

United Methodist Retirement Communities, Inc.
4th Quarter 2016 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, 2016**.

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 % member 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. UMRC divested of its membership interest in June 2016 with a refund of the original purchase price. 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, located in Lansing, MI. Senior CommUnity Care operates a PACE program serving Ingham, Clinton and Eaton Counties and opened Spring 2015.
 - UMRC has an 80% controlling financial interest in The Cascade PACE, Inc. d/b/a Thome PACE that is located in Jackson, Michigan. Thome PACE operates a PACE program serving in Jackson, Lenawee and Hillsdale Counties and opened March 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 2016 Budget	YTD 2016 Actual	Variance	YTD 2015 Actual	Variance
CRC Independent Living (122 units)	88.5%	94.5%	6.0%	92.9%	1.6%
CRC Assisted Living (156 units)	91.7%	95.7%	4.0%	93.9%	1.8%
CRC Skilled Nursing (85 beds)	92.4%	85.2%	(7.2%)	91.0%	(5.8%)
Cedars of Dexter – Ind. Living (60 units)	99.2%	97.2%	(2.0%)	99.7%	(2.5%)

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In aggregate, census is approximately 1.6% over budget and .4% behind last year. Decrease in skilled nursing census is consistent with national trends.

Revenue

Overall operating revenue is 2.4%, or \$820k, under budget.

- Census and product mix lower than budget resulted in resident revenue \$300K (1.0%) under budget. This is less than the amount census is over budget since skilled nursing was below budget in census and had a shift from Medicare to Medicaid which lowers revenue per day.
- Unrestricted contribution revenue is \$920K below budget. This is offset by restricted contributions \$6.5M over budget.
- Other revenue is \$40K over budget due to interim affiliate work taken on during 2016.
- Assets released from restriction over budget due to higher use of restricted funds for donor intended purpose.

Expenses

Overall operating expenses equal to budget. Key variances include:

- Wages are \$470K (2.9%) over budget due primarily to more time spent by corporate office staff on operations compared to budget. There is a corresponding \$470K positive variance in development cost expenses in non-operating income.
- Employee benefits are \$600K (14%) below budget due to lower health insurance costs than planned and significantly lower worker's compensation claims.
- Provider tax is \$28K (8%) below budget due lower than planned rates as part of 2016 UMRC budget process.
- Interest expense is \$70K (7%) below budget due to continued favorable rates on variable interest borrowings below budget amounts.
- Real estate taxes above budget due to additional taxes on new building placed in service during late 2014 with property taxes starting summer 2015.

Non-Operating Results

The budget for non-operating revenues and expenses includes interest/dividend income, realized and unrealized investment returns, restricted contributions and development expenses. Development expenses primarily relate to corporate office 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 \$6.5M higher than budget due to two \$2.5M donations received.
- Net development costs are \$470,000 under budget due less than expected time spent on development projects in Q1/Q2 and more spent on internal planning and operations.
- The decrease in investment in affiliate is net and is predominantly driven by the PACE organizations. 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

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for Senior CommUnity Care and 2019 for Thome PACE. Additionally, the investment in Caring Partners Home Health was sold in June 2016 for \$1.3M (book value of investment).

- Overall realized/unrealized investment returns approximate a 6% return year to date.
- Gain in value of swap driven is mainly by market conditions. Over time this should return to \$0 and is the result of a 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	2015 Year-end	2016 Year-to- Date	CARF Median	CARF 75th
Operating Margin Ratio	4.5%	5.6%	-0.9%	3.9%
Net Operating Margin Ratio	11.8%	11.6%	5.9%	11.8%
Days Cash on Hand	330	356	311	460
Days in A/R (net of allowances)	25.8	18.2	18	12
Average Age of Plant	12.7	12.9	12.6	11.5
LTD as a % of Total Capital Ratio (rolling 4 quarter)	37.2%	38.3%	70.0%	49.5%
Debt Service Coverage Ratio	3.0	2.4	2.5	4.1

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 at or above the 75th percentile, indicating strong profitability from operations.
- Days cash on hand is between the 50th and 75th percentile of peer organizations and indicates more than adequate cash reserves.
- Days in A/R is at median. Efforts are focused on reducing time to collect. Trend over the last 6 months is a decrease in days in A/R.
- Average age of plant is consistent with the median of peer organizations. Significant main campus investments are planned that should improve this number over the next 2-3 years.
- Long-term debt to capital is better than the 75th percentile of peer organizations, indicating relatively low debt leverage.
- 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, 2016, UMRC OG has 3 outstanding debt issuances, 1 debt guarantee and a new revolving loan agreement.

