NATIONAL REGENCY OF NEW BERLIN, INC.

Financial Statements and Schedules

September 30, 2006 and 2005

(With Independent Auditors’ Report Thereon)

NATIONAL REGENCY OF NEW BERLIN, INC.

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KPMG LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202

Independent Auditors' Report

The Board of Directors
National Regency of New Berlin, Inc.:

We have audited the accompanying balance sheets of National Regency of New Berlin, Inc. (National Regency) as of September 30, 2006 and 2005, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of National Regency's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Regency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Regency of New Berlin, Inc. as of September 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Milwaukee, Wisconsin
January 8, 2007

KPMG LLP, a U.S. limited liability partnership, is the U.S.
member firm of KPMG International, a Swiss cooperative.

NATIONAL REGENCY OF NEW BERLIN, INC.

Balance Sheets

September 30, 2006 and 2005

Assets		**2006**	**2005**
Current assets:			
Cash and cash equivalents	$	10,555,584	11,725,102
Assets whose use is limited		—	902,288
Inventory of supplies		22,438	22,413
Prepaid expenses and other current assets		368,921	329,743
Total current assets		10,946,943	12,979,546
Noncurrent assets whose use is limited		89,479	1,128,532
Property, plant, and equipment, net		45,151,162	35,833,520
Deferred financing expenses, net		396,004	614,975
Total assets	$	56,583,588	50,556,573
Liabilities and Net Assets			
Current liabilities:			
Current installments of long-term debt	$	915,000	1,230,000
Accounts payable		614,555	796,427
Accrued expenses		470,867	546,499
Resident deposits and prepaid rent		1,227,035	1,230,348
Total current liabilities		3,227,457	3,803,274
Long-term debt, less current installments and unamortized discount		34,495,000	37,785,000
Asset retirement obligation		128,827	—
Fair value of interest rate swap		56,836	695,693
Due to affiliated organization		1,265,036	1,265,036
Total liabilities		39,173,156	43,549,003
Net assets		17,410,432	7,007,570
Total liabilities and net assets	$	56,583,588	50,556,573

See accompanying notes to financial statements.

NATIONAL REGENCY OF NEW BERLIN, INC.

Statements of Operations and Changes in Net Assets

Years ended September 30, 2006 and 2005

		2006	2005
Operating revenue	$	15,261,856	13,877,064
Expenses:			
Salaries and wages		3,623,567	3,376,702
Employee benefits		531,155	472,535
Contracted services		661,584	616,199
Food		714,269	661,453
Utilities, insurance, and real estate taxes		1,467,064	1,320,690
Other		2,329,088	2,185,782
Depreciation		2,032,198	1,710,068
Interest		2,174,669	2,318,752
Total expenses		13,533,594	12,662,181
Income from operations		1,728,262	1,214,883
Nonoperating gains, net		551,513	295,839
Loss on extinguishment of long-term debt		(175,104)	(2,179,160)
Revenues in excess of (less than) expenses		2,104,671	(668,438)
Other changes in net assets:			
Transfer from affiliate		7,858,884	—
Cumulative effect of change in accounting principle		(120,463)	—
Unrealized derivative gain (loss) arising during the year		559,770	(715,109)
Increase (decrease) in net assets		10,402,862	(1,383,547)
Net assets, beginning of year		7,007,570	8,391,117
Net assets, end of year	$	17,410,432	7,007,570

See accompanying notes to financial statements.

NATIONAL REGENCY OF NEW BERLIN, INC.

