



**Virginia Baptist Homes, Inc., dba LifeSpire of Virginia**

TO: Municipal Securities Rulemaking Board, via  
Electronic Municipal Market Access  
Digital Assurance Certification, LLC  
US Bank, Trustee  
Bondholders and Other Interested Parties

FROM: Joseph Kelley  
Senior Vice President & Chief Financial Officer

DATE: April 24, 2017

SUBJECT: Annual Disclosure for LifeSpire of Virginia and its Obligated Group:

Economic Development Authority of the City of Newport News, Virginia  
Residential Care Facilities Revenue Refunding Bonds (LifeSpire of Virginia), Series 2016

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Virginia Baptist Homes, Inc. dba LifeSpire of Virginia, Lakewood Manor Baptist Retirement Community, Inc., Culpeper Baptist Retirement Community, Inc. dba The Culpeper, and Newport News Baptist Retirement Community, Inc. dba The Chesapeake collectively comprise the Obligated Group ("Obligated Group") that is obligated to make payments on the above described Bonds ("Bonds"). Each is a Virginia non-stock corporation. Pursuant to its continuing disclosure obligations under the agreements executed in connection with the issuance of the Bonds, the Obligated Group submits the attached annual report filing for the period ended December 31, 2016.

The consolidated audited financial statements for Virginia Baptist Homes, Inc. dba LifeSpire of Virginia and its subsidiaries, for the years ended December 31, 2016 and 2015, are being concurrently and separately disclosed, and are incorporated hereinto by reference.

If there are questions, please feel free to contact me.

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**LifeSpire of Virginia Obligated Group  
Continuing Disclosure Annual Report  
FYE 12/31/2016**

Table of Contents

	<u>Page #</u>
• Table of Contents	1
• Appendix A Tables	2
• 2017 Entrance & Monthly Fee Schedules	6
• 2016 Final Days Cash on Hand Calculation	10
• 2016 Final Long-Term Debt Service Coverage Calculation	11
• 2016 Final Operating Ratio Calculation	12
• 2017 Annual Budget Summary	13
• Narrative:	20
○ CMS Star Status	
• Most Recent Actuarial Reports	25

**LifeSpire of Virginia**  
**Supplemental Occupancy & Contract-Related Continuing Disclosure Information**  
**December 31, 2016**

**Unit Mix of LifeSpire Obligated Group communities:**

<u>Community</u>	<u>Location</u>	<u>IL</u>	<u>Unit Capacity</u>				<u>% of 2016 Op Revenue</u>
			<u>AL</u>	<u>MS</u>	<u>HC</u>	<u>Total</u>	
Lakewood	Richmond	270	60	14	96	440	46.5%
The Chesapeake	Newport News	255	57	15	52	379	38.2%
The Culpeper	Culpeper	63	41	-	37	141	15.3%
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Total		588	158	29	185	960	100.0%

**Residency Agreement Type Mix**

The following table displays The Obligated Group's contract type mix (Life Care vs. Continuing Care/Fee for Service/Rental) from fiscal year 2013 through 2015, and at December 31, 2016:

	<u>FYE 2013</u>	<u>FYE 2014</u>	<u>FYE 2015</u>	<u>YTD through 12/31/2016</u>
Life Care	76.5%	74.2%	70.4%	64.9%
CC/FFS/RE	23.5%	25.8%	29.6%	35.1%*
Total	100%	100%	100%	100%

\*Increase in CC/FFS/RE primarily due to increase of rental contracts for Health Care Center direct admits at Lakewood.

**Refund Type Mix**

The following table displays the refund type mix from fiscal year 2013 through 2015, and at December 31, 2016:

	<u>FYE 2013</u>	<u>FYE 2014</u>	<u>FYE 2015</u>	<u>YTD through 12/31/2016</u>
Standard	96.8%	94.6%	93.0%	91.8%
Guaranteed:				
90%+	2.2%	4.0%	5.7%	7.1%
50%	1.0%	1.4%	1.3%	1.1%
Total	100%	100%	100%	100%

\* "Standard" refers to all non-guaranteed refundable contract types; both non-refundable and fully amortizing.

