

United Methodist Retirement Communities, Inc.  
4<sup>th</sup> Quarter 2015 Management Discussion of Financial Performance and Position

The following is a brief Management Discussion of the UMRC Obligated Group's (OG) financial activities, performance, and position **as of and for the twelve months ended December 31, 2015**.

*Disclaimer: This release contains forward-looking statements that involve risks, uncertainties and assumptions. If such risks or uncertainties materialize or such assumptions prove incorrect, the results of this organization could differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including but not limited to statements of the plans, strategies and objectives of management for future operations; any statements concerning expected development, performance or market share relating to products and services; anticipated operational and financial results; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Risks, uncertainties and assumptions include the achievement of expected results and other risks that are described from time to time in quarterly reports. This organization assumes no obligation and does not intend to update these forward-looking statements.*

### **Organization Overview**

United Methodist Retirement Communities, Inc. (UMRC) is a Michigan nonprofit organization governed by a board of trustees that provides housing, healthcare, and other related senior services. The Obligated Group (OG) special purpose combined financials statements are prepared for the combined entities for the purpose of complying with the reporting requirements set forth in the master trust indenture agreements between U.S. Bank, National Association and UMRC. The Obligated Group consists of the following entities:

- Chelsea Retirement Community is a life plan community in Chelsea, Michigan that includes skilled nursing, dementia care, assisted living and independent living services.
- Cedars of Dexter, located in Dexter, Michigan, includes independent living cottages.
- UMRC Foundation has a primary purpose of management, stewardship and allocation of funds; creation and implementation of long and short-term fund development plans; donor communication; and recognition of certain activities and programs. UMRC is the sole corporate member of the Foundation.
- UMRC Corporate Office provides the leadership and administrative oversight and support services for the UMRC Obligated Group. Additionally, the UMRC Corporate Office provides leadership and administrative oversight to related or affiliated entities outside of the obligated group with management and/or development fees charged for services provided.

The following entities would typically be consolidated in accordance with generally accepted accounting principles but are excluded from the Obligated Group according to the Master Trust Indenture:

- UMRC is the sole stockholder in UMRC Detroit AAL, Inc., which holds a .051 % general partner interest in Detroit Affordable Assisted Living Limited Dividend Housing Association Limited Partnership (DAAL). DAAL is an 80-unit elderly affordable assisted-living facility in Detroit, Michigan under the low-income housing tax credit program. The investment in this entity is accounted for under the equity method.

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- UMRC is a 50% sponsor of Rivertown Neighborhood Senior Non-profit Housing Corporation (Rivertown Senior Apartments) which is a HUD 202 low income housing project with 50 independent living apartments.
- UMRC is a 50 % sponsor in Silver Maples of Chelsea (SMOC), a not-for-profit retirement facility which provides independent and assisted living housing and services to the residents in Chelsea, Michigan. The investment in SMOC is accounted for under the equity method.
- UMRC is a 1 % member of Sylvan Pines Limited Dividend Housing Associated, LLC (Sylvan Pines), an affordable housing project in Chelsea, Michigan with which UMRC has a management agreement, and is accounted for under the equity method.
- UMRC became a 50% member of Caring Partners Home Health, Inc., effective January 1, 2015. This is a non-profit home health provider that is based on Ann Arbor, Michigan and services primarily Washtenaw County in Michigan. This is accounted for under the equity method.
- UMRC is involved in three PACE programs. These programs operate as Programs of All-inclusive Care for the Elderly (PACE). Once an individual has been enrolled in the PACE program, all of his or her medical needs must be provided, according to the participant plan, through the staff of the PACE and its network of providers. The PACE programs UMRC is involved with, and accounts for under the equity method, include:
  - UMRC has an 80% controlling financial interest in Washtenaw PACE, Inc. d/b/a Huron Valley PACE that is located in Ypsilanti, Michigan. Huron Valley PACE serves Washtenaw and Monroe Counties as well as parts of Oakland, Wayne and Livingston Counties.
  - UMRC has a 20% financial interest in Senior CommUnity Care of Michigan which anticipates operating a PACE program in Lansing, Michigan which opened Spring 2015.
  - UMRC has an 80% controlling financial interest in Thome PACE which anticipates operating a PACE program in Jackson, Michigan with a projected opening date of early 2016.

