OPEN ARMS CARE CORPORATION INC.,
AND AFFILIATES

Consolidated Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

LBMC MAKE A GOOD BUSINESS BETTER

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

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LBMC MAKE A GOOD BUSINESS BETTER

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Open Arms Care Corporation Inc., and Affiliates:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Open Arms Care Corporation Inc., and Affiliates (collectively, the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Open Arms Care Corporation Inc., and Affiliates as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on Pages 15-16 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies. The consolidating 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. Such 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.

LBMC, PC

Brentwood, Tennessee
February 26, 2018

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Consolidated Balance Sheets

December 31, 2017 and 2016

Assets

	2017	2016
Current assets:		
Cash and cash equivalents	$ 3,851,569	$ 3,398,645
Funds held in custody for others	458,672	353,022
Patient accounts receivable, less allowance for doubtful accounts of approximately $89,000 in 2017 and 2016	4,964,333	3,814,893
Prepaid expenses and other current assets	257,366	264,017
Total current assets	9,531,940	7,830,577
Property and equipment, net	288,256	29,010
Other Assets:		
Start-up costs, less accumulated amortization of approximately $130,939 in 2017	888,844	109,594
Other long-term assets	75,160	63,835
Notes receivable	1,914,895	1,914,895
Total other assets	2,878,899	2,088,324
Total assets	$ 12,699,095	$ 9,947,911

Liabilities and Net Assets (Deficit)

	2017	2016
Current liabilities:		
Accounts payable and accrued expenses	$ 1,734,297	$ 954,990
Funds held in custody for others	458,672	353,022
Accrued rent expense	3,071,099	3,396,412
Accrued salaries and benefits	1,227,909	868,776
Accrued interest	26,000	20,000
Current portion of long-term debt	200,000	-
Total current liabilities	6,717,977	5,593,200
Long-term debt	2,700,000	2,000,000
Deferred gain on sale-leaseback transaction	1,813,887	2,993,018
Total liabilities	11,231,864	10,586,218
Net assets (deficit)	1,467,231	(638,307)
Total liabilities and net assets (deficit)	$ 12,699,095	$ 9,947,911

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations and Changes in Net Assets (Deficit)

Years ended December 31, 2017 and 2016

	2017	2016
Unrestricted revenues:		
Net patient service revenues	$ 52,499,476	$ 43,216,565
Investment income	4,110	21,469
Net special events revenue	72	24,386
Other revenues	47,863	53,019
Total unrestricted revenues	52,551,521	43,315,439
Expenses:		
Salaries and wages	27,192,389	23,047,918
Employee benefits	4,396,115	4,242,309
Professional services	1,793,782	1,582,597
Supplies	5,535,775	4,630,525
Maintenance and repairs	605,561	587,440
Utilities	717,328	686,144
Insurance	532,184	522,538
Depreciation and amortization of property and equipment	47,730	6,067
Amortization of start-up costs	130,939	-
Interest expense	286,899	240,818
Gain on disposal of property and equipment	(800)	(5,575)
Taxes and licenses	3,660,123	2,438,084
Provision for doubtful accounts	-	40
Rent	3,543,915	3,481,279
Amortization of deferred gain	(1,179,131)	(1,497,920)
Management fee and related costs of operations	3,183,174	2,879,459
Total expenses	50,445,983	42,841,723
Excess of revenues over expenses	2,105,538	473,716
Net deficit at beginning of year	(638,307)	(1,112,023)
Net assets (deficit) at end of year	$ 1,467,231	$ (638,307)

See accompanying notes to the consolidated financial statements.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Excess of revenues over expenses	$ 2,105,538	$ 473,716
Adjustments to reconcile excess revenues over expenses to net cash and cash equivalents used by operating activities:		
Depreciation and amortization of property and equipment	47,730	6,067
Amortization of start-up costs	130,939	-
Provision for doubtful accounts	-	40
Gain on disposal of property and equipment	(800)	(5,575)
Amortization of deferred gain	(1,179,131)	(1,497,920)
(Increase) decrease in operating assets:		
Patient accounts receivable	(1,149,440)	(479,260)
Prepaid expenses and other current assets	6,651	(149,740)
Start-up costs	(910,189)	(109,594)
Other assets	(11,325)	(19,475)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	779,307	223,084
Accrued rent expense	(325,313)	1,264,997
Accrued salaries and benefits	359,133	158,658
Accrued interest	6,000	-
Net cash used by operating activities	(140,900)	(135,002)
Cash flows from investing activities:		
Proceeds from the sale of property and equipment	800	5,575
Purchase of property and equipment	(306,976)	(21,772)
Net cash used by investing activities	(306,176)	(16,197)
Cash flows from financing activities:		
Proceeds from line of credit	1,000,000	-
Principal payments on line of credit	(100,000)	-
Net cash provided by financing activities	900,000	-
Increase (decrease) in cash and cash equivalents	452,924	(151,199)
Cash and cash equivalents at beginning of year	3,398,645	3,549,844
Cash and cash equivalents at end of year	$ 3,851,569	$ 3,398,645
Supplemental disclosure of cash flow information - Cash paid for interest	$ 280,899	$ 240,818

