred Gift Agreements	5,650,863	5,515,680
Beneficial Interest in Perpetual Trusts	2,813,064	2,643,013	Deferred Revenue	12,686,655	11,516,657
Notes Receivable	29,074,204	22,108,264	Deferred Revenue from Entrance Fees	129,238,506	125,617,948
Property and Equipment, Net	342,328,962	340,709,280	Construction Line of Credit	-	35,000,000
Goodwill, Net	675,588	675,588	Retainage Payable	-	149,167
Deferred Costs and Other Assets, Net	10,571,852	9,679,522	Derivative Instruments	6,699,657	4,376,296
			Other Liabilities	<u>2,594,812</u>	<u>1,801,935</u>
			Total liabilities	<u>458,104,248</u>	<u>437,466,385</u>
			Net Assets		
			Unrestricted	39,019,334	44,547,901
			Temporarily restricted	5,102,952	3,988,378
			Permanently restricted	<u>2,970,407</u>	<u>2,781,108</u>
			Total net assets	<u>47,092,693</u>	<u>51,317,387</u>
Total assets	<u>\$ 505,196,941</u>	<u>\$ 488,783,772</u>	Total liabilities and net assets	<u>\$ 505,196,941</u>	<u>\$ 488,783,772</u>

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Consolidated Statement of Operations and Changes in Net Assets Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Changes in Unrestricted Net Assets		
Revenues and other support:		
Revenue from residential facilities	\$ 47,404,893	46,723,844
Revenue from healthcare facilities	58,841,606	55,446,287
Services to residents	7,449,789	7,336,524
Developer and management fees	666,233	2,991,258
Contributions and bequests	903,195	1,406,777
Interest and dividends	2,354,668	1,728,027
Other revenue	2,411,675	4,010,671
Net assets released from restrictions used for operations	<u>1,018,236</u>	<u>995,392</u>
Total revenues and other support	<u>121,050,295</u>	<u>120,638,780</u>
Expenses:		
Professional care of residents	33,111,375	32,143,094
Resident services	3,318,548	3,348,691
Dining services	15,986,065	15,076,691
Operation and maintenance of facility	22,013,945	21,499,624
Housekeeping and laundry	4,949,342	5,049,945
Administrative and general	22,116,928	21,944,684
Resident assistance and program services	1,523,151	1,294,209
Marketing	5,361,942	5,254,089
Insurance	1,618,804	1,733,225
Interest	9,902,540	8,645,962
Provision for doubtful accounts	<u>467,220</u>	<u>450,392</u>
Total expenses	<u>120,369,860</u>	<u>116,440,606</u>
Operating income	680,435	4,198,174
Change in unrealized gains and losses on investments	848,341	7,057,445
Net realized gains and losses on investments	1,153,551	(1,895,604)
Amortization of entrance fees	14,116,872	15,105,259
Change in fair value of derivative financial instruments	(2,323,361)	736,416
Loss on disposal of fixed assets	(131,939)	-
Depreciation and amortization	<u>(19,896,828)</u>	<u>(18,991,134)</u>
Revenues and other support (less than) in excess of expenses	(5,552,929)	6,210,556
Pension liability adjustment	(52,393)	109,406
Amortization of fair value of derivative financial instruments	<u>76,755</u>	<u>133,051</u>
(Decrease) increase in unrestricted net assets	<u>(5,528,567)</u>	<u>6,453,013</u>
Changes in Temporarily Restricted Net Assets		
Contributions	1,820,804	2,901,862
Change in value of split-interest agreements	45,405	77,742
Investment income	275,967	120,291
Net unrealized (loss) gain on investments	(9,368)	53,057
Net assets released from restrictions used for operations	<u>(1,018,234)</u>	<u>(995,392)</u>
Increase in temporarily restricted net assets	<u>1,114,574</u>	<u>2,157,560</u>
Changes in Permanently Restricted Net Assets		
Change in value of perpetual trusts	170,051	354,689
Change in value of restricted endowment	<u>19,248</u>	<u>28,001</u>
Increase in permanently restricted net assets	<u>189,299</u>	<u>382,690</u>
(Decrease) increase in net assets	(4,224,694)	8,993,263
Net Assets, Beginning	<u>51,317,387</u>	<u>42,324,124</u>
Net Assets, Ending	<u>\$ 47,092,693</u>	<u>51,317,387</u>

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Consolidated Statement of Cash Flows Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
(Decrease) Increase in net assets	\$ (4,224,694)	\$ 8,993,263
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Change in value of split-interest agreements	(45,405)	(77,742)
Net change in fair value of derivative instruments	2,323,361	(736,416)
Depreciation and amortization	19,896,828	18,991,134
Loss (gain) on sale of property and equipment	131,939	(657,495)
Net realized and unrealized gains and losses on investments	(1,992,524)	(5,214,898)
Amortization of entrance fees	(14,116,872)	(15,105,259)
Cash received under nonrefundable entrance fee plans, net of refunds	6,233,254	3,197,354
Increase in investments held by others under split-interest agreements	(178,263)	(26,869)
Increase in beneficial interest in perpetual trusts	(170,051)	(354,689)
Changes in assets and liabilities:		
Accounts receivable, net	(573,244)	(1,326,010)
Bequests receivable	15,969	20,031
Other current assets	5,155,190	(4,245,145)
Other assets	(2,477,377)	(1,967,548)
Accounts payable	(454,504)	(1,155,979)
Accrued expenses	1,363,824	1,645,170
Residents' deposits	701,459	186,054
Other liabilities	792,877	646,963
Net cash provided by operating activities	<u>12,381,767</u>	<u>2,811,919</u>
Cash Flows from Investing Activities		
Net proceeds from sales of investments and assets whose use is limited	(6,871,680)	4,762,807
Net change in notes receivable	(5,860,182)	301,952
Purchases of property and equipment	(19,070,624)	(19,100,033)
Net change in retainage payable	<u>(149,167)</u>	<u>(1,131,012)</u>
Net cash used in investing activities	<u>(31,951,653)</u>	<u>(15,166,286)</u>
Cash Flows from Financing Activities		
Payment of long-term debt and capital lease obligation	(4,448,125)	(3,720,243)
Proceeds from long-term debt	44,106,293	7,500,000
(Decrease) increase in construction line of credit	(35,000,000)	8,278,385
Proceeds of capital advances	6,464,515	2,204,786
Cash received under refundable entrance fee plans, net of refunds	11,504,176	7,101,823
Receipts under deferred gift agreements and split-interest agreements	180,588	520,806
Payment of deferred financing costs	<u>(916,947)</u>	<u>(331,357)</u>
Net cash provided by financing activities	<u>21,890,500</u>	<u>21,554,200</u>
Net increase in cash and cash equivalents	2,320,614	9,199,833
Cash and Cash Equivalents, Beginning	<u>23,588,218</u>	<u>14,388,385</u>
Cash and Cash Equivalents, Ending	<u>\$ 25,908,832</u>	<u>\$ 23,588,218</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 8,758,483</u>	<u>\$ 8,193,842</u>
Capital lease obligation incurred for property and equipment	<u>\$ 165,726</u>	<u>\$ 138,378</u>

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

1. Organization

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

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

- Springpoint Foundation (the "Foundation")
- Springpoint at Monroe, Inc. (formerly known as The Presbyterian Home at Monroe, Inc.)
- Springpoint at Meadow Lakes, Inc. (formerly known as The Presbyterian Home at Meadow Lakes, Inc.)
- Springpoint at Crestwood, Inc. (formerly known as The Presbyterian Home at Crestwood, Inc.)
- Springpoint at Haddonfield, Inc. (formerly known as The Presbyterian Homes of Southern New Jersey, Inc.)
- The Presbyterian Homes of Northern New Jersey, Inc. ("Northern New Jersey"), a dormant company
- Springpoint at Montgomery, Inc. (formerly known as The Presbyterian Home at Montgomery, Inc.)
- Springpoint at Stony Brook, Inc. (formerly known as The Presbyterian Home at Pennington, Inc.)
- Springpoint at Watchung Ridge, Inc. (formerly known as The Presbyterian Home at Watchung, Inc.)
- Springpoint at Waterford Glen, Inc. (formerly known as The Presbyterian Home at Monmouth, Inc.)
- Springpoint at The Atrium, Inc. (formerly known as Presbyterian Home at Red Bank, Inc.)
- Senior Net, Inc.
- Senior Living Institute, Inc.
- Integrated Management Services, Inc.
- Springpoint Realty, Inc. (formerly known as PHS Realty, Inc.)
- Princeton Senior Living, LLC ("PSL"), a for profit entity
- Affordable Housing Solutions, Inc. ("AHS"), a for profit entity
- Presbyterian Home at Wall, Inc.
- The Presbyterian Home of Asbury Park, Inc.
- Presbyterian Home of Plainfield, Inc.
- Plainfield Tower Solutions, Inc.), a for profit entity
- Care Co. Inc., a for profit entity
- Care Concepts, a for profit entity

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

1. Organization

The following affiliates are controlled by SSL's ability to appoint board members and have been audited by other auditors:

- The Presbyterian Home at Galloway, Inc. ("Countryside Meadow")
- The Presbyterian Home at Franklin ("Franklin")
- The Presbyterian Home at Atlantic Highlands, Inc. ("Portland Pointe")
- Middlesex Borough Senior Citizens Housing Corporation ("Watchung Terrace")
- The Presbyterian Home at Howell, Inc. ("Crosswords")
- The Presbyterian Home at Stafford, Inc.
- The Presbyterian Home at East Windsor, Inc. ("Wheaton Pointe")
- The Presbyterian Home at West Windsor, Inc. ("The Gables")
- The Presbyterian Home at Dover, Inc. ("The Oaks")
- The Presbyterian Home at Manchester, Inc. (a project under development)

The Company evaluated subsequent events for recognition or disclosure through August 8, 2011, the date the consolidated financial statements were issued.

Principles of Consolidation

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

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

Investments and Investment Risk

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

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

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

Assets Whose Use Is Limited

Assets whose use is limited are recorded at fair value which is determined by reference to quoted market prices. Assets whose use is limited consist of funds held to satisfy the State of New Jersey liquid reserve requirements, funds held under bond indenture agreements, funds held under U.S. Department of Housing and Urban Development ("HUD") agreements, funds held for residents' assistance, funds held for entrance fee and waiting list deposits, donor restricted funds, and construction escrow funds.

Accounts Receivable

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

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

Other Investments

Other investments is included in Deferred Costs and Other Assets, Net on the balance sheet and consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
PSL investment in Orchard Retirement Villages Limited ("Orchard"), a Jersey Offshore company. Orchard's primary purpose is to develop and operate a retirement community in the United Kingdom. PSL's investment constitutes an equity interest in Orchard of 50%, and is accounted for using the equity method.	\$ 106,495	\$ 106,495
PTS investment in Plainfield Senior Citizens Housing, LP ("PSCH"). PSCH's primary purpose is to operate an affordable senior housing community in New Jersey. PTS's investment constitutes an equity interest in PSCH of .01%, and is accounted for using the cost method of accounting.	578,226	578,266
AHS investment in Butler Senior Citizens Housing, LP ("BSCH"). BSCH's primary purpose is to operate an affordable senior housing community in New Jersey. AHS's investment constitutes an equity interest in BSCH of .01%, and is accounted for using the cost method of accounting.	195,044	195,044
AHS investment in Wall Senior Citizens Housing, LP ("WSCH"). WSCH's primary purpose is to operate an affordable senior housing community in New Jersey. AHS's investment constitutes an equity interest in WSCH of .01%, and is accounted for using the cost method of accounting.	168,487	168,487
AHS investment in Ramsey Senior Citizens Housing, LP ("RSCH"). RSCH's primary purpose is to operate an affordable senior housing community in New Jersey. AHS's investment constitutes an equity interest in RSCH of .01%, and is accounted for using the cost method of accounting.	405,536	405,536
AHS investment in Howell Senior Citizens Housing, LP ("HSCH"). HSCH's primary purpose is to operate an affordable senior housing community in New Jersey. AHS's investment constitutes an equity interest in HSCH of .01%, and is accounted for using the cost method of accounting.	355,200	355,200

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

	<u>2010</u>	<u>2009</u>
AHS investment in Mount Holly Senior Citizens Housing, LP ("MHSC"). MHSC's primary purpose is to operate an affordable senior housing community in New Jersey. AHS's investment constitutes an equity interest in MHSC of .01%, and is accounted for using the cost method of accounting.	\$ 662,827	\$ 643,000
AHS investment in Asbury Senior Citizens Housing, LP ("ASCH"). ASCH's primary purpose is to operate an affordable senior housing community in New Jersey. AHS's investment constitutes an equity interest in ASCH of .01%, and is accounted for using the cost method of accounting.	<u>100</u>	<u>100</u>
Other Investments	<u>\$ 2,471,915</u>	<u>\$ 2,452,088</u>

Residents' Deposits

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

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

Property and Equipment

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

Rental Property

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

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

Goodwill

The Company evaluates goodwill for impairment on an annual basis. There was no impairment loss recognized in 2010. Goodwill represents the excess of the purchase price of the Monroe facility over the appraised value of the assets acquired at the date of purchase. Prior to January 1, 2010, goodwill incurred was amortized over 30 years using the straight-line method. The net value of goodwill was \$675,588 at December 31, 2010 and 2009.