Statements of Cash Flows

Years ended September 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 10,402,862	(1,383,547)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized (gains) losses on derivative instruments	(559,770)	715,109
Depreciation	2,032,198	1,710,068
Loss on extinguishment of long-term debt	175,104	2,179,160
Cumulative effect of change in accounting principle	120,463	—
Transfer from affiliate	(7,858,884)	—
Net change in inventory of supplies, prepaid expenses, and other current assets	(39,203)	(135,899)
Net change in accounts payable and accrued expenses	(259,793)	149,007
Net change in other assets and liabilities	(65,554)	(102,090)
Net cash provided by operating activities	3,947,423	3,131,808
Cash flows from investing activities:		
Purchases of property, plant, and equipment, net	(1,589,009)	(5,250,264)
Purchase of Brookfield Senior Living	(3,290,178)	—
Proceeds from sales of assets whose use is limited	12,170,957	15,803,029
Purchases of assets whose use is limited	(10,229,616)	(12,367,313)
Net cash used in investing activities	(2,937,846)	(1,814,548)
Cash flows from financing activities:		
Repayment of long-term debt	(10,065,000)	(25,965,000)
Payment of deferred financing costs	(42,315)	(437,127)
Proceeds from the issuance of debt	—	29,990,000
Transfer from affiliate	7,858,884	—
Change in resident deposits	69,336	(49,495)
Net cash provided by (used in) financing activities	(2,179,095)	3,538,378
Increase (decrease) in cash and cash equivalents	(1,169,518)	4,855,638
Cash and cash equivalents:		
Beginning of year	11,725,102	6,869,464
End of year	$ 10,555,584	11,725,102
Supplemental data:		
Cash paid for interest	$ 2,245,665	2,676,013
Debt assumed with purchase of Brookfield Senior Living	6,460,000	—

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

National Regency of New Berlin, Inc. (National Regency), a nonstock, not-for-profit corporation, owns and operates senior living centers including:

- Regency House, a 105-unit assisted-living facility, and The Regency, a 108-unit independent-living facility, both located in New Berlin, Wisconsin
- Brookfield Regency, a 94-unit assisted-living facility located in Brookfield, Wisconsin
- Brookfield Senior Living (purchased December 30, 2005), a 103-unit senior living facility located in Brookfield, Wisconsin
- Muskego Regency, a 96-unit assisted-living facility, a 48-unit independent-living facility, and three supportive care centers totaling 106 units, located in Muskego, Wisconsin
- A medical office building located adjacent to Waukesha Memorial Hospital in Waukesha, Wisconsin

National Regency is an affiliate of ProHealth Care, Inc. (PHC), a nonstock, not-for-profit corporation organized to promote and extend quality healthcare services in Waukesha County, Wisconsin. PHC is the sole corporate member of National Regency, Waukesha Memorial Hospital, Inc. (WMH), Oconomowoc Memorial Hospital, Inc. (OMH), and ProHealth Home Care, Inc., all nonstock, not-for-profit corporations, and is the sole stockholder of Waukesha Health System, Inc. (WHS).

The financial statements have been presented in conformity with accounting principles generally accepted in the United States of America as recommended in the *Audit and Accounting Guide, Health Care Organizations,* published by the American Institute of Certified Public Accountants.

The percentage of total expense incurred for senior residential and healthcare services is approximately 68% in 2006 and 64% in 2005. The percentage of total expenses incurred for medical office expenses was approximately 12% in both 2006 and 2005. The remaining expenses incurred are for related administrative and support services.

The significant accounting policies of National Regency are as follows:

(a) Management Use of Estimates

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

(b) Net Asset Accounting

Restricted net assets are used to differentiate assets whose use is restricted by donor or grantor from unrestricted net assets on which the donor or grantor places no restriction or that arise as a result of the operations of National Regency for its stated purposes. Assets whose use is limited are reported as unrestricted net assets. At September 30, 2006 and 2005, there were no restricted net assets.

(Continued)

(c) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid debt instruments purchased with an original maturity of three months or less, excluding assets whose use is limited.