## **OCCUPANCY**

Below is a table showing available units as of December 31, 2016, and average year to date occupancy through December 31, 2016 followed by the average occupancy of the five most recent fiscal years:

	# of Units Available	Avg. Through December 31, 2016		Average Occupancy for the Fiscal Year Ended December 31,				
		# Occ.	% Occ.	2015	2014	2013	2012	2011
<b>Independent Living</b>								
Lakewood	271	245	90.2%	89.5%	86.7%	92.9%	81.2%	86.0%
The Chesapeake	255	227	89.1%	87.8%	84.3%	81.0%	80.8%	82.7%
The Culpeper	61	56	91.0%	71.0%	68.5%	60.9%	62.1%	68.4%
<b>Assisted Living</b>								
Lakewood	60	52	86.6%	91.8%	90.6%	93.7%	93.2%	95.3%
The Chesapeake	57	54	94.8%	96.7%	97.3%	99.4%	99.8%	96.7%
The Culpeper	41	32	78.2%	63.8%	57.5%	58.2%	61.0%	74.3%
<b>Memory Support</b>								
Lakewood	14	13	94.3%	91.3%	68.9%	81.3%	87.7%	82.8%
The Chesapeake	15	11	73.3%	88.0%	90.6%	92.8%	89.8%	91.3%
The Culpeper								
<b>Nursing</b>								
Lakewood	96	79	82.6%	88.7%	92.7%	81.8%	86.3%	82.0%
The Chesapeake	52	48	92.5%	90.1%	93.1%	91.2%	89.7%	92.8%
The Culpeper	37	34	92.3%	71.1%	80.5%	79.9%	86.1%	82.9%
<b>Total</b>	<b>961</b>	<b>851</b>	<b>88.7%</b>	<b>86.5%</b>	<b>84.8%</b>	<b>81.8%</b>	<b>82.1%</b>	<b>84.5%</b>

Below is a table of the weighted average year to date occupancy through December 31, 2016 and during the five most recent fiscal years:

	# of Units Available	Avg. Through December 31, 2016		Weighted Average Occupancy for the Fiscal Year Ended December 31,				
		# Occ.	% Occ.	2015	2014	2013	2012	2011
<b>Independent Living</b>	588	528	89.8%	86.8%	83.7%	84.4%	79.0%	82.7%
<b>Assisted Living</b>	158	138	87.3%	86.2%	84.3%	86.4%	87.1%	90.3%
<b>Memory Support</b>	29	24	83.4%	89.6%	80.1%	87.2%	88.8%	87.2%
<b>Nursing</b>	185	162	87.4%	85.6%	90.4%	84.1%	87.2%	85.2%
<b>Total</b>	<b>961</b>	<b>851</b>	<b>88.7%</b>	<b>86.5%</b>	<b>84.8%</b>	<b>81.8%</b>	<b>82.1%</b>	<b>84.5%</b>

**SKILLED NURSING PAYOR MIX**

The following tables display the skilled nursing payor mix from fiscal year 2012 through 2015 and the period ended December 31, 2016 for each community and the Obligated Group:

**Lakewood Payor Mix**

	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>YTD through 12/31/2016</b>
Private Pay	90.2%	93.7%	89.8%	90.6%	83.6%
Medicare	9.8%	5.9%	8.5%	8.6%	14.9%
Medicaid	0.0%	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.5%	1.7%	0.8%	1.5%
Total	100%	100%	100%	100%	100%

**The Chesapeake Payor Mix**

	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>YTD through 12/31/2016</b>
Private Pay	72.9%	72.4%	73.5%	79.7%	76.7%
Medicare	15.6%	18.6%	18.6%	17.7%	16.4%
Medicaid	11.5%	5.9%	6.2%	0.7%	3.3%
Other	0.0%	3.1%	1.6%	1.9%	3.6%
Total	100%	100%	100%	100%	100%