Deferred Costs

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

Deferred financing costs represent costs incurred to obtain financing (see Note 7). Amortization of these costs is provided on the straight-line method, which approximates the effective interest method. During 2010, SSL wrote off \$15,764 deferred financing fees related to borrowings that were refinanced. . At December 31, 2010 and 2009, deferred financing costs, net of accumulated amortization, were \$2,877,264 and \$2,008,258, respectively. Accumulated amortization at December 31, 2010 and 2009 is \$1,985,897 and \$1,730,971, respectively.

Project development costs include consulting and legal fees relating to the organization and development of Montgomery, and Waterford Glen. These costs are being amortized using the straight-line method based on the expected remaining lives of the initial residents or the life of the project, based on the type of cost. The amortization of project development costs began upon commencement of operations. At December 31, 2010 and 2009, project development costs, net of accumulated amortization, were \$1,318,272 and \$1,577,421, respectively. Accumulated amortization at December 31, 2010 and 2009 is \$3,329,375 and \$2,855,800, respectively.

The costs of acquiring initial continuing care contracts represent the direct marketing and contract processing costs associated with acquiring the initial residents for Montgomery. These costs were capitalized through the date of substantial occupancy and are being amortized using the straight-line method based on the expected remaining lives of the initial residents. At December 31, 2010 and 2009, the costs of acquiring initial continuing care contracts, net of accumulated amortization, were \$216,680 and \$292,382, respectively. Accumulated amortization at December 31, 2010 and 2009 was \$456,056 and \$380,354, respectively.

The project acquisition costs for The Atrium represent the legal expense associated with acquiring the property. These costs were capitalized and are being amortized using the straight-line method. At December 31, 2010 and 2009, the project acquisition costs, net of accumulated amortization, were \$144,094 and \$170,333, respectively. Accumulated amortization at December 31, 2010 and 2009 was \$116,974 and \$90,735, respectively.

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

Capitalized marketing costs represent direct marketing costs incurred to market new Independent Living units and other related costs that will provide a future economic benefit. At December 31, 2010 and 2009, the capitalized marketing costs, net of accumulated amortization, were \$825,414 and \$869,719, respectively. Accumulated amortization at December 31, 2010 and 2009 is \$126,525 and \$41,655, respectively.

Also included in deferred costs are \$310,000 of purchased licenses to operate thirty nursing home beds and are determined to have an indefinite useful life. The assets are not amortized, but instead tested for impairment at least annually in accordance with the authoritative guidance which also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment annually.

Split-Interest Agreements

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

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

Beneficial Interest in Perpetual Trusts

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

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

Deferred Revenue from Entrance Fees

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

Gross contractual refund obligations at December 31, 2010 were \$153,930,379. The deferred revenue from entrance fees reported on the consolidated balance sheet of \$129,238,506, is net of the portion of the entrance fee already earned as well as amortization earned on those residents under refundable contracts in a higher level of care.

Derivative Financial Instruments

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

The Presbyterian Homes Assisted Living Obligated Group (the "Assisted Living Obligated Group") consists of Pennington, Watchung, and Waterford Glen. The Assisted Living Obligated Group entered into interest rate swap agreements, which are considered derivative financial instruments, to manage its interest rate risk on its long-term debt.

The interest rate swap agreements are reported at fair value in the accompanying consolidated balance sheet and related changes in fair value are reported in the consolidated statement of operations as a component of fair value of derivative financial instruments. The 1998 Obligated Group's liability for the fair value of the interest-rate swap agreements is \$3,902,192 and \$2,418,956 at December 31, 2010 and 2009, respectively, and the Assisted Living Obligated Group's liability for the fair value of the interest-rate swap agreements is \$2,797,465 and \$1,957,340 at December 31, 2010 and 2009, respectively, and is included in derivative financial instruments in the accompanying consolidated balance sheet.

Obligation to Provide Future Services

Montgomery and The Atrium calculate 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. This calculation is performed biannually and was completed as of December 31, 2009. At December 31, 2009, deferred revenue from entrance fees exceeded Montgomery and The Atrium's calculation of the present value of the net cost of future services. Therefore, an additional liability for an obligation to provide future services and use of facilities is not required.

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

Estimated Third-Party Payor Settlements

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are recorded in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in the consolidated statement of operations and changes in net assets in the year of the settlement. No material amounts related to prior year settlements were recorded during 2010 or 2009.

Estate Bequests

The Foundation has been notified that it is the beneficiary of several estate bequests and has recorded such amounts as bequests receivable in the consolidated balance sheet. The Foundation's policy is to record estate bequests when they can be estimated and they have been through probate.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions.

Classification of Net Assets

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

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

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

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

Revenue from Residential and Healthcare Facilities

The Company provides care to residents under the Medicare and Medicaid programs. Revenue from the Medicare and Medicaid programs accounted for approximately 10% of the revenue from residential and healthcare facilities for the years ended December 31, 2010 and 2009. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Company. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

Contributions

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

Performance Indicator

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

Malpractice

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

Income Taxes

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

The Company accounts for uncertainty in income taxes using a recognition threshold of more-likely-than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2010 and 2009.

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

2. Summary of Significant Accounting Policies (Continued)

The Company's federal Exempt Organization Business Income Tax Returns for the years ended December 31, 2010, 2009, 2008, and 2007 remain subject to examination by the Internal Revenue Service.

New Accounting Standards

Not-for-Profit: Mergers and Acquisitions

The Company adopted the authoritative guidance related to the accounting for and disclosure of mergers and acquisitions by not-for-profit entities effective January 1, 2010. The authoritative guidance includes transitional guidance related to the impairment evaluation of goodwill that arose from acquisitions by not-for-profit entities prior to December 15, 2009. As a result of the new authoritative guidance, the Company was required to discontinue the amortization of goodwill and evaluate impairment of goodwill as of January 1, 2010 and at December 31, 2010, as well as on an annual basis in future years. The adoption of this guidance did not have a material effect on the financial statements.

3. Investments and Assets Whose Use Is Limited

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

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 4,335,692	\$ 5,233,046
U.S. government obligations	3,038,162	2,644,443
Alternative investments-limited partnerships	5,185,322	4,436,411
Corporate bonds	16,183,587	9,421,149
Equity securities	6,887,417	9,436,205
Total	<u>\$ 35,630,180</u>	<u>\$ 31,171,254</u>

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

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 17,893,635	\$ 15,655,004
Certificates of deposit	5,464,011	5,861,187
U.S. government obligations	8,467,813	7,028,387
Corporate bonds	1,744,198	531,605
Equity securities	1,241,924	200,262
Total	34,811,581	29,276,445
Less current portion	<u>7,257,846</u>	<u>6,799,805</u>
Assets whose use is limited, non-current	<u>\$ 27,553,735</u>	<u>\$ 22,476,640</u>

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

3. Investments and Assets Whose Use Is Limited (Continued)

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

	<u>2010</u>	<u>2009</u>
Bond indenture agreements	\$ 20,294,394	\$ 18,456,668
Liquid reserve	5,416,790	4,820,033
HUD reserve funds	3,301,362	3,303,345
Residents' Assistance Fund	415,084	429,304
Entrance fee deposits and waiting list	2,163,534	1,620,686
Other donor restricted funds	2,938,678	509,105
Construction fund escrow	281,739	137,304
	<u>\$ 34,811,581</u>	<u>\$ 29,276,445</u>

4. Fair Value of Financial Instruments

The Company measures its investments and assets whose use is limited at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

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

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

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

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

4. Fair Value of Financial Instruments (Continued)

The fair value of the Company's investments, assets whose use is limited, investments held under split-interest agreements, investments held by others under split-interest agreements, beneficial interest in perpetual trusts, and derivative financial instruments was measured using the following inputs at December 31, 2010:

	Balance December 31, 2010	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 22,229,327	\$ 22,229,327	\$ -	\$ -
Certificates of deposit	5,464,011	5,464,011	-	-
U.S. government obligations	11,505,975	-	11,505,975	-
Equity securities	8,129,341	8,129,341	-	-
Corporate bonds investment - grade	17,927,785	-	17,927,785	-
Alternative investments - limited partnerships	5,185,322	-	-	5,185,322
Investments held under split-interest agreements	6,472,697	-	6,472,697	-
Investments held by others under split-interest agreements	518,373	-	-	518,373
Beneficial interest in perpetual trusts	2,813,064	-	-	2,813,064
Total	\$ 80,245,895	\$ 35,822,679	\$ 35,906,457	\$ 8,516,759
Liabilities,				
Derivative financial instruments, interest rate swap agreements	\$ (6,699,657)	\$ -	\$ -	\$ (6,699,657)

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

4. Fair Value of Financial Instruments (Continued)

The financial instruments are included on the balance sheet at December 31, 2010 as follows:

	<u>2010</u>
Current portion of assets whose use is limited	\$ 7,257,846
Investments	35,630,180
Assets whose use is limited	27,553,735
Investments held under split-interest agreements	6,472,697
Investments held by others under split-interest agreements	518,373
Beneficial interest in perpetual trusts	<u>2,813,064</u>
Total	<u>\$ 80,245,895</u>

The fair value of the Company's investments, assets whose use is limited, investments held under split-interest agreements, investments held by others under split-interest agreements, beneficial interest in perpetual trusts, and derivative financial instruments was measured using the following inputs at December 31, 2009:

	<u>Balance December 31, 2009</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Other Unobservable Inputs (Level 3)</u>
Assets:				
Cash and cash equivalents	\$ 20,888,050	\$ 20,888,050	\$ -	\$ -
Certificates of deposit	5,861,187	5,861,187		-
U.S. government obligations	9,672,830	-	9,672,830	-
Equity securities	9,636,467	9,636,467		-
Corporate bonds	9,952,754	-	9,952,754	-
Alternative investments – limited partnerships	4,436,411	-	-	4,436,411
Investments held under split-interest agreements	7,602,555	-	7,602,555	-
Investments held by others under split-interest agreements	340,110	-	-	340,110
Beneficial interest in perpetual trusts	<u>2,643,013</u>	<u>-</u>	<u>-</u>	<u>2,643,013</u>
Total	<u>\$ 71,033,377</u>	<u>\$ 36,385,704</u>	<u>\$ 27,228,139</u>	<u>\$ 7,419,534</u>
Liabilities,				
Derivative financial instruments, interest rate swap agreements	<u>\$ (4,376,296)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,376,296)</u>

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

4. Fair Value of Financial Instruments (Continued)

The financial instruments are included on the balance sheet at December 31, 2010 as follows:

	<u>2010</u>
Current portion of assets whose use is limited	\$ 6,799,805
Investments	31,171,254
Assets whose use is limited	22,476,640
Investments held under split-interest agreements	7,602,555
Investments held by others under split-interest agreements	340,110
Beneficial interest in perpetual trusts	<u>2,643,013</u>
Total	<u>\$ 71,033,377</u>

The alternative investments are valued using unobservable inputs (Level 3) in accordance with the authoritative guidance on fair value measurements. Changes to the alternative investment in 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 4,436,411	\$ 11,084,433
Sales	(2,606,396)	(8,372,086)
Purchases	2,611,427	
Unrealized (loss) gain	(333,591)	327,080
Realized gain	<u>1,077,471</u>	<u>1,396,984</u>
Ending balance	<u>\$ 5,185,322</u>	<u>\$ 4,436,411</u>

The following information related to the alternative investments discusses the nature and risk of the investments and whether they have redemption restrictions as of December 31, 2010.

	<u>Fair Value</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Limited partnerships – offshore (a)	\$ 4,060,906	Monthly	45 days
Limited partnerships – equity (b)	<u>1,124,416</u>	None	N/A
Total	<u>\$ 5,185,322</u>		

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

4. Fair Value of Financial Instruments (Continued)

- The Principal purpose of the funds is to invest in multi manager, multi strategy “fund of funds” formed to invest predominately in limited partnerships and Common Stock. The objective is to generate risk adjusted absolute returns with low correlation to broad equity and fixed income markets. The fair value of the investments in this category has been estimated using net asset value per share of the investments.
- The Portfolio Interests are private equity investment funds that seek capital appreciation by investing in securities of various types. Redemptions are not permitted and liquidity is available to the extent of distributable realized events.

The investment held by others under split-interest agreements are valued using unobservable inputs (Level 3) in accordance with the authoritative guidance on fair value measurements. Changes to investment held by others under split-interest agreements in 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 340,110	\$ 313,241
Contributions	165,432	-
Change in value	<u>12,831</u>	<u>26,869</u>
Ending balance	<u>\$ 518,373</u>	<u>\$ 340,110</u>

The beneficial interest in perpetual trusts is valued using unobservable inputs (Level 3) in accordance with the authoritative guidance on fair value measurements. Changes to the beneficial interest in perpetual trusts in 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 2,643,013	\$ 2,288,324
Change in value	<u>170,051</u>	<u>354,689</u>
Ending balance	<u>\$ 2,813,064</u>	<u>\$ 2,643,013</u>

The derivative financial instruments are valued using unobservable inputs (Level 3) in accordance with the authoritative guidance on fair value measurements. Changes to the derivative financial instruments in 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ (4,376,296)	\$ (5,112,712)
Change in fair value of derivative financial instruments	<u>(2,323,361)</u>	<u>736,416</u>
Ending balance	<u>\$ (6,699,657)</u>	<u>\$ (4,376,296)</u>

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

4. Fair Value of Financial Instruments (Continued)

Financial Instruments

The carrying amounts of cash and cash equivalents; accounts receivable, bequests receivable notes receivable, accounts payable, liability for split-interest agreements, construction line of credit, and other liabilities approximate fair value due to the short-term nature of those instruments.