See accompanying notes to the consolidated financial statements.

(1) Organization

The accompanying consolidated financial statements of Open Arms Care Corporation Inc., and Affiliates (collectively the "Company") include the transactions and accounts of Open Arms Care Corporation, Inc., Open Arms Care Foundation ("Foundation"), and Open Arms Health System, LLC ("Clinic").

Open Arms Care Corporation, Inc. operates intermediate care facilities for persons with intellectual and developmental disabilities. The facilities are located in Chattanooga, Knoxville, Memphis, Nashville and Greeneville, Tennessee. In 2005, the Foundation was formed to support non-Medicaid allowable expenses and capital projects through charitable donations for the benefit of the Open Arms Care Corporation, Inc.'s clients. In 2013, Open Arms Health System, LLC ("OAHS") was formed to provide routine clinic services to the clients and employees of Open Arms Care Corporation, Inc. In 2016, the Company executed leases for nine new homes which were put into operation in 2017.

(2) Summary of significant accounting policies

(a) Effects of regulation

The consolidated financial statements reflect the effects of rate regulation in accordance with accounting principles generally accepted in the United States of America ("GAAP") and comply with the accounting practices prescribed by the Centers for Medicare & Medicaid Services. Under those accounting practices, initial development costs necessary to furnish patient care services, commonly referred to as start-up costs, must be capitalized as deferred charges and amortized over five years. This differs from GAAP primarily because start-up costs are expensed as incurred. Concurrent with the preopening of nine new homes, the Company capitalized $1,019,783 and $109,594 of start-up costs as of December 31, 2017 and 2016, respectively. Amortization expense related to start-up costs was $130,939 during 2017.

As discussed in Note 11, when facilities are replaced or new facilities are leased the Company enters into individual lease agreements with rent payments that are structured to match the lessors debt service obligations. The scheduled rent payments decrease over the term of the leases. Rent expense is being recognized when due, rather than on a straight-line basis. This accounting practice differs from GAAP primarily because variable rent payments are recognized on a straight-line basis.

(b) Principles of consolidation

These consolidated financial statements include the accounts of Open Arms Care Corporation, Inc., Open Arms Care Foundation, Inc., and Open Arms Care Health Services, LLC. All significant intercompany accounts and transactions have been eliminated.

(c) Cash and cash equivalents

The Company considers cash and highly liquid investments having a maturity date at acquisition of 90 days or less to be cash and cash equivalents.

(d) Property and equipment

Property and equipment are stated at cost. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Buildings improvements are generally depreciated over ten years and vehicles over three to five years.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(e) Deferred gain on sale-leaseback

The deferred gain is being amortized over the life of the leases as discussed at Note 11.

(f) Performance indicator

The revenues over expenses as reflected in the accompanying consolidated statements of operations is a performance indicator.

(g) Federal income taxes

Open Arms Care Corporation, Inc. is an organization recognized as exempt from federal income tax under Section 501(c)(3) and as a public charity under Section 509(a)(1) and as a hospital described in Section 170(b)(1)(A)(iii). Open Arms Care Foundation is an organization recognized as exempt from federal income tax under 501(c)(3) and as a public charity under Section 509(a)(1) and as a publicly supported organization under Section 170(b)(1)(A)(vi). The Internal Revenue Service has determined that the Company is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Open Arms Health System, LLC is a single member limited liability company and for tax purposes, is treated as a disregarded entity of Open Arms Care Corporation, Inc.

Under GAAP, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax purposes not meeting the "more likely than not" test, no tax benefit is recorded. The Company has no material uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

As of December 31, 2017, the Company has accrued no interest and no penalties related to uncertain tax positions. It is the Company's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Company files Federal Form 990 informational tax returns. The Company is currently open to examinations by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

(h) Revenue recognition

Net patient service revenue is recognized at the estimated net realizable amounts from patients, third-party payors and others for services rendered.