**Operating Results**

The interim financial statements are prepared under the same methodology as the audited year-end financial statements. However, certain items in the interim financial statements may be recorded in different sections of the income statement. Typically the only material item relates to assets released from restriction. For this report those amounts have been included. Explanations below are for areas that have a variance of 5% or more from budget.

***Census***

Location	YTD 2015 Budget	YTD 2015 Actual	Variance	YTD 2014 Actual	Variance
CRC Independent Living (122 units)	84.8%	92.9%	8.1%	86.8%	6.1%
CRC Assisted Living (152 units)	92.8%	93.9%	1.1%	88.5%	5.4%
CRC Skilled Nursing (85 beds)	92.9%	91.0%	(1.9%)	93.8%	(2.8%)
Cedars of Dexter – Ind. Living (60 units)	98.3%	99.7%	1.4%	99.4%	0.3%

In aggregate, census is approximately 2.5% over budget and 3.1% above last year.

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**Revenue**

Overall operating revenue is 4.8%, or \$1.5M, over budget.

- Census higher than budget resulted in resident revenue \$540K (1.7%) over budget. This is less than the amount census is over budget since skilled nursing was below budget in census which has a higher revenue per day than IL/AL.
- Unrestricted contribution revenue is \$13K above budget.
- Assets released from restriction of \$870K not budgeted for.
- Life lease revenue is \$30K over budget due to 2 unit turnovers which resulted in additional one time life lease revenue.
- Other revenue \$60K over budget due to additional affiliate work taken on during 2015.

**Expenses**

Overall operating expenses are 2.6% above budget and consistent with revenues above budget. Key variances include:

- Wages are \$514K (3.3%) over budget due to corporate office wages of \$200k (there is a corresponding amount below budget in development costs due to more time focused on operations) with the remaining related to a period of duplicate dietary costs as that service was brought in house during fall 2015.
- Employee benefits are 10% below budget due to lower health insurance costs than planned. The budget included a 10% increase and actual costs are flat.
- Food costs are 18% over budget as a result of changes to menu options to enhance the dining experience for residents as well as a result of change over from contracted services to in-house run dining services as of fall 2015.
- Utilities are 8% under budget due cost savings measures undertaken and utility prices locked in when possible as well as a mild summer and early winter in Michigan.
- Repairs and maintenance costs are 34% above budget due to significant water leaks in several buildings and higher than planned plowing/salting expenses early in the year.
- Supplies are 17% over budget due to service mix in skilled nursing and stock up of core dining supplies with change over from contracted service to in-house.
- Bad Debts are \$111,000 (90%) higher than budget due to an increased aging in the A/R private pay balances. Efforts are focused on reducing A/R balances to historical levels.
- Interest expense is 7% below budget due to continued favorable rates on variable interest borrowings below budget amounts. Interest expenses is above last year by \$260,000 because interest during Q1 and Q2 2014 related to the Glazier Commons building was being capitalized.
- Grant distributions \$20K over budget due to 2 additional \$10K community grants approved by the Foundation Board in 2015.

**Non-Operating Results**

The budget for non-operating revenues and expenses includes only interest/dividend income, restricted contributions and development expenses. Development expenses primarily relate to corporate office

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staff time and effort in developing new business opportunities and existing efforts related to UMRC affiliates outside of the obligated group. Variances from budget include:

