



at the Heart of Senior Living

Corporate Office

Bethel Methodist Home

67 Springvale Road
Croton on Hudson, NY 10520
914-739-6700

www.bethelwell.org

**Bethel Nursing &
Rehabilitation Center**

Skilled Nursing, Sub-Acute
Care, Dementia Unit &
Out-Patient Rehabilitation
67 Springvale Road
Croton on Hudson, NY 10520
914-739-6700

Bethel Springvale Inn

Assisted Living
62 Springvale Road
Croton on Hudson, NY 10520
914-739-4404

Bethel Nursing Home

Skilled Nursing &
Sub-Acute Rehabilitation
17 Narragansett Avenue
Ossining, NY 10562
914-941-7300

Bethel Adult Day Services

Social & Medical Day Care
19 Narragansett Avenue
Ossining, NY 10562
914-941-7300

The Pines at Narragansett

Independent Senior Living
19 Narragansett Avenue
Ossining, NY 10562
914-941-7300

Bethel Home Care

Licensed Home Care Agency
Certified Home Health Agency
914-941-1300

February 24, 2017

RE: Officers Certificate for Bethel Methodist Home
Relating to the Quarterly Filing for quarter ended December 31, 2016
Issues Including:

Westchester County Local Development Corporation, Revenue
Bonds (The Bethel Methodist Home Project), Series 2016A-1
(Long Term Tax-Exempt Fixed Rate Bonds), \$12,500,000,
Series 2016B (Long Term Taxable Fixed Rate Bonds),
\$3,375,000 and Series 2016C (Short Term Taxable Fixed Rate
Bonds), \$9,200,000, Dated: December 29, 2016

I hereby certify that the Quarterly Report filed on February 24, 2017 constitutes the quarterly financial information required by the Continuing Disclosure Agreement. I further certify that the information complies with the Continuing Disclosure Agreement and the Rule as required. DAC shall be entitled to rely on this certificate.

If you have further questions about this matter please do not hesitate to call.

Sincerely,

Anastasios Markopoulos
Chief Financial Officer

Management's Discussion & Analysis:

The Knolls was acquired by Bethel Methodist Home ("Bethel") on November 1, 2017. Therefore, the following discussion represents just two months of operations under Bethel ownership.

For the period ending December 31, 2016, The Knolls reported the following occupancy:

Independent Living Units	73	60.8%
Enriched Housing	3	30.0%
Skilled Nursing	14	70.0%

For the two months ended December 31, 2016, The Knolls reported total operating revenue of \$1,528,215. Total revenue equaled \$10,166,242; however, two extraordinary items were included in that total: (i) \$8,413,211 representing the goodwill from the acquisition, and (ii) \$224,816, representing collection of existing accounts receivable.

Operating expenses for this period totaled \$2,565,963, including depreciation of \$145,317 and interest expense (which is covered by the capitalized interest fund) of \$195,882. The Knolls also reported other extraordinary expense items related to the acquisition, totaling \$621,327. Marketing expenses totaled \$398,038, representing frontloading of certain costs for sales collateral materials and advertising.

The Knolls reported positive cash flow for the two month period of approximately \$149,594 as the collection of existing accounts receivable offset a slight operating loss of (\$75,222), after adjusting for non-cash items (depreciation) and expenses that were funded by other means (capitalized interest fund, acquisition costs).

Covenants:

Pursuant to the Continuing Disclosure Agreement, each Quarterly Report shall include a calculation of the Debt Service Coverage and Days Cash on Hand covenants, to the extent that such covenants are required to be satisfied in any such fiscal quarter. As of the quarter ended December 31, 2016, both covenants were not applicable.

Income Statement

KNOLLS

2016

	YEAR - TO - DATE Actual
GROSS OPERATING REVENUE	
Commercial	84,465
Medicaid	232,045
Private	93,055
Medicare	82,000
Permanent Residents	14,586
Resident Income	871,631
(Less) Contractual Adjustments	16,370
TOTAL GROSS REVENUE	1,394,152
ANCILLARY AND OTHER REVENUES	
Beauty	592
Cable	187
Declining Balance contracts	132,450
Gain on Sale	8,413,211
Other Misc Income	224,816
Other Non Operating Income	647
Parking	187
TOTAL ANCILL. & OTHER REVENUES	8,772,090
TOTAL REVENUES	10,166,242
OPERATING EXPENSES	
Administrative Services	1,133,616
Cash Receipts Tax	11,115
Communications	37,878
Contracted Services	31,422
Dental Services	800
Depreciation & Amortization	145,317
Employee Fringe Benefits	114,031
Entertainment Fees	560
Food Service	167,263
Housekeeping & Laundry Expense	61,556
Insurance Expense	18,551
Management Fee	15,833
Medical Directors Office	5,775
Nursing Department	158,052
Office Supplies	1,169
Other Operating Expenses	270,829
Pharmacy Services	6,907
Plant Operation & Grounds	118,392
Recreation	43,200
Rehabilitation Therapy Services	29,858
Resident Life Services	38,343
Salaries ADC	53,262
Social Services	9,983
Transportation Expenses	92,250
TOTAL EXPENSES	2,565,963
TOTAL INCOME (LOSS) FROM OPERATIONS	7,600,279

The Knolls
Balance Sheets

ASSETS

December 31, 2016

Cash	\$ 264,189
Restricted Cash - Security Deposits	-
Patient Funds	-
Assets Limited As To Use	7,817,696
Accounts Receivable	492,841
Other Receivable	-
Due from Medicaid	-
Inventory	3,148
Prepaid Expenses	11,695
Unamortized Costs	2,224,896
Fixed Assets	39,775,010
 Total Assets	 <u><u>50,589,476</u></u>