- UMRC Series 2012 limited obligation revenue bonds with an original issuance of \$10M, current principal balance of \$7.6M, 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.

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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 \$10.5M, 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 \$10.9M, that were used to partially fund the construction of the Cedars of Dexter. 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 2015 that essentially fixed the interest rate at 2.795 percent on 50 percent of the principal balance of the series 2014 bonds. The interest rate swap expires December 15, 2024.
- 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 guaranteed by the UMRC OG. The balance in this line of credit is \$3.5M as of June 30, 2016.
- On October 5, 2016 UMRC closed on a \$15M revolving loan agreement. The agreement has a five-year term, with a tender date of October 5, 2021 at which time the entire principle amount is due. No principle amounts are due until the tender date with the ability for optional prepayment of principle. The revolving loan agreement carries a variable interest rate of one-month LIBOR plus 1.59% payable in monthly installments. Disbursements are made upon bank approval of advance requests and are limited to costs related to independent living cottages, skilled nursing renovations and wellness center construction costs on the Chelsea Retirement Community campus. As of December 31, 2016 there was \$2.8M principle balance outstanding.

The bonds and revolving loan agreement are collateralized by a mortgage on certain real estate and related buildings and land of UMRC and guaranteed by the UMRC Foundation. Under the terms of the limited obligation revenue bond agreements, revolving loan agreement and master trust indenture, 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

Attached are interim financial statements as of, and for the period ending, December 31, 2016.

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

ASSETS	<u>12/31/2016</u>	<u>12/31/2015</u>	LIABILITIES AND NET ASSETS	<u>12/31/2016</u>	<u>12/31/2015</u>
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	6,748,794	5,025,234	Current portion of long-term debt	1,128,390	1,098,454
Cash held in escrow	979,078	291,206	Life Lease Deposits	595,880	80,506
Contributions Receivable - Current	3,201,994	260,337	Accounts payable	1,333,693	856,176
Due from Affiliate	197,354	131,302	Due to Affiliate	-	-
Accounts Receivable	1,547,151	2,145,252	Accrued and other liabilities	1,453,478	1,398,699
Investments	3,593,784	21,526,902	Deferred Life Lease Revenue	2,904,664	2,913,809
Assets limited as to use	134,191	109,053	Liability under split-interest agreements	21,158	30,698
Prepaid expenses and other current assets	708,219	715,048	Total current liabilities	7,437,263	6,378,342
Total current assets	17,110,565	30,204,334	LONG TERM DEBT	30,743,102	29,075,981
CONTRIBUTIONS RECEIVABLE	4,475,405	666,650	REFUNDABLE LIFE LEASE PROCEEDS	7,433,855	8,481,064
INVESTMENTS	28,609,693	4,418,253	INTEREST RATE SWAP	143,028	218,826
CEDARS OF DEXTER CONTINGENCY FUND	-	1,605,587	LIABILITY UNDER SPLIT-INTEREST AGREEMENTS	103,779	156,652
LIMITED USE FUNDS			Total liabilities	45,861,027	44,310,865
Debt Service Reserve Fund	809,788	809,788	NET ASSETS		
Restricted Deposit	250,000	250,000	Unrestricted:		
Total Limited Use Funds	1,059,788	1,059,788	Undesignated	27,944,950	27,970,021
PROPERTY AND EQUIPMENT	57,181,963	53,371,525	Board designated	21,541,062	21,143,885
OTHER ASSETS			Total unrestricted	49,486,012	49,113,906
Loan to Affiliate	837,267	833,019	Restricted:		
Bond issue costs & Bond Discount	1,051,082	902,968	Temporarily restricted	9,701,351	2,221,219
Pledged Assets held by Affiliate	-	-	Permanently restricted	9,400,344	4,341,723
Investment in Affiliate	3,749,106	6,556,611	Total restricted	19,101,695	6,562,942
Beneficial Interest in Perpetual Trusts	373,865	368,978	Total net assets	68,587,707	55,676,848
Total other assets	6,011,320	8,661,576	Total liabilities and net assets	114,448,734	99,987,713
Total assets	114,448,734	99,987,713			