**The Culpeper Payor Mix**

	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>YTD through 12/31/2016</b>
Private Pay	62.0%	63.7%	66.1%	57.7%	65.8%
Medicare	12.5%	12.1%	9.6%	15.9%	12.5%
Medicaid	25.5%	23.9%	24.4%	25.7%	21.7%
Other	0.0%	0.3%	0.0%	0.7%	0.0%
Total	100%	100%	100%	100%	100%

**Consolidated Payor Mix**

	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>YTD through 12/31/2016</b>
Private Pay	79.5%	81.4%	80.7%	80.9%	77.8%
Medicare	12.0%	10.9%	11.6%	12.8%	14.8%
Medicaid	8.5%	6.5%	6.3%	5.2%	5.6%
Other	0.0%	1.2%	1.4%	1.1%	1.8%
Total	100%	100%	100%	100%	100%

**SKILLED NURSING PRIVATE PAY MIX**

The following table displays the composition of The Obligated Group's skilled nursing private pay residents (i.e., outside admissions vs internal transfers of continuing care contract holders) at December 31, 2016:

	<b><u>Culpeper</u></b>	<b><u>Chesapeake</u></b>	<b><u>Lakewood</u></b>	<b><u>Combined 12/31/2016</u></b>
Cont. Care	36.8%	91.0%	97.3%	84.7%
Direct Admits	63.2%	9.0%	2.7%	15.3% <sup>*</sup>
Total	100%	100%	100%	100%

103.00%	140.00%	90.00%	FLAT
103.50%	195.00%	102.50%	110.00%
FIXED			

## Chesapeake

2017 Rates - Increase by : 3.50%

### Independent Living

Independent Living					2017						
					Standard Refundable	50% Refundable	90% Refundable LC/ FFS	Monthly Fee			
Accommodation	Agreement Type	Room type	Sq Ftg	# of units							
The Aberdeen	Life Care	1 Bedroom/1 Bath	857	12	135,000	189,000	263,000	2,733			
	Fee for Service					138,000	2,215				
The Bennett	Life Care	1 Bedroom/11/2 Bath	1050	6	163,000	228,000	318,000	3,095			
	Fee for Service					164,000	2,495				
The Bethel	Life Care	2 Bedroom/2 Bath/Den	1147	3	197,000	276,000	384,000	3,240			
	Fee for Service					194,000	2,598				
The Bryant	Life Care	2 Bedroom/2 Bath/Balcony	1160	30	221,000	309,000	431,000	3,219			
	Fee for Service					212,000	2,578				
The Chester	Life Care	1 Bedroom/11/2 Bath	919	6	148,000	207,000	289,000	3,002			
	Fee for Service					146,000	2,402				
The Easton	Life Care	2 bedroom/2 Bath	1093	12	195,000	273,000	380,000	3,188			
	Fee for Service					187,000	2,557				
The Elizabeth	Life Care	1 Bedroom/11/2 Bath	1126	6	189,000	265,000	369,000	3,199			
	Fee for Service					188,000	2,578				
The Virginian (Hampton)	Life Care	1 Bedroom/1 Bath	760	27	131,000	183,000	255,000	2,681			
	Fee for Service					129,000	2,143				
The Harris	Life Care	1 Bedroom/1 Bath	857	18	135,000	189,000	263,000	2,733			
	Fee for Service					138,000	2,215				
The James	Life Care	2 Bedroom/2 Bath/Balcony	1160	30	221,000	309,000	431,000	3,219			