Mutual funds and equity securities are valued at fair value based on quoted market prices which are considered Level 1 inputs. US government and agency obligations, corporate bonds, and other investments are valued using quoted market prices of similar securities, which are considered Level 2 inputs. Alternative investments are valued using unobservable inputs, which are considered Level 3 inputs.

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

The fair value of the Series 1998A bonds and Series 2001 bonds approximates the carrying value as reported in the consolidated balance sheet due to current market interest rates. The fair value of the Series 1998B1 bonds, Series 1998B2 bonds, and the Series 2006 bonds approximate carrying value, since these bonds are at a variable interest rate. It is generally not practicable to estimate the fair value of the company's mortgage payable to HUD and Affordable Housing Program loans since terms could not be duplicated in the market and estimating fair values may result in inappropriate amounts.

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

5. Notes Receivable

Notes receivable consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Mortgage note receivable from former officer, collateralized by life insurance policies, and to be paid from receipt of life insurance proceeds. Non-interest bearing.	\$ 860,000	\$ 860,000
Mt. Holly Senior Housing, LP, fourth mortgage loan, accrues interest at 5.0% per annum, with payments made from available cash flow, and payable in full December 31, 2037	100,540	100,540

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

5. Notes Receivable (Continued)

	<u>2010</u>	<u>2009</u>
Butler Senior Citizens Housing, LP, second mortgage loan receivable, accrues interest at 4.8% per annum, payments made from available cash flow, and payable in full December 31, 2037	\$ 1,338,867	\$ 1,338,867
Howell Senior Citizens Housing, LP, second mortgage loan receivable, accrues interest at 4.8% per annum, payments made from available cash flow, and payable in full December 31, 2037	2,173,735	2,315,188
Ramsey Senior Citizens Housing, LP, second mortgage loan receivable, accrues interest at 4.8% per annum, payments made from available cash flow, and payable in full December 31, 2037	2,759,970	2,759,970
Wall Senior Citizens Housing, LP, second mortgage loan receivable, accrues interest at 4.8% per annum, payments made from available cash flow, and payable in full December 31, 2037	1,219,893	1,219,893
Plainfield Senior Citizens Housing, LP, second mortgage loan receivable, accrues interest at 4.89% per annum, payments made from available cash flow, and payable in full December 31, 2038	1,624,315	1,622,680
Mt. Holly Senior Housing, LP, fourth mortgage loan, accrues interest at 5.0% per annum, with payments made from available cash flow, and payable in full December 31, 2037	47,172	47,172
Asbury Senior Citizens Housing, LP, note receivable secured by a mortgage and security agreement, accrues interest at 4.6%. Payment shall be due and payable on June 26, 2049 (the fortieth anniversary of the final certificate of occupancy for the project).	6,866,901	6,866,901
Asbury Senior Citizens Housing, LP, note receivable secured by a mortgage and security agreement, accrues interest at 0.25%. Payment shall be due and payable on June 26, 2049 (the fortieth anniversary of the final certificate of occupancy for the project).	885,000	885,000
Asbury Senior Citizens Housing, LP, note receivable secured by a mortgage and security agreement, accrues interest at 0.25%. Payment shall be due and payable on June 26, 2049 (the fortieth anniversary of the final certificate of occupancy for the project).	2,894,866	2,894,866

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

5. Notes Receivable (Continued)

	<u>2010</u>	<u>2009</u>
Asbury Senior Citizens Housing, LP, note receivable secured by a mortgage and security agreement, accrues interest at 0.25%. Payment shall be due and payable on June 26, 2049 (the fortieth anniversary of the final certificate of occupancy for the project).	\$ 6,000,000	\$ -
Accrued interest	<u>2,302,945</u>	<u>1,197,187</u>
Notes receivable	<u>\$ 29,074,204</u>	<u>\$ 22,108,264</u>

6. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Land	\$ 26,289,270	\$ 24,589,270
Buildings and improvements	385,053,378	374,173,357
Rental property	74,652,618	73,607,291
Furniture and fixtures	17,765,411	17,200,269
Equipment	22,212,151	20,984,978
Leasehold improvements	<u>422,572</u>	<u>437,178</u>
Total	526,395,400	510,992,343
Less accumulated depreciation	198,209,266	179,215,483
Construction in progress	<u>14,142,828</u>	<u>8,932,420</u>
Property and equipment, net	<u>\$ 342,328,962</u>	<u>\$ 340,709,280</u>

Equipment includes equipment held under capital lease obligations with a carrying value of \$508,212 and \$491,848 at December 31, 2010 and 2009, respectively.

Included in construction in progress as of December 31, 2010 and 2009 is \$0 and \$149,167 of retainage payable, and \$335,784 and \$995,962 of capitalized interest, respectively.

During 2009, Meadow Lakes recognized \$657,495 in land condemnation proceeds which is included in other revenue on the consolidated statement of operations and changes in net assets.

Depreciation expense was \$19,070,624 and \$17,955,116 during 2010 and 2009, respectively. During 2010 and 2009 certain property and equipment was disposed of, reducing accumulated depreciation by \$79,841 and \$136,593, respectively.

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

7. Long-Term Debt

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

	<u>2010</u>	<u>2009</u>
New Jersey Economic Development Authority ("NJEDA") Fixed Rate Revenue Bonds, Presbyterian Homes & Services of New Jersey 1998 Obligated Group, Series 1998A tax-exempt bonds with maturities through 2019 and interest at 5.31% per annum	\$ 15,085,392	\$ 16,611,570
Weekly Rate Revenue Bonds, Presbyterian Homes & Services of New Jersey 1998 Obligated Group, Series 1998B1 and Series 1998B2 taxable bonds with maturities from 2019 through 2033 with a variable interest rate of 4.08% at December 31, 2010	42,440,000	42,440,000
NJEDA Variable Rate Revenue Bonds, Springpoint Senior Living Obligated Group, Series 2010 bank qualified tax-exempt bonds with a 5 year term expiring in 2015. The bonds have a variable interest rate of 1 month LIBOR x 65% plus 179 basis points. As of December 31, 2010 the rate was 1.96%	30,000,000	-
NJEDA Fixed Rate Revenue Bonds, Montgomery Series 2001A tax-exempt bonds with maturities through 2031 and interest from 5.5% to 6.375%	49,345,000	50,540,000
Bank Loan at an interest rate of 30 Day LIBOR plus 375 basis point with a floor of 4.5% (4.5% at December 31, 2010)	7,500,000	7,500,000
Bank Loan at an interest rate of 4.2575% at December 31, 2010 to be refinanced into a term loan in 2011	14,106,293	-
Affordable Housing Program loans due October 8, 2017, February 10, 2020 and March 1, 2024, bearing no interest	2,336,140	2,336,140
NJEDA Variable Rate Revenue Bonds, Assisted Living Obligated Group, Series 2006A tax-exempt bonds with maturities through April 1, 2031 and a variable interest rate of 3.35% at December 31, 2010	33,855,000	34,365,000

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

7. Long-Term Debt (Continued)

	<u>2010</u>	<u>2009</u>
NJEDA Variable Rate Revenue Bonds, Assisted Living Obligated Group, Series 2006B tax-exempt bonds with maturities through April 1, 2016 and a variable interest rate of 3.35% at December 31, 2010	\$ 7,125,000	\$ 8,385,000
Total	201,792,825	162,177,710
Less:		
Original issue discount	1,084,287	1,187,289
Current maturities	4,298,994	4,491,178
Long-term debt, net	<u>\$ 196,409,544</u>	<u>\$ 156,499,243</u>

On December 28, 1998, the NJEDA issued, on behalf of the 1998 Obligated Group, \$29,600,000 Series 1998A Fixed Rate Revenue Bonds ("Series 1998A bonds"). Concurrently with the issuance of the Series 1998A bonds, the NJEDA issued, on behalf of the 1998 Obligated Group, \$21,955,000 Series 1998B1 Weekly Rate Revenue Bonds (taxable) ("Series 1998B1 bonds") and \$21,955,000 Series 1998B2 Weekly Rate Revenue Bonds (taxable) ("Series 1998B2 bonds") (collectively, the "Taxable Bonds"). All members of the 1998 Obligated Group are jointly and severally liable for all outstanding obligations with respect to the 1998 bonds.

The proceeds from the Series 1998 bonds were allocated to each member of the 1998 Obligated Group based on their direct use of the proceeds. The total proceeds from the Series 1998 bonds were used to (a) finance the purchase of the Crestwood facility; (b) refinance various existing mortgages; (c) finance renovations to certain properties owned and operated by the 1998 Obligated Group; (d) fund a debt service reserve fund; and (e) pay certain costs associated with the issuance of the Series 1998 bonds. The Series 1998 bonds are collateralized by certain property with an approximate net book value of \$134,070,762 and \$137,798,994 at December 31, 2010 and 2009, respectively, and a pledge of gross receipts of the 1998 Obligated Group. Additionally, the Taxable Bonds are also collateralized by irrevocable letters of credit issued by a bank in amounts totaling the outstanding principal of the bonds plus fifty-one days of accrued interest thereon at a 12% interest rate.

The Taxable Bonds contain a demand purchase option and are subject to a remarketing agreement. In the event that the bonds are unable to be remarketed, the letter of credit would be drawn upon in an amount sufficient to pay the principal and interest on, or purchase price of the Taxable Bonds. Any draw on the letter of credit is payable in quarterly installments, beginning 270 days from the date of the draw, with the final payment due upon the earlier of the date the bonds have been remarketed or 2 years and 180 days from the date of draw. The letter of credit expires on June 30, 2013.

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

7. Long-Term Debt (Continued)

During 2010, the 1998 Obligated Group entered into a supplemental loan and trust agreement to provide for the issuance of parity debt and allow for such parity debt to be secured by collateral securing all other obligations of the 1998 Obligated Group. As permitted by the agreement, on December 14, 2010, the NJEDA issued, on behalf of the 1998 Obligated Group, \$30,000,000 Series 2010 Variable Rate Revenue Bonds ("Series 2010 bonds"). These bonds are bank qualified bonds and were all purchased by financial institutions. The bonds amortize monthly on a 25 year amortization schedule with a balloon payment due in month 60 in the amount of \$26,393,500. There are provisions in the bond documents to extend the balloon payment subject to approval of the borrower and the lender. All members of the 1998 Obligated Group are jointly and severally liable for all outstanding obligations with respect to the Series 2010 bonds.

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

On December 20, 2001, the NJEDA issued, on behalf of Montgomery, \$54,750,000 Montgomery Series 2001A Fixed Rate Revenue Bonds (the "Series 2001 bonds"). The proceeds of the Series 2001 bonds (the "Series 2001 bonds") were used to a) acquire, construct, and equip the continuing care retirement community; b) fund interest and pay letter of credit and remarketing agent fees for 27 months; c) fund a debt service reserve fund; d) pay development, marketing, and initial operating expenses; and e) pay certain costs incurred in connection with the issuance of the Series 2001 bonds. The Series 2001 bonds are collateralized by substantially all property and equipment of Montgomery and a pledge of gross receipts.

The bank loan is on a parity basis with the Series 2001 Bonds and is collateralized by substantially all property and equipment of Montgomery and a pledge of gross receipts.

On August 25, 2006, the NJEDA issued, on behalf of the Assisted Living Obligated Group, \$35,370,000 Series 2006A Variable Rate Revenue Bonds ("Series 2006A bonds") and \$12,000,000 Series 2006B Variable Rate Revenue Bonds ("Series 2006B bonds"). The Series 2006A bonds and the Series 2006B bonds (collectively, "Series 2006 bonds") are tax-exempt. All members of the Assisted Living Obligated Group are jointly and severally liable for all outstanding obligations with respect to the Series 2006 bonds. The proceeds from the Series 2006 bonds were used to refinance the Series 2002 bonds. The Series 2006 bonds are collateralized by all property and gross receipts of the Assisted Living Obligated Group. Payments of the principal and interest on each series of bonds are secured under separate irrevocable, direct-pay letters of credit, which the Trustee draws upon. The letters of credit total \$41,563,644 and are set to expire in 2012. The bonds are expected to be repaid with proceeds of the pending sale of certain assets of the Assisted Living Obligated Group. See Note 18.

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

7. Long-Term Debt (Continued)

The letter of credit and reimbursement agreement indicates that if at the end of any fiscal year the Assisted Living Obligated Group has achieved a debt service coverage ratio in excess of 1.35, the Assisted Living Obligated Group shall cause the principal amount of the bonds to be optionally redeemed under the indenture by the amount required to reduce the debt service coverage ratio to 1.35. During 2010, the Assisted Living Obligated Group's debt service coverage ratio was calculated at 1.65. There will be no additional payment in 2010 due to amended instructions to cause optional redemption of the Series 2006B bonds. However, an additional principal payment was made for 2009 of \$205,000.