(i) Use of estimates

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

(j) Reclassifications

Certain reclassifications have been made to the 2016 consolidated financial statements in order to conform to the 2017 presentation. These reclassifications have no effect on the excess of revenues over expenses or net assets as previously reported.

(k) Events occurring after reporting date

The Company has evaluated events and transactions that occurred between December 31, 2017 and February 26, 2018, which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

(3) Credit risk

The Company may maintain cash and cash equivalents on deposit at banks in excess of federally insured amounts. The Company has not experienced any losses in such accounts and management believes the Company is not exposed to any significant credit risk related to cash and cash equivalents.

(4) Medicaid program

Services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Company is reimbursed at a rate determined prospectively based on its filed cost reports. Final determination of amounts to be received is subject to audit by Medicaid.

The State of Tennessee imposes a provider tax on Intermediate Care Facilities for persons with intellectual and developmental disabilities at a rate of 5.5% of gross receipts, as defined. The consolidated statements of operations include approximately $2,823,000 and $2,353,000 of Tennessee provider tax expense for 2017 and 2016, respectively.

Substantially all net patient service revenues in 2017 and 2016 relate to services provided to patients covered by the Medicaid program. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. The Company believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid program.

(5) Note receivable

In 2015, the Company received a promissory note receivable for $1,914,895 from Woodbine Community Organization, Inc. ("Woodbine") in connection with the sale-leaseback transaction discussed at Note 11. Interest was paid in semi-annual installments at a fixed rate of 1%, which was reduced to 0% effective November 1, 2016. Principal on the note is to be paid on April 27, 2030. The note is subject to certain principal payment requirements with conditions as defined in the agreement. The Company recognized interest income of $16,489 in 2016 that is included in investment income in the consolidated statements of operations.

(6) Debt

Debt consists of the following:

	2017	2016
Note payable to related party; monthly interest only payments at 12% per annum with principal due September 30, 2022.	$ 2,000,000	$ 2,000,000
Line of credit with related party; monthly principal and interest payments at 8% per annum maturing September 30, 2022.	900,000	-
Total	2,900,000	-
Less current portion	200,000	-
Long-term portion	$ 2,700,000	$ 2,000,000

In 2015, the Company borrowed $2,000,000 at a fixed interest rate equal to 12% per annum from Integra Resources, LLC ("Integra"). The note is secured by substantially all assets of the Company and is subordinated to certain required rent payments discussed in Note 11. The note is payable in monthly interest-only payments with principal due September 30, 2022. Should the management agreements be extended (see Note 8), the due date of this note is automatically extended to the termination date of the management agreement. The note is subject to a call provision should the management agreement be terminated and would be due in 16 monthly installments starting 30 days after such termination.

In 2015, the Company entered into a $1,000,000 revolving line of credit with Integra. Borrowings bear interest at a fixed rate equal to 8% per annum. The line of credit is payable in monthly principal and interest payments maturing September 30, 2022. The note is secured by substantially all assets of the Company and is subordinated to certain required rent payments discussed in Note 11. The line of credit is subject to a call provision should the management agreement be terminated and would be due 30 days after such termination.

A summary of approximate future maturities on long-term debt as of December 31, 2017 is as follows:

Year		
2018	$	200,000
2019		200,000
2020		200,000
2021		200,000
2022		2,100,000
	$	2,900,000

(7) Commitments and Contingencies

Operating Lease Commitments

Future minimum annual rental payments under noncancelable operating lease and service agreements, excluding the facility leases discussed in Note 11, as of December 31, 2017 are as follows:

Year		
2018	$	543,000
2019		402,000
2020		230,000
2021		145,000
2022		136,000
Thereafter		11,000
	$	1,467,000

Total rental expense under noncancelable operating leases and service agreements, which includes amounts applicable to short-term leases, was approximately $1,163,000 and $882,000 for 2017 and 2016, respectively. The expense is higher than the future commitments due to vehicle leases that have cancellation features at the Company's option.

Healthcare Regulation

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or 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. Management believes that the Company is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Healthcare Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation became effective in 2014. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the Company's operations.

Insurance

The Company maintains claims made basis professional and occurrence basis general liability insurance for primary coverage. The Company also maintains excess insurance coverage.