	Fee for Service					212,000	2,578				
The Lancaster I	Life Care		1469	3	273,000	382,000	532,000	3,778			
	Fee for Service		1469			259,000	3,023				
The Lancaster II	Life Care		1625	5	289,000	405,000	564,000	3,944			
	Fee for Service		1625			279,000	3,157				
The Lancaster III	Life Care		1765	16	300,000	420,000	585,000	4,037			
	Fee for Service		1765			290,000	3,230				
The Lawson	Life Care	2 bedroom/2 Bath	1256	2	200,000	280,000	390,000	3,323			
	Fee for Service					190,000	2,650				
The Lynnhaven	Life Care	2 Bedroom/2 Bath/Den/Bal	1762	5	297,000	416,000	579,000	3,758			
	Fee for Service					286,000	3,126				
The Madison	Life Care	2 bedroom/2 Bath	1056	2	193,000	270,000	376,000	3,168			
	Fee for Service					186,000	2,547				
The Mobjack	Life Care	2 bedroom/2 Bath	1088	4	178,000	249,000	347,000	3,116			
	Fee for Service					171,000	2,505				
Nottoway	Life Care	2 Br,2.5BA Den	1776	3	265,000	371,000	516,750	3,600			
	Fee for Service					256,000	2,952				
The Patrick	Life Care	2 bedroom/2 Bath	1065	1	188,000	263,000	367,000	3,178			
	Fee for Service					182,000	2,567				
The Potomac	Life Care	1 Bedroom/11/2 Bath/Den/	1110	4	194,000	272,000	378,000	3,209			
	Fee for Service					196,000	2,578				
The Rappahannock	Life Care	2 Bedroom/2 Bath/Den/Bal	1326	17	252,000	353,000	491,000	3,488			
	Fee for Service					242,000	2,805				
The SmithField	Life Care	2 Bedroom/2 Bath/Garage/	1389	7	268,000	375,000	523,000	3,488			
	Life Care				1526	3	283,000	396,000	552,000	3,758	
	Fee for Service	2 Bedroom/2 Bath/Garage/(Single)		3			254,000	2,805			
	Fee for Service						271,000	3,012			
The Warwick	Life Care	2 bedroom/2 Bath	1178	15	205,000	287,000	400,000	3,209			
	Fee for Service						199,000	2,578			
The Willoughby	Life Care	2 bedroom/2 Bath	1519	1	263,000	368,000	513,000	3,592			
	Fee for Service						250,000	2,878			
The York	Life Care	1 Bedroom/11/2 Bath/Den/Balcony	950	20	177,000	248,000	345,000	3,168			
	Fee for Service						176,000	2,547			
Double Occupancy	Life Care			258	32,000	45,000	62,000	1,201			
	Fee for Service						45,000	973			
					Per Diem						
					Level I		Level II	Level III			
Assisted Living	Published Rate	Fee for Service Prevailing Rate : 10% discount		60	192.00		200.80	238.70			
					172.80		180.80	214.90			
Memory Support	Published Rate	Fee for Service Prevailing Rate : 10% discount		15	282.60						
					254.40						
Health Care	Published Rate	Fee for Service Prevailing Rate : 10% discount		52	294.60						
					265.20						