Scheduled principal payments over the next five years and thereafter are as follows:

Years ending December 31:	
2011	\$ 4,298,994
2012	5,518,327
2013	5,845,677
2014	13,038,795
2015	32,550,396
Thereafter	<u>140,540,636</u>
Total	<u>\$ 201,792,825</u>

Under the terms of the respective loan agreements, the 1998 Obligated Group, the Assisted Living Obligated Group, and Montgomery are required to maintain certain financial ratios and to be in compliance with other restrictive covenants. The 1998 Obligated Group, the Assisted Living Obligated Group, and Montgomery were in compliance with all financial covenants at December 31, 2010.

In 2009, Meadow Lakes recognized \$657,495 in land condemnation proceeds from the New Jersey Turnpike Authority for a piece of land taken for road expansion. Pursuant to the loan and trust agreement these funds were used to make the monthly principal payments on the Series 1998A bonds.

8. Derivative Financial Instruments

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

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

8. Derivative Financial Instruments (Continued)

The 1998 Obligated Group and the Assisted Living Obligated Group implemented the authoritative guidance related to derivative financial instruments that changed the accounting methodology for cash flow hedges that are not based on a benchmark interest rate. Effective January 1, 2008, the 1998 Obligated Group and the Assisted Living Obligated Group began amortizing to income over the remaining term of the swap agreement the accumulated changes in fair value of the interest rate swap agreements recorded at December 31, 2007. Prior to January 1, 2008, changes in the fair value of the swap agreements were excluded from expenses (less than) in excess of revenues and other support in the accompanying consolidated statement of operations. Changes in the fair value of the swap agreement that occur after December 31, 2007 are recorded in expenses (less than) in excess of revenues and other support in the accompanying consolidated statement of operations.

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

Changes in fair value of the interest rate swap agreements are recorded as a change in fair value of derivative financial instrument. The change in unrealized gains and losses on derivative financial instruments was \$(2,323,361) in 2010 and \$736,416 in 2009.

During the year ended December 31, 2010, the 1998 Obligated Group had the following interest rate swaps in effect:

<u>Notional Amount</u>	<u>Fixed Rate</u>	<u>Variable Rate</u>	<u>Period</u>
\$13,910,000	3.7875%	USD-LIBOR (0.26% at December 31, 2010)	June 2003 to June 2013
\$30,000,000	4.17%	USD-LIBOR (0.26% at December 31, 2010)	March 2009 to April 2019

The fair value of the interest rate swap agreements was \$(3,902,192) at December 31, 2010 and \$(2,418,956) at December 31, 2009 and was obtained from the financial institution. The unamortized accumulated derivative loss included in unrestricted net assets was \$183,413 at December 31, 2010 and \$203,792 at December 31, 2009. Amortization resulted in a reduction of interest expense of \$20,381 in 2010 and increased interest expense of \$109,406 in 2009.

During the year ended December 31, 2010, the Assisted Living Obligated Group had the following interest rate swaps in effect:

<u>Notional Amount</u>	<u>Fixed Rate</u>	<u>Variable Rate</u>	<u>Period</u>
\$24,993,000	4.11%	USD-SIFMA (0.34% at December 31, 2009)	August 2006 to April 2022
\$16,662,000	2.34%	USD-SIFMA (0.34% at December 31, 2009)	January 2009 to April 2018

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

8. Derivative Financial Instruments (Continued)

The fair value of the interest rate swap agreements was \$(2,797,465) at December 31, 2010 and \$(1,957,340) at December 31, 2009 and was obtained from the financial institution. The unamortized accumulated derivative loss included in unrestricted net deficit was \$(1,165,633) at December 31, 2010 and \$(1,262,769) at December 31, 2009. Amortization resulted in increased interest of \$97,136 in 2010 and 2009. The Assisted Living Obligated Group swap agreements are expected to be terminated with the pending sale of certain assets of the Assisted Living Obligated Group. See Note 18.

9. Obligations under Capital Leases

SSL, IMS, Monroe, Meadow Lakes, Crestwood, Stonebridge, The Atrium, Stonybrook and Waterford, incurred obligations under the terms of capital lease arrangements. The obligations are collateralized by the related leased equipment.

The present value of future net minimum lease payments has been classified in the accompanying financial statements at December 31 as follows:

	<u>2010</u>	<u>2009</u>
Current maturities of obligations under capital leases	\$ 173,283	\$ 136,299
Long-term liabilities	<u>334,449</u>	<u>355,551</u>
Total	<u>\$ 507,732</u>	<u>\$ 491,850</u>

The following is a schedule, by year, of the minimum lease payments under capital leases, together with the present value of the net minimum lease payments:

Years ending December 31:	
2011	\$ 215,451
2012	194,359
2013	105,415
2014	57,120
2015	<u>25,217</u>
Total minimum lease payments	597,562
Less amounts representing interest	<u>89,830</u>
Present value of net minimum lease payments	<u>\$ 507,732</u>

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

10. Line of Credit

During 2008, the Obligated Group entered into a supplemental loan and trust agreement to provide for the issuance of parity debt and allow for such parity debt to be secured by collateral securing all other obligations of the Obligated Group. As permitted by the agreement, the Obligated Group entered into a secured taxable revolving line of credit with a bank in the principal amount of \$30,000,000. The loan was paid in full in 2010.

The Atrium entered into a \$5,000,000 construction line of credit ("line") with a bank on June 29, 2007. The Atrium had borrowings of \$5,000,000 against the line at December 31, 2009. The line was paid in full in 2010.

11. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets of \$5,102,952 and \$3,988,378 at December 31, 2010 and 2009, respectively, are donor restricted amounts for the benefit of residents and development of SSL affiliates.

Temporarily restricted net assets are held for the following purposes:

	<u>2010</u>	<u>2009</u>
Split-interest agreements	\$ 963,021	752,184
Restricted for the benefit of residents and community needs	<u>4,139,931</u>	<u>3,236,194</u>
Total	<u>\$ 5,102,952</u>	<u>\$ 3,988,378</u>

Permanently restricted net assets of \$2,970,407 and \$2,781,108 at December 31, 2010 and 2009, respectively, represent donor-restricted investments to be held in perpetuity for the benefit of the Foundation. Included in permanently restricted net assets are amounts which represent the Foundation's beneficial interest in certain perpetual trusts which are held by third-party trustees.

12. Capital Advances

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

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

12. Capital Advances (Continued)

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

As of December 31, 2010 and 2009, the capital advances received totaled \$76,052,086 and \$69,587,571, respectively, which has been reported as a noncurrent liability in the consolidated balance sheet.

13. Retirement Plans

SSL and its affiliates sponsor a 401(k) defined contribution plan (the “Plan”). Under the Plan, SSL and its affiliates make annual contributions to the Plan of 3% of each participant’s annual compensation (“Safe Harbor”), as defined by the Plan. Employees are eligible to participate in the plan upon completion of one year of service and at least 1,000 hours. Employees become 100% vested in both Safe Harbor and employee contributions immediately upon their participation. The Plan provides for SSL and its affiliates to match 50% of the employee contributions not to exceed 3% of annual compensation. The employer matching contributions are subject to a five-year vesting schedule. Pension expense under the Plan was approximately \$2,521,000 and \$1,971,000 for the years ended December 31, 2010 and 2009, respectively.

In 2005, SSL initiated a Supplemental Executive Retirement Plan (“SERP”). During 2010 and 2009, the SERP funding was approximately \$474,100 and \$379,600, respectively, and carried a balance of approximately \$2,159,000 and \$1,440,000 at December 31, 2010 and 2009, respectively.

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

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

13. Retirement Plans (Continued)

The following table is a reconciliation of the beginning and ending balances of the Meadow Lake's Union Plan projected benefit obligation and fair value of plan assets at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 1,051,275	\$ 1,190,241
Interest cost	57,489	65,006
Actuarial gains (losses)	79,477	(96,626)
Benefits paid	<u>(238,348)</u>	<u>(107,346)</u>
Projected benefit obligation at end of year	<u>949,893</u>	<u>1,051,275</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	944,927	1,007,089
Actual return on plan assets	64,578	45,184
Benefits paid	<u>(238,348)</u>	<u>(107,346)</u>
Fair value of plan assets at end of year	<u>771,157</u>	<u>944,927</u>
Funded status at end of year	<u>\$ (178,736)</u>	<u>\$ (106,348)</u>

Amounts recognized in the balance sheet at December 31:

	<u>2010</u>	<u>2009</u>
Deferred costs and other assets, net	<u>\$ (178,736)</u>	<u>\$ (106,348)</u>

Amounts recognized in net assets, unrestricted at December 31:

	<u>2010</u>	<u>2009</u>
Unrecognized net loss	<u>\$ 364,764</u>	<u>\$ 312,371</u>

A net actuarial loss of \$293,531 represents the unrecognized component of net periodic pension cost at December 31, 2010.

An actuarial loss of \$29,795 is expected to be recognized in net periodic pension cost in the next fiscal year.

The accumulated benefit obligation at December 31, 2010 and 2009 is \$949,893 and \$1,051,275, respectively.

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

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

13. Retirement Plans (Continued)

The components of net periodic pension expense for 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Interest cost	\$ 57,489	\$ 65,006
Expected return on plan assets	(56,334)	(59,927)
Amortization of net loss	<u>18,840</u>	<u>27,523</u>
Net periodic pension expense	<u>\$ 19,995</u>	<u>\$ 32,602</u>

Weighted-average assumptions used to determine the benefit obligation at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Discount rate	5.25 %	5.50 %
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic (benefit) pension cost at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Discount rate	5.50 %	5.50 %
Expected long-term rate of return on plan assets	6.00	6.00

The expected long-term rate of return on plan assets assumption of 6.0% was selected based on the guaranteed rate of return of the group annuity contracts.

The following table for the Union Plan sets forth the actual asset allocation and target asset allocation for plan assets at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>	<u>Target Asset Allocation Range</u>
Common Stock	21 %	13 %	0-15 %
Unallocated insurance contract	<u>79</u>	<u>87</u>	16-90
Total	<u>100 %</u>	<u>100 %</u>	

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

13. Retirement Plans (Continued)

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

- To maintain or exceed a target funding level of 100% of the Union Plan's liabilities, defined as the market value of the portfolio assets as a percentage of the accumulated benefit obligation including a target allocation of a conservative mix of investments, and
- To achieve a long-term rate of return of 6.00% as established by the Union Plan's actuarial consultant.

The following tables summarize instruments measured at fair value on a recurring basis for the Plan:

	December 31, 2010		
	Fair Value Measurements Using		
	Quoted Prices in Active Market for Identical Assets Level 1	Significant Unobservable Inputs Level 3	Assets at Fair Value
Common stock	\$ 159,851	\$ -	\$ 159,851
Unallocated insurance contract	-	611,306	611,306
Total	<u>\$ 159,851</u>	<u>\$ 611,306</u>	<u>\$ 771,157</u>

	December 31, 2009		
	Fair Value Measurements Using		
	Quoted Prices in Active Market for Identical Assets Level 1	Significant Unobservable Inputs Level 3	Assets at Fair Value
Common stock	\$ 127,154	\$ -	\$ 127,154
Unallocated insurance contract	-	817,773	817,773
Total	<u>\$ 127,154</u>	<u>\$ 817,773</u>	<u>\$ 944,927</u>

The following table presents the change in fair value for the Unallocated insurance contract:

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)
	Unallocated Insurance Contract
Balance, beginning of year	\$ 817,773
Dividends	2,662
Change in Value	29,219
Expenses	(721)
Payments	<u>(237,627)</u>
Balance, end of year	<u>\$ 611,306</u>

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2010 and 2009

13. Retirement Plans (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010.

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

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

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

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

Years ending December 31:	
2011	\$ 33,263
2012	33,541
2013	39,003
2014	41,098
2015	40,768
Thereafter	<u>255,618</u>
Total	<u>\$ 443,291</u>

The Company does not anticipate making a contribution to the Union Plan during 2011.

14. Commitments and Contingencies

SSL leases office space and equipment through noncancelable operating leases. The total rental expense under these leases was \$606,043 and \$597,337 for the years ended December 31, 2010 and 2009, respectively. The future minimum rental commitment under these noncancelable leases is as follows:

2011	\$ 448,495
2012	371,076
2013	185,538

Meadow Lakes, Monroe, Crestwood, Montgomery and The Atrium are regulated by the New Jersey Department of Community Affairs ("DCA") pursuant to the Continuing Care Retirement Community Regulation and Financial Disclosures Act (the "Act"). The Act requires, among other things, that these affiliates establish and maintain a liquid reserve which includes liquid reserve funds and funds held under bond indenture agreements (see Note 3) and generally are the greater of the following years debt service or 15% of the projected operating expenses excluding depreciation related to contract residents. These entities have complied with those requirements at December 31, 2010 and 2009.