- Restricted contributions are \$2.6M over budget due to a large grant received higher than budgeted. The budget for this was \$1.5M and actual grant received was \$2M. This gift was restricted by the donor for use with our affiliate Thome PACE and there is a corresponding negative variance in the grant distribution line. Additionally, several large gifts restricted to future building projects and benevolent care were received which account for the remaining \$2M positive variance
- Assets released from restriction variance corresponds to revenue variance and net to \$0.
- Restricted grant distributions over budget due to budget of \$1.5M but actual grant received of \$2.0M for Thome PACE.
- Net development costs are \$200,000 under budget due less than expected time spent on development projects in Q1 and Q2 and more spent on internal planning.
- The increase in investment in affiliate is net and is predominantly driven by the \$2M grant received by Thome PACE this year which resulted in a positive margin for Thome PACE. This is offset by year 2 losses for Huron Valley PACE. Start-up losses are expected as part of the PACE pro-forma and is expected to turn positive by the end of year 3 of operations. This will be 2016 for Huron Valley PACE, 2018 for Senior Community Care and 2019 for Thome PACE.
- Interest and investment loss combined are approximately \$1.1M unfavorable to budget. Current year overall market losses are due to significant market volatility over the Q3 and Q4 short term market fluctuations.
- Loss in value of swap driven mainly by market conditions. Over time this should return to \$0 and is the result of a new swap agreement that is effective December 2015 for the 2014 Bonds. This results in 50% of that bond issue fixed through 2024.

**Financial Position**

Ratio	2014 Year-end	2015 Year-to- Date	CARF Median	CARF 75th
Operating Margin Ratio	5.2%	4.5%	-0.1%	4.0%
Net Operating Margin Ratio	11.5%	11.8%	6.2%	10.8%
Days Cash on Hand	378	333	272	418
Days in A/R (net of allowances)	22.5	25.8	21	13
Average Age of Plant	12.4	12.7	12.9	11.2
LTD as a % of Total Capital Ratio (rolling 4 quarter)	37.6%	36.8%	76.2%	52.4%
Debt Service Coverage Ratio	4.2	2.5	2.7	3.4

Overall financial position for the Obligated Group continues to be strong compared to peers. Key ratios show the following:

- Operating margin and net operating ratio are above the 75<sup>th</sup> percentile, indicating strong profitability from operations. Operating results are consistent with budget. Changes have been implemented to address dietary and maintenance cost trends.

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- Days cash on hand is between the 50<sup>th</sup> and 75<sup>th</sup> percentile of peer organizations and indicates more than adequate cash reserves. Decline due to market value volatility in 2015.
- Days in A/R is above median. Efforts are focused on reducing time to collect. Trend over the last 6 months is a decrease in days and days in A/R are consistent with past years.
- Average age of plant is consistent with the median of peer organizations.
- Long-term debt to capital is better than the 75<sup>th</sup> percentile of peer organizations and debt service coverage is consistent with the median indicating relatively low debt leverage.
- Debt service coverage ratio is approximately at median
- Debt service coverage ratio and days cash on hand exceed threshold amounts from the master trust indenture of 1.35 and 175 respectively.

**Capital Financing**

As of December 31, 2015, UMRC OG has 3 outstanding debt issuances and 1 debt guarantee.

- UMRC Series 2012 limited obligation revenue bonds with an original issuance of \$10M, current principal balance of \$8.2M, with monthly principal and interest payments through the maturity date of November 15, 2027. These are variable rate bonds issued through the Economic Development Corporation of the Village of Chelsea and concurrently acquired by a financial institution as part of a bond purchase agreement. The bond purchase agreement has a mandatory tender date of November 1, 2019. These bonds carry a variable interest rate of 65% of the combined one-month LIBOR and 115 basis points. An interest rate swap was entered into that essentially fixes the interest rate at 2.2% on 50 percent of the outstanding principal balance. The interest rate swap expires November 1, 2019.
- UMRC Series 2013 limited obligation revenue bonds with an original issuance of \$11M, current principal balance of \$10.8M, with annual principal payments and semi-annual interest payments through the maturity date of November 15, 2043. These are fixed rate bonds issued through the Michigan Strategic Fund. These bonds carry an average fixed interest rate of 6.02%.
- UMRC Series 2014 limited obligation revenue bonds with an original issuance of \$11.5M, current principal balance of \$11.2M, of bonds from 2010 that were used to partially fund the construction of the Cedars of Dexter. The current principal balance is at \$11.5M. The bond purchase agreement has a mandatory tender date of December 15, 2024. The Series 2014 bonds carry a variable interest rate of 67% of one-month LIBOR plus 1.0988% payable in monthly installments of principal and interest with a maturity date of January 1, 2041. An interest swap was entered into in 2010 that essentially fixed the interest rate at 2.87 percent on 50 percent of the principal balance of the original series 2010 bonds. The interest rate swap expires on December 5, 2015. During September 2015 a new swap was closed on that became effective December 5, 2015 through December 15, 2024. This swap essentially fixes the interest rate at 2.795 percent on 50 percent of the principal balance of the series 2014 bonds.
- On December 19, 2014 Thome PACE closed on a \$4M line of credit to fund construction of the building. This borrowing is recorded on the Thome PACE financials but is