90.00%	103.00%	29,000
104.50%	FLAT	

## Culpeper

2017 Rates - Increase by :

4.50%

### Independent Living

Accommodation	Agreement Type	Room type	Sq Foot	units	Single	Double	Single
<b><u>APARTMENTS</u></b>							
					Entrance Fee/ Community Fee		
Brookneal	Resident Agreement	Studio (Kitchenet	154	1			
	Rental						
	Fee for Service				1,000		2,404
					17,000		2,404
Caroline	Resident Agreement	Efficiency	280	3			
	Rental						
	Fee for Service				1,000		2,613
					27,000		2,613
Davenport	Resident Agreement						
	Rental						
	Fee for Service				1,000		2,686
					32,000		2,686
Culpeper (Essex II)							
Essex I	Resident Agreement	One Bedroom Ap	280	10			
	Rental						
	Fee for Service				1,000	1,000	2,958
					38,000	48,000	2,958
Essex II	Resident Agreement	Two Bedroom Ap	434	3			
	Rental						
	Fee for Service				1,000	1,000	3,010
					43,000	53,000	3,010
Essex III (Upgraded Essex)	Resident Agreement	3 room & W&D		3			
	Rental						
	Fee for Service				1,000	1,000	2,958
					41,000	51,000	2,958
Jefferson I	Resident Agreement	Two Bedroom Ap	560	2			
	Rental						
	Fee for Service				1,000	1,000	3,135
					48,000	59,000	3,135
Jefferson II	Resident Agreement	Three Bedroom A	672	1			
	Rental						
	Fee for Service				1,000	1,000	3,250
					53,000	64,000	3,250
Madison							
Malvern	Resident Agreement	Suite	308	17			
	Rental						
	Fee for Service						
	Resident Agreement	Suite	308	17			
	Rental						
	Fee for Service				1,000	1,000	2,926
					32,000	43,000	2,926
2nd person	Fee for Service						1,192
<b><u>COTTAGES</u></b>					Entrance Fee		
Keswick I	Resident Agreement	Two Bedroom Hc	1000	8			
	Rental						
	Fee for Service				195,000	224,000	2,090
							2,090
Keswick I-A	Resident Agreement	Two Bedroom Hc	1000	8			
	Rental						
	Fee for Service				200,000	229,000	2,341
							2,341
Keswick II	Resident Agreement	Two bedroom Hc	1000	6			
	Rental						
	Fee for Service				211,000	240,000	2,467
							2,467
Keswick II-A	Resident Agreement	Two Bedroom Hc	1000	8			
	Rental						
	Fee for Service				248,000	277,000	2,592
							2,592
Keswick III	Resident Agreement	Keswick I + 2nd f	1133	2			
	Rental						
	Fee for Service				227,000	256,000	2,592
							2,592
Keswick IV	Resident Agreement	Same as Keswick	1133	1			
	Rental						
	Fee for Service				253,000	282,000	2,697
							2,697
Waverly	Resident Agreement	Two Bedroom Du	1366	10			
	Rental						
	Fee for Service				263,000	292,000	2,749
							2,749
Double Occupancy	Resident Agreement						
	Rental						
	Fee for Service						1,192
							1,192



				104.50%	FLAT			
Culpeper								
2017 Rates - Increase by :		4.50%		100				
Assisted Living								
Accomdation	Agreement Type	Room type	Sq Foot		Non-Refundable Community Fee	Per Diem		
					Single	Double	Single	
Ashland	Resident Agreement - Level 1	Single Rm/ Privat	160	4		161.80		
	Fee for Service - Level 1			17,000	145.70			
	Resident Agreement - Level 2			7				
	Rental - Level 2			1,000	186.20			
Brookneal	Fee for Service - Level 2	Studio (Kitchenet	154	1	17,000	167.60		
	Resident Agreement - Level 1							
	Rental - Level 1			1,000	170.30			
	Fee for Service - Level 1			18,000	153.30			
Caroline	Resident Agreement - Level 1	1 Bedroom and b	280	7				
	Rental - Level 1			1,000	178.60			
	Fee for Service - Level 1			23,000	160.80			
Essex I	Resident Agreement - Level 1	One Bedroom Ap	280	7				
	Rental - Level 1			1,000	1,000	181.00		
	Fee for Service - Level 1			30,000	41,000	162.90		
Madison I	Resident Agreement - Level 1	1 Bedroom	308	6				
	Rental - Level 1			1,000	1,000	170.30		
	Fee for Service - Level 1			22,000	38,000	153.30		
Madison II	Resident Agreement - Level 1	1 Bedroom, bathi	308	6				
	Rental - Level 1			1,000	1,000	178.60		
	Fee for Service - Level 1			31,000	39,000	160.80		
Malvern 1	Resident Agreement - Level 1							
	Rental - Level 1			1,000	1,000	181.00		
	Fee for Service - Level 1			30,000	41,000	162.90		
Assisted Living Suite	Resident Agreement - Level 1	1 Bedroom, Sittin	264	3				
	Rental - Level 1							
	Fee for Service - Level 1							
	Resident Agreement - Level 2							
Rental - Level 2	1,000			1,000	206.20			
Fee for Service - Level 2	31,000			42,000	185.60			
Wilson	Resident Agreement - Level 1	Single rm/ Sharec	138	1				
	Rental - Level 1			1,000	-	160.50		
	Fee for Service - Level 1			15,000	-	144.50		
	Resident Agreement - Level 2			9				
Jefferson I	Rental - Level 2				1,000	-	183.80	
	Fee for Service - Level 2			15,000	-	165.50		
	Rental - Level 1			2 Bedroom,Living	560	1,000	1,000	214.30
	Fee for Service - Level 1			44,000	55,000	192.90		
Double Occupancy	Rental - Level 2				1,000	1,000		
	Fee for Service - Level 2			44,000	55,000			
	Rental - Level 1					129.80		
	Fee for Service - Level 1					129.80		
	Rental - Level 2						162.30	
	Fee for Service - Level 2					162.30		

