TAYLOR COMMUNITY

FINANCIAL REPORT

APRIL 30, 2017

CONTENTS

NATHAN WECHSLER & COMPANY
PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Taylor Community
Laconia, New Hampshire 03246

We have audited the accompanying financial statements of Taylor Community, which comprise the statements of financial position as of April 30, 2017 and 2016, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taylor Community as of April 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the April 30, 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Nathan Wechsler & Company
Concord, New Hampshire
August 18, 2017

TAYLOR COMMUNITY

STATEMENTS OF FINANCIAL POSITION
April 30, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash, including amounts held in escrow 2017 $6,000; 2016 $60,000	$ 1,367,620	$ 1,161,374
Accounts receivable	389,874	172,943
Current portion of notes receivable	179,366	201,183
Inventory and prepaid expenses	220,982	192,665
Investments	1,809,152	1,985,785
Total current assets	3,966,994	3,713,950
OTHER ASSETS		
Notes receivable, less current portion	226,596	194,705
Trust funds held by others	7,556,897	7,220,130
	7,783,493	7,414,835
PROPERTY AND EQUIPMENT, net	35,829,686	35,837,607
INVESTMENTS	9,816,691	7,743,521
	$ 57,396,864	**$ 54,709,913**

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Outstanding checks in excess of bank balance	$ -	$ 8,457
Line-of-credit	-	14,945
Current maturities of long-term debt and bond payable	424,051	324,243
Current portion of annuities payable	17,143	17,293
Current portion of nursing facility quality assessment payable	-	66,825
Accounts payable	299,582	567,476
Accrued expenses	606,182	1,182,905
Deposits on advanced fees	57,955	182,874
Total current liabilities	1,404,913	2,365,018
LONG-TERM LIABILITIES		
Long-term debt and bond payable, less current maturities net of unamortized debt issuance costs 2017 $400,364; 2016 $26,114	16,592,486	19,573,898
Annuities payable, less current portion	102,384	109,964
Deferred revenue from refundable deposits, less current portion	2,523,983	3,180,128
Deferred revenue from nonrefundable advance fees, net of amortization	24,700,316	20,632,919
	43,919,169	43,496,909
Total liabilities	45,324,082	45,861,927
COMMITMENTS AND CONTINGENCIES (See Notes)		
NET ASSETS (DEFICIT)		
Unrestricted	(2,067,356)	(4,928,716)
Temporarily restricted	5,595,122	5,568,453
Permanently restricted held by Taylor	988,119	988,119
Permanently restricted held by others	7,556,897	7,220,130
Total net assets	12,072,782	8,847,986
	$ 57,396,864	**$ 54,709,913**

TAYLOR COMMUNITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended April 30, 2017 and Comparative Totals for Year Ended April 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Revenues and other support:					
Amortization of deferred entrance fees	$ 3,026,077	$ -	$ -	$ 3,026,077	$ 2,812,153
Resident fees	8,241,559	-	-	8,241,559	7,381,870
Dividends and interest	78,598	124,004	-	202,602	182,003
Income from trust funds held by others	396,195	-	-	396,195	305,342
Gifts and bequests	30,272	13,080	-	43,352	24,281
Gain on sale of assets	-	-	-	-	1,000
Auxiliary income	238,299	-	-	238,299	251,510
Total revenues and other support	12,011,000	137,084	-	12,148,084	10,958,159
Net assets released from donor restrictions for program services	486,104	(486,104)	-	-	-
Expenses:					
Health services and assisted living	3,630,243	-	-	3,630,243	3,403,050
Care management	1,507,019	-	-	1,507,019	1,323,986
Resident activities	214,680	-	-	214,680	213,078
Dietary	1,197,107	-	-	1,197,107	1,090,354
Beauty shop	55,638	-	-	55,638	54,937
Housekeeping	365,329	-	-	365,329	320,466
Maintenance	1,742,808	-	-	1,742,808	1,468,202
Grounds	613,900	-	-	613,900	551,799
Administration	795,431	-	-	795,431	627,708
Depreciation	1,953,896	-	-	1,953,896	1,877,629
Interest expense	944,767	-	-	944,767	1,130,439
Municipal payments	361,212	-	-	361,212	347,094
Nursing facility quality assessment	118,116	-	-	118,116	79,512
	13,500,146	-	-	13,500,146	12,488,254
Decrease in net assets before investment gains and other changes	(1,003,042)	(349,020)	-	(1,352,062)	(1,530,095)
Investment gains and other changes:					
Net realized and unrealized gains (losses) on investments	255,004	375,689	-	630,693	(104,689)
Increase (decrease) in trust funds held by others	-	-	336,767	336,767	(278,786)
Change in bond swap fair value	-	-	-	-	58,697
Gain on extinguishment of debt	3,609,398	-	-	3,609,398	-
	3,864,402	375,689	336,767	4,576,858	(324,778)
Increase (decrease) in net assets	2,861,360	26,669	336,767	3,224,796	(1,854,873)
Net assets (deficit), beginning of year (see Note 17)	(4,928,716)	5,568,453	8,208,249	8,847,986	10,702,859
Net assets (deficit), end of year	**$ (2,067,356)**	**$ 5,595,122**	**$ 8,545,016**	**$ 12,072,782**	**$ 8,847,986**

See Notes to Financial Statements.