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guaranteed by the UMRC OG. The balance in this line of credit is \$3.5M as of December 31, 2015.

The bonds are collateralized by a mortgage on certain real estate and related buildings and land of UMRC. The 2012 and 2014 bonds are also guaranteed by the UMRC Foundation. Under the terms of the limited obligation revenue bond agreements, UMRC is limited in additional borrowings and is required to satisfy certain measures of financial performance as long as the bonds are outstanding, including minimum liquidity and minimum debt service coverage.

***Questions are welcome and can be directed to:***

Steve Fetyko, Vice President and CFO - 734-433-100 ext. 7511 or [sfetyko@umrc.com](mailto:sfetyko@umrc.com)

Attached are interim financial statements as of, and for the period ending, December 31, 2015.

**UNITED METHODIST RETIREMENT COMMUNITIES, INC. OBLIGATED GROUP  
COMBINED BALANCE SHEET**

ASSETS			LIABILITIES AND NET ASSETS		
	<u>12/31/2015</u>	<u>12/31/2014</u>		<u>12/31/2015</u>	<u>12/31/2014</u>
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and cash equivalents	5,025,234	4,172,414	Current portion of long-term debt	1,098,454	1,075,374
Cash held in escrow	291,206	61,460	Cedars of Dexter Deposits	80,506	60,462
Contributions Receivable - Current	1,260,337	376,432	Accounts payable	896,044	940,999
Due from Affiliate	131,302	226,111	Due to Affiliate	-	-
Accounts Receivable	2,170,252	1,785,011	Accrued and other liabilities	1,369,832	1,187,764
Investments	21,526,902	23,959,622	Deferred Life Lease Revenue	2,913,809	3,289,293
Assets limited as to use	109,053	135,684	Liability under split-interest agreements	30,698	33,996
Prepaid expenses and other current assets	699,410	1,242,263	<b>Total current liabilities</b>	<u>6,389,343</u>	<u>6,587,888</u>
<b>Total current assets</b>	<u>31,213,696</u>	<u>31,958,997</u>	<b>LONG TERM DEBT</b>	29,060,344	30,154,792
<b>CONTRIBUTIONS RECEIVABLE</b>	666,650	562,467	<b>REFUNDABLE LIFE LEASE PROCEEDS</b>	8,470,063	8,305,160
<b>INVESTMENTS</b>	4,418,253	4,250,837	<b>INTEREST RATE SWAP</b>	218,826	107,273
<b>CEDARS OF DEXTER CONTINGENCY FUND</b>	1,605,587	1,603,262	<b>LIABILITY UNDER SPLIT-INTEREST AGREEMENTS</b>	<u>156,652</u>	<u>179,899</u>
<b>LIMITED USE FUNDS</b>			<b>Total liabilities</b>	<u>44,295,228</u>	<u>45,335,012</u>
Debt Service Reserve Fund	809,788	809,788	<b>NET ASSETS</b>		
Restricted Deposit	250,000	-	Unrestricted:		
<b>Total Limited Use Funds</b>	<u>1,059,788</u>	<u>809,788</u>	Undesignated	30,857,579	27,714,065
<b>PROPERTY AND EQUIPMENT</b>	53,371,525	54,679,434	Board designated	19,128,447	22,334,159
<b>OTHER ASSETS</b>			<b>Total unrestricted</b>	<u>49,986,026</u>	<u>50,048,224</u>
Loan to Affiliate	1,361,321	1,045,895	Restricted:		
Bond issue costs & Bond Discount	902,968	928,954	Temporarily restricted	2,966,710	1,854,794
Pledged Assets held by Affiliate	-	-	Permanently restricted	4,252,413	4,044,134
Investment in Affiliate	6,531,611	5,146,238	<b>Total restricted</b>	<u>7,219,123</u>	<u>5,898,928</u>
Beneficial Interest in Perpetual Trusts	368,978	296,292	<b>Total net assets</b>	<u>57,205,149</u>	<u>55,947,152</u>
<b>Total other assets</b>	<u>9,164,878</u>	<u>7,417,379</u>	<b>Total liabilities and net assets</b>	<u>101,500,377</u>	<u>101,282,164</u>
<b>Total assets</b>	<u>101,500,377</u>	<u>101,282,164</u>			