#### Health Care

Accommodation	Agreement		Per Diem
Ward	Fee for Service	6	209.70
	Rental		232.90
Semi Private	Fee for Service	6	224.70
	Rental		249.60
Private	Fee for Service	29	233.70
	Rental		259.60
* MSF: 4.50% incr & set to round up to the nearest 1.00			
* EF 1 Cottage EF by 3% from prior yr, rounded 1 to the nearest			
*DR: 4.50% incr & set to round up to the nearest .10			
CC/Prev Rates : 10% disc of street rates, & rounded up to the			
2nd person EF for cottages add'l 29K			
Community fee remains flat from prior year			

					103.00%			140%
					FIXED		195.00%	FLAT
						103.50%		90.00%
<b>Lakewood Manor</b>								
<b>2017 Rates - Increase by :</b>					<b>3.50%</b>			
					<b>2017</b>			
					<b>Single Occupancy</b>			
<b>Accommodation</b>	<b>Agreement Type</b>	<b>Room type</b>	<b># of units</b>	<b>Sq Ftg</b>	<b>Standard Refundable</b>	<b>50% Refundable</b>	<b>90% Refundable</b>	<b>Published Monthly Fee</b>
Ashton Apt	Lifecare	Master Studio Apart	20	472	130,000	177,000	254,000	2,391
	Fee for Service				71,000	99,000	138,000	2,112
Berkley Apt	Lifecare	1 Bedroom A Apart	44	472	134,000	183,000	261,000	2,391
	Fee for Service				74,000	104,000	144,000	2,112
Carlisle Apt.	Lifecare	1 Bedroom B Apart	84	615	160,000	220,000	312,000	3,012
	Fee for Service				90,000	126,000	176,000	2,598
Copperas Villa	Lifecare	Villa Apart	6	1,640	428,000	582,000	835,000	4,989
	Fee for Service				306,000	428,000	597,000	3,499
Davenport Apt.	Lifecare	1 Bedroom D Apart	18	944	215,000	292,000	419,000	3,737
	Fee for Service				137,000	192,000	267,000	2,836
Davidson Apt	Lifecare	1 Bedroom C Apart	30	822	201,000	269,000	392,000	3,613
	Fee for Service				129,000	181,000	252,000	2,754
Easton Apt	Lifecare	2 Bedroom A Apart	30	874	221,000	299,000	431,000	3,913
	Fee for Service				148,000	207,000	289,000	2,909
Fairchild Apt	Lifecare	2 Bedroom B Apart	15	937	228,000	307,000	445,000	3,965
	Fee for Service				167,000	234,000	326,000	2,961
Gathright	Lifecare	2 Bedroom 2 bath	3	1,230	323,000	439,000	630,000	4,213
	Fee for Service				226,000	316,000	441,000	3,012
Irvington Cottage	Lifecare	Cottage	3	2,805	583,000	793,000	1,137,000	6,397
	Fee for Service				416,000	582,000	811,000	4,492
Jamestown I Cottage	Lifecare	Cottage	3	2,068	514,000	699,000	1,002,000	5,724
	Fee for Service				366,000	512,000	714,000	4,027
Jamestown II Cottage	Lifecare	Cottage	1	2,773	546,000	744,000	1,065,000	5,983
	Fee for Service				390,000	546,000	761,000	4,192
Kilmarnock I Cottage	Lifecare	Cottage	1	2,181	534,000	725,000	1,041,000	5,983
	Fee for Service				378,000	529,000	737,000	4,213
Kilmarnock II Cottage	Lifecare	Cottage	2	2,932	568,000	772,000	1,108,000	6,273
	Fee for Service				406,000	568,000	792,000	4,399
Lancaster Cottage	Lifecare	Cottage	4	1,826	475,000	648,000	926,000	5,165
	Fee for Service				334,000	467,000	651,000	3,613
Timbercrest Villa	Lifecare	Villa Apart	6	1,800	486,000	661,000	948,000	5,165
	Fee for Service				346,000	484,000	675,000	3,613
Tuckahoe Villa	Lifecare	Villa Apart	18	1,470	396,000	535,000	772,000	4,503
	Fee for Service				281,000	393,000	548,000	3,168
					<b>Double Occupancy</b>			
Double Occupancy	Life Care				68,000	78,000	88,000	1,584
	Fee for Service				13,000	23,000	33,000	1,098
					<b>Entry Fee</b>	<b>Per Diem</b>		
						<b>level 1</b>	<b>level 2</b>	<b>level 3</b>
<b>Assisted Living</b>	Published Rate				26,000	205.00	215.70	228.00
	Continuing Care Prevailing Rate : 10% discount					184.50	194.20	205.20
<b>Memory Support</b>	Published Rate				30,000	228.00		
	Continuing Care Prevailing Rate : 10% discount					205.20		
<b>Health Care</b>	Published Rate					291.50		
	Continuing Care Prevailing Rate : 10% discount					262.40		
288					* MSF: 3.50% incr & set to round up to the nearest 1.00 * EF ↑ standard refundable by 3% from prior yr, rounded ↑ to the nearest 1k EF exception: 2nd person stnd refnd LC set to 45k, rounded ↑ to the nearest 1k EF exception: 2nd person stnd refnd FFS set to 30k, rounded ↑ to the nearest 1k EF exception: 1st person 50% refnd LC flat from prior year, rounded ↑ to the nearest 1k EF exception: 1st person 90% refnd LC & FFS 95% increase over stnd rfnd, rounded ↑ to the nearest 1k EF exception: 1st person 50% refnd FFS 40 % increase over stnd, rounded ↑ to the nearest 1k *DR: 3.50% incr & set to round up to the nearest .10 CC/Prev Rates : 10% disc of street rates, & rounded up to the nearest .10			