TAYLOR COMMUNITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended April 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Amortization of deferred entrance fees	$ 2,812,153	$ -	$ -	$ 2,812,153
Resident fees	7,381,870	-	-	7,381,870
Dividends and interest	71,036	110,967	-	182,003
Income from trust funds held by others	305,342	-	-	305,342
Gifts and bequests	18,781	5,500	-	24,281
Loss on sale of assets	1,000	-	-	1,000
Auxiliary income	251,510	-	-	251,510
Total revenues and other support	10,841,692	116,467	-	10,958,159
Net assets released from donor restrictions for program services	564,805	(564,805)	-	-
Expenses:				
Health services and assisted living	3,403,050	-	-	3,403,050
Care management	1,323,986	-	-	1,323,986
Resident activities	213,078	-	-	213,078
Dietary	1,090,354	-	-	1,090,354
Beauty shop	54,937	-	-	54,937
Housekeeping	320,466	-	-	320,466
Maintenance	1,468,202	-	-	1,468,202
Grounds	551,799	-	-	551,799
Administration	627,708	-	-	627,708
Depreciation	1,877,629	-	-	1,877,629
Interest expense	1,130,439	-	-	1,130,439
Municipal payments	347,094	-	-	347,094
Nursing facility quality assessment	79,512	-	-	79,512
	12,488,254	-	-	12,488,254
Decrease in net assets before investment gains and other changes	(1,081,757)	(448,338)	-	(1,530,095)
Investment gains and other changes:				
Net realized and unrealized losses on investments, net of investment draw (see Note 17)	(15,082)	(89,607)	-	(104,689)
Decrease in trust funds held by others	-	-	(278,786)	(278,786)
Change in bond swap fair value	58,697	-	-	58,697
	43,615	(89,607)	(278,786)	(324,778)
Decrease in net assets	(1,038,142)	(537,945)	(278,786)	(1,854,873)
Net assets (deficit), beginning of year	(3,890,574)	6,106,398	8,487,035	10,702,859
Net assets (deficit), end of year	**$ (4,928,716)**	**$ 5,568,453**	**$ 8,208,249**	**$ 8,847,986**

See Notes to Financial Statements.

TAYLOR COMMUNITY

STATEMENTS OF CASH FLOWS
Years Ended April 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 3,224,796	$ (1,854,873)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of deferred entrance fees	(3,026,077)	(2,812,153)
Depreciation	1,953,896	1,877,629
Amortization of debt issuance costs	43,702	114,311
Mark-to-market adjustment on interest rate swap agreement	-	(58,697)
Gain on extinguishment of debt	(3,609,398)	-
(Increase) decrease in trust funds held by others	(336,767)	278,786
Gain on sale of assets	-	(1,000)
Reinvested investment income	(198,222)	(230,033)
Net realized and unrealized (gains) losses on investments	(630,693)	104,689
(Increase) decrease in accounts receivables	(216,931)	104,591
(Increase) decrease in inventory and prepaid expenses	(28,317)	3,311
Increase (decrease) in accounts payable	(267,893)	245,077
Decrease in nursing facility quality assessment payable	(66,825)	(86,873)
Increase (decrease) in accrued expenses	(560,964)	551,280
Decrease in deferred compensation	-	(4,550)
Decrease in deposits on advanced fees	(140,678)	(205,228)
Entrance fees received	7,456,411	5,676,425
Refunds of entrance fees	(1,019,082)	(1,909,976)
Net cash provided by operating activities	**2,576,958**	**1,792,716**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,945,975)	(824,072)
Proceeds from sale of property and equipment	-	1,000
Purchase of investments	(3,486,144)	(2,200,135)
Proceeds from sale of investments	2,418,521	2,288,462
Issuance of notes receivable	(213,597)	(217,914)
Payments received on notes receivable	203,523	6,990
Net cash used in investing activities	**(3,023,672)**	**(945,669)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in outstanding checks in excess of bank balance	(8,457)	(530,268)
Net borrowings (repayments) on line-of-credit	(14,945)	14,945
Borrowings on long-term debt	17,500,000	-
Repayments on long-term debt	(16,397,956)	(378,058)
Loan origination fees capitalized	(417,952)	(155)
Proceeds from annuities payable	10,940	-
Repayments on annuities payable	(18,670)	(18,341)
Net cash provided by (used in) financing activities	**652,960**	**(911,877)**
Net increase (decrease) in cash	**206,246**	**(64,830)**
Cash, beginning of year	1,161,374	1,226,204
Cash, end of year	**$ 1,367,620**	**$ 1,161,374**

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended April 30, 2017 and 2016

		2017		2016
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Cash payments for:				
Interest	$	763,230	$	701,553

Note 1. Nature of Business

Taylor Community (the "Community") is a continuing care retirement community that provides housing, health care and supportive services to elders at facilities located in Laconia, Pembroke, and Wolfeboro, New Hampshire. Its operation consists of three stages: Independent Living at the Ledges or Woodside in Laconia, Meeting House Commons in Pembroke, and Back Bay in Wolfeboro; and Supportive Residential Care and Nursing Care in Laconia.

