

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Southwest Florida Retirement Center, Inc.  
dba: Village on the Isle and Subsidiary  
Venice, Florida

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Southwest Florida Retirement Center, Inc. dba: Village on the Isle and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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.

### ***Auditors' 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 auditors' 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.

Board of Trustees  
Southwest Florida Retirement Center, Inc.  
dba: Village on the Isle and Subsidiary

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Florida Retirement Center, Inc. dba: Village on the Isle and Subsidiary, as of December 31, 2017 and 2016, and the consolidated results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 25 to 26 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Orlando, Florida  
April 11, 2018

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2017 AND 2016**

<b>ASSETS</b>	2017	2016
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 8,192,925	\$ 3,694,855
Accounts Receivable, Net	672,506	476,265
Other Receivables	1,342,656	69,167
Current Portion of Assets Limited as to Use	2,370,772	517,708
Prepaid Expenses and Other Current Assets	450,237	436,321
Total Current Assets	13,029,096	5,194,316
<b>INVESTMENTS</b>	17,974,283	18,975,040
<b>ASSETS LIMITED AS TO USE, NET OF CURRENT PORTION</b>	80,723,850	18,388,111
<b>PROPERTY AND EQUIPMENT, NET</b>	30,758,273	19,034,766
<b>OTHER ASSETS</b>	55,936	56,612
Total Assets	\$ 142,541,438	\$ 61,648,845
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,502,119	\$ 198,449
Accrued Expenses and Other Current Liabilities	933,691	883,353
Accrued Interest	798,923	262,706
Current Portion of Long-Term Debt	1,565,000	255,000
Wait List and Other Deposits	1,433,550	425,460
Total Current Liabilities	6,233,283	2,024,968
<b>LONG-TERM DEBT, NET OF CURRENT PORTION</b>	111,034,445	37,020,165
<b>REFUNDABLE ENTRANCE FEES</b>	4,160,263	4,742,838
<b>DEFERRED REVENUE FROM ENTRANCE FEES</b>	16,508,806	14,667,805
Total Liabilities	137,936,797	58,455,776
<b>NET ASSETS</b>		
Unrestricted Net Assets	4,035,517	2,652,193
Temporarily Restricted Net Assets	445,743	417,495
Permanently Restricted Net Assets	123,381	123,381
Total Net Assets	4,604,641	3,193,069
Total Liabilities and Net Assets	\$ 142,541,438	\$ 61,648,845

See accompanying Notes to Financial Statements.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.**  
**DBA: VILLAGE ON THE ISLE AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>		
Resident Service Fees	\$ 10,115,917	\$ 11,145,752
Healthcare Services	6,697,653	6,548,765
Amortization of Earned Entrance Fees	3,202,929	3,019,538
Contributions	105,285	166,763
Investment Income and Realized Gains and Losses, Net	1,500,994	181,527
Net Assets Released from Restrictions	35,200	50,400
Other	317,684	378,859
Total Revenues, Gains, and Other Support	21,975,662	21,491,604
<b>EXPENSES</b>		
Resident Services	13,683,886	13,204,567
General and Administrative	2,397,118	2,407,930
Insurance	607,484	563,499
Property Taxes	363,608	290,787
Interest	1,436,058	891,400
Depreciation and Amortization	2,436,547	1,995,635
Hurricane Loss	107,597	-
Total Expenses	21,032,298	19,353,818
<b>OPERATING INCOME</b>	943,364	2,137,786
<b>NONOPERATING LOSSES</b>		
Gain (Loss) on Disposal of Assets	(2,738)	(12,926)
Contributions to Others	(36,358)	(65,280)
Loss on Early Extinguishment of Debt	-	(2,037,293)
Total Nonoperating Losses	(39,096)	(2,115,499)
<b>EXCESS OF REVENUES OVER EXPENSES AND NONOPERATING LOSSES, NET</b>	904,268	22,287
<b>OTHER UNRESTRICTED NET ASSETS</b>		
Change in Unrealized Gain on Investments	479,056	176,470
Change in Unrestricted Net Assets	1,383,324	198,757
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	56,567	69,273
Change in Unrealized Gain on Investments	5,892	8,078
Change in Beneficial Interest Charitable Remainder Trust	989	1,813
Net Assets Released from Restrictions	(35,200)	(50,400)
Change in Temporarily Restricted Net Assets	28,248	28,764
<b>INCREASE IN NET ASSETS</b>	1,411,572	227,521
Net Assets - Beginning of Year	3,193,069	2,965,548
<b>NET ASSETS - END OF YEAR</b>	\$ 4,604,641	\$ 3,193,069