(d) Derivative Instruments

Derivative instruments are recorded at fair value on the balance sheets. For those derivatives that qualify as hedges, National Regency measures the effectiveness of the hedge on a quarterly basis. The derivatives that National Regency has entered into are accounted for as cash flow hedges. Under a cash flow hedge, the fair value gain (loss) related to the effective portion of the hedge is recorded as an other change in unrestricted net assets. The ineffective portion is recorded in nonoperating gains (losses) in the statements of operations. If the ineffectiveness of a hedge exceeds certain levels as described in the accounting standard, the derivative would no longer be eligible for hedge accounting, and all future changes in fair value of the derivative would be recorded in revenues in excess of expenses.

(e) Investments and Investment Income

Equity securities with readily determinable fair values and all debt securities are reported at fair value based on quoted market prices. Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of securities sold.

Investment income on trust funds established from tax-exempt borrowings, to the extent not capitalized, is reported as other operating revenue in the statements of operations and changes in net assets. Interest and dividend income and realized gains and losses on other unrestricted investments are reported in the statements of operations and changes in net assets as nonoperating gains. Realized gains and losses on all restricted investments are reported as changes in the respective net assets. Unrealized gains and losses on investments are excluded from revenue in excess of expenses unless the investments are trading securities. National Regency classifies all investments as available for sale.

Assets whose use is limited are classified as current to the extent they are available to meet current liabilities.

(f) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective depreciable assets using the straight-line method of accounting. Interest expense incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets.

(g) Long-Lived Assets

National Regency periodically assesses the recoverability of long-lived assets (including property, plant, and equipment and intangibles) when indications of potential impairment, based on estimated undiscounted future cash flows, exist. Management considers such factors as current results, trends, and future prospects, in addition to other economic factors, in determining the impairment of the asset. Management has determined that National Regency's long-lived assets are not impaired at September 30, 2006 and 2005.

(h) Deferred Financing Expenses

Expenses incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the term of the bonds using an effective interest method. Original issue discount is deducted from long-term debt and is being amortized as an adjustment of interest expense over the term of the bonds using an effective interest rate method.

(i) Resident Deposits and Prepaid Rent

National Regency receives security deposits for each unit rented. These deposits from residents are recorded as a liability until they are returned to former residents at the end of a lease. Rent received is recorded as revenue in the month that it is earned. Rent received in advance is recorded as prepaid rent until earned.

(j) Federal Income Taxes

National Regency is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code.

(2) Assets Whose Use is Limited

Assets whose use is limited that are recorded at market value are summarized as follows:

	2006	2005
Restricted by bond trustee under note indenture:		
Debt service reserve fund	$ —	984,826
Interest and principal fund	—	188,805
Construction fund	—	771,410
Reserved for unemployment compensation	89,479	85,779
Total assets whose use is limited	$ 89,479	2,030,820

The assets whose use is limited are invested as follows:

		2006	2005
Cash on deposit and money market funds	$	—	1,245,041
Municipal bonds		—	700,000
Certificates of deposit		89,479	85,779
Total assets whose use is limited and investments	$	89,479	2,030,820

National Regency's investment return comprising interest and dividend income is included in the statements of operations for the years ended September 30, 2006 and 2005 as follows:

		2006	2005
Operating revenue	$	86,752	72,137
Nonoperating gains		472,419	276,422
Total investment return	$	559,171	348,559

(3) Property, Plant, and Equipment

Property, plant, and equipment at September 30, 2006 and 2005 are summarized as follows:

		2006	2005
Land	$	3,570,595	2,115,288
Land improvements		2,148,642	2,032,086
Buildings		55,607,098	46,520,267
Furniture and equipment		1,964,987	1,519,006
Construction in progress		687,508	396,343
Total property, plant, and equipment		63,978,830	52,582,990
Less accumulated depreciation		18,827,668	16,749,470
Property, plant, and equipment, net	$	45,151,162	35,833,520

National Regency purchased Brookfield Senior Living (formerly known as Brookfield Woods) on December 30, 2005. The total purchase price was $9,750,000, which included the assumption of $6,460,000 in Housing Authority of the County of Waukesha, Housing Refunding Revenue Bonds (see note 4). The balance of the purchase price was funded from working capital.