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements
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14. Commitments and Contingencies (Continued)

The Foundation is obligated under a deferred compensation agreement to pay an \$860,000 death benefit to a former employee. In March 2005, a \$1,000,000 life insurance policy on the former employee was purchased by the Foundation. Concurrent with obtaining the life insurance policy, the Foundation acquired an annuity in the amount of \$500,000 and expects that the annuity rate of return will fund a majority of the insurance premiums. Upon the former employee's death and the subsequent payment of the \$1,000,000 life insurance proceeds, \$500,000 will be retained by the Foundation as reimbursement of the forfeited annuity, with the remaining \$500,000 being paid to the estate of the former employee to satisfy the deferred compensation agreement. The remaining death benefit of \$360,000, which is not covered under the insurance policy, is recorded in other liabilities at its net present value, which is \$349,376 and \$339,491 at December 31, 2010 and 2009, respectively. In addition, upon the estate of the former employee receiving the deferred compensation identified above, a portion of the total death benefit, \$360,000, is to be remitted back to the Foundation to satisfy his note to the Foundation.

Commitments under agreements for various construction projects totaled approximately \$5,767,080 at December 31, 2010.

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

SSL is the Guarantor of Plainfield Senior Citizens Housing, LP ("PSCH"). PSCH's primary purpose is to operate an affordable senior housing community in New Jersey. As Guarantor, SSL guarantees compliance of the General Partner, Plainfield Tower Solutions ("PTS") with respect to Operating Deficit Contributions, Credit Adjuster Advances, and the purchase of limited partner interest as defined in each Partnership Agreement. SSL's guarantee is limited to \$750,000 and will end in August 2012.

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

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

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

14. Commitments and Contingencies (Continued)

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

Nursing services provided to Medicaid program beneficiaries are paid at prospectively determined rate per day. Through June 30, 2010, the rates were based on facility cost information from a prior year and were subject to various limitations and adjustments. The limitations were based, in part, on resident acuity data. Effective July 1, 2010, the New Jersey Department of Health and Senior Services proposed a change to the reimbursement methodology. Under the new methodology, rates will be determined using state-wide nursing facility cost information and the Company's cost information from a prior year. The rates will also vary according to a resident classification system that is based on clinical, diagnostic, and other factors. The new reimbursement methodology is subject to various limitations and adjustments.

During 2010, the Company was reimbursed and recorded revenue using the July 1, 2009 Medicaid rate. The effects of positive or negative rate adjustments for the period July 1, 2010 through December 31, 2010 will be recorded when the new reimbursement methodology is implemented.

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

The Company participates in self insured workers compensation, unemployment and health insurance programs. The Company estimates self-insurance reserves based upon fully developed case reserves that are actuarially determined. These estimates are based on historical loss experience along with certain assumptions about future events. Changes in assumptions for such things as medical costs, as well as, changes in actual loss experience could cause these estimates to change in the near term. The Company recognized expense of approximately \$9,943,000 and \$9,536,000 for the years ending December 31, 2010 and 2009, respectively. These amounts are included in the various departmental expense categories in the accompanying consolidated financial statements.

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

15. Concentrations

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

	<u>2010</u>	<u>2009</u>
Medicare	14 %	13 %
Medicaid	9	7
Self-pay residents and other	<u>77</u>	<u>80</u>
Total	<u>100 %</u>	<u>100 %</u>

Meadow Lakes has entered into a collective bargaining agreement with the United Food and Commercial Workers Union, Local 152 (formerly Local 56) (the "Agreement"). The Agreement covers approximately 90% of Meadow Lakes' labor force and expires May 8, 2013.

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

16. Rental Assistance Contracts

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

17. Functional Expenses

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

	<u>2010</u>	<u>2009</u>
Program services	\$ 110,319,432	\$ 106,049,350
Management and general	28,712,791	28,298,366
Fundraising	<u>1,234,465</u>	<u>1,084,024</u>
Total operating expenses	<u>\$ 140,266,688</u>	<u>\$ 135,431,740</u>

Springpoint Senior Living, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2010 and 2009

18. Subsequent Events

During June 2011, the Company entered into a letter of intent with a third party to sell the buildings and fixed equipment of their Assisted Living facilities subject to due diligence and negotiations between the Company and the buyer, the Company expects the closing to occur in late 2011.

Summarized selected financial information for the Assisted Living facilities are as follows:

	<u>2010</u>	<u>2009</u>
Total Assets	\$ 46,145,357	\$ 46,308,984
Total Liabilities	62,076,353	62,804,823
Total unrestricted revenues	\$ 23,555,917	\$ 21,930,877
Total expenses	<u>23,088,699</u>	<u>20,106,527</u>
Revenues in excess of expenses	<u>\$ 467,218</u>	<u>\$ 1,824,350</u>

Total expenses above include depreciation and amortization expense of \$1,919,060 in 2010 and \$1,876,437 in 2009, provision for doubtful collections of \$113,968 in 2010 and \$112,334 in 2009, and change in fair value of derivative financial instrument of (\$841,011) in 2010 and \$1,675,180 in 2009.

Independent Auditors' Report on Supplementary Information

Board of Trustees
Springpoint Senior Living, Inc. and Affiliates

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating balance sheet, consolidating statement of operations and changes in net assets (deficit), continuing care retirement communities combining balance sheet, continuing care retirement communities combining statement of operations and changes in net assets (deficit), affordable housing communities combining balance sheet, affordable housing communities combining statement of operations and changes in net assets (deficit), assisted living facilities combining balance sheet, assisted living facilities combining statement of operations and changes in net assets (deficit), other entities combining balance sheet, and other entities combining statement of operations and changes in net assets (deficit) are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and changes in net assets (deficit) of the individual entities. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, based on our audit and the report of other auditors, as explained in our report on the consolidated financial statements, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

ParenteBeard LLC

Philadelphia, Pennsylvania
August 8, 2011

Springpoint Senior Living, Inc. and Affiliates

Consolidating Balance Sheet
December 31, 2010

	Continuing Care Retirement Communities	Affordable Housing Communities	Assisted Living Facilities	Other Entities	Combined Total	Eliminating and Consolidating Entries	Consolidated Balance
Assets							
Current Assets							
Cash and cash equivalents	\$ 18,427,936	\$ 542,958	\$ 5,951,117	\$ 986,821	\$ 25,908,832	\$ -	\$ 25,908,832
Current portion of assets whose use is limited	5,929,695	33,895	1,236,418	57,838	7,257,846	-	7,257,846
Accounts receivable, net	6,884,696	8,174	645,090	58,981	7,596,941	-	7,596,941
Due from affiliates	-	-	-	8,368,223	8,368,223	(8,368,223)	-
Other current assets	939,135	49,195	62,507	7,600,216	8,651,053	143,614	8,794,667
Total current assets	32,181,462	634,222	7,895,132	17,072,079	57,782,895	(8,224,609)	49,558,286
Investments	12,595,751	-	-	23,084,429	35,680,180	(50,000)	35,630,180
Assets Whose Use Is Limited	21,165,701	3,267,467	81,569	3,038,998	27,553,735	-	27,553,735
Investments Held under Split-Interest Agreements	-	-	-	6,472,697	6,472,697	-	6,472,697
Investments Held by Others under Split-Interest Agreements	-	-	-	518,373	518,373	-	518,373
Beneficial Interest in Perpetual Trusts	-	-	614,595	2,813,064	3,427,659	(614,595)	2,813,064
Due from Other Affiliates	-	-	-	4,356,956	4,356,956	(4,356,956)	-
Notes Receivable	-	-	-	29,074,204	29,074,204	-	29,074,204
Loans Receivable from Affiliate	-	-	-	37,544,676	37,544,676	(37,544,676)	-
Property and Equipment, Net	237,354,589	67,089,620	35,890,195	3,691,368	344,025,772	(1,696,810)	342,328,962
Goodwill, Net	675,588	-	-	-	675,588	-	675,588
Deferred Costs and Other Assets, Net	4,691,140	-	1,663,866	5,023,642	11,378,648	(806,796)	10,571,852
Total assets	<u>\$ 308,664,231</u>	<u>\$ 70,991,309</u>	<u>\$ 46,145,357</u>	<u>\$ 132,690,486</u>	<u>\$ 558,491,383</u>	<u>\$ (53,294,442)</u>	<u>\$ 505,196,941</u>

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Consolidating Balance Sheet
December 31, 2010

	Continuing Care Retirement Communities	Affordable Housing Communities	Assisted Living Facilities	Other Entities	Combined Total	Eliminating and Consolidating Entries	Consolidated Balance
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Current maturities of long-term debt	\$ 3,046,301	\$ -	\$ 857,559	\$ 395,134	\$ 4,298,994	\$ -	\$ 4,298,994
Current maturities of capital lease obligations	111,428	-	21,710	40,145	173,283	-	173,283
Accounts payable	2,625,017	1,504,214	417,772	584,773	5,131,776	-	5,131,776
Accrued expenses	6,017,252	260,441	954,083	8,489,074	15,720,850	(767,059)	14,953,791
Due to affiliates	176,433	132,773	77,471	7,594,640	7,981,317	(7,981,317)	-
Residents' deposits	3,543,970	238,932	96,930	-	3,879,832	-	3,879,832
Total current liabilities	15,520,401	2,136,360	2,425,525	17,103,766	37,186,052	(8,748,376)	28,437,676
Long-Term Debt	139,910,385	2,336,140	40,308,161	13,854,858	196,409,544	-	196,409,544
Capital Lease Obligations	231,656	-	41,983	60,810	334,449	-	334,449
Notes Payable to Affiliate	12,632,958	90,000	14,417,461	10,404,258	37,544,677	(37,544,677)	-
Capital Advances	-	76,052,086	-	-	76,052,086	-	76,052,086
Due to Affiliates	1,749,762	-	2,083,428	-	3,833,190	(3,833,190)	-
Liability for Split-Interest Agreements and Deferred Gift Agreements	-	-	-	5,650,863	5,650,863	-	5,650,863
Deferred Revenue	-	-	-	12,686,655	12,686,655	-	12,686,655
Deferred Revenue from Entrance Fees	129,238,506	-	-	-	129,238,506	-	129,238,506
Derivative Instruments	3,379,682	-	2,799,795	520,180	6,699,657	-	6,699,657
Other Liabilities	-	-	-	2,594,812	2,594,812	-	2,594,812
Total liabilities	302,663,350	80,614,586	62,076,353	62,876,202	508,230,491	(50,126,243)	458,104,248
Net Assets (Deficit)							
Unrestricted	5,164,512	(9,623,277)	(16,547,474)	62,579,177	41,572,938	(2,553,604)	39,019,334
Temporarily restricted	836,369	-	1,883	4,264,700	5,102,952	-	5,102,952
Permanently restricted	-	-	614,595	2,970,407	3,585,002	(614,595)	2,970,407
Total net assets (deficit)	6,000,881	(9,623,277)	(15,930,996)	69,814,284	50,260,892	(3,168,199)	47,092,693
Total liabilities and net assets (deficit)	\$ 308,664,231	\$ 70,991,309	\$ 46,145,357	\$ 132,690,486	\$ 558,491,383	\$ (53,294,442)	\$ 505,196,941

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Consolidating Statement of Operations and Changes in Net Assets (Deficit) Year Ended December 31, 2010

	Continuing Care Retirement Communities	Affordable Housing Communities	Assisted Living Facilities	Other Entities	Combined Total	Eliminating and Consolidating Entries	Consolidated Balance
Changes in Unrestricted Net Assets (Deficit)							
Revenues and other support:							
Revenue from residential facilities	\$ 41,135,805	\$ 6,269,088	\$ -	\$ -	\$ 47,404,893	\$ -	\$ 47,404,893
Revenue from healthcare facilities	36,416,646	-	22,424,960	-	58,841,606	-	58,841,606
Services to residents	6,008,740	-	995,033	446,016	7,449,789	-	7,449,789
Developer and management fees	-	-	-	8,572,675	8,572,675	(7,906,442)	666,233
Contributions and bequests	84,771	-	37,088	781,336	903,195	-	903,195
Interest and dividends	817,836	7,426	13,210	2,580,351	3,418,823	(1,064,155)	2,354,668
Other revenue	66,052	40,249	20,765	2,781,546	2,908,612	(496,937)	2,411,675
Net assets released from restrictions used for operations	630,201	-	64,861	880,010	1,575,072	(556,836)	1,018,236
Total revenues and other support	85,160,051	6,316,763	23,555,917	16,041,934	131,074,665	(10,024,370)	121,050,295
Expenses:							
Professional care of residents	25,043,210	-	7,596,588	549,577	33,189,375	(78,000)	33,111,375
Resident services	2,792,624	-	525,924	-	3,318,548	-	3,318,548
Dining services	13,453,784	-	2,690,815	-	16,144,599	(158,534)	15,986,065
Operation and maintenance of facility	17,187,485	2,788,605	2,037,855	-	22,013,945	-	22,013,945
Housekeeping and laundry	4,374,501	-	574,841	-	4,949,342	-	4,949,342
Administrative and general	7,700,507	2,318,210	1,915,140	10,443,476	22,377,333	(260,405)	22,116,928
Resident assistance and program services	61,082	-	-	2,018,905	2,079,987	(556,836)	1,523,151
Marketing	3,203,310	4,757	917,759	1,236,116	5,361,942	-	5,361,942
Insurance	1,129,631	211,948	191,880	85,345	1,618,804	-	1,618,804
Springpoint Senior Living, Inc. management fee	5,432,582	456,582	1,290,033	677,229	7,856,426	(7,856,426)	-
Interest	7,627,023	-	2,473,713	865,959	10,966,695	(1,064,155)	9,902,540
Provision for bad debts	348,374	-	113,968	4,878	467,220	-	467,220
Total expenses	88,354,113	5,780,102	20,328,516	15,881,485	130,344,216	(9,974,356)	120,369,860
Operating income (loss)	(3,194,062)	536,661	3,227,401	160,449	730,449	(50,014)	680,435
Change in unrealized gains and losses on investments	(608,353)	-	(112)	1,456,806	848,341	-	848,341
Net realized gains on investments	686,990	-	-	466,561	1,153,551	-	1,153,551
Amortization of entrance fees	14,116,872	-	-	-	14,116,872	-	14,116,872
Change in fair value of derivative financial instruments	(1,284,628)	-	(841,011)	(197,722)	(2,323,361)	-	(2,323,361)
Loss on disposal of fixed assets	(131,939)	-	-	-	(131,939)	-	(131,939)
Depreciation and amortization	(15,951,057)	(1,920,782)	(1,919,060)	(366,000)	(20,156,899)	260,071	(19,896,828)
Expenses (less than) in excess of revenues and other support	(6,366,177)	(1,384,121)	467,218	1,520,094	(5,762,986)	210,057	(5,552,929)
Amortization of fair value of derivative instruments	(17,649)	-	97,115	(2,711)	76,755	-	76,755
Pension liability adjustment	(52,393)	-	-	-	(52,393)	-	(52,393)
Change in unrestricted net assets (deficit)	(6,436,219)	(1,384,121)	564,333	1,517,383	(5,738,624)	210,057	(5,528,567)