Litigation

The Company is subject to claims and suits arising in the ordinary course of business. In the opinion of management, the ultimate resolution of pending legal proceedings will not have a material effect on the Company's financial position.

(8) Management agreement

Concurrent with the sale-leaseback transaction (see Note 11), the Company borrowed $2,000,000 and entered into a management agreement with Integra. See Note 6 for terms of the $2,000,000 borrowing. The management agreement provides general management services to all facilities. The management agreement expires on March 31, 2024 with automatic extensions up to seven years. Integra charges a management fee that is a combination of a fixed monthly fee per facility, 5% of the OAHS gross revenues and the salary and expenses of the facility directors, subject to inflation increases.

During 2017, the Company borrowed $1,000,000 on the line of credit and entered into an additional management agreement with Integra for nine new homes. See Note 6 for terms of the line of credit. The management agreement provides general management services to all facilities. The management agreement expires seven years after the opening of each home, with automatic extensions up to seven years. Integra charges a management fee of $54,300 per year, per home, subject to inflation increases.

For the years ended December 31, 2017 and 2016, Integra charged management fees and related costs of operations of $3,183,174 and $2,879,459, respectively, to the Company.

(9) Functional expenses

The Company provides intermediate care services to individuals with intellectual and developmental disabilities within certain geographic locations. Expenses related to providing these services are as follows:

	2017	2016
Intellectual and developmental services	$ 45,555,758	$ 38,342,575
General and administrative	4,872,525	4,473,800
Fundraising	17,700	25,348
	$ 50,445,983	$ 42,841,723

(10) Retirement plan

The Company has a defined contribution 403(b) retirement plan for employees who have two years of service. For the years ended December 31, 2017 and 2016, the Company contributed approximately 1.0% of each participants' compensation, subject to Internal Revenue Code limitations. The Company contributed approximately $157,000 and $146,000 to the plan in 2017 and 2016, respectively.

(11) Sale-leaseback transaction

During April 2015, the Company sold substantially all of its property and equipment to an unrelated party for approximately $11.5 million. The Company received cash of approximately $9.6 million and a note receivable for $1.9 million (see Note 5). The Company used the cash proceeds and certain trusteed funds to retire substantially all of the Company's long-term debt. The gain, which was net of transaction costs, was approximately $5,765,000, has been deferred and is being recognized over the term of the lease in proportion to certain rental payments as discussed below. In conjunction with the transaction, the Company entered into individual lease agreements to leaseback the property and equipment from the buyer. The leases are for terms of 15 years and can be extended at the option of the Company for two additional 5 year terms.

Rent expense under these leases totaled approximately $2,928,000 and $3,481,000 during 2017 and 2016, respectively. The lease agreements allow for certain property improvements to be passed along to the Company as incremental increases in rent payments. For the years ended December 31, 2017 and 2016, the Company expensed approximately $245,000 and $230,000, respectively, in additional rent related to property improvements. A summary of approximate future lease payments under the leases and related amortization of the deferred gain as of December 31, 2017 is as follows:

		Amortization		
Years	Rent	Gain	Transaction Costs	Total
2018	$ 2,222,000	$ (928,000)	$ 125,000	$ (803,000)
2019	1,636,000	(581,000)	79,000	(502,000)
2020	995,000	(195,000)	26,000	(169,000)
2021	794,000	(93,000)	12,000	(81,000)
2022	754,000	(93,000)	12,000	(81,000)
Thereafter	3,696,000	(205,000)	27,000	(178,000)
	$ 10,097,000	$ (2,095,000)	$ 281,000	$ (1,814,000)

As of December 31, 2017 and 2016, there was approximately $3,052,000 and $3,396,000, respectively, of rent payments accrued on the consolidated balance sheet related to the leases above. These amounts are paid subsequent to the annual cost report filing for the Company. Should there be changes to the allowed facility rental reimbursement in the annual cost report, there are remedies within the lease agreements that permit changes to the rent payments subject to an annual floor as defined in the agreements.

The Company has implemented a plan to replace substantially all facilities over a five year period. The rent payments are structured to match the expected facility replacement at each location and the related reimbursement. As the facilities are replaced, the lease agreements discussed above are subject to termination and the Company will enter into new leases related to the replacement facilities. Based on management's plans to replace all facilities over the next five years and the expected termination of the leases discussed above, the rent expense is being recognized when due, rather than on a straight-line basis over 15 years. The related deferred gain on the sale-leaseback is being amortized in a similar manner.