(4) Long-term Debt

Long-term debt at September 30, 2006 and 2005 is summarized as follows:

		2006	2005
Taxable Revenue Bonds, Series 1993, interest rates ranging from 6.8% to 7.85%, (7.76% and 7.96% in 2006 and 2005, respectively) mature 2022	$	—	9,025,000
Senior Housing Revenue Refunding Bonds, Series 2001, interest rates ranging from 3.6% in 2006 to 4.8% in 2011 on the serial bonds and 4.8% on the term bonds. Assumed December 30, 2005		6,370,000	—
Adjustable Demand Revenue Bonds, Series 2005, interest rates variable based on market conditions (2.7% effective rate in 2006 and 2005), mature 2034, principal payments ranging from $820,000 in 2006 to $1,775,000 in 2025		29,040,000	29,990,000
Total long-term debt		35,410,000	39,015,000
Less:			
Current installments		915,000	1,230,000
Long-term debt, less current installments and unamortized discount	$	34,495,000	37,785,000

On June 20, 2006, the 1993 bonds were repaid and a loss on extinguishment was recorded for $175,104. The assets whose use is limited that was restricted by bond trustee under the Series 1993 note indenture in prior years were no longer restricted in 2006.

On May 11, 2005, National Regency issued Adjustable Demand Revenue Bonds, Series 2005, for $29,990,000. A portion of the proceeds from the 2005 bonds was used to pay down the 1995 bonds. The 1995 bonds were legally defeased and a loss on defeasance was recognized for $2,179,160. The Series 2005 Bonds are currently operating in a daily mode with the variable interest rate set each business day by the remarketing agent at a rate that would enable the bonds to be remarketed at the principal amount plus accrued interest.

The Series 2005 Bonds are collateralized by an irrevocable bank letter of credit with a bank. The letter of credit expires in 2010. In the event that the remarketing agent is unable to remarket the bonds, the bonds would remain outstanding and would be owned by the bank.

On December 30, 2005, National Regency assumed $6,460,000 in Housing Authority of the County of Waukesha Housing Refunding Revenue Bonds (see note 3). These bonds are secured by a letter of credit between National Regency and a bank.

The loan agreements contain various covenants and restrictions, including the maintenance of a minimum debt service coverage ratio (2005 issue) and minimum low income units (2001 issue).

Aggregate long-term debt payments are as follows:

Year ending September 30:		
2007	$	915,000
2008		950,000
2009		995,000
2010		1,040,000
2011		1,090,000
2012 and thereafter		30,420,000
	$	35,410,000

(5) Derivative Instruments and Hedging Activities

The derivative instrument used by National Regency is an interest rate swap agreement that is used to convert variable-rate interest on the long-term debt to fixed-rate interest. The variable interest rate on the debt generally exposes National Regency to variability in cash flow in rising or declining interest rate environments. In converting variable-rate interest to a fixed rate, the interest rate swap effectively reduces the variability of the cash flow of the debt.

(a) Objectives and Strategies

National Regency, at times, uses variable-rate debt to finance its operations. The debt obligations expose National Regency to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into an interest rate swap agreement to manage fluctuations in cash flows resulting from interest rate risk.

By using derivative financial instruments to hedge exposures to changes in interest rates, National Regency exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes National Regency, which creates credit risk for National Regency. When the fair value of a derivative contract is negative, National Regency owes the counterparty, and therefore, it does not pose credit risk. National Regency minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

(b) Risk Management Policies

National Regency assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. National Regency maintains risk management control systems to monitor interest rate risk attributable to both National Regency's outstanding or forecasted debt obligations, as well as National Regency's offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on National Regency's future cash flows.

National Regency does not use derivative instruments for speculative investment purposes.