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Consolidating Statement of Operations and Changes in Net Assets (Deficit) Year Ended December 31, 2010

	Continuing Care Retirement Communities	Affordable Housing Communities	Assisted Living Facilities	Other Entities	Combined Total	Eliminating and Consolidating Entries	Consolidated Balance
Changes in Temporarily Restricted Net Assets							
Contributions	\$ 581,824	\$ -	\$ 62,138	\$ 1,733,678	\$ 2,377,640	\$ (556,836)	\$ 1,820,804
Change in value of split-interest agreements	-	-	-	45,405	45,405	-	45,405
Investment income	62,164	-	-	213,803	275,967	-	275,967
Net unrealized loss on investments	(9,368)	-	-	-	(9,368)	-	(9,368)
Net assets released from restrictions for operations	(630,199)	-	(64,861)	(880,010)	(1,575,070)	556,836	(1,018,234)
	<u>4,421</u>	<u>-</u>	<u>(2,723)</u>	<u>1,112,876</u>	<u>1,114,574</u>	<u>-</u>	<u>1,114,574</u>
Changes in Permanently Restricted Net Assets							
Change in value of perpetual trusts	-	-	3,233	170,051	173,284	(3,233)	170,051
Change in value of restricted endowment	-	-	-	19,248	19,248	-	19,248
	<u>-</u>	<u>-</u>	<u>3,233</u>	<u>189,299</u>	<u>192,532</u>	<u>(3,233)</u>	<u>189,299</u>
Increase (decrease) in permanently restricted net assets							
Change in net assets (deficit)	(6,431,798)	(1,384,121)	564,843	2,819,558	(4,431,518)	206,824	(4,224,694)
Net Assets (Deficit), Beginning	<u>12,432,679</u>	<u>(8,239,156)</u>	<u>(16,495,839)</u>	<u>66,994,726</u>	<u>54,692,410</u>	<u>(3,375,023)</u>	<u>51,317,387</u>
Net Assets (Deficit), Ending	<u>\$ 6,000,881</u>	<u>\$ (9,623,277)</u>	<u>\$ (15,930,996)</u>	<u>\$ 69,814,284</u>	<u>\$ 50,260,892</u>	<u>\$ (3,168,199)</u>	<u>\$ 47,092,693</u>

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Continuing Care Retirement Communities: Combining Balance Sheet
Year Ended December 31, 2010

	<u>Meadow Lakes</u>	<u>Monroe</u>	<u>Crestwood</u>	<u>Navesink Harbor</u>	<u>Montgomery</u>	<u>Combined Total</u>
Assets						
Current Assets						
Cash and cash equivalents	\$ 6,078,836	\$ 843,267	\$ 8,960,727	\$ (1,406,066)	\$ 3,951,172	\$ 18,427,936
Current portion of assets whose use is limited	564,996	438,075	46,821	1,858,819	3,020,984	5,929,695
Accounts receivable, net	2,739,179	1,847,483	1,579,341	43,602	675,091	6,884,696
Other current assets	366,260	382,627	43,070	107,216	39,962	939,135
Total current assets	9,749,271	3,511,452	10,629,959	603,571	7,687,209	32,181,462
Investments	1,915,473	935,378	4,362,148	-	5,382,752	12,595,751
Assets Whose Use Is Limited	4,155,340	2,080,684	2,322,232	1,684,325	10,923,120	21,165,701
Property and Equipment, Net	58,402,034	32,137,555	41,512,058	35,208,185	70,094,757	237,354,589
Goodwill, Net	-	675,588	-	-	-	675,588
Deferred Costs and Other Assets, Net	779,975	226,270	287,636	1,208,095	2,189,164	4,691,140
Total assets	<u>\$ 75,002,093</u>	<u>\$ 39,566,927</u>	<u>\$ 59,114,033</u>	<u>\$ 38,704,176</u>	<u>\$ 96,277,002</u>	<u>\$ 308,664,231</u>

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Continuing Care Retirement Communities: Combining Balance Sheet
Year Ended December 31, 2010

	<u>Meadow Lakes</u>	<u>Monroe</u>	<u>Crestwood</u>	<u>Navesink Harbor</u>	<u>Montgomery</u>	<u>Combined Total</u>
Liabilities and Net Assets (Deficit)						
Current Liabilities						
Current maturities of long-term debt	\$ 946,395	\$ 634,379	\$ 200,527	\$ -	\$ 1,265,000	\$ 3,046,301
Current maturities of capital lease obligations	18,478	21,780	14,218	13,277	43,675	111,428
Accounts payable	578,243	664,221	488,226	450,732	443,595	2,625,017
Accrued expenses	2,384,218	799,766	653,975	1,034,379	1,144,914	6,017,252
Due to affiliates	34,815	26,726	45,265	-	69,627	176,433
Residents' deposits	564,996	433,330	46,854	1,862,580	636,210	3,543,970
Total current liabilities	4,527,145	2,580,202	1,449,065	3,360,968	3,603,021	15,520,401
Long-Term Debt	30,001,834	12,631,833	28,510,456	14,106,293	54,659,969	139,910,385
Capital Lease Obligations	79,344	58,780	36,447	27,100	29,985	231,656
Notes Payable to Affiliate	-	-	-	10,645,205	1,987,753	12,632,958
Due to Affiliates	-	-	-	1,749,762	-	1,749,762
Deferred Revenue from Entrance Fees	28,345,208	19,541,936	14,696,749	14,087,796	52,566,817	129,238,506
Derivative Instruments	276,720	645,539	2,457,423	-	-	3,379,682
Total liabilities	63,230,251	35,458,290	47,150,140	43,977,124	112,847,545	302,663,350
Net Assets (Deficit)						
Unrestricted	11,344,227	3,875,467	11,810,615	(5,291,275)	(16,574,522)	5,164,512
Temporarily restricted	427,615	233,170	153,278	18,327	3,979	836,369
Total net assets (deficit)	11,771,842	4,108,637	11,963,893	(5,272,948)	(16,570,543)	6,000,881
Total liabilities and net assets (deficit)	<u>\$ 75,002,093</u>	<u>\$ 39,566,927</u>	<u>\$ 59,114,033</u>	<u>\$ 38,704,176</u>	<u>\$ 96,277,002</u>	<u>\$ 308,664,231</u>

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Continuing Care Retirement Communities: Combining Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2010

	Meadow Lakes	Monroe	Crestwood	Navesink Harbor	Montgomery	Combined Total
Changes in Unrestricted Net Assets (Deficit)						
Revenues and other support:						
Revenue from residential facilities	\$ 10,439,626	\$ 8,653,521	\$ 9,015,055	\$ 2,336,995	\$ 10,690,608	\$ 41,135,805
Revenue from healthcare facilities	12,586,712	7,406,971	6,807,275	1,692,437	7,923,251	36,416,646
Services to residents	928,759	1,748,610	1,610,180	600,147	1,121,044	6,008,740
Contributions and bequests	2,000	-	82,771	-	-	84,771
Interest and dividends	77,005	45,593	108,994	4,203	582,041	817,836
Other revenue	15,980	28,171	20,735	2,938	(1,772)	66,052
Net assets released from restriction used for operations	173,621	141,481	147,789	30,713	136,597	630,201
	<u>24,223,703</u>	<u>18,024,347</u>	<u>17,792,799</u>	<u>4,667,433</u>	<u>20,451,769</u>	<u>85,160,051</u>
Total revenues and other support						
Expenses:						
Professional care of patients	7,976,655	5,461,693	4,389,314	2,191,917	5,023,631	25,043,210
Resident services	731,074	566,521	541,779	383,053	570,197	2,792,624
Dining services	3,721,653	2,957,869	2,827,622	1,300,382	2,646,258	13,453,784
Operation and maintenance of facility	6,006,803	3,344,534	2,652,785	1,558,076	3,625,287	17,187,485
Housekeeping and laundry	1,247,715	741,590	1,120,866	429,759	834,571	4,374,501
Administrative and general	1,627,595	1,613,588	1,732,680	1,073,138	1,653,506	7,700,507
Residents assistance and program services	61,082	-	-	-	-	61,082
Marketing	725,593	640,008	620,183	696,498	521,028	3,203,310
Insurance	322,083	216,071	222,638	135,466	233,373	1,129,631
Springpoint Senior Living, Inc. management fee	1,532,228	1,133,566	1,106,610	363,913	1,296,265	5,432,582
Interest	587,552	740,145	1,730,854	912,851	3,655,621	7,627,023
Provision for doubtful accounts	190,067	57,578	68,668	26,235	5,826	348,374
	<u>24,730,100</u>	<u>17,473,163</u>	<u>17,013,999</u>	<u>9,071,288</u>	<u>20,065,563</u>	<u>88,354,113</u>
Total expenses						

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Continuing Care Retirement Communities: Combining Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2010

	Meadow Lakes	Monroe	Crestwood	Navesink Harbor	Montgomery	Combined Total
Operating income (loss)	\$ (506,397)	\$ 551,184	\$ 778,800	\$ (4,403,855)	\$ 386,206	\$ (3,194,062)
Net change in unrealized losses on investments	3,894	(11,140)	(605,224)	(50)	4,167	(608,353)
Net change in realized gains and (losses) on investments	(1,014)	9,772	678,077	-	155	686,990
Amortization of entrance fees	3,808,788	2,738,257	2,485,088	1,989,747	3,094,992	14,116,872
Net change in fair value of derivative financial instruments	(105,182)	(245,372)	(934,074)	-	-	(1,284,628)
Loss on disposal of fixed assets	-	-	-	(131,939)	-	(131,939)
Depreciation and amortization	(4,779,467)	(2,741,350)	(2,693,011)	(1,793,309)	(3,943,920)	(15,951,057)
Expenses (less than) in excess of revenues and other support	(1,579,378)	301,351	(290,344)	(4,339,406)	(458,400)	(6,366,177)
Amortization of fair value of derivative financial instrument	(1,447)	(3,363)	(12,839)	-	-	(17,649)
Pension liability adjustment	(52,393)	-	-	-	-	(52,393)
Change in unrestricted net assets (deficit)	(1,633,218)	297,988	(303,183)	(4,339,406)	(458,400)	(6,436,219)
Changes in Temporarily Restricted Net Assets						
Contributions	130,800	140,990	145,513	30,713	133,808	581,824
Investment income	20,862	41,127	175	-	-	62,164
Net unrealized gain (loss) on investments	8,810	(18,178)	-	-	-	(9,368)
Net assets released from restriction	(173,621)	(141,481)	(147,789)	(30,713)	(136,595)	(630,199)
Increase (decrease) in temporarily restricted net assets	(13,149)	22,458	(2,101)	-	(2,787)	4,421
Change in net assets (deficit)	(1,646,367)	320,446	(305,284)	(4,339,406)	(461,187)	(6,431,798)
Net Assets (Deficit), Beginning	13,418,209	3,788,191	12,269,177	(933,542)	(16,109,356)	12,432,679
Net Assets (Deficit), Ending	<u>\$ 11,771,842</u>	<u>\$ 4,108,637</u>	<u>\$ 11,963,893</u>	<u>\$ (5,272,948)</u>	<u>\$ (16,570,543)</u>	<u>\$ 6,000,881</u>

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Affordable Housing Committees: Combining Balance Sheet December 31, 2010