See accompanying Notes to Financial Statements.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 1,411,572	\$ 227,521
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Change in Unrealized Gains and Losses on Investments	(484,948)	(184,548)
Provision for Uncollectible Accounts	-	4,636
Loss on Disposal of Assets	2,738	12,926
Depreciation and Amortization	2,436,547	1,995,635
Amortization of Deferred Financing Costs	12,941	37,954
Amortization of Bond Premium	(85,501)	(21,561)
Loss on Refunding of Series 2007 Bonds	-	2,037,293
Earned Entrance Fees	(3,202,929)	(3,019,538)
Entrance Fees Received	5,422,590	5,225,600
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(196,241)	104,332
Prepaid Expenses and Other Current Assets	(13,916)	46,278
Other Assets	676	72,263
Other Receivables	(1,273,489)	588,235
Accounts Payable	1,303,670	(83,921)
Accrued Expenses and Other Liabilities	50,338	118,616
Accrued Interest	536,217	(484,994)
Wait List and Other Deposits	1,008,090	(121,565)
Deferred Compensation Liability	-	(68,589)
Net Cash Provided by Operating Activities	6,928,355	6,486,573
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment, Net	(14,162,792)	(3,310,485)
Net Change in Investments and Assets Limited as to Use	(62,703,098)	(19,247,948)
Net Cash Used by Investing Activities	(76,865,890)	(22,558,433)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of Long-Term Debt	(255,000)	-
Entrance Fees Refunded	(961,235)	(617,924)
Proceeds from Bond Issuance	77,084,326	10,737,691
Deferred Financing Costs	(1,432,486)	(728,605)
Net Cash Provided (Used) by Financing Activities	74,435,605	9,391,162
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,498,070	(6,680,698)
Cash and Cash Equivalents - Beginning of Year	3,694,855	10,375,553
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 8,192,925	\$ 3,694,855

**NON-CASH TRANSACTIONS**

During the year ended December 31, 2016, the Organization refinanced long-term debt of \$27,266,077 with a new bond issuance.

See accompanying Notes to Financial Statements.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 1 ORGANIZATION**

**Organization**

Southwest Florida Retirement Center, Inc. dba: Village on the Isle (the Village) was incorporated on January 24, 1979, as a Florida nonprofit corporation. The Village's purpose is to provide housing, healthcare, and other related services to the elderly, primarily through the operation of a retirement community. The Village's community consists of 210 independent living units, 63 assisted living units, and a 60-bed licensed skilled nursing facility, located in Venice, Florida.

The Village on the Isle Foundation, Inc. (the Foundation) was incorporated on August 20, 2003, as a Florida nonprofit corporation. The Foundation is related to the Village by common board membership and is organized to raise funds exclusively for and to support the programs of the Village and its residents. The Village has the authority to direct the distribution of the Foundation's assets.

The Village operates "continuing care" under the provisions of State Statutes Chapter 651, in which residents enter into a Residence and Care Agreement (the Agreement), which requires payment of a one-time entrance fee and monthly service fees. Generally, these payments entitle residents to the use and privileges of the Village for life, including a discounted rate on Health services in the Village's Health centers. The Agreement does not entitle the residents to an interest in the real estate or other property owned by the Village. Additionally, the Village has several rental agreements for terms not exceeding one year; but no longer offers new rental agreements for Independent Living.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reclassification**

Certain reclassifications have been made to the 2016 consolidated financial statements presentation to correspond to the current year's format. Net Assets are unchanged due to these reclassifications.

**Use of Estimates**

The preparation of these consolidated 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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenditures during the fiscal year. Actual results could differ from those estimates.

**Principles of Consolidation**

These consolidated financial statements include the accounts of the Village and the Foundation (collectively, the Organization). All significant intercompany transactions and balances have been eliminated from these consolidated financial statements.



**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Organization considers all unrestricted, highly liquid investments with a maturity of three months or less from date of purchase to be cash equivalents, excluding cash and cash equivalents included in assets limited as to use and investments.

**Basis of Presentation**

Contributions received are recorded as an increase in unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted**

Resources over which the respective boards of trustees (the boards) of the Organization have discretionary control. Designated amounts represent those revenues which the boards have set aside for a particular purpose.

**Temporarily Restricted**

Resources subject to donor imposed restrictions that will be satisfied by actions of the Organization or passage of time. Temporarily restricted net assets expended in the year of receipt are recognized as unrestricted contributions.

**Permanently Restricted**

Resources subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise 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 is satisfied, net assets are released and reported as an increase in unrestricted net assets. Temporarily restricted net assets are available for residence assistance, staff development, and scholarships.