(c) Transaction

Consistent with the objectives set forth above, effective May 11, 2005, National Regency entered into an interest rate swap matched to its 2005 bonds. Under the terms of this interest rate swap, National Regency pays a fixed rate of 3.6% and receives a variable rate of interest equal to 70% of the one-month LIBOR index, reset weekly.

The fair value of the interest rate swap is $56,836 and $695,693 at September 30, 2006 and 2005, respectively. During the years ended September 30, 2006 and 2005, the ineffective portion of the hedge transaction was $79,094 and $19,416, respectively, included in nonoperating gains, net in the statements of operations. Included in unrestricted net assets at September 30, 2006 and 2005 are $559,770 and $715,109, respectively, of unrealized derivative losses.

The interest rate swap agreement at September 30, 2006 is as follows:

Type	Notional amount	Maturity date	Fixed pay rate	Variable receive rate
2005 bonds	$ 29,040,000	August 15, 2034	3.60%	3.73%

Net cash paid under the interest rate swap agreement of $75,775 and $137,905 during 2006 and 2005, respectively, was charged to interest expense in the statements of operations. Cash received under the interest rate swap agreement was $13,267 and $0 in 2006 and 2005, respectively.

(6) Leases

National Regency leases space in the medical office building to WMH, WHS, and unrelated parties. The leases are accounted for as operating leases. Gross rental income, which excludes amounts earned for utilities and property taxes from the lessees, was approximately $1,185,000 and $1,275,000 in 2006 and 2005, respectively, of which approximately $592,000 and $577,000, respectively, was received from other affiliates of PHC. During 2006 and 2005, approximately $648,000 and $674,000, respectively, was earned from the lessees for related expenses, including property taxes, utilities, and other operating expenses. These operating leases expire at various dates through 2009. The future minimum gross rental receipts under these noncancelable operating leases are as follows:

Year ending September 30:	
2007	$ 1,100,945
2008	825,013
2009	685,478
2010	466,651
2011	233,211
	$ 3,311,298

The carrying value of the medical office building under these operating leases is approximately $8,721,000 and $8,892,000 at September 30, 2006 and 2005, respectively.

(7) Transactions with Affiliated Organizations

Concurrent with the issuance of the Taxable Revenue Bonds, Series 1993, to National Regency, the Wisconsin Health and Educational Facilities Authority issued $9,130,000 in revenue bonds on behalf of WMH. The proceeds of the combined 1993 issues were used to construct the medical office building; construct a parking structure, which is owned by WMH; and fund certain capital improvements. At September 30, 2006 and 2005, the amount due to affiliated organization represents amounts due to WMH for funds received from a portion of the proceeds of the Series 1993 revenue bonds issued on behalf of WMH for construction of the medical office building and additional amounts borrowed from WMH for construction costs. The amounts due to WMH will be paid in 2022. During 2006, WMH transferred $7,858,884 to National Regency to payoff the Taxable Revenue Bonds, Series 1993.

(8) Asbestos Removal Costs

In March 2005, the Financial Accounting Standards Board issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47). FIN 47 requires the current recognition of a liability when a legal obligation exists to perform an asset retirement obligation in which the timing or method of settlement are conditional on a future event that may or may not be under the control of the entity. FIN 47 requires an asset retirement obligation (ARO) liability be recorded at its net present value with recognition of a related long-lived asset in a corresponding amount. The ARO liability is accreted through periodic charges to depreciation expense. The initially capitalized ARO long-lived asset is depreciated over the corresponding long-lived asset's remaining useful life. National Regency adopted FIN 47 effective as of September 30, 2006.

National Regency is legally liable to remove asbestos from existing buildings prior to future remodeling or demolishing of the existing buildings. The estimated asbestos removal cost at September 30, 2006 is $128,827. The net book value of the ARO long-lived asset at September 30, 2006 is $8,364. The excess of the ARO liability over the net book value of the ARO long-lived asset at September 30, 2006 of $120,463 has been reported as a cumulative effect of a change in accounting principle.