**UNITED METHODIST RETIREMENT COMMUNITIES, INC. OBLIGATED GROUP**

**COMBINING STATEMENT OF OPERATIONS**

**12/31/2015**

**12/31/2014**

	<u>Actual</u>						<u>Budget</u>						<u>Actual</u>
	<u>Chelsea Retirement Community</u>	<u>Cedars of Dexter</u>	<u>UMRC Heritage Foundation</u>	<u>UMRC Corporate Office</u>	<u>Inter-Co Eliminations</u>	<u>Total</u>	<u>Chelsea Retirement Community</u>	<u>Cedars of Dexter</u>	<u>UMRC Heritage Foundation</u>	<u>UMRC Corporate Office</u>	<u>Inter-Co Eliminations</u>	<u>Total</u>	
Operating revenue:													
Net resident revenue	28,704,905	2,000,039	-	-	-	30,704,944	28,170,758	1,995,055	-	-	-	30,165,813	28,969,199
Life Lease revenue	-	574,561	-	-	-	574,561	-	545,000	-	-	-	545,000	637,803
Unrestricted Contributions	-	-	713,316	-	-	713,316	-	-	700,000	-	-	700,000	530,453
Assets released from restriction	-	-	870,806	-	-	870,806	-	-	-	-	-	-	1,356,758
Other	139,933	18,446	10,662	1,858,958	(1,691,121)	336,878	154,200	-	-	1,827,571	(1,708,079)	273,692	212,661
<b>Total operating revenue</b>	<b>28,844,838</b>	<b>2,593,046</b>	<b>1,594,784</b>	<b>1,858,958</b>	<b>(1,691,121)</b>	<b>33,200,505</b>	<b>28,324,958</b>	<b>2,540,055</b>	<b>700,000</b>	<b>1,827,571</b>	<b>(1,708,079)</b>	<b>31,684,505</b>	<b>31,706,874</b>
Operating expenses:													
Health care services:													
Salaries, wages and purch. Labor	13,478,832	607,235	352,119	1,455,597	-	15,893,783	13,267,989	547,423	385,996	1,177,911	-	15,379,319	14,869,635
Employee benefits	2,888,622	83,677	77,042	232,625	-	3,281,966	3,184,517	116,154	106,342	258,251	-	3,665,264	3,098,870
Food	1,060,427	98,408	-	-	-	1,158,835	880,425	97,850	-	-	-	978,275	1,035,033
Medical care	883,437	-	-	-	-	883,437	874,150	-	-	-	-	874,150	844,997
Utilities	842,460	102,586	3,020	14,705	-	962,771	947,675	89,500	2,375	4,600	-	1,044,150	903,170
Repairs and maintenance	1,205,991	259,124	-	-	-	1,465,115	835,900	259,500	-	-	-	1,095,400	1,230,040
Supplies	681,327	47,607	-	-	-	728,934	586,250	35,500	-	-	-	621,750	623,939
Provider tax	316,996	-	-	-	-	316,996	324,475	-	-	-	-	324,475	321,891
Bad debts	203,519	-	-	-	-	203,519	92,131	-	-	-	-	92,131	157,720
Miscellaneous	2,623,871	203,895	323,863	534,441	(1,691,121)	1,994,949	2,565,863	183,001	332,365	561,000	(1,708,079)	1,934,150	1,979,053
Depreciation	2,624,235	627,563	2,267	48,596	-	3,302,661	2,626,008	631,339	3,740	42,950	-	3,304,037	3,133,650
Interest expense	780,345	243,306	-	-	-	1,023,651	837,237	259,640	-	-	-	1,096,877	817,586
Grant Distributions	-	-	69,509	-	-	69,509	-	-	50,000	-	-	50,000	39,307
Real estate taxes	298,724	312,821	-	-	-	611,545	284,207	320,000	-	-	-	604,207	580,705
<b>Total operating expenses</b>	<b>27,888,786</b>	<b>2,586,222</b>	<b>827,820</b>	<b>2,285,964</b>	<b>(1,691,121)</b>	<b>31,897,671</b>	<b>27,306,827</b>	<b>2,539,907</b>	<b>880,818</b>	<b>2,044,712</b>	<b>(1,708,079)</b>	<b>31,064,185</b>	<b>29,635,596</b>
Operating Income (Loss) - before other operating activities	956,052	6,824	766,964	(427,006)	-	1,302,834	1,018,131	148	(180,818)	(217,141)	-	620,320	2,071,278