**Accounts Receivable**

Accounts receivable from residents, insurance companies, and governmental agencies are based on net charges. An allowance for doubtful accounts is provided based upon the review of outstanding receivables, historical collection information, and existing economic conditions. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. As of December 31, 2017 and 2016, the allowance for doubtful accounts was approximately \$-0- and \$5,000, respectively.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Excess of Revenues and Gains over Expenses and Non-operating Losses**

The consolidated statements of operations and changes in net assets include excess of revenues and gains over expenses and nonoperating losses, which is analogous to income from continuing operations of a for-profit enterprise. Changes in unrestricted net assets that are excluded from excess of revenues and gains over expenses and nonoperating losses, consistent with industry practice, include change in unrealized gains and losses on investments other than trading.

**Revenue Recognition**

**Service Fees**

Service fees paid by residents for independent and assisted living occupancy rights, maintenance, meals, nursing supplies, security, transportation, and other services are assessed monthly and are recognized as revenue in the period services are rendered.

**Entrance Fees**

The Village offers three types of entrance fee contracts, all of which may be canceled by residents at any time for any reason. All contracts allow the Village to retain a 4% administrative fee, plus 2% of the entrance fee per month for each month of residency. The standard and enhanced contract refunds a portion of the entrance fee if terminated within 48 months of initial occupancy. The amount refunded equals the entrance fee, less a pro rata charge for the period of residency. The 50% refundable contract refunds one-half of the entrance fee to the resident upon death or termination of the contract and a portion of the remaining entrance fee is refunded if the contract is terminated within 23 months of occupancy. The 50% refundable amount of the entrance fee is recorded as a liability, "refundable entrance fees," and is not amortized to income.

Entrance fees from the standard and enhanced contracts and amounts in excess of the refundable portion of the 50% refundable contracts are recorded as "deferred revenue from entrance fees" and are amortized to income over future periods based on the estimated life expectancy of the resident. The period of amortization is adjusted annually based on the actuarially determined estimated remaining life expectancy of each individual, or joint and last survivor life expectancy of each pair of residents occupying the same unit. In the event of a resident or surviving resident's death, or the termination of the Agreement, the obligations of the Village are considered fulfilled and the unamortized portion of the entrance fee is recognized as revenue.

Total contractual refund obligations, assuming all contracts were terminated at December 31, 2017 and 2016, were approximately \$10,492,784 and \$10,367,000, respectively.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition Continued**

Entrance Fees Continued

Entrance fee deposits represent amounts paid by prospective residents who have signed a reservation agreement to reserve a specific living unit or have paid a deposit to be placed on a waiting list. Generally, a refundable deposit of \$1,000 is collected when the future residency agreement is signed. Further, when the Reservation Agreement is signed, a down payment of 10% is collected. The balance of the fee is payable at the time of occupancy. Prospective residents may cancel their agreements at any time prior to occupancy and generally receive a refund of the entrance fee, less a 4% administrative fee. As of December 31, 2017 and 2016, the Village had approximately \$43,000 and \$29,000 in wait-list deposits and approximately \$1,234,000 and \$93,000 in entrance fee deposits, respectively, and is included in Wait List and Other Deposits in the accompanying consolidated balance sheets.

Health Care Services

Healthcare revenue is reported at the estimated net realizable amounts receivable from residents, third-party payors, and others at the time services are rendered.

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party settlements are made in the period the related service are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Revenue for services rendered to Medicare program beneficiaries are based on prospectively determined case-mix rates. The rates vary according to a classification system based on clinical, diagnostic, and other factors, subject to certain limitations and adjustments. Services rendered to Medicaid program beneficiaries are reimbursed using predetermined daily rates based, in part, on reasonable costs, as defined and limited by the Medicaid program.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments and Assets Limited as to Use**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Investment income (including realized gains and losses on investments, interest and dividends) is included in operating income (loss) unless restricted by donor or law. Unrealized gains and losses on investments and assets limited as to use are excluded from operating income (loss).

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible changes in the fair value of investments will occur in the near term and that such changes could be material.

Assets limited as to use include cash and investments held by trustees under indenture agreements, assets held in escrow, assets set aside by the board for specific purposes, and assets set aside for the minimum liquid reserve requirements of the state of Florida. Amounts required to meet current liabilities of the Village have been reclassified in the balance sheets at December 31, 2017 and 2016.