During 2017, the Company opened nine new homes. Rent expense under these leases totaled approximately $616,000 during 2017. The Company recognizes rent expense for the lease agreements based on the amount due, rather than on a straight-line basis, see Note 2(a). A summary of approximate future lease payments as of December 31, 2017 is as follows:

Year	Rent
2018	$ 1,125,000
2019	1,100,000
2020	1,075,000
2021	1,050,000
2022	1,000,000
Thereafter	17,161,000
	$ 22,511,000

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Supplemental Schedule - Consolidating Balance Sheet

December 31, 2017

	Chattanooga	Greeneville	Knoxville	Memphis	Nashville	Headquarters	Subtotal Open Arms Care Corporation	Open Arms Health System, LLC	Total Open Arms Care Corporation	Open Arms Care Foundation	Total Consolidated Open Arms Care Corporation
Current Assets:											
Cash and cash equivalents	$ 4,000	$ 1,500	$ 7,000	$ 5,000	$ 5,000	$ 3,430,966	$ 3,453,466	$ 89,623	$ 3,543,089	$ 308,480	$ 3,851,569
Funds held in custody for others	112,833	20,409	85,796	54,210	185,424	-	458,672	-	458,672	-	458,672
Patient accounts receivable, net	1,162,000	362,109	1,484,501	1,052,030	901,837	1,856	4,964,333	-	4,964,333	-	4,964,333
Prepaid expenses and other current assets	57,667	2,758	45,215	104,140	42,995	4,591	257,366	-	257,366	-	257,366
Total current assets	1,336,500	386,776	1,622,512	1,215,380	1,135,256	3,437,413	9,133,837	89,623	9,223,460	308,480	9,531,940
Property and equipment, net	54,337	79,498	123,335	4,579	20,037	6,470	288,256	-	288,256	-	288,256
Other assets:											
Start-up costs, net	266,744	373,265	248,835	-	-	-	888,844	-	888,844	-	888,844
Other long-term assets	7,500	31,550	6,575	14,360	3,675	11,500	75,160	-	75,160	-	75,160
Notes receivable	-	-	-	-	-	1,914,895	1,914,895	-	1,914,895	-	1,914,895
Total other assets	274,244	404,815	255,410	14,360	3,675	1,926,395	2,878,899	-	2,878,899	-	2,878,899
Total assets	$ 1,665,081	$ 871,089	$ 2,001,257	$ 1,234,319	$ 1,158,968	$ 5,370,278	$ 12,300,992	$ 89,623	$ 12,390,615	$ 308,480	$ 12,699,095
Current liabilities:											
Accounts payable and accrued expenses	$ 413,552	$ 48,636	$ 387,437	$ 378,011	$ 409,775	$ 77,336	$ 1,714,747	$ 411	$ 1,715,158	$ 19,139	$ 1,734,297
Funds held in custody for others	112,833	20,409	85,796	54,210	185,424	-	458,672	-	458,672	-	458,672
Accrued rent expense	630,905	6,229	965,788	714,320	753,857	-	3,071,099	-	3,071,099	-	3,071,099
Accrued salaries and benefits	310,636	85,618	334,656	256,125	235,681	5,193	1,227,909	-	1,227,909	-	1,227,909
Accrued interest	1,333	2,000	2,667	-	-	20,000	26,000	-	26,000	-	26,000
Current portion of long-term debt	-	-	-	-	-	200,000	200,000	-	200,000	-	200,000
Total current liabilities	1,469,259	162,892	1,776,344	1,402,666	1,584,737	302,529	6,698,427	411	6,698,838	19,139	6,717,977
Intercompany payable/(receivable)	(1,695,124)	613,190	318,152	(676,437)	(1,279,832)	2,720,051	-	-	-	-	-
Long-term debt	-	-	-	-	-	2,700,000	2,700,000	-	2,700,000	-	2,700,000
Deferred gain on leaseback	-	-	-	-	-	1,813,887	1,813,887	-	1,813,887	-	1,813,887
Total liabilities	(225,865)	776,082	2,094,496	726,229	304,905	7,536,467	11,212,314	411	11,212,725	19,139	11,231,864
Net assets (deficit), unrestricted	1,890,946	95,007	(93,239)	508,090	854,063	(2,166,189)	1,088,678	89,212	1,177,890	289,341	1,467,231
Total liabilities and net assets (deficit)	$ 1,665,081	$ 871,089	$ 2,001,257	$ 1,234,319	$ 1,158,968	$ 5,370,278	$ 12,300,992	$ 89,623	$ 12,390,615	$ 308,480	$ 12,699,095