Note 2. Significant Accounting Policies

Basis of presentation: The Community adheres to the Accounting for Certain Investments Held by Not-for-Profit Organizations topic of the FASB Accounting Standard Codification (FASB ASC 958-320). In accordance with FASB ASC 958-320, investments are reported at fair value.

The Community adheres to the Accounting for Contributions Received and Contributions Made topic of the FASB Accounting Standard Codification (FASB ASC 958-605). In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as receivables and revenues.

The Community also adheres to the Presentation of Financial Statements for Not-for-Profit Organizations topic of the FASB Accounting Standards Codification (FASB ASC 958-205). Under FASB ASC 958-205, the Community is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Descriptions of the three net asset categories are as follows:

Unrestricted net assets include both undesignated and designated net assets, which are the revenues not restricted by outside sources and revenues designated by the Board of Trustees for special purposes and their related expenses.

Temporarily restricted net assets include gifts for which donor-imposed restrictions will be met either by the passage of time or the actions of the Community and also include the accumulated appreciation related to permanently restricted endowment gifts, which is a requirement of FASB ASC 958-205-45.

Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof be made available for program operations in accordance with donor restrictions. Permanently restricted net assets also include trust funds held by others which are permanently restricted for the benefit of Taylor Community.

Revenue recognition: The financial statements of Taylor Community have been prepared on the accrual method of accounting.

Payment of an advance fee may be required before a resident acquires the right to reside in a residential unit at Taylor Home, the Ledges, Woodside, Meeting House Commons, Back Bay, or Ledgeview or is admitted to Taylor Community. A portion of advance fees may be refundable by rescission within a contractually set

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time period, or if a certain future event occurs, such as the death or withdrawal of a resident. Revenue from advance fees is recorded as deferred revenue. Amounts nonrefundable are amortized to income over the expected life of the resident or the contract term, as applicable.

Obligation to provide future services: It is the Community's policy to record its obligation to provide future services and use of facilities to current residents as a liability. The Community annually determines the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advanced fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advanced fees, a liability is recorded with the corresponding charge to income. The obligation is discounted to present value using rates of 6% as determined by the Community's consulting actuary. At April 30, 2017 and 2016, the Community had no liability for a future service obligation.

Estimates and assumptions: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from these estimates.

Advertising costs: The Community follows the policy of charging all advertising costs to expense as incurred. Advertising expense for the years ended April 30, 2017 and 2016 was $58,535 and $91,749, respectively.

Gifts and bequests: Gifts and bequests received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Gifts and bequests of investments or equipment are recorded at fair value on the date of the gift.

Cash and cash equivalents: For purposes of reporting cash flows, the Community considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, excluding amounts limited by Board designation or restriction. At April 30, 2017 and 2016, the Community had no cash equivalents. Cash on the statement of cash flows includes both restricted and unrestricted cash amounts.

Accounts and notes receivable: Accounts receivable arise in the normal course of business. Notes receivable are comprised of new resident notes for advance fees and outstanding obligations to be paid from resident refundable entry fees upon termination. Management reviews outstanding accounts and notes receivables and establishes an allowance for uncollectible accounts, if needed. Management has determined that an allowance was not necessary at April 30, 2017 and 2016. Unless the extension of credit is for entrance fees the Community does not generally require collateral to support the extension of credit to its residents.

Inventory: Inventory, which consists primarily of food items, are stated at the lower of cost or market determined by the first-in, first-out (FIFO) method.

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Capitalization policy: Expenditures for additions, renewals and betterments of property and equipment that are over $5,000 and have useful lives of greater than three years are capitalized. Maintenance and repairs are expensed as incurred. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation is removed from the accounts and any gain or loss is included in other income in the period the asset is disposed of.

Depreciation for financial statement purposes is computed using the straight-line method over the following useful lives:

	Years
Land improvements	10-20
Buildings and improvements	10-50
Furnishings and equipment	3-10

Income taxes: The Community is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Community is also exempt from state income taxes by virtue of its ongoing exemption from federal income taxes. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Community is liable for taxes on unrelated business taxable income. These taxes are provided for on the accrual basis. There was no unrelated business income tax for the years ended April 30, 2017 and 2016.

The Community has adopted the provisions of FASB ASC 740 Accounting for Uncertainty in Income Taxes. Accordingly, management has evaluated the Community's tax positions and concluded the Community had maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment or disclosure in the financial statements. With few exceptions, the Community is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for tax years before 2014.