KPMG LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202

Independent Auditors' Report – Consolidating Information

The Board of Directors
National Regency of New Berlin, Inc.:

We have audited and reported separately herein on the financial statements of National Regency of New Berlin, Inc. as of and for the years ended September 30, 2006 and 2005.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The consolidating information included in schedules 1 and 2 is presented for purposes of additional analysis of the 2006 financial statements rather than to present the financial position and results of operations of the individual entities. The consolidating information has been subjected to the auditing procedures applied in the audit of the 2006 financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the 2006 financial statements taken as a whole.

KPMG LLP

Milwaukee, Wisconsin
January 8, 2007

KPMG LLP, a U.S. limited liability partnership, is the U.S.
member firm of KPMG International, a Swiss cooperative.

Schedule 1

NATIONAL REGENCY OF NEW BERLIN, INC.

Consolidating Balance Sheet Information

September 30, 2006

Assets		**Regency Living Centers**	**Medical office building**	**Total**
Current assets:				
Cash and cash equivalents	$	9,431,638	1,123,946	10,555,584
Inventory of supplies		22,438	—	22,438
Prepaid expenses and other current assets		341,267	27,654	368,921
Total current assets		9,795,343	1,151,600	10,946,943
Noncurrent assets whose use is limited		89,479	—	89,479
Property, plant, and equipment, net		36,430,414	8,720,748	45,151,162
Deferred financing expenses, net		396,004	—	396,004
Total assets	$	46,711,240	9,872,348	56,583,588
Liabilities and Net Assets				
Current liabilities:				
Current installments of long-term debt	$	915,000	—	915,000
Accounts payable		570,953	43,602	614,555
Accrued expenses		336,632	134,235	470,867
Resident deposits and prepaid rent		1,207,322	19,713	1,227,035
Total current liabilities		3,029,907	197,550	3,227,457
Long-term debt, less current installments and unamortized bond discount		34,495,000	—	34,495,000
Asset retirement obligation		—	128,827	128,827
Fair value of interest rate swap		56,836	—	56,836
Due to affiliated organization		—	1,265,036	1,265,036
Total liabilities		37,581,743	1,591,413	39,173,156
Net assets		9,129,497	8,280,935	17,410,432
Total liabilities and net assets	$	46,711,240	9,872,348	56,583,588

See accompanying independent auditors' report-consolidating information.

Schedule 2

NATIONAL REGENCY OF NEW BERLIN, INC.

Consolidating Statement of Operations and Changes in Net Assets Information

Year ended September 30, 2006

		Regency Living Centers	Medical office building	Total
Operating revenue	$	13,235,127	2,026,729	15,261,856
Expenses:				
Salaries and wages		3,623,567	—	3,623,567
Employee benefits		531,155	—	531,155
Contracted services		568,871	92,713	661,584
Food		714,269	—	714,269
Utilities, insurance, and real estate taxes		1,090,794	376,270	1,467,064
Other		2,089,310	239,778	2,329,088
Depreciation		1,715,124	317,074	2,032,198
Interest		1,657,492	517,177	2,174,669
Total expenses		11,990,582	1,543,012	13,533,594
Income from operations		1,244,545	483,717	1,728,262
Nonoperating gains, net		551,513	—	551,513
Loss on extinguishment of long-term debt		—	(175,104)	(175,104)
Revenues in excess of expenses		1,796,058	308,613	2,104,671
Other changes in net assets:				
Transfer from affiliate		—	7,858,884	7,858,884
Cumulative effect of change in accounting principle		—	(120,463)	(120,463)
Unrealized derivative gain arising during the year		559,770	—	559,770
Increase in net assets		2,355,828	8,047,034	10,402,862
Net assets, beginning of year		6,773,669	233,901	7,007,570
Net assets, end of year	$	9,129,497	8,280,935	17,410,432

See accompanying independent auditors' report-consolidating information.