See accompanying independent auditors' report

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Supplemental Schedule - Consolidating Statement of Operations and Changes in Net Assets (Deficit)

For the year ended December 31, 2017

	Chattanooga	Greeneville	Knoxville	Memphis	Nashville	Headquarters	Subtotal Open Arms Care Corporation	Open Arms Health System, LLC	Total Open Arms Care Corporation	Open Arms Care Foundation	Total Consolidated Open Arms Care Corporation
Unrestricted revenue:											
Net patient services revenue	$ 12,553,392	$ 2,793,559	$ 14,491,283	$ 11,977,536	$ 10,683,706	$ -	$ 52,499,476	$ -	$ 52,499,476	$ -	$ 52,499,476
Investment income	-	-	-	-	-	4,110	4,110	-	4,110	-	4,110
Net special events revenue	-	-	-	-	-	-	-	-	-	72	72
Intercompany revenue	5,231	-	-	4,148	15,804	-	25,183	-	25,183	(25,183)	-
Other revenues	3,483	-	1,870	187	10,565	2,423	18,528	-	18,528	29,335	47,863
Total unrestricted revenues	12,562,106	2,793,559	14,493,153	11,981,871	10,710,075	6,533	52,547,297	-	52,547,297	4,224	52,551,521
Expenses:											
Salaries and wages	6,539,307	1,407,044	7,508,039	5,916,603	5,631,395	190,001	27,192,389	-	27,192,389	-	27,192,389
Employee benefits	1,157,006	233,103	1,242,882	946,587	800,305	16,232	4,396,115	-	4,396,115	-	4,396,115
Professional services	354,310	64,628	477,591	458,352	338,356	99,445	1,792,682	-	1,792,682	1,100	1,793,782
Supplies	1,465,141	309,587	1,301,571	1,067,742	1,054,246	341,997	5,540,284	-	5,540,284	(4,509)	5,535,775
Maintenance and repairs	147,931	49,265	179,522	99,221	126,635	2,987	605,561	-	605,561	-	605,561
Utilities	198,241	17,184	172,086	159,850	169,469	498	717,328	-	717,328	-	717,328
Insurance	115,031	25,524	139,152	108,084	113,581	30,812	532,184	-	532,184	-	532,184
Depreciation and amortization of property and equipment	6,646	13,289	18,196	666	8,933	-	47,730	-	47,730	-	47,730
Amortization of start-up costs	29,638	63,019	38,282	-	-	-	130,939	-	130,939	-	130,939
Interest expense	8,781	16,464	21,654	-	-	240,000	286,899	-	286,899	-	286,899
Gain on disposal of property and equipment	-	-	-	(800)	-	-	(800)	-	(800)	-	(800)
Taxes and licenses	848,858	136,347	866,477	1,007,876	798,492	1,483	3,659,533	410	3,659,943	180	3,660,123
Provisions for doubtful accounts	-	-	-	-	-	-	-	-	-	-	-
Rent	779,925	213,043	1,172,500	634,981	743,466	-	3,543,915	-	3,543,915	-	3,543,915
Amortization of deferred gain	-	-	-	-	-	(1,179,131)	(1,179,131)	-	(1,179,131)	-	(1,179,131)
Management fee and related costs of operations	726,023	124,630	829,689	735,974	766,858	-	3,183,174	-	3,183,174	-	3,183,174
Intercompany expense	224,482	25,425	244,326	211,346	211,345	(916,924)	-	-	-	-	-
Total expenses	12,601,320	2,698,552	14,211,967	11,346,482	10,763,081	(1,172,600)	50,448,802	410	50,449,212	(3,229)	50,445,983
Excess of revenues over expenses (expenses over revenues)	(39,214)	95,007	281,186	635,389	(53,006)	1,179,133	2,098,495	(410)	2,098,085	7,453	2,105,538
Net assets (deficit) at beginning of year	1,930,160	-	(374,425)	(127,299)	907,069	(3,345,322)	(1,009,817)	89,622	(920,195)	281,888	(638,307)
Net assets (deficit) at end of year	$ 1,890,946	$ 95,007	$ (93,239)	$ 508,090	$ 854,063	$ (2,166,189)	$ 1,088,678	$ 89,212	$ 1,177,890	$ 289,341	$ 1,467,231

See accompanying independent auditors' report