Investments: Investments are stated at fair value. The net realized and unrealized gains and losses on investments are reflected in the statement of activities and changes in net assets.

The Community follows the policy of pooling its investments. Investment income, net of investment fees, is allocated to the various funds based on the particular fund's pro rata share of the investment pool. Unrestricted investments are classified as current assets on the statements of financial position.

Trust funds held by others: The Community follows the requirements of FASB ASC 958-605, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others. FASB ASC 958-605 requires that a specified beneficiary recognize its rights to assets held by a recipient organization as an asset unless the donor has explicitly granted the recipient organization variance power. Management of the Community and the Trustees for the various recipient organizations have determined that the recipient organizations have not been granted such variance power. Therefore, the Community's interests in the net assets of the trust funds have been recognized at fair market value in the statements of financial position. Changes in the fair value of the Community's interest are reflected in the statements of activities and changes in net assets (see Note 12).

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Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Change in accounting principle: Effective May 1, 2016, the Community changed its method of presentation relating to debt issuance costs in accordance with FASB ASU 2015-03. Prior to the year ended April 30, 2017, the Community's policy was to present these debt issuance costs as assets on the Statement of Financial Position, net of accumulated amortization. Beginning in fiscal year 2017, the Community has presented these fees as a direct deduction to related liabilities. The financial statements for April 30, 2016 have been retroactively restated for the change, which resulted in a decrease in other assets of $26,114 and a decrease in long-term debt of $26,114.

Note 3. Line-of-credit, Long-Term Debt, Bonds Payable and Pledged Assets

On July 23, 2014 the Community signed a refinancing agreement with TD Bank, NA that restructured their debt into three notes, Note A, Note B and Note C. Financial covenants on the TD Bank, NA debt required certain minimum quarterly operating income coverage ratios and occupancy levels.

Note A had an original principal balance of $10,000,000, which was reduced by required payments, with interest-only payments at a floating rate until June 15, 2015, and then monthly principal and interest payments of $60,439, amortized over 23.5 years at a 5% fixed interest rate. All outstanding principal and interest was due at maturity on July 1, 2017.

Note B had an original principal balance of $3,000,000, which was reduced by required payments, with monthly principal and interest payments amortized over 6.5 years at a 5% fixed interest rate until June 15, 2015, and then requires principal and interest payments of $16,048, amortized over 23.5 years at 5% fixed interest rate. All outstanding principal and interest was due at maturity on July 1, 2017.

Note C had an original principal balance of $9,725,000, which was reduced by required payments, with interest accrued at 5% fixed interest rate until maturity. Note C requires that the principal balance be paid down periodically through payments of 75% of annual excess cash flows, as defined by TD Bank, NA, and proceeds from property sales. All outstanding principal and interest was due at maturity on July 1, 2017.

On December 20, 2016 the Community obtained lending from Bank of New Hampshire (BNH) and New Hampshire Health and Education Facilities Authority (NHHEFA) in the amount of $17,500,000. The $17,500,000 was split into two pieces, a BNH note in the amount of $1,367,347 and a bond issued by NHHEFA and purchased by BNH in the amount of $16,132,653. As part of the new debt issuance TD Bank, NA agreed to take the proceeds of $17,500,000 as full payoff of the previously existing loans. This led to a gain on debt extinguishment of $3,609,398 at April 30, 2017.

The BNH note is due in monthly payments of principal and interest (5.77% per annum, effective interest rate of 6.13%) of $8,703 with a balloon payment of $1,053,396 due on December 1, 2026. The NHHEFA/BNH bond is due in monthly payments of principal and interest (3.75% per annum, effective interest rate of 4.05%) of $83,519 with a balloon payment of $11,572,484 due on December 1, 2026.

Financial covenants on the bond requires a debt service coverage ratio of at least 1.25 to 1, to be tested annually at the end of each fiscal year on a twelve month basis.

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Details of the Community's long-term debt are as follows:

April 30,	2017	2016
Note payable, Bank of New Hampshire, details above	$ 1,363,581	$ -
Bond payable, Bank of New Hampshire, details above	16,053,320	-
Note payable, TD Bank, NA 2014 "A", details above	-	9,835,249
Note payable, TD Bank, NA 2014 "B", details above	-	2,545,965
Note payable, TD Bank, NA 2014 "C", details above	-	7,543,041
	17,416,901	19,924,255
Less current portion	**424,051**	**324,243**
Less unamortized debt issuance costs	400,364	26,114
Long-term debt	$ 16,592,486	$ 19,573,898

Aggregate maturities of long-term debt and bond payable are as follows:

Year Ending April 30,	
2018	$ 424,051
2019	440,999
2020	456,874
2021	476,919
2022	496,017
Thereafter	15,122,041
Total	$ 17,416,901

In addition to the note and bond payable, a $1,000,000 revolving line of credit was obtained during the December 2016 refinancing process. Interest is set at the Wall Street Journal prime rate plus 1% (5% at April 30, 2017) and is payable monthly. This line of credit is a demand note and is due and payable within 5 days of being called due. No amounts were outstanding on this line of credit at April 30, 2017.