**DAYS CASH ON HAND**  
**VIRGINIA BAPTIST HOMES, INC.**

<b>For Period Ending</b>	<b>12/31/2014</b>	<b>12/31/2015</b>	<b>12/31/2016</b>
Unrestricted Cash and Securities	20,963,815	27,278,739	28,045,305
Total Operating Expenses for period ended	56,038,643	55,518,507	55,849,746
Less: Depreciation & Amortization	7,129,803	7,561,744	7,706,811
	48,908,840	47,956,763	48,142,935
Average day's expenses	133,997	131,388	131,538
Day's Cash on Hand	156	208	213
Minimum Days Cash on Hand	120	120	120
Better or Worse than requirement	Better	Better	Better

**RESERVE RATIO**  
**VIRGINIA BAPTIST HOMES, INC.**

<b>For Period Ending</b>	<b>12/31/2014</b>	<b>12/31/2015</b>	<b>12/31/2016</b>
Unrestricted Cash and Securities	20,963,815	27,278,739	28,045,305
Debt Service Reserve Fund	8,046,790	8,013,946	6,345,792
Total Funds Available	29,010,605	35,292,685	34,391,097
Total Indebtedness	87,162,328	91,563,060	91,288,028
Less Intermediate Term Bonds	-	-	-
Less Current Portion of LTD	2,775,000	2,933,425	2,482,338
Net Indebtedness	84,387,328	88,629,635	88,805,690
Ratio	34.4%	39.8%	38.7%

**VIRGINIA BAPTIST HOMES, INC.  
OBLIGATED GROUP  
DEBT SERVICE COVERAGE RATIO**

*Tested annually on December 31st*

	2014	2015	December 31, 2016
Change in unrestricted net assets	\$ (2,496,344)	\$ (2,157,457)	\$ (1,436,628)
Deduct:			
Entrance fee amortization	9,180,654	9,621,098	9,363,169
Unrealized gains on investments	825,279	-	373,333
Extraordinary Gain on debt