**Property and Equipment**

Property and equipment are recorded at cost. Donated property is recorded at its estimated fair value on the date of receipt. Depreciation is computed on the straight-line method based on the following estimated useful lives:

Land Improvements	15-20 Years
Buildings and Improvements	15-40 Years
Furniture and Equipment	5-20 Years
Vehicles	7 Years

**Deferred Financing Costs**

Deferred financing costs are amortized using the effective interest method over the terms of the related financing agreement. Amortization expense was approximately \$13,000 and \$38,000 for the years ended December 31, 2017 and 2016, respectively. Unamortized deferred financing costs as of December 31, 2017 and 2016, was approximately \$2,148,000 and \$729,000, respectively, and are included in the non-current portion of long term debt in the accompanying consolidated balance sheets.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimated Obligation to Provide Future Services and Use of Facilities**

The Village annually reviews 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 entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees; a liability is recorded (obligation to provide future services). No additional liability has been recorded at December 31, 2017 and 2016, because the present value of the net cost of future services and use of facilities is less than deferred revenue from entrance fees.

**Charity Care**

The Village has estimated its direct and indirect costs of providing charity care under its financial assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the average cost of services provided in 2017 to the Village's gross bill rate. The cost-to-charge ratio is applied to the charity care charges foregone to calculate the estimated direct and indirect cost of providing charity care. Using this methodology, the Obligated Group has estimated the costs of services and supplies furnished under the Organization's financial assistance policy aggregated approximately \$350,000 and \$331,000 for the years ended December 31, 2017 and 2016, respectively.

**Income Taxes**

The Village and Foundation are nonprofit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

The Village and Foundation's income tax returns are subject to review and examination by federal, state, and local authorities. Management is not aware of any activities that would jeopardize its tax-exempt status.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements**

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

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

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

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

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 11, 2018, the date the consolidated financial statements were available to be issued.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE**

An analysis of the composition and market values of investments and assets limited as to use as of December 31 is as follows:

	2017	2016
Cash and Cash Equivalents	\$ 17,763,362	\$ 18,496,071
Accrued Interest	298,213	55,730
Mutual Funds	4,576,441	5,046,980
Equities	6,857,645	4,243,102
U.S. Government and Agency Obligations	45,239,746	6,432,636
Corporate Bonds	26,333,498	3,606,340
Total	\$ 101,068,905	\$ 37,880,859

Assets limited as to use by limitation as of December 31 are as follows:

Fund	Purpose	2017	2016
<b><u>Assets Limited by Provisions of The Master Trust Indenture:</u></b>			
Bond Fund	Pays bond principal, interest and COI	\$ 2,392,229	\$ 554,412
Reserve Fund "Debt Service Reserve"	Reserved for the payment of the principal and interest on the bonds	6,533,739	3,167,696
Project Fund	Pays costs of construction projects	63,254,110	10,005,951
Capitalized Interest Fund	Pays costs of interest	5,225,147	-
Total		\$ 77,405,225	\$ 13,728,059
<b><u>Other Assets Limited as to Use:</u></b>			
Resident Assistance Fund, Scholarship Fund, and Staff Development Fund	Donor restricted	\$ 533,494	\$ 518,444
Minimum Liquid Reserve	Statutorily restricted	3,807,939	3,497,463
Foundation	Held by Foundation	1,347,964	1,161,853
Subtotal		83,094,622	18,905,819
Less: Current Portion		(2,370,772)	(517,708)
Total		\$ 80,723,850	\$ 18,388,111

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)**

The components of investment income and change in unrealized gains and losses on investments for the years ended December 31 are as follows:

	<u>2017</u>	<u>2016</u>
Interest, Dividends, and Unrealized Gains, Net	\$ 1,500,994	\$ 181,527
Change in Unrealized Gain on Investments	479,056	176,470
Unrestricted Investment Income	1,980,050	357,997
Temporarily Restricted Unrealized Gains on Investments	5,892	8,078
Total Investment Income	<u>\$ 1,985,942</u>	<u>\$ 366,075</u>

**NOTE 4 FAIR VALUE MEASUREMENT**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 2 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of financial assets of the Organization measured at fair value on a recurring basis as of December 31, 2017 and 2016, (except for Cash and Cash Equivalents and Accrued Interest which are presented at cost):

	Fair Value Measurements			Total
	As of December 31, 2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash and Cash Equivalents	\$ 18,496,071	\$ -	\$ -	\$ 18,496,071
Accrued Interest	55,730	-	-	55,730
Mutual Funds	5,046,980	-	-	5,046,980
Equities	4,243,102	-	-	4,243,102
U.S. Government and Agency Obligations	-	6,432,636	-	6,432,636
Corporate Bonds	-	3,606,340	-	3,606,340
Total	<u>\$ 27,841,883</u>	<u>\$ 10,038,976</u>	<u>\$ -</u>	<u>\$ 37,880,859</u>