Non Operating Income (Expense)													
Restricted Contributions	-	-	4,332,561	-	-	4,332,561	-	-	1,700,000	-	-	1,700,000	1,315,883
Assets released from restrictions	-	-	(870,806)	-	-	(870,806)	-	-	-	-	-	-	(856,758)
Loss on disposition of property	-	-	-	-	-	-	-	-	-	-	-	-	(25,315)
Restricted Grant Distribution	-	-	(2,009,437)	-	-	(2,009,437)	-	-	(1,550,000)	-	-	(1,550,000)	(500,000)
Development Costs	-	-	-	(305,343)	-	(305,343)	-	-	-	(519,484)	-	(519,484)	(624,530)
Investment in Affiliate	-	-	-	81,820	-	81,820	-	-	-	-	-	-	(701,840)
Loss on Refinance	-	(15,725)	-	-	-	(15,725)	-	-	-	-	-	-	(118,265)
Interest/Dividend Income	-	-	1,026,235	-	-	1,026,235	-	-	500,000	-	-	500,000	1,053,713
Realized Investment Gains	-	-	156,551	-	-	156,551	-	-	-	-	-	-	4,283,484
Unrealized Investment Gains/(losses)	-	-	(2,329,141)	-	-	(2,329,141)	-	-	-	-	-	-	(4,550,497)
Change in Value of Swaps	(11,715)	(99,838)	-	-	-	(111,553)	-	-	-	-	-	-	42,655
<b>Change in Net Assets</b>	<b>944,337</b>	<b>(108,739)</b>	<b>1,072,927</b>	<b>(650,529)</b>	<b>-</b>	<b>1,257,996</b>	<b>1,018,131</b>	<b>148</b>	<b>469,182</b>	<b>(736,625)</b>	<b>-</b>	<b>750,836</b>	<b>1,389,808</b>



**UNITED METHODIST RETIREMENT COMMUNITIES, INC.**  
**OBLIGATED GROUP**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED 12/31/2015**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in net assets	1,257,997
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Change in value of beneficial interest in perpetual trusts	(72,686)
Depreciation	3,302,661
Amortization of Deferred Life Lease Revenue	(574,561)
Amortization of bond issue costs	25,986
Realized and unrealized (gains)/loss on investments	2,172,590
Loss on disposal of fixed assets	-
Bad debt expense	203,519
Decrease (Increase) in operating assets:	
Accounts receivable	(588,760)
Prepaid expenses and other current assets	542,853
Contribution receivable	(988,088)
Increase (decrease) in operating liabilities:	
Accounts payable	(44,955)
Accrued and other liabilities	182,068
Interest Rate Swap	111,553
Liability under split-interest agreements	(26,545)
Net cash provided by operating activities	<u>5,503,632</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Additions to property and equipment	(1,994,752)
Change in escrows and reserves	(455,440)
Purchase of investments	(2,815,275)
Proceeds from sale of investments	2,907,989
Investment in related organizations	<u>(1,605,990)</u>
Net cash used in investing activities	<u>(3,963,468)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from Cedars of Dexter Life Leases	804,124
Refunds of life lease entrance fees	(420,100)
Proceeds from issuance of debt	-
Principal payments on long-term debt	(1,071,368)
Net cash provided by (used in) financing activities	<u>(687,344)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>852,820</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b><u>4,172,414</u></b>
<b>CASH AND CASH EQUIVALENTS - End of period</b>	<b><u>5,025,234</u></b>