UNITED METHODIST RETIREMENT COMMUNITIES, INC. OBLIGATED GROUP

COMBINING STATEMENT OF OPERATIONS

12/31/2016

**12/31/2015
Actual**

	Actual						Budget						
	Chelsea Retirement Community	Cedars of Dexter	UMRC Heritage Foundation	UMRC Corporate Office	Inter-Co Eliminations	Total	Chelsea Retirement Community	Cedars of Dexter	UMRC Heritage Foundation	UMRC Corporate Office	Inter-Co Eliminations	Total	
Operating revenue:													
Net resident revenue	29,029,108	2,010,845	-	-	-	31,039,953	29,281,229	2,057,191	-	-	-	31,338,420	30,669,149
Life Lease revenue	-	617,075	-	-	-	617,075	-	552,000	-	-	-	552,000	574,561
Unrestricted Contributions	-	-	285,561	-	-	285,561	-	-	1,200,000	-	-	1,200,000	719,316
Assets released from restriction	-	-	809,358	-	-	809,358	-	-	515,000	-	-	515,000	861,369
Other	285,626	6,354	50,000	2,271,947	(1,723,032)	890,895	265,650	13,500	50,000	2,245,417	(1,723,029)	851,538	282,777
Total operating revenue	29,314,734	2,634,274	1,144,919	2,271,947	(1,723,032)	33,642,842	29,546,879	2,622,691	1,765,000	2,245,417	(1,723,029)	34,456,958	33,107,172
Operating expenses:													
Health care services:													
Salaries, wages and purch. Labor	13,594,656	525,685	577,328	1,755,969	-	16,453,638	13,593,906	410,827	612,282	1,366,801	-	15,983,816	15,893,783
Employee benefits	2,871,853	82,450	178,831	420,640	-	3,553,774	3,452,856	123,769	187,990	391,366	-	4,155,981	3,281,966
Food	1,003,499	109,550	-	-	-	1,113,049	1,039,110	94,000	-	-	-	1,133,110	1,158,835
Medical care	1,027,866	-	-	-	-	1,027,866	1,014,800	-	-	-	-	1,014,800	883,437
Utilities	769,987	87,190	-	-	-	857,177	745,323	105,850	6,459	10,827	-	868,459	962,771
Repairs and maintenance	1,003,406	247,510	-	-	-	1,250,916	1,045,961	235,000	-	-	-	1,280,961	1,381,235
Supplies	259,149	43,328	33,939	19,753	-	356,169	251,125	34,000	52,000	19,753	-	356,878	728,934
Provider tax	344,416	-	-	-	-	344,416	372,710	-	-	-	-	372,710	316,996
Bad debts	125,840	-	-	-	-	125,840	125,000	-	-	-	-	125,000	203,519
Miscellaneous	3,019,765	346,546	471,824	432,070	(1,723,032)	2,547,173	2,929,067	321,196	437,641	545,948	(1,723,029)	2,510,823	1,994,949
Depreciation	2,688,348	636,433	2,938	61,750	-	3,389,469	2,683,401	636,109	2,907	60,210	-	3,382,627	3,302,661
Interest expense	784,846	244,205	-	10,079	-	1,039,130	827,670	271,940	-	-	-	1,099,610	1,023,651
Grant Distributions	-	-	46,874	-	-	46,874	-	-	50,000	-	-	50,000	69,509
Real estate taxes	386,240	300,674	-	-	-	686,914	287,000	320,000	-	-	-	607,000	611,545
Total operating expenses	27,879,871	2,623,571	1,311,734	2,700,261	(1,723,032)	32,792,405	28,367,929	2,552,691	1,349,279	2,394,905	(1,723,029)	32,941,775	31,813,791
Operating Income (Loss) - before other operating activities	1,434,863	10,703	(166,815)	(428,314)	-	850,437	1,178,950	70,000	415,721	(149,488)	-	1,515,183	1,293,381
Non Operating Income (Expense)													
Restricted Contributions	-	-	12,802,183	-	-	12,802,183	-	-	6,300,000	-	-	6,300,000	3,425,922
Assets released from restrictions	-	-	(809,358)	-	-	(809,358)	-	-	(515,000)	-	-	(515,000)	(861,369)
Loss on disposition of property	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted Grant Distribution	-	-	-	-	-	-	-	-	-	-	-	-	(2,009,437)
Development Costs	-	-	-	(243,720)	-	(243,720)	-	-	-	(713,666)	-	(713,666)	(305,343)
Investment in Affiliate	-	-	-	(1,835,645)	-	(1,835,645)	-	-	-	-	-	-	(446,482)
Loss on Refinance	-	(4,354)	-	-	-	(4,354)	-	-	-	-	-	-	(15,725)
Interest/Dividend Income	-	-	622,546	-	-	669,770	-	-	500,000	-	-	500,000	1,004,923
Realized Investment Gains	-	-	333,668	-	-	333,668	-	-	-	-	-	-	156,551
Unrealized Investment Gains/(losses)	-	-	1,115,016	-	-	1,072,081	-	-	-	-	-	-	(2,401,177)
Change in Value of Swaps	13,978	61,820	-	-	-	75,798	-	-	-	-	-	-	(111,553)
Change in Net Assets	1,448,841	68,169	13,897,240	(2,507,679)	-	12,910,860	1,178,950	70,000	6,700,721	(863,154)	-	7,086,517	(270,309)