Note 4. Investments

Investments are presented in the financial statements at fair value.

Investments are composed of the following:

April 30, 2017	Cost	Market
Money-market funds	$ 619,826	$ 619,826
U.S. government obligations	1,629,148	1,617,004
Municipal bonds	488,130	484,715
Corporate bonds	2,528,283	2,509,194
Fixed income funds	765,579	763,192
Domestic equity funds	1,819,333	2,336,383
Foreign equity funds	889,898	519,994
Common equity securities	1,855,240	2,775,535
Total	$ 10,595,437	$ 11,625,843

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April 30, 2016		Cost		Market
Money-market funds	$	297,749	$	297,749
U.S. government obligations		562,954		1,560,096
Municipal bonds		243,413		245,384
Corporate bonds		1,071,598		1,104,222
Foreign bonds		25,000		26,684
Fixed income funds		2,171,648		1,206,301
Domestic equity funds		1,262,114		1,508,210
Foreign equity funds		978,644		892,060
Common equity securities		2,304,141		2,888,600
Total	$	8,917,261	$	9,729,306

The following summarizes the total net realized and unrealized gains (losses) for the year-ended:

		April 30, 2017				
		Unrestricted		**Temporarily Restricted**		**Total**
Total net realized and unrealized gains	**$**	**255,004**	**$**	**375,689**	**$**	**630,693**

		April 30, 2016				
		Unrestricted		**Temporarily Restricted**		**Total**
Total net realized and unrealized losses	**$**	**(15,082)**	**$**	**(89,607)**	**$**	**(104,689)**

Note 5. Pension Plan

The Community has adopted a 401(k) retirement plan (the "Plan") for the benefit of those employees who satisfy the Plan's eligibility requirements. The Plan also allows for a discretionary contribution. For the years ended April 30, 2017 and 2016, the Community made no discretionary contributions to the Plan. Employees become eligible on January 1 following their hire date and become vested in the Plan at 20% per year, with full vesting after six years of eligibility. Any forfeitures act to reduce the employer's contributions.

Note 6. Notes Receivable

Certain new residents have signed notes for all or a portion of their advance fee. The notes are intended to allow the residents to occupy their independent living unit while they are in the process of selling their former personal residence. The notes are to be repaid on the earlier of a specific due date or upon the sale of their former residence.

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Notes receivable are composed of the following:

April 30,		2017		2016
Note receivable, collateralized by land, interest at 8.5%, monthly payments of principal and interest of $660, due February 2019	$	12,259	$	18,825
Note receivable, collateralized by land and building, interest only at 4.5%, due on sale of property		-		196,957
Note receivable, collateralized by land and building, interest only at 4.75%, due on sale of property		172,169		-
Due from resident refundable entry fees		221,534		180,106
		405,962		395,888
Less current portion		**179,366**		**201,183**
Long-term notes receivable	$	**226,596**	$	**194,705**

As part of the resident contract, the Community has the right to collect any outstanding obligations due to it from a resident's refundable entry fee once the resident leaves the Community. Therefore, the Community began reclassifying monthly fees and other charges from accounts receivable to long-term receivables for those residents that had exhausted their ability to pay these fees, to the extent the resident had a refundable entry fee. At the point the refundable entry fee becomes fully offset against the long-term receivable, the Community would reverse the monthly fee as charitable care. As these long-term receivables will not be collected until the resident leaves the Community, the entire balance has been classified as long-term at April 30, 2017 and 2016.

Note 7. Annuities Payable

Amounts due under charitable gift annuity agreements represent gifts received under agreements which guarantee interest payments until the death of the donor. These annuities are recorded at their fair value at the date of gift, using the Community's mortgage rate of interest. The differences between the amounts received and the discounted value of future annuity payments are recorded as a current-year gift.

To meet the obligations of the annuities payable, the Community held investments in the amount of $925,842 and $892,232 at April 30, 2017 and 2016, respectively.

Total annuities outstanding at April 30,		2017		2016
Total annuities received	$	969,874	$	958,934
Less amount representing current gifts		397,405		397,405
Fair value of annuities at date of gift		572,469		561,529
Less payments made through April 30,		426,894		408,224
Less annuity balance gifted upon annuitant's death		26,048		26,048
		119,527		127,257
Less current portion		**17,143**		**17,293**
Long-term annuities payable	$	**102,384**	$	**109,964**

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These annuities are due as follows:

Year Ending April 30,		
2018	$	17,143
2019		14,682
2020		14,317
2021		14,868
2022		16,046
Thereafter		42,471
Total	$	119,527

Note 8. Property and Equipment

Property and equipment, at cost, April 30,		2017		2016
Land and improvements	$	4,402,161	$	4,344,418
Buildings and improvements		54,562,704		53,125,740
Furnishings and equipment		7,093,840		6,642,571
Total property and equipment		66,058,705		64,112,729
Less accumulated depreciation		30,229,019		28,275,122
Total property and equipment, net	$	**35,829,686**	$	**35,837,607**

Included in buildings and improvements is construction in progress amounting to $485,452 and $162,960 at April 30, 2017 and 2016, respectively.