**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)**

	Fair Value Measurements As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 18,496,071	\$ -	\$ -	\$ 18,496,071
Accrued Interest	55,730	-	-	55,730
Mutual Funds	5,046,980	-	-	5,046,980
Equities	4,243,102	-	-	4,243,102
U.S. Government and Agency Obligations	-	6,432,636	-	6,432,636
Corporate Bonds	-	3,606,340	-	3,606,340
Total	<u>\$ 27,841,883</u>	<u>\$ 10,038,976</u>	<u>\$ -</u>	<u>\$ 37,880,859</u>

**Valuation Techniques**

Securities included in Level 1 were valued using readily available market quotations in active markets. Securities in Level 2 were valued using independent pricing providers who employ matrix pricing models utilizing market prices, broker quotes and prices of securities with comparable maturities and qualities. The fair values of money market funds were determined through the use of quoted market prices, or \$1, which is generally the net asset value of these funds. The Village does not have any securities that are valued using Level 3 inputs.

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**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Land and Improvements	\$ 3,490,762	\$ 3,473,357
Buildings and Improvements	30,444,637	29,003,191
Furniture and Equipment	9,982,471	15,480,842
Vehicles	608,217	567,778
Subtotal	<u>44,526,087</u>	<u>48,525,168</u>
Less: Accumulated Depreciation	<u>(25,628,127)</u>	<u>(31,201,706)</u>
Subtotal	18,897,960	17,323,462
Construction in Progress	11,860,313	1,711,304
Property and Equipment, Net	<u>\$ 30,758,273</u>	<u>\$ 19,034,766</u>

Construction in progress consists primarily of costs associated with the Assisted Living Facility remodel, unit renovations, campus Master Plan design costs, and other improvements. The estimated total remodel and renovations costs to complete these projects is \$63,398,000. Depreciation expense for the years ended December 31, 2017 and 2016, approximated \$2,437,000 and \$1,996,000, respectively.

**NOTE 6 LONG-TERM DEBT**

In November 2016, the Village issued \$33,190,000 in Sarasota County Health Facilities Authority Refunding Revenue Bonds (the Series 2016 Bonds) at par value. Proceeds from the sale of the Series 2016 Bonds were used to advance refund the Series 2007 Bonds as well as fund additional proceeds for the increase in the debt service reserve, fund the cost of issuance of the Series 2016 Bonds and fund approximately \$10,000,000 in project funds for campus renovations. As part of the refunding transaction, a loss on the extinguishment of debt (Series 2007 Bonds) of \$2,037,093 was recorded as a noncash expense. The Village holds approximately \$2,000,000 in the advanced refunded bonds in their investments which will redeem on January 1, 2018.

In December 2017, the Village issued \$58,385,00 in Sarasota County Health Facilities Authority Retirement Facility Revenue Improvement Bonds (the Series 2017A Bonds) at par value and \$13,250,00 in Sarasota County Health Facilities Authority Retirement Facility Revenue Improvement Bonds (the Series 2017B Bonds) at par value. Proceeds from the sale of the Series 2017A and 2017B Bonds were used to fund additional proceeds for the increase in the debt service reserve, fund the cost of issuance on the Series 2017A Bonds, and fund approximately \$67,000,000 in project funds for the construction and equipping of expansion and improvements to the Village's independent living units, assisted living units, healthcare facility and other common facility spaces. The Series 2017B Bonds were issued as temporary debt which is subject to payoff with the initial proceeds of the new independent living buildings entrance fees.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

A summary of the Village's long-term debt at December 31 is as follows:

	<u>2017</u>	<u>2016</u>
Series 2017A Bonds, interest due semi-annually on January 1 and July 1, with fixed rates ranging from 3.75% to 5.%, principal due in varying installments through 2052	\$ 58,385,000	\$ -
Series 2017B Bonds, interest due semi-annually on January 1 and July 1, with fixed rates ranging from 2.7% to 3.3%, principal due in varying installments through 2023	13,250,000	-
Plus premium on Series 2017 Bonds	5,449,325	-
Series 2016 Bonds, interest due semi-annually on January 1 and July 1, with fixed rates ranging from 2.0% to 5.%, principal due in varying installments through 2032	32,935,000	33,190,000
Plus premium on Series 2016 Bonds	<u>4,728,267</u>	<u>4,813,768</u>
Total Debt Outstanding	114,747,592	38,003,768
Less: Current Portion	(1,565,000)	(255,000)
Less: Unamortized Bond Issuance Costs	<u>(2,148,147)</u>	<u>(728,603)</u>
Total Long-Term Debt	<u>\$ 111,034,445</u>	<u>\$ 37,020,165</u>

Scheduled maturities for the Series 2016, Series 2017A&B Bonds are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 1,565,000
2019	1,630,000
2020	1,695,000
2021	1,760,000
2022	9,350,000
Thereafter	88,570,000
Total	<u>\$ 104,570,000</u>

The Series 2016, Series 2017A&B Bonds were issued pursuant to a Master Indenture which provides, among other things, that the Village maintain certain minimum financial ratios. The Village is not aware of any violations of the covenants at December 31, 2017.