UNITED METHODIST RETIREMENT COMMUNITIES, INC.
OBLIGATED GROUP
STATEMENT OF CASH FLOWS
YEAR ENDED 12/31/2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	12,910,859
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Change in value of beneficial interest in perpetual trusts	(4,887)
Depreciation	3,389,469
Amortization of Deferred Life Lease Revenue	(617,075)
Amortization of bond issue costs	53,457
Realized and unrealized (gains)/loss on investments	(1,405,749)
Loss on disposal of fixed assets	-
Bad debt expense	125,840
Decrease (Increase) in operating assets:	
Accounts receivable	472,261
Prepaid expenses and other current assets	6,829
Contribution receivable	(6,750,412)
Increase (decrease) in operating liabilities:	
Accounts payable	477,517
Accrued and other liabilities	54,779
Interest Rate Swap	(75,798)
Liability under split-interest agreements	(62,413)
Net cash provided by operating activities	<u>8,574,677</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Additions to property and equipment	(7,199,907)
Change in escrows and reserves	892,577
Purchase of investments	(5,759,682)
Proceeds from sale of investments	907,109
Investment in related organizations	<u>2,737,205</u>
Net cash used in investing activities	<u>(8,422,698)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from life lease entrance fees	1,345,988
Refunds of life lease entrance fees	(1,269,893)
Payment of bond issuance costs	(201,571)
Proceeds from issuance of debt	2,793,522
Principal payments on long-term debt	(1,096,465)
Net cash provided by (used in) financing activities	<u>1,571,581</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,723,560
CASH AND CASH EQUIVALENTS - Beginning of year	<u>5,025,234</u>
CASH AND CASH EQUIVALENTS - End of period	<u>6,748,794</u>

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

Dec-16

Location	2016 Budget	Dec-16 Actual	Variance	Dec-15 Actual	Variance		YTD 2016 Budget	YTD 2016 Actual	Variance	YTD 2015 Actual	Variance
CRC Independent Living											
Average Census	108.00	116.97	8.97	116.16	0.81		108.00	115.34	7.34	113.33	2.01
Average Occupancy %	88.52%	95.88%	7.35%	95.21%	0.67%		88.52%	94.54%	6.02%	92.89%	1.65%
Resident Days	3,348	3,626	278	3,601	25		39,528	42,215	2,687	41,366	849
CRC Glazier AL/Commons											
Average Census	62.00	62.52	0.52	65.26	-2.74		62.00	63.15	1.15	62.42	0.73
Average Occupancy %	93.94%	94.72%	0.78%	98.88%	-4.16%		93.94%	95.68%	1.74%	94.57%	1.11%
Resident Days	1,922	1,938	16	2,023	-85		22,692	23,113	421	22,782	331
Towsley Village											
Average Census	81.00	83.48	2.48	85.16	-1.68		81.00	86.14	5.14	80.27	5.87
Average Occupancy %	90.00%	92.76%	2.76%	99.02%	-6.26%		90.00%	95.71%	5.71%	93.34%	2.37%
Resident Days	2,511	2,588	77	2,640	-52		29,646	31,526	1,880	29,299	2,227
Kresge Nursing											
Average Census	78.52	65.94	-12.58	72.32	-6.39		78.51	72.45	-6.05	77.33	-4.88
Average Occupancy %	92.37%	77.57%	-14.80%	85.09%	-7.51%		92.36%	85.24%	-7.12%	90.98%	-5.74%
Resident Days											
Private	465	387	-78	356	31		5,490	4,344	-1,146	5,052	-708
Medicaid	698	794	96	832	-38		8,238	8,881	643	8,492	389
Medicare	837	491	-346	738	-247		9,882	8,649	-1,233	10,240	-1,591
Medicare HMO	372	291	-81	246	45		4,392	3,853	-539	3,588	265
Commercial Ins	62	81	19	70	11		732	791	59	854	-63
Total	2,434	2,044	-390	2,242	-198		28,734	26,518	-2,216	28,226	-1,708