	PH at Dover	PH at Galloway (Countryside Meadows)	PH at East Windsor (Wheaton Pointe)	PH at Franklin	PH at Howell (Howell Crossroads)	PH at Manchester	PH at Atlantic Highlands (Portland Pointe)	Middlesex Borough Senior Citizens Housing Corporation (Watchung Terrace)	PH at Stafford (Stafford)	Ph At West Windsor (the Gables)	Combined Total
Assets											
Current Assets											
Cash and cash equivalents	\$ 55,873	\$ 60,246	\$ 23,751	\$ 110,930	\$ 73,910	\$ -	\$ 61,044	\$ 46,137	\$ 88,204	\$ 22,863	\$ 542,958
Assets whose use is limited, current portion	11,831	-	-	-	-	13,214	-	-	8,850	-	33,895
Accounts receivable, net	72	-	-	1,895	3,877	-	583	4	1,373	370	8,174
Other current assets	10,922	997	13,593	3,738	997	-	2,433	3,687	11,787	1,041	49,195
Total current assets	78,698	61,243	37,344	116,563	78,784	13,214	64,060	49,828	110,214	24,274	634,222
Assets Whose Use Is Limited	154,557	336,668	280,224	416,248	300,785	68,688	500,817	705,499	222,723	281,258	3,267,467
Property and Equipment, Net	12,475,960	3,770,383	6,405,646	7,991,038	5,401,550	10,083,742	3,403,251	3,869,068	7,390,599	6,298,383	67,089,620
Total assets	<u>\$ 12,709,215</u>	<u>\$ 4,168,294</u>	<u>\$ 6,723,214</u>	<u>\$ 8,523,849</u>	<u>\$ 5,781,119</u>	<u>\$ 10,165,644</u>	<u>\$ 3,968,128</u>	<u>\$ 4,624,395</u>	<u>\$ 7,723,536</u>	<u>\$ 6,603,915</u>	<u>\$ 70,991,309</u>
Liabilities and Net Assets (Deficit)											
Current Liabilities											
Accounts payable	\$ 11,070	\$ 10,383	\$ 32,976	\$ 59,853	\$ 23,088	\$ 1,269,067	\$ 16,514	\$ 11,198	\$ 47,567	\$ 22,498	\$ 1,504,214
Accrued expenses	33,008	38,272	23,138	21,864	21,773	482	37,343	44,232	19,007	21,322	260,441
Due to affiliates	3,973	3,631	3,969	2,925	1,914	103,886	2,214	1,168	5,203	3,890	132,773
Residents' deposits	35,715	25,616	22,230	31,439	27,216	-	19,087	30,340	28,950	18,339	238,932
Total current liabilities	83,766	77,902	82,313	116,081	73,991	1,373,435	75,158	86,938	100,727	66,049	2,136,360
Long-Term Debt	778,680	-	-	778,680	-	-	-	-	778,780	-	2,336,140
Notes Payable to Affiliate	-	-	-	-	-	-	-	-	90,000	-	90,000
Capital Advances	10,812,100	5,773,700	8,179,100	8,767,400	7,434,000	7,655,959	5,274,727	6,270,600	7,869,900	8,014,600	76,052,086
Total liabilities	11,674,546	5,851,602	8,261,413	9,662,161	7,507,991	9,029,394	5,349,885	6,357,538	8,839,407	8,080,649	80,614,586
Net Assets (Deficit)											
Unrestricted	1,034,669	(1,683,308)	(1,538,199)	(1,138,312)	(1,726,872)	1,136,250	(1,381,757)	(1,733,143)	(1,115,871)	(1,476,734)	(9,623,277)
Total liabilities and net assets (deficit)	<u>\$ 12,709,215</u>	<u>\$ 4,168,294</u>	<u>\$ 6,723,214</u>	<u>\$ 8,523,849</u>	<u>\$ 5,781,119</u>	<u>\$ 10,165,644</u>	<u>\$ 3,968,128</u>	<u>\$ 4,624,395</u>	<u>\$ 7,723,536</u>	<u>\$ 6,603,915</u>	<u>\$ 70,991,309</u>

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Affordable Housing Committees: Combining Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2010

	PH at Dover	PH at Galloway (Countryside Meadows)	PH at East Windsor (Wheaton Pointe)	PH at Franklin	PH at Howell (Howell Crossroads)	PH at Manchester	PH at Atlantic Highlands (Portland Pointe)	Middlesex Borough Senior Citizens Housing Corporation (Watchung Terrace)	PH at Stafford (Stafford)	PH at West Windsor (the Gables)	Combined Total
Revenues and Other Support											
Revenue from residential facilities	\$ 640,096	\$ 749,621	\$ 735,776	\$ 745,920	\$ 697,420	\$ -	\$ 549,136	\$ 717,058	\$ 774,829	\$ 659,232	\$ 6,269,088
Interest and dividends	592	851	542	935	634	-	1,030	1,382	686	774	7,426
Other revenue	3,420	3,840	4,189	5,112	4,909	-	2,736	4,532	7,812	3,699	40,249
Total revenues and other support	<u>644,108</u>	<u>754,312</u>	<u>740,507</u>	<u>751,967</u>	<u>702,963</u>	<u>-</u>	<u>552,902</u>	<u>722,972</u>	<u>783,327</u>	<u>663,705</u>	<u>6,316,763</u>
Expenses											
Operation and maintenance of facility	249,918	352,194	359,859	322,248	314,279	-	204,994	313,913	369,030	302,170	2,788,605
Administrative and general	237,747	281,981	246,707	266,751	236,580	-	246,267	280,752	244,969	276,456	2,318,210
Marketing	811	-	470	1,219	-	-	-	1,210	-	1,047	4,757
Insurance	27,703	22,315	22,043	26,144	23,301	-	16,211	23,298	27,393	23,540	211,948
Springpoint Senior Living, Inc. management fee	53,162	51,792	52,779	53,142	48,960	-	35,568	56,347	52,416	52,416	456,582
Total expenses	<u>569,341</u>	<u>708,282</u>	<u>681,858</u>	<u>669,504</u>	<u>623,120</u>	<u>-</u>	<u>503,040</u>	<u>675,520</u>	<u>693,808</u>	<u>655,629</u>	<u>5,780,102</u>
Operating income (loss)	74,767	46,030	58,649	82,463	79,843	-	49,862	47,452	89,519	8,076	536,661
Depreciation and amortization	(314,463)	(169,422)	(212,248)	(256,579)	(201,617)	-	(135,394)	(204,639)	(231,147)	(195,273)	(1,920,782)
Change in unrestricted net assets (deficit)	(239,696)	(123,392)	(153,599)	(174,116)	(121,774)	-	(85,532)	(157,187)	(141,628)	(187,197)	(1,384,121)
Net Assets (Deficit), Beginning	<u>1,274,365</u>	<u>(1,559,916)</u>	<u>(1,384,600)</u>	<u>(964,196)</u>	<u>(1,605,098)</u>	<u>1,136,250</u>	<u>(1,296,225)</u>	<u>(1,575,956)</u>	<u>(974,243)</u>	<u>(1,289,537)</u>	<u>(8,239,156)</u>
Net Assets (Deficit), Ending	<u>\$ 1,034,669</u>	<u>\$ (1,683,308)</u>	<u>\$ (1,538,199)</u>	<u>\$ (1,138,312)</u>	<u>\$ (1,726,872)</u>	<u>\$ 1,136,250</u>	<u>\$ (1,381,757)</u>	<u>\$ (1,733,143)</u>	<u>\$ (1,115,871)</u>	<u>\$ (1,476,734)</u>	<u>\$ (9,623,277)</u>

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Assisted Living Facilities: Combining Balance Sheet
December 31, 2010

	<u>Pennington</u>	<u>Watchung</u>	<u>Waterford</u>	<u>Southern New Jersey Haddonfield</u>	<u>Combined Total</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 2,863,328	\$ 1,629,545	\$ 1,449,473	\$ 8,771	\$ 5,951,117
Current portion of assets whose use is limited	418,685	431,000	381,742	4,991	1,236,418
Accounts receivable, net	24,693	(4,547)	515,094	109,850	645,090
Other current assets	19,268	15,437	14,170	13,632	62,507
Total current assets	3,325,974	2,071,435	2,360,479	137,244	7,895,132
Assets Whose Use Is Limited	14	14	20,841	60,700	81,569
Beneficial Interest in Perpetual Trust				614,595	614,595
Property and Equipment, Net	11,649,735	12,032,003	11,494,683	713,774	35,890,195
Deferred Costs and Other Assets, Net	226,682	232,947	1,196,841	7,396	1,663,866
Total assets	<u>\$ 15,202,405</u>	<u>\$ 14,336,399</u>	<u>\$ 15,072,844</u>	<u>\$ 1,533,709</u>	<u>\$ 46,145,357</u>

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Assisted Living Facilities: Combining Balance Sheet
December 31, 2010

	<u>Pennington</u>	<u>Watchung</u>	<u>Waterford</u>	<u>Southern New Jersey Haddonfield</u>	<u>Combined Total</u>
Liabilities and Net (Deficit) Assets					
Current Liabilities					
Current maturities of long-term debt	\$ 282,200	\$ 290,500	\$ 257,300	\$ 27,559	\$ 857,559
Current maturities of capital lease obligations	10,702		11,008		21,710
Accounts payable	103,172	133,308	146,642	34,650	417,772
Accrued expenses	226,951	228,317	344,793	154,022	954,083
Due to affiliates	19,009	21,476	22,702	14,284	77,471
Residents' deposits	26,126		49,806	20,998	96,930
Total current liabilities	<u>668,160</u>	<u>673,601</u>	<u>832,251</u>	<u>251,513</u>	<u>2,425,525</u>
Long-Term Debt	13,346,653	14,231,260	12,407,831	322,417	40,308,161
Capital Lease Obligation	23,202		18,781	-	41,983
Notes Payable to Affiliate	4,691,137	5,747,703	3,978,621	-	14,417,461
Derivative Instruments	951,138	979,113	867,214	2,330	2,799,795
Due to Affiliates	<u>379,975</u>	<u>461,294</u>	<u>1,242,159</u>	<u>-</u>	<u>2,083,428</u>
Total liabilities	<u>20,060,265</u>	<u>22,092,971</u>	<u>19,346,857</u>	<u>576,260</u>	<u>62,076,353</u>
Net (Deficit) Assets					
Unrestricted	(4,857,885)	(7,757,671)	(4,274,013)	342,095	(16,547,474)
Temporarily restricted	25	1,099	-	759	1,883
Permanently restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>614,595</u>	<u>614,595</u>
Total net (deficit) assets	<u>(4,857,860)</u>	<u>(7,756,572)</u>	<u>(4,274,013)</u>	<u>957,449</u>	<u>(15,930,996)</u>
Total liabilities and net (deficit) assets	<u>\$ 15,202,405</u>	<u>\$ 14,336,399</u>	<u>\$ 15,072,844</u>	<u>\$ 1,533,709</u>	<u>\$ 46,145,357</u>

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Assisted Living Facilities: Combining Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2010

	<u>Pennington</u>	<u>Watchung</u>	<u>Waterford</u>	<u>Southern New Jersey Haddonfield</u>	<u>Combined Total</u>
Changes in Unrestricted Net Assets (Deficit)					
Revenues and other support:					
Revenue from healthcare facilities	\$ 6,119,161	\$ 5,983,433	\$ 8,133,561	\$ 2,188,805	\$ 22,424,960
Services to residents	277,679	209,342	260,201	247,811	995,033
Contributions and bequests	-	-	-	37,088	37,088
Interest and dividends	5,543	3,602	3,235	830	13,210
Other revenue	7,167	3,582	1,482	8,534	20,765
Net assets released from restrictions used for operations	11,835	12,412	23,300	17,314	64,861
	<u>6,421,385</u>	<u>6,212,371</u>	<u>8,421,779</u>	<u>2,500,382</u>	<u>23,555,917</u>
Total revenues and other support					
Expenses:					
Professional care	1,499,155	1,733,743	3,520,256	843,434	7,596,588
Resident services	141,656	154,785	176,379	53,104	525,924
Dining services	679,608	717,019	852,824	441,364	2,690,815
Operation and maintenance of facility	572,973	568,687	657,579	238,616	2,037,855
Housekeeping and laundry	127,844	132,632	262,643	51,722	574,841
Administrative and general	537,204	541,544	415,550	420,842	1,915,140
Marketing	238,325	339,823	231,512	108,099	917,759
Insurance	53,641	55,046	57,712	25,481	191,880
Springpoint Senior Living, Inc. management fee	352,525	340,998	461,967	134,543	1,290,033
Interest	834,719	875,976	745,062	17,956	2,473,713
Provision for doubtful accounts	61,706	851	44,611	6,800	113,968
	<u>5,099,356</u>	<u>5,461,104</u>	<u>7,426,095</u>	<u>2,341,961</u>	<u>20,328,516</u>
Total expenses					
Operating income	1,322,029	751,267	995,684	158,421	3,227,401
Change in unrealized gains and losses on investments	-	-	-	(112)	(112)
Depreciation and amortization	(606,625)	(640,924)	(571,136)	(100,375)	(1,919,060)
Change in fair value of derivative financial instruments	(285,642)	(294,044)	(260,439)	(886)	(841,011)
	<u>429,762</u>	<u>(183,701)</u>	<u>164,109</u>	<u>57,048</u>	<u>467,218</u>
Revenues and other support in excess of (less than) expenses					
Amortization of fair value of derivative financial instruments	33,026	33,998	30,112	(21)	97,115
	<u>462,788</u>	<u>(149,703)</u>	<u>194,221</u>	<u>57,027</u>	<u>564,333</u>
Change in unrestricted net assets (deficit)					

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Assisted Living Facilities: Combining Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2010