Note 9. Concentration of Credit Risk

At times during the year ended April 30, 2017, the Community had cash deposits in excess of the federally insured limit of $250,000 per depositor at each financial institution. There was approximately $1,202,800 on deposit in excess of federally insured limits at April 30, 2017.

Note 10. Municipal Payments

The Community and the City of Laconia have entered into agreements under which the Community will make payments in lieu of taxes to help the City pay for life/safety services that are provided. The Community also makes payments to the towns of Wolfeboro and Pembroke for real estate taxes.

Note 11. Costs of Continuing Care Contracts and Charitable Care (Unaudited)

Under the current resident contracts, the Community is allowed to charge the resident a daily nursing fee for the increased level of service being provided, in addition to the applicable entry fee and stated monthly fee.

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This fee is designed to allow the Community to recover a portion of the additional costs associated with providing nursing care to its residents. The Community's mission is to provide continuing lifetime care to all of its continuing care residents, irrespective of their individual ability to pay.

Once a resident is no longer financially capable of paying all applicable fees, the Community does not pursue collection of amounts determined to qualify as charitable care and, therefore, such amounts are not reported as revenue. Charitable care billings were reported against resident fees on the statement of activities and changes in net assets for the years ended April 30, 2017 and 2016 and amounted to $1,295,188 and $885,618, respectively.

The Community determines the costs associated with providing charitable care by calculating a ratio of direct and indirect cost of care to gross charges and then multiplying that ratio by gross uncompensated charges associated with providing care to residents eligible for charitable care. The costs of providing charitable care services to residents for the years ending April 30, 2017 and 2016 were approximately $1,456,000 and $1,058,000 respectively.

Note 12. Fair Value Measurements

The Fair-Value Measurements topic of the FASB Accounting Standards Codification (FASB ASC 820-10) establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 – inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at level 1 fair value generally are securities listed in active markets.

- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The inputs or methodology used for valuing assets are not necessarily an indication of the risk associated with investing in those assets.

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Financial assets and liabilities carried at fair value on a recurring basis consist of the following at April 30, 2017:

	Level 1	Level 2	Level 3	Total
Assets:				
Money-market funds	$ 619,826	$ -	$ -	$ 619,826
U.S. government obligations	-	1,617,004	-	1,617,004
Municipal obligations	-	484,715	-	484,715
Corporate bonds	-	2,509,194	-	2,509,194
Fixed income funds	763,192	-	-	763,192
Closed end domestic equity funds:				
Large cap	1,913,967	-	-	1,913,967
Mid cap	269,413	-	-	269,413
Small cap	153,003	-	-	153,003
Closed end foreign equity funds	519,994	-	-	519,994
Common equity securities:				
Consumer goods	293,376	-	-	293,376
International	392,545	-	-	392,545
Energy	313,266	-	-	313,266
Financial	417,609	-	-	417,609
Healthcare	339,290	-	-	339,290
Services	252,847	-	-	252,847
Industrial goods	240,334	-	-	240,334
Technology	473,595	-	-	473,595
Materials	39,123	-	-	39,123
Utilities	13,550	-	-	13,550
Beneficial interest in trust funds held by others	-	-	7,556,897	7,556,897
	7,014,930	4,610,913	7,556,897	19,182,740
Liabilities:				
Annuities payable	$ -	$ 119,527	$ -	$ 119,527

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Financial assets and liabilities carried at fair value on a recurring basis consist of the following at April 30, 2016:

	Level 1	Level 2	Level 3	Total
Assets:				
Money-market funds	$ 297,749	$ -	$ -	$ 297,749
U.S. government obligations	-	1,560,096	-	1,560,096
Municipal obligations	-	245,384	-	245,384
Corporate bonds	-	1,104,222	-	1,104,222
Foreign bonds	-	26,684	-	26,684
Fixed income funds	1,206,301	-	-	1,206,301
Closed end domestic equity funds:				
Large cap	953,584	-	-	953,584
Mid cap	309,762	-	-	309,762
Small cap	244,864	-	-	244,864
Closed end foreign equity funds	892,060	-	-	892,060
Common equity securities:				-
Consumer goods	530,789	-	-	530,789
Energy	376,688	-	-	376,688
Financial	403,571	-	-	403,571
Healthcare	349,139	-	-	349,139
Services	461,679	-	-	461,679
Industrial goods	215,689	-	-	215,689
Technology	475,005	-	-	475,005
Materials	47,452	-	-	47,452
Utilities	28,588	-	-	28,588
Beneficial interest in trust funds held by others	-	-	7,220,130	7,220,130
	$ 6,792,920	$ 2,936,386	$ 7,220,130	$ 16,949,436
Liabilities:				
Annuities payable	$ -	$ 127,257	$ -	$ 127,257