Cash paid for interest approximated \$951,782 and \$1,360,050 for the years ended December 31, 2017 and 2016, respectively.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 7 OPERATING LEASE COMMITMENTS**

The Village leases copiers and related equipment under operating lease agreements. The minimum monthly payments range from \$35 to \$2,235 and expire through 2020. Future minimum annual lease payments for the next three years are as follows:

<u>Year Ending December 31,</u>	<u>Ricoh Lease Equipment</u>
2018	\$ 27,244
2019	27,244
2020	22,564
Total	<u>\$ 77,052</u>

**NOTE 8 RELATED PARTY TRANSACTIONS**

A board member of the Village is a general contractor and has engaged in several projects for the Village. The Village paid approximately \$62,000 in construction costs to the contractor in 2016. The board member is no longer engaged for services at the Village.

**NOTE 9 EMPLOYEE BENEFIT PLANS**

The Village established a 403(b) Tax Sheltered Annuity Plan (the Plan) for the benefit of its employees in June 2004. All full-time employees are eligible to participate in the Plan. The Village matches 33% of employees' contributions up to \$990 for each participating employee with two years of employment. The Village contributed approximately \$35,000 and \$39,000 to the Plan for the years ended December 31, 2017 and 2016, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

**Professional Liability Insurance**

The Village is covered by a claims-made policy with a commercial insurance company for professional liability up to \$1,000,000.

**Litigation**

The Village is subject to asserted and unasserted claims encountered in the normal course of business. The Village's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Village or unasserted claims that may result in such proceedings, the Village's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Village's financial condition or results of operations.

**Health Care**

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government health care program participation requirements, reimbursement for patient care, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

**Minimum Liquid Reserve**

The Village is required by Florida Statute (the Statute) to maintain an amount equal to one year's debt service, property taxes, and insurance in an escrow account. In addition, an operating reserve is required in an amount equal to 15% of the average annual operating expenses, as defined by the Statute, for the preceding three years. The Village is also required to maintain in escrow a renewal and replacement reserve equal to 15% of total accumulated depreciation, but not to exceed 15% of the three-year average annual total operating expenses, as defined by the Statute.

Reserve funds set aside to meet the state of Florida minimum liquid reserve requirements and reserve requirements at December 31 are as follows:

	2017	2016
Reserve Fund to Meet the State of Florida		
Minimum Liquid Reserve Requirement	\$ 17,937,597	\$ 7,182,865

Reserve funds set aside exceed the Florida Department of Insurance calculation of the reserve requirements of \$5,407,539 and \$5,949,344 at December 31, 2017 and 2016, respectively.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Renovation and Expansion Plan**

The Village's expansion plans commenced in 2017 and will result in the addition of 46 independent living apartment residences in two buildings, known as the Emerald Terraces, and the construction of a new replacement Health Center that will add four additional licensed community beds for a total of 64-units of skilled nursing beds. The anticipated completion date for these plans will be late second into early third quarter 2019.

The Village's renovation plans commenced in 2016 which included the Assisted Living Facility remodel and other campus improvements. The anticipated completion date for the renovation plans is late second quarter 2019.

Village entered into various contracts for construction for the new independent living buildings, the replacement Health Center and other facility improvements. Outstanding commitments for construction contracts amounted to approximately \$1,135,000 at December 31, 2017, and are included in accounts payable in the accompanying balance sheets. The estimated total remodel and renovations costs to complete these projects is \$63,398,000. The projects are financed with the proceeds from Series 2016 and Series 2017A&B Bonds.

**NOTE 11 NET ASSETS**

**Board-Designated Net Assets**

Certain unrestricted net assets of the Organization have been designated for the following purposes as of December 31:

	<u>2017</u>	<u>2016</u>
Board-Designated - Resident Assistance	\$ 28,406	\$ 28,406
Board-Designated - Memory Care Program Foundation	15,200	-
	1,347,964	1,161,853
Total Board-Designated Net Assets	<u>\$ 1,391,570</u>	<u>\$ 1,190,259</u>

Assets in these designated funds are invested within investments of the Village, as described in Note 3.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 11 NET ASSETS (CONTINUED)**

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods at December 31:

	2017	2016
Resident Assistance	\$ 382,928	\$ 362,776
Resident Scholarship	18,957	8,745
Radabargh CRUT	43,858	42,869
Endowments	-	3,105
Total	<u>\$ 445,743</u>	<u>\$ 417,495</u>

**Permanently Restricted Net Assets**

The Village's permanently restricted net assets include individual endowments established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. Endowments are restricted to investment in perpetuity, the income from which is expendable to support. Endowment net assets consisted of the following for year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Radabargh Staff Development Fund	\$ (314)	\$ -	\$ 73,187	\$ 72,873
Scheridan Scholarship Fund	(1,811)		50,194	48,383
Total	<u>\$ (2,125)</u>	<u>\$ -</u>	<u>\$ 123,381</u>	<u>\$ 121,256</u>

Endowment net assets consisted of the following for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Radabargh Staff Development Fund	\$ -	\$ 1,643	\$ 73,187	\$ 74,830
Scheridan Scholarship Fund	-	1,462	50,194	51,656
Total	<u>\$ -</u>	<u>\$ 3,105</u>	<u>\$ 123,381</u>	<u>\$ 126,486</u>

Changes in endowment net assets for the years ended December 31, 2017 and 2016, are as follows:

	Total	Permanently Restricted	Temporarily Restricted	Unrestricted
Balance - January 1, 2016	\$ 115,412	\$ 123,381	\$ (7,969)	\$ -
Investment Gain	11,074	-	11,074	-
Balance - December 31, 2016	126,486	123,381	3,105	-
Investment Loss	(5,230)	-	(3,105)	(2,125)
Balance - December 31, 2017	<u>\$ 121,256</u>	<u>\$ 123,381</u>	<u>\$ -</u>	<u>\$ (2,125)</u>

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 11 NET ASSETS (CONTINUED)**

**Interpretation of Relevant Law**

The Village has several donor restricted endowment funds. The majority of these were established for the purpose of providing income to support general operations. As required by U.S. Generally Accepted Accounting Principles (GAAP), net assets of an endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of trustees of the Village has interpreted relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund. As a result of this interpretation, the Village classifies as permanently restricted net assets at (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily or unrestricted net assets, depending on the existence or absence of donor imposed restrictions.

**Return Objectives and Risk Parameters**

The Village has adopted an investment policy for their investment funds; including the permanent endowments that attempts to provide a balance of long-term capital appreciation, preservation of capital, and income production to support additional resources for the continuation and expansion of the charitable mission of the Village. Endowment assets include those assets of donor-restricted funds that the Village must hold in perpetuity. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to provide income and preserve capital.

**Spending Policy and How Investment Objectives Relate to Spending Policy**

Endowments funds were established to provide income for specific donor established programs at the Village. As a result, the Village's policy is to transfer all net investment earnings to those programs which are funded through temporarily restricted net assets. To meet the objectives of the endowment funds the Village invests in high quality fixed income securities.



**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 12 CREDIT RISK**

The Organization maintains its cash and cash equivalents, investments, and assets limited as to use, in bank deposit accounts that may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

The Village grants credit without collateral to its residents, most of whom are local individuals and are insured under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows at December 31:

	<u>2017</u>	<u>2016</u>
Medicare	38%	34%
Medicaid	15	34
Residents and Other Third-Party Payors	<u>47</u>	<u>26</u>
	<u><u>100</u></u>	<u><u>100</u></u>

**NOTE 13 FUNCTIONAL EXPENSES**

Program and management expenses for the years ended December 31 are as follows:

	<u>2017</u>	<u>2016</u>
Program Service	\$ 18,580,781	\$ 16,832,986
Management and Administrative	2,451,517	2,520,832
Total Expenses	<u><u>\$ 21,032,298</u></u>	<u><u>\$ 19,353,818</u></u>

Fundraising expenses were not significant for the years ended December 31, 2017 and 2016; therefore, any such expenses are included in Management and Administrative in the above table.