LIABILITIES AND FUND BALANCE

December 31, 2016

Accounts Payable	\$ 987,899
Accrued Payroll Expenses and Taxes Payable	132,722
Accrued Expenses	70,067
Payable To Third Party and Private Payors	76,929
Other Liabilities	-
Patient Funds	-
Current Portion of Long Term Debt	-
Long Term Debt	25,075,000
Other Long Term Liabilities	14,684,647
Due To/From Related Company	(38,069)
Equity Contribution	2,000,000
Fund Balance	7,600,279
 Total Liabilities and Fund Balance	 <u><u>50,589,476</u></u>

The Knolls
Statement of Cash Flows
For the Twelfth Month Ended December 31, 2016

Cash Provided (Used)

Increase Net Assets	\$ 7,600,279
Provision for Bad Debt	-
Depreciation Expense	145,317
Patient Funds	-
Accounts Receivable	(492,841)
Other Receivable	-
Inventory	(3,148)
Prepaid Expenses	(11,695)
Unamortized Costs	(2,224,896)
Accounts Payable	987,899
Accrued Payroll Expenses and Taxes Payable	132,722
Accrued Expenses	70,067
Payable To Third Party and Private Payors	76,929
Other Liabilities	14,684,647
Patient Funds	-
Due To/From Related Company	(38,069)
Total Cash Provided From Operations	20,927,213
 Cash Flow From Investing Activities	
Restricted Cash - Security Deposits	-
Assets Limited As To Use	(7,817,696)
Purchase of Property, Plant & Equipment	(39,920,327)
Net Cash Used by Investing Activities	(47,738,023)
 Cash Flow From Financing Activities	
Equity Contribution	2,000,000
Proceeds of Long Term Debt	25,075,000
Net Cash Used by Financing Activities	27,075,000
 Total Cash Provided (Used)	264,189
Cash, December 31, 2015	0
Cash, December 31, 2016	<u><u>\$ 264,189</u></u>

Bethel Homes

Statistics

2016

KNOLLS	November-16	November-16	YTD	YTD
Skilled Nursing	ACTUAL	BUDGET	ACTUAL	BUDGET
Medicaid	-	-	-	-
Medicare	61	-	109	-
Private	293	-	619	-
Commercial /Other	42	-	113	-
Total Days	396	-	841	-
Average Daily Census	13	-	14	-
Number of Beds	20	20	20	20
Occupancy Percentage	64%	0%	69%	0%

Adult Day Care	November-16	November-16	YTD	YTD
	ACTUAL	BUDGET	ACTUAL	BUDGET
Medicaid	873	-	1,733	-
Private	41	-	89	-
		-		-
Total Days	914	-	1,822	-
Average Daily Census	30	-	33	-

KNOLLS - Independent Living	November-16	November-16	YTD	YTD
	ACTUAL	BUDGET	ACTUAL	BUDGET
APTS	73	-	146	-

KNOLLS - Assisted Living	November-16	November-16	YTD	YTD
	ACTUAL	BUDGET	ACTUAL	BUDGET
APTS	3	-	6	-

THE COMMUNITY

Description and Occupancy of the Community

The Community, now known as “The Knolls: A Bethel Community” (previously operating under the name Westchester Meadows), is a continuing care retirement community located on over 29 acres of land in Valhalla, New York, approximately 20 miles north of New York City in Westchester County. The Community consists of 120 independent living units, 10 enriched housing units (also referred to as assisted living) and 20 skilled nursing beds.

The Community enjoyed a period of full occupancy following its opening in 2002. In 2008, however, the Community began to experience financial difficulty as its initial population began to age and create vacancies. Simultaneously, the overall economy experienced a significant financial downturn that exacerbated the Community’s occupancy challenges. As a result, census began to drop and operations weakened. Over the past several years, the Community has continued to experience a decline in occupancy. The following table details the current occupancy of the Community as of December 31, 2016.

Unit Type	Occupied	Available	% Occupied
Independent Living	73	120	60.8%
Enriched Housing	3	10	30.0%
Skilled Nursing	<u>14</u>	<u>20</u>	<u>70.0%</u>
Total	90	150	60.0%

Source: HSHS

The table below shows the historical occupancy levels as of each December 31 for Independent Living Units of the Community since its opening in 2002.

Year	ILU Available	ILU Occupied	ILU %
2002	120	109	90.8%
2003	120	116	96.7%
2004	120	120	100.0%
2005	120	118	98.3%
2006	120	115	95.8%
2007	120	114	95.0%
2008	120	116	96.7%
2009	120	110	91.7%
2010	120	103	85.8%
2011	120	90	75.0%
2012	120	85	70.8%
2013	120	88	73.3%
2014	120	87	72.5%
2015	120	77	64.2%
2016	120	68	56.7%

Source: HSH

The challenges faced by the Community were compounded as its prior sponsoring entity, HSH, and its affiliated entities HHH Choices Health Plan, LLC and Hebrew Hospital Home of Westchester, Inc., experienced similar difficulties over the same timeframe, leading to significant management challenges. In December 2015, HSH filed for bankruptcy with the intent of selling the Community. In August 2016, the United States Bankruptcy Court for the Southern District of New York ruled in favor of HSH's selection of the Corporation's bid as the highest and best offer to acquire the assets of the Community. See "ACQUISITION FROM BANKRUPTCY" below.