**United Methodist Retirement Communities  
 Census Report - Attachment to Exhibit C  
 Chelsea Retirement Community (CRC)**

Dec-15

Location	2015 Budget	Dec-15 Actual	Variance	Dec-14 Actual	Variance		YTD 2015 Budget	YTD 2015 Actual	Variance	YTD 2014 Actual	Variance
<b><i>CRC Independent Living</i></b>											
Average Census	103.52	116.16	12.65	100.42	15.74		103.51	113.33	9.82	100.73	12.60
Average Occupancy %	84.85%	95.21%	10.36%	86.57%	8.64%		84.84%	92.89%	8.05%	86.84%	6.05%
Resident Days	3,209	3,601	392	3,113	488		37,780	41,366	3,586	36,768	4,598
<b><i>CRC Glazier AL/Commons</i></b>											
Average Census	62.00	65.26	3.26	56.65	8.61		62.00	62.42	0.42	45.44	16.98
Average Occupancy %	93.94%	98.88%	4.94%	85.83%	13.05%		93.94%	94.57%	0.63%	87.20%	7.37%
Resident Days	1,922	2,023	101	1,756	267		22,630	22,782	152	16,586	6,196
<b><i>Towsley Village</i></b>											
Average Census	79.00	85.16	6.16	86.19	-1.03		79.00	80.27	1.27	89.01	-8.74
Average Occupancy %	91.86%	99.02%	7.16%	93.69%	5.33%		91.86%	93.34%	1.48%	92.08%	1.26%
Resident Days	2,449	2,640	191	2,672	-32		28,835	29,299	464	32,489	-3,190
<b><i>Kresge Nursing</i></b>											
Average Census	79.00	72.32	-6.68	77.84	-5.52		79.00	77.33	-1.67	79.74	-2.41
Average Occupancy %	92.94%	85.09%	-7.86%	91.57%	-6.49%		92.94%	90.98%	-1.96%	93.81%	-2.83%
Resident Days											
Private	372	356	-16	380	-24		4,380	5,052	672	5,397	-345
Medicaid	713	832	119	887	-55		8,395	8,492	97	7,958	534
Medicare	1,023	738	-285	683	55		12,045	10,240	-1,805	10,830	-590
Medicare HMO	248	246	-2	403	-157		2,920	3,588	668	3,940	-352
Commercial Ins	93	70	-23	60	10		1,095	854	-241	980	-126
<b>Total</b>	2,449	2,242	-207	2,413	-171		28,835	28,226	-609	29,105	-879

Census	
YTD 2015	Dec-15
93.84%	95.20%
YTD 2014	Dec-14
90.70%	90.95%

**The Cedars of Dexter Independent Living**

Capacity											
Average Census	59.00	60.00	1.00	60.00	0.00		59.00	60	0.83	59.67	0.16
Average Occupancy %	98.33%	100.00%	1.67%	100.00%	0.00%		98.33%	99.72%	1.38%	99.45%	0.27%