## **SUPPLEMENTARY INFORMATION**

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.  
DBA: VILLAGE ON THE ISLE AND SUBSIDIARY  
CONSOLIDATING BALANCE SHEETS  
YEAR ENDED DECEMBER 31, 2017  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Village on the Isle	Village on the Isle Foundation	Eliminations	Consolidated
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 8,192,925	\$ -	\$ -	\$ 8,192,925
Accounts Receivable, Net	672,506	-	-	672,506
Other Receivables	1,342,656	-	-	1,342,656
Current Portion of Assets Limited as to Use	2,370,772	-	-	2,370,772
Prepaid Expenses and Other Current Assets	450,237	-	-	450,237
Total Current Assets	<u>13,029,096</u>	-	-	<u>13,029,096</u>
<b>INVESTMENTS</b>	17,974,283	-	-	17,974,283
<b>ASSETS LIMITED AS TO USE, NET OF CURRENT PORTION</b>	79,375,886	1,347,964	-	80,723,850
<b>PROPERTY AND EQUIPMENT, NET</b>	30,758,273	-	-	30,758,273
<b>OTHER ASSETS</b>	55,936	-	-	55,936
Total Assets	<u>\$ 141,193,474</u>	<u>\$ 1,347,964</u>	<u>\$ -</u>	<u>\$ 142,541,438</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 1,502,119	\$ -	\$ -	\$ 1,502,119
Accrued Expenses and Other Current Liabilities	933,691	-	-	933,691
Accrued Interest	798,923	-	-	798,923
Current Portion of Long-Term Debt	1,565,000	-	-	1,565,000
Wait List and Other Deposits	1,433,550	-	-	1,433,550
Total Current Liabilities	<u>6,233,283</u>	-	-	<u>6,233,283</u>
<b>LONG-TERM DEBT, NET OF CURRENT PORTION</b>	111,034,445	-	-	111,034,445
<b>REFUNDABLE ENTRANCE FEES</b>	4,160,263	-	-	4,160,263
<b>DEFERRED REVENUE FROM ENTRANCE FEES</b>	16,508,806	-	-	16,508,806
Total Liabilities	137,936,797	-	-	137,936,797
<b>NET ASSETS</b>				
Unrestricted Net Assets	2,687,553	1,347,964	-	4,035,517
Temporarily Restricted Net Assets	445,743	-	-	445,743
Permanently Restricted Net Assets	123,381	-	-	123,381
Total Net Assets	<u>3,256,677</u>	<u>1,347,964</u>	<u>-</u>	<u>4,604,641</u>
Total Liabilities and Net Assets	<u>\$ 141,193,474</u>	<u>\$ 1,347,964</u>	<u>\$ -</u>	<u>\$ 142,541,438</u>

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.**  
**DBA: VILLAGE ON THE ISLE AND SUBSIDIARY**  
**CONSOLIDATING STATEMENTS OF OPERATIONS**  
**AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Village on the Isle	Village on the Isle Foundation	Eliminations	Consolidated
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Resident Service Fees	\$ 10,115,917	\$ -	\$ -	\$ 10,115,917
Healthcare Services	6,697,653	-	-	6,697,653
Amortization of Earned Entrance Fees	3,202,929	-	-	3,202,929
Contributions	39,622	65,663	-	105,285
Investment Income and Realized Gains, Net	1,461,707	39,287	-	1,500,994
Net Assets Released from Restrictions	35,200	-	-	35,200
Other	317,684	-	-	317,684
Total Revenues, Gains, and Other Support	21,870,712	104,950	-	21,975,662
<b>EXPENSES</b>				
Resident Services	13,683,886	-	-	13,683,886
General and Administrative	2,385,407	11,711	-	2,397,118
Insurance	607,484	-	-	607,484
Property Taxes	363,608	-	-	363,608
Interest	1,436,058	-	-	1,436,058
Depreciation	2,436,547	-	-	2,436,547
Hurricane Loss	107,597	-	-	107,597
Total Expenses	21,020,587	11,711	-	21,032,298
<b>OPERATING INCOME</b>	850,125	93,239	-	943,364
<b>NONOPERATING LOSSES</b>				
Loss on Disposal of Assets	(2,738)	-	-	(2,738)
Contributions to Others	(36,358)	-	-	(36,358)
Total Nonoperating Losses	(39,096)	-	-	(39,096)
<b>EXCESS OF REVENUES OVER EXPENSES AND NONOPERATING LOSSES, NET</b>	811,029	93,239	-	904,268
<b>OTHER UNRESTRICTED NET ASSETS</b>				
Change in Unrealized Gains on Investments	386,184	92,872	-	479,056
Change in Unrestricted Net Assets	1,197,213	186,111	-	1,383,324
<b>TEMPORARILY RESTRICTED NET ASSETS</b>				
Contributions	56,567	-	-	56,567
Unrealized Loss on Investments	5,892	-	-	5,892
Change in Beneficial Interest Charitable Remainder Trust	989	-	-	989
Net Assets Released from Restrictions	(35,200)	-	-	(35,200)
Change in Temporarily Restricted Net Assets	28,248	-	-	28,248
<b>INCREASE IN NET ASSETS</b>	1,225,461	186,111	-	1,411,572
Net Assets - Beginning of Year	2,031,216	1,161,853	-	3,193,069
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,256,677</u>	<u>\$ 1,347,964</u>	<u>\$ -</u>	<u>\$ 4,604,641</u>