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The following table presents the change in Level 3 instruments for the years ended April 30, 2017 and 2016:

	Interest in Trust Funds	Interest Rate Swap
Balance, April 30, 2015	$ 7,498,916	$ (58,697)
Total realized and unrealized gains (losses), included in changes in net assets	(278,786)	58,697
Balance, April 30, 2016	**7,220,130**	-
Total realized and unrealized gains, included in changes in net assets	336,767	-
Balance, April 30, 2017	**$ 7,556,897**	**$ -**
Amount of unrealized gains attributable to change in unrealized gains relating to assets still held at the reporting date, included in changes in net assets	$ 336,767	$ -

The following describes the valuation methodologies used to measure different financial assets and liabilities at fair value:

Investments
The fair value of investments in common stocks and mutual funds are based upon quoted prices in active markets for identical assets and are reflected as Level 1. The fair value of investments in U.S. government obligations are based upon valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities and are reflected as Level 2.

Beneficial interest in trust funds held by others
The fair values of the beneficial interest in trust funds are estimated fair values of future distributions provided by the trustees based upon pricing and valuations from its custodian banks and audited financial statements from external managers of alternative investments, and through initial and ongoing due diligence and monitoring by the Trust's investment consultants, staff, and investment committee. The fair value of the beneficial interest in trust funds is reflected as Level 3.

Annuities payable
The fair value of charitable gift annuities payable are based upon the future expected stream of cash flows, for which all significant assumptions are observable, and are reflected as Level 2.

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Interest rate swap agreements
Financial liabilities carried at fair value on a recurring basis consists of a liability relating to the interest rate swap agreement, which is valued primarily based on significant assumptions that are unobservable, as the remaining interest rate swap term extends beyond market observable interest rate yield curves, and thus reflected as Level 3. The impacts of the derivative liability for the entities and the counterparty's non-performance risk to the derivatives trade is considered when measuring the fair value of derivative liabilities.

Note 13. Endowment Funds, Trust Funds Held by Others and Net Assets

The Community adheres to the Other Presentation Matters section of the Presentation of Financial Statements for Not-for-Profit Organizations topic of the FASB Accounting Standards Codification (FASB ASC 958-205-45). FASB ASC 958-205-45 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FASB ASC 958-205-45 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of New Hampshire enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Community has adopted FASB ASC 958-205-45 in the year ending April 30, 2009. The Community's endowment is comprised of twelve funds for which the Community acts as trustee and five trust funds which the Community has a beneficial interest. Pursuant to the terms of the resolutions establishing these funds, property contributed to the funds is held as separate funds designated for the benefit of the Community. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of Taylor Community has interpreted UPMIFA as allowing the Community to appropriate for expenditure or accumulate so much of an endowment fund as the Community determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

As a result of this interpretation, the Community classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Community in a manner consistent with the standard of prudence prescribed by UPMIFA and in accordance with the policies of the Community.

In accordance with UPMIFA, the Community considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions,

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(4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Community, and (7) the Community's investment policies.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Community to retain as a fund of perpetual duration. Deficiencies result from unfavorable market fluctuations that occur after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of April 30, 2017 and 2016.

Investment Return Objectives, Risk Parameters and Strategies: The Community has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to appropriate an annual distribution of no more than 9%, while allowing the principal to grow at a rate equal or exceeding the rolling average of the most current three years inflation rate as determined by the consumer price index. Actual returns in any given year may vary from this amount. In years when the rate of appreciation does not match the rate of inflation, every effort will be made in future years to match the amount lost in prior years. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Community has a policy of appropriating for distribution each year up to 7% of its endowment fund's average fair value of the trailing twelve quarters preceding the fiscal year in which the distribution is planned. On May 7, 2012, the Board of Trustees voted to increase the distribution from its endowment fund from 7% to 9% of the value of the endowment fund's average fair value of the prior twelve quarters to be expended for the provision of charitable care to residents of the Community. This increase was for a period of one year and has been reviewed and voted on by the Board of Trustees annually, thereafter through April 30, 2016 when the distribution was returned to 7%. In establishing this policy, the Community considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity based on donor restrictions, and the possible effects of inflation.