Census	
YTD 2016	Dec-16
93.48%	91.23%
YTD 2015	Dec-15
93.85%	95.20%

The Cedars of Dexter Independent Living

Capacity	2016 Budget	Dec-16 Actual	Variance	Dec-15 Actual	Variance		YTD 2016 Budget	YTD 2016 Actual	Variance	YTD 2015 Actual	Variance
Average Census	59.00	57.00	-2.00	60.00	-3.00		59.00	58.33	-0.67	59.89	-1.56
Average Occupancy %	98.33%	95.00%	-3.33%	100.00%	-5.00%		98.33%	97.22%	-1.12%	99.82%	-2.60%

UNITED METHODIST RETIREMENT COMMUNITIES, INC. OBLIGATED GROUP

COMBINING STATEMENT OF OPERATIONS

12/31/2017 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	30,143,584	2,112,706	-	-	-	32,256,290
Life Lease revenue	-	536,688	-	-	-	536,688
Unrestricted Contributions	-	-	400,000	-	-	400,000
Assets Released From Restriction	-	-	1,000,000	-	-	1,000,000
Other	257,585	-	56,000	2,469,225	(1,788,115)	994,695
Total operating revenue	30,401,169	2,649,394	1,456,000	2,469,225	(1,788,115)	35,187,673
Operating expenses:						
Health care services:						
Salaries, wages and purch. Labor	14,608,052	522,221	632,915	1,844,437	-	17,607,625
Employee benefits	3,342,489	95,793	206,697	488,243	-	4,133,222
Food	1,104,150	102,000	-	-	-	1,206,150
Medical care	1,060,522	-	-	-	-	1,060,522
Utilities	736,101	101,349	-	-	-	837,450
Repairs and maintenance	1,116,200	249,100	-	-	-	1,365,300
Supplies	375,816	8,400	-	-	-	384,216
Provider tax	381,547	-	-	-	-	381,547
Bad debts	125,000	-	-	-	-	125,000
Miscellaneous	2,259,310	255,538	669,275	519,833	(1,788,115)	1,915,841
Depreciation	2,871,256	655,879	4,101	61,007	-	3,592,243
Interest expense	1,031,434	255,114	-	-	-	1,286,548
Grant Distributions	-	-	108,500	-	-	108,500
Real estate taxes	499,587	309,000	-	-	-	808,587
Total operating expenses	29,511,464	2,554,394	1,621,488	2,913,520	(1,788,115)	34,812,751
Operating Income (Loss) - before other operating activities	889,705	95,000	(165,488)	(444,295)	-	374,922
Non Operating Income (Expense)						
Restricted Contributions	-	-	7,150,000	-	-	7,150,000
Assets Released from Restriction	-	-	(1,000,000)	-	-	(1,000,000)
Development Costs	-	-	-	(355,706)	-	(355,706)
Investment in Affiliate (SMOC)	-	-	-	-	-	-
Investment in Affiliate (PACE)	-	-	-	-	-	-
Interest/Dividend Income	-	-	695,000	-	-	695,000
Realized Investment Gains	-	-	-	-	-	-
Unrealized Investment Gains	-	-	-	-	-	-
Change in Value of Swaps	-	-	-	-	-	-
Change in Net Assets	889,705	95,000	6,679,512	(800,001)	-	6,864,216

UNITED METHODIST RETIREMENT COMMUNITIES, INC. OBLIGATED GROUP

Exhibit A - Schedule 1

Debt Service Coverage Ratio	
Rolling 4 quarter basis (1/1/16-12/31/16)	
Change in Unrestricted Net Assets	372,106
Plus:	
Entrance Fees Received	1,345,988
Depreciation, Amortization	3,389,469
Interest Expense	1,039,130
Other Adjustments	
Unrealized (Gains) / Losses in Investments	(868,262)
Unrealized (Gains) / Losses in Joint Venture	1,835,645
Change in Value of Swap	(75,798)
Loss on advanced refunding	4,354
Less:	
Refunds on Entrance Fees	(1,269,893)
Amortization of Entrance Fees	(617,075)
Net Income Available for Debt Service	5,155,664
Historical Annual Debt Service Requirement:	2,115,932
Historical Debt Service Coverage Ratio	2.44
Liquidity Ratio	
(i) Unrestricted Cash and Investments	28,546,586
(ii) Operating Expenses (incl. dev. Exp)	32,792,405
Less:	
Depreciation Expense	(3,389,469)
Bad Debt Expense	(125,840)
Adjusted Expenses	29,277,096
(iii) Adjusted Expenses / 365	80,211
(i) / (iii) Days Cash on Hand	355.89