	<u>Pennington</u>	<u>Watchung</u>	<u>Waterford</u>	<u>Southern New Jersey Haddonfield</u>	<u>Combined Total</u>
Changes in Temporarily Restricted Net Assets					
Contributions	\$ 10,545	\$ 10,220	\$ 23,300	\$ 18,073	\$ 62,138
Net assets released from restrictions	<u>(11,835)</u>	<u>(12,412)</u>	<u>(23,300)</u>	<u>(17,314)</u>	<u>(64,861)</u>
Increase (decrease) in temporarily restricted net assets	(1,290)	(2,192)	-	759	(2,723)
Changes in Permanently Restricted Net Assets					
Change in value of perpetual trusts	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,233</u>	<u>3,233</u>
Decrease in permanently restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,233</u>	<u>3,233</u>
Change in net (deficit) assets	461,498	(151,895)	194,221	61,019	564,843
Net (Deficit) Assets, Beginning	<u>(5,319,358)</u>	<u>(7,604,677)</u>	<u>(4,468,234)</u>	<u>896,430</u>	<u>(16,495,839)</u>
Net (Deficit) Assets, Ending	<u>\$ (4,857,860)</u>	<u>\$ (7,756,572)</u>	<u>\$ (4,274,013)</u>	<u>\$ 957,449</u>	<u>\$ (15,930,996)</u>

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Other Entities: Combining Balance Sheet December 31, 2010

	SSL	Foundation	PH at Wall	PH at Plainfield	PH of Asbury Park	CARECO	Affordable Housing Solutions	Senior Net	Integrated Management Services	Care Concepts	Senior Living Inst.	Prin. Sr. Living	Springpoint Realty	Plainfield Tower Sol	Combined Total
Assets															
Current Assets															
Cash and cash equivalents	\$ 5,346,675	\$ (962,584)	\$ 5,160	\$ 36,480	\$ -	\$ -	\$ -	\$ (2,469,642)	\$ (1,384,340)	\$ -	\$ 306,896	\$ 108,176	\$ -	\$ -	\$ 986,821
Current portion of assets whose use is limited	-	39,729	-	-	-	-	-	18,109	-	-	-	-	-	-	57,838
Accounts receivable, net	-	-	-	-	-	-	-	58,981	-	-	-	-	-	-	58,981
Due from affiliates	3,243,171	3,358,728	1,124,267	578,226	-	-	-	-	-	17,156	-	-	46,675	-	8,368,223
Other current assets	250,394	9,004	-	-	-	-	-	2,162	1,083,987	-	1,852	6,209,195	43,622	-	7,600,216
Total current assets	8,840,240	2,444,877	1,129,427	614,706	-	-	-	(2,390,390)	(300,353)	17,156	308,748	6,317,371	90,297	-	17,072,079
Investments	50,000	23,034,429	-	-	-	-	-	-	-	-	-	-	-	-	23,084,429
Investments Held Under Split-Interest Agreements	-	6,472,697	-	-	-	-	-	-	-	-	-	-	-	-	6,472,697
Assets Whose Use Is Limited	698,276	2,340,722	-	-	-	-	-	-	-	-	-	-	-	-	3,038,998
Investments Held by Others under Split-Interest Agreements	-	518,373	-	-	-	-	-	-	-	-	-	-	-	-	518,373
Beneficial Interest in Perpetual Trusts	-	2,813,064	-	-	-	-	-	-	-	-	-	-	-	-	2,813,064
Due from Other Affiliates	3,743,317	-	-	-	290,472	-	-	-	323,167	-	-	-	-	-	4,356,956
Notes Receivable	7,364,528	985,689	1,418,980	1,888,602	11,409,419	-	-	-	-	-	-	6,006,986	-	-	29,074,204
Loans Receivable from Affiliate	27,996,776	7,184,097	2,363,803	-	-	-	-	-	-	-	-	-	-	-	37,544,676
Property and Equipment, Net	1,297,057	8,284	-	-	-	-	-	15,034	96,122	-	-	1,198	2,273,673	-	3,691,368
Deferred Costs and Other Assets, Net	2,551,727	-	-	-	-	-	1,787,194	-	-	-	-	106,495	-	578,226	5,023,642
Total assets	\$ 52,541,921	\$ 45,802,232	\$ 4,912,210	\$ 2,503,308	\$ 11,699,891	\$ -	\$ 1,787,194	\$ (2,375,356)	\$ 118,936	\$ 17,156	\$ 308,748	\$ 12,432,050	\$ 2,363,970	\$ 578,226	\$ 132,690,486

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Other Entities: Combining Balance Sheet December 31, 2010

	SSL	Foundation	PH at Wall	PH at Plainfield	PH of Asbury Park	CARECO	Affordable Housing Solutions	Senior Net	Integrated Management Services	Care Concepts	Senior Living Inst.	Prin. Sr. Living	Springpoint Realty	Plainfield Tower Sol	Combined Total
Liabilities and Net Assets (Deficit)															
Current Liabilities															
Current maturities of long-term debt	\$ 395,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 395,134
Current maturities of capital lease obligations	8,790	-	-	-	-	-	-	-	31,355	-	-	-	-	-	40,145
Accounts payable	452,269	60,669	-	-	-	-	-	3,027	-	-	27,038	41,770	-	-	584,773
Accrued expenses	8,140,090	57,823	-	-	-	-	-	42,656	-	-	8,168	240,337	-	-	8,489,074
Due to affiliates	-	-	-	-	-	607	1,789,244	4,022	-	-	7,932	5,214,609	-	578,226	7,594,640
Resident's deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	8,996,283	118,492	-	-	-	607	1,789,244	49,705	31,355	-	43,138	5,496,716	-	578,226	17,103,766
Long-Term Debt	13,854,858	-	-	-	-	-	-	-	-	-	-	-	-	-	13,854,858
Capital Lease Obligations	-	-	-	-	-	-	-	-	60,810	-	-	-	-	-	60,810
Notes Payable to Affiliate	7,184,097	-	-	-	-	-	-	-	-	-	-	856,358	2,363,803	-	10,404,258
Liability for Split-Interest Agreements and Deferred Gift Agreements	-	5,650,863	-	-	-	-	-	-	-	-	-	-	-	-	5,650,863
Deferred Revenue	1,270,250	-	-	-	11,409,419	-	-	-	-	-	-	6,986	-	-	12,686,655
Derivative Instruments	520,180	-	-	-	-	-	-	-	-	-	-	-	-	-	520,180
Other Liabilities	2,373,858	-	-	-	-	-	-	18,109	202,845	-	-	-	-	-	2,594,812
Total liabilities	34,199,526	5,769,355	-	-	11,409,419	607	1,789,244	67,814	295,010	-	43,138	6,360,060	2,363,803	578,226	62,876,202
Net Assets (Deficit)															
Unrestricted	18,342,395	33,061,529	4,912,210	2,503,308	290,472	(607)	(2,050)	(2,443,170)	(176,074)	17,156	1,851	6,071,990	167	-	62,579,177
Temporarily restricted	-	4,000,941	-	-	-	-	-	-	-	-	263,759	-	-	-	4,264,700
Permanently restricted	-	2,970,407	-	-	-	-	-	-	-	-	-	-	-	-	2,970,407
Total net assets (deficit)	18,342,395	40,032,877	4,912,210	2,503,308	290,472	(607)	(2,050)	(2,443,170)	(176,074)	17,156	265,610	6,071,990	167	-	69,814,284
Total liabilities and net assets (deficit)	\$ 52,541,921	\$ 45,802,232	\$ 4,912,210	\$ 2,503,308	\$ 11,699,891	\$ -	\$ 1,787,194	\$ (2,375,356)	\$ 118,936	\$ 17,156	\$ 308,748	\$ 12,432,050	\$ 2,363,970	\$ 578,226	\$ 132,690,486

See notes to consolidated financial statements

Springpoint Senior Living, Inc. and Affiliates

Other Entities: Combining Statement of Operations and Changes in Net Assets (Deficit) Year Ended December 31, 2010

	SSL	Foundation	PH at Wall	PH at Plainfield	PH of Asbury Park	CARECO	Affordable Housing Solutions	Senior Net	Integrated Management Services	Care Concepts	Senior Living Inst	Prin. Sr. Living	Springpoint Realty	Plainfield Tower Sol	Combined Total
Changes in Unrestricted Net Assets (Deficit)															
Revenues and other support:															
Services to residents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 446,016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 446,016
Developer and management fees	7,669,622	-	-	-	-	-	-	-	485,837	-	-	417,216	-	-	8,572,675
Contributions and bequests	-	233,269	-	-	-	-	-	423,342	124,725	-	-	-	-	-	781,336
Interest and dividends	839,428	1,489,199	162,502	88,334	-	-	-	-	-	-	433	378	77	-	2,580,351
Other revenue	1,708,319	(271,108)	-	2,850	31,858	-	665	-	174,796	-	1,875	1,130,177	-	2,114	2,781,546
Net assets released from restrictions used for operations	-	567,960	-	-	-	-	-	-	-	-	312,050	-	-	-	880,010
Total revenues and other support	10,217,369	2,019,320	162,502	91,184	31,858	-	665	869,358	785,358	-	314,358	1,547,771	77	2,114	16,041,934
Expenses:															
Professional care of patients	-	-	-	-	-	-	-	549,577	-	-	-	-	-	-	549,577
Administrative and general	7,108,277	1,234,465	2,000	-	-	-	-	412,506	(2,042)	-	256,000	1,432,270	-	-	10,443,476
Residents assistance and program services	-	1,896,750	-	-	-	-	-	-	65,648	-	56,507	-	-	-	2,018,905
Marketing	1,236,116	-	-	-	-	-	-	-	-	-	-	-	-	-	1,236,116
Insurance	41,197	-	-	-	-	-	-	241	38,242	-	-	5,665	-	-	85,345
Springpoint Senior Living, Inc. management fee	-	-	-	-	-	-	-	-	658,746	-	-	-	-	-	677,229
Interest	810,276	-	-	-	-	-	-	4,264	8,343	-	-	43,076	-	-	865,959
Provision for doubtful accounts	-	-	-	-	-	-	-	4,878	-	-	-	-	-	-	4,878
Total expenses	9,195,866	3,131,215	2,000	-	-	-	-	989,949	768,937	-	312,507	1,481,011	-	-	15,881,485
Operating income (loss)	1,021,503	(1,111,895)	160,502	91,184	31,858	-	665	(120,591)	16,421	-	1,851	66,760	77	2,114	160,449
Net unrealized gains on investments	179,732	1,277,074	-	-	-	-	-	-	-	-	-	-	-	-	1,456,806
Net realized gain on investments	13,031	453,530	-	-	-	-	-	-	-	-	-	-	-	-	466,561
Net change in fair value of derivative financial instruments	(197,722)	-	-	-	-	-	-	-	-	-	-	-	-	-	(197,722)
Depreciation and amortization	(314,067)	(4,822)	-	-	-	-	-	(4,085)	(42,786)	-	-	(240)	-	-	(366,000)
Revenues and other support in excess of (less than) expenses	702,477	613,887	160,502	91,184	31,858	-	665	(124,676)	(26,365)	-	1,851	66,520	77	2,114	1,520,094
Amortization of fair value of derivative financial instruments	(2,711)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,711)
Change in unrestricted net assets (deficit)	699,766	613,887	160,502	91,184	31,858	-	665	(124,676)	(26,365)	-	1,851	66,520	77	2,114	1,517,383
Changes in Temporarily Restricted Net Assets															
Contributions	-	1,275,654	-	-	-	-	-	-	-	-	458,024	-	-	-	1,733,678
Change in value of split-interest agreements	-	45,405	-	-	-	-	-	-	-	-	-	-	-	-	45,405
Investment income	-	213,803	-	-	-	-	-	-	-	-	-	-	-	-	213,803
Net assets released from restrictions used for operations	-	(567,960)	-	-	-	-	-	-	-	-	(312,050)	-	-	-	(880,010)
Increase in temporarily restricted net assets	-	966,902	-	-	-	-	-	-	-	-	145,974	-	-	-	1,112,876
Changes in Permanently Restricted Net Assets															
Change in value of perpetual trust	-	170,051	-	-	-	-	-	-	-	-	-	-	-	-	170,051
Change in value of restricted endowment	-	19,248	-	-	-	-	-	-	-	-	-	-	-	-	19,248
Increase in permanently restricted net assets	-	189,299	-	-	-	-	-	-	-	-	-	-	-	-	189,299
Change in net assets (deficit)	699,766	1,770,088	160,502	91,184	31,858	-	665	(124,676)	(26,365)	-	147,825	66,520	77	2,114	2,819,558
Net Assets (Deficit), Beginning	17,642,629	38,262,789	4,751,708	2,412,124	258,614	\$ (607)	(2,715)	(2,318,494)	(149,709)	\$ 17,156	117,785	6,005,470	90	(2,114)	66,994,726
Net Assets (Deficit), Ending	\$ 18,342,395	\$ 40,032,877	\$ 4,912,210	\$ 2,503,308	\$ 290,472	\$ (607)	\$ (2,050)	\$ (2,443,170)	\$ (176,074)	\$ 17,156	\$ 265,610	\$ 6,071,990	\$ 167	\$ -	\$ 69,814,284

See notes to consolidated financial statements