**UNITED METHODIST RETIREMENT COMMUNITIES, INC. OBLIGATED GROUP**

**COMBINING STATEMENT OF OPERATIONS**

**12/31/2016 BUDGET**

	<u>Chelsea Retirement Community</u>	<u>Cedars of Dexter</u>	<u>UMRC Heritage Foundation</u>	<u>UMRC Corporate Office</u>	<u>Inter-Co Eliminations</u>	<u>Total</u>
Operating revenue:						
Net resident revenue	29,652,574	2,057,191	-	-	-	31,709,765
Life Lease revenue	-	552,000	-	-	-	552,000
Unrestricted Contributions	-	-	1,200,000	-	-	1,200,000
Other	7,000	13,500	50,000	2,245,417	(1,723,029)	592,888
Total operating revenue	29,659,574	2,622,691	1,250,000	2,245,417	(1,723,029)	34,054,653
Operating expenses:						
Health care services:						
Salaries, wages and purch. Labor	13,749,099	429,283	612,282	1,366,801	-	16,157,465
Employee benefits	3,407,357	118,768	187,990	391,366	-	4,105,481
Food	935,010	94,000	-	-	-	1,029,010
Medical care	1,005,500	-	-	-	-	1,005,500
Utilities	748,323	102,850	6,459	10,827	-	868,459
Repairs and maintenance	1,045,961	235,000	-	-	-	1,280,961
Supplies	364,525	34,000	-	-	-	398,525
Provider tax	372,710	-	-	-	-	372,710
Bad debts	125,000	-	-	-	-	125,000
Miscellaneous	2,929,067	310,741	489,641	565,701	(1,723,029)	2,572,121
Depreciation	2,683,401	636,109	2,907	60,210	-	3,382,627
Interest expense	827,670	271,940	-	-	-	1,099,610
Grant Distributions	-	-	50,000	-	-	50,000
Real estate taxes	287,000	320,000	-	-	-	607,000
Total operating expenses	28,480,623	2,552,691	1,349,279	2,394,905	(1,723,029)	33,054,469
	27,204,625					
Operating Income (Loss) - before other operating activities	1,178,951	70,000	(99,279)	(149,488)	-	1,000,184
Non Operating Income (Expense)						
Restricted Contributions	-	-	6,300,000	-	-	6,300,000
Development Costs	-	-	-	(713,666)	-	(713,666)
Investment in Affiliate (SMOC)	-	-	-	-	-	-
Investment in Affiliate (PACE)	-	-	-	-	-	-
Interest/Dividend Income	-	-	500,000	-	-	500,000
Realized Investment Gains	-	-	-	-	-	-
Unrealized Investment Gains	-	-	-	-	-	-
Change in Value of Swaps	-	-	-	-	-	-
Change in Net Assets	1,178,951	70,000	6,700,721	(863,154)	-	7,086,518

**UNITED METHODIST RETIREMENT COMMUNITIES, INC. OBLIGATED GROUP**

**Exhibit A - Schedule 1**

<b>Debt Service Coverage Ratio</b>	
<b>Rolling 4 quarter basis (10/1/14-9/30/15)</b>	
Change in Unrestricted Net Assets	(62,198)
Plus:	
Entrance Fees Received	804,124
Depreciation, Amortization	3,302,661
Interest Expense	1,023,651
Other Adjustments	
Unrealized (Gains) / Losses in Investments	1,945,517
Unrealized (Gains) / Losses in Joint Venture	(81,820)
Change in Value of Swap	111,553
Loss on advanced refunding	15,725
Less:	
Refunds on Entrance Fees	(420,100)
Initial Entrance Fees	(804,124)
Amortization of Entrance Fees	(574,561)
<b>Net Income Available for Debt Service</b>	<b>5,260,428</b>
<b>Historical Annual Debt Service Requirement:</b>	<b>2,063,105</b>
<b>Historical Debt Service Coverage Ratio</b>	<b>2.55</b>
<b>Liquidity Ratio</b>	
(i) Unrestricted Cash and Investments	25,907,668
(ii) Operating Expenses (incl. dev. Exp)	31,897,671
Less:	
Depreciation Expense	(3,302,661)
Bad Debt Expense	(203,519)
Adjusted Expenses	28,391,491
(iii) Adjusted Expenses / 365	77,785
<b>(i) / (iii) Days Cash on Hand</b>	<b>333.07</b>