The Community expects the current spending policy to allow its endowment funds to grow at a nominal average rate at least equal to the rolling average of the most current three years inflation rate, which is consistent with the Community's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

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Changes in endowment net assets as of April 30, 2017 and 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, April 30, 2015	$ 5,930,413	$ 988,119	$ 6,918,532
Investment return:			
Investment income	108,338	-	108,338
Net depreciation (realized and unrealized)	(87,509)	-	(87,509)
Total investment return	20,829	-	20,829
Appropriation of endowment assets for expenditure	(540,305)	-	(540,305)
Endowment net assets, April 30, 2016	5,410,937	988,119	6,399,056
Investment return:			
Investment income	121,058	-	121,058
Net appreciation (realized and unrealized)	366,825	-	366,825
Total investment return	487,883	-	487,883
Appropriation of endowment assets for expenditure	(473,843)	-	(473,843)
Endowment net assets, April 30, 2017	$ 5,424,977	$ 988,119	$ 6,413,096

Temporarily restricted net assets consisted of gifts and unexpended revenues available for the following purposes:

April 30,	2017	2016
For birthday and Christmas gifts for residents and employees	$ 106,141	$ 104,415
Other	64,004	53,101
Portion of perpetual endowment funds subject to time restriction under UPMIFA	5,424,977	5,410,937
Total	**$ 5,595,122**	**$ 5,568,453**

Permanently restricted net assets are comprised of the original value of gifts, all subsequent gifts donated to the permanent endowment, and trust funds held by others for the benefit of the Community. The revenues of the permanently restricted gifts are to be used for general operations and other specific purposes similar to the temporarily restricted funds.

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The Community is a beneficiary of funds held by other trust organizations. Pursuant to the terms of the resolutions establishing these funds, property contributed to these funds are held as a separate fund for the benefit of the Community. In accordance with the spending policies of these funds, the trust organizations make distributions from the funds to the Community. The distributions are approximately 5% of the market value of the funds per year. The estimated value of the future distributions from the funds is included in these financial statements as required by FASB ASC 958, however, all property in the funds was contributed to the various trusts to be held and administered for the benefit of the Community. For the years ended April 30, 2017 and 2016, $396,195 and $305,342, respectively, was received from the funds. The market value of the fund assets were $7,556,897 and $7,220,130 at April 30, 2017 and 2016, respectively.

Note 14. Nursing Facility Quality Assessment

During the year ended April 30, 2010, the Community was notified of an obligation to submit Nursing Facility Quality Assessment Returns with the New Hampshire Department of Revenue Administration for several prior years. These filings require an assessment fee of 5.5% of net nursing patient services revenue. The Community and the New Hampshire Department of Revenue Administration agreed to repay the prior years' assessments at no interest in monthly payments of $6,683 each. Total nursing facility quality assessment payable at April 30, 2017 and 2016 amounted to $- and $66,825, respectively.

Note 15. Related Party Transactions

Two members of the Community's Board of Trustees are owners and shareholders of an insurance agency from which the Community purchases business and health insurance. Total payments made directly to this insurance agency during the years ended April 30, 2017 and 2016 amounted to $239,416 and $214,837, respectively.

Members of the Community's Board of Trustees are owners and shareholders of legal firms that handle certain legal transactions for the Community. Total payments made to these legal firms during the years ended April 30, 2017 and 2016 amounted to $88,710 and $49,659, respectively.

A member of the Community's Board of Trustees is a Vice President and Director of the management company of the Community (see Note 16).

Note 16. Commitments

The Community has entered into a five year contract for dining services commencing on April 1, 2012 which was subsequently extended through March 31, 2019. Payments are to be made in the form of an annual management fee of $30,000, increased annually by the consumer price index, actual billed costs, and an annual budget based financial performance payment. Total amounts paid under this contract for the years ended April 30, 2017 and 2016 amounted to $1,391,956 and $1,027,596, respectively.

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During the year ended April 30, 2016, Taylor Community entered into a Professional Management Agreement with a management company. Under this agreement the management company assumes responsibility, as an agent of Taylor Trustees, to serve as the manager of Taylor Community. In connection with the agreement they will recommend and regularly evaluate policies and goals of Taylor Trustees, implement the policies, budgets, directives and goals for Taylor Community established by Taylor Trustees, manage day-to-day operations of Taylor Community in accordance with Taylor Trustees policies, directives and goals, provide Taylor Trustees with relevant information as to past operations, and make recommendation as to the future operation of Taylor Community. The management company shall act under the policies, direction and control exercised by the Board of Trustees of Taylor at all times. Total amounts paid to the management company during the years ended April 30, 2017 and 2016 amounted to $350,196 and $263,217, respectively. This agreement was in effect through October, 2020 but included a no cause termination clause that can be used by either party with 60 days written notice.

The above detailed management agreement was terminated by Taylor Community effective August 31, 2016.

Note 17. Prior Period Adjustment

During the year ended April 30, 2017, it was determined that during the year ended April 30, 2016 the improper unit allocation was being applied to the endowment investment market value and earnings on the investments. The total misallocation was calculated to be $279,772. The effect of these adjustments increased unrestricted net assets by $279,772 and decreased temporarily restricted net assets by the same amount as of the year ended April 30, 2016 through an adjustment to the allocation of net realized and unrealized gains on investments. Total net assets are unchanged due to this adjustment.

Note 18. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Such reclassifications have had no effect on net assets as previously reported.

Note 19. Subsequent Events

The Community has evaluated subsequent events through August 18, 2017 the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date. No subsequent events were identified that would require disclosure in the financial statements for the year ended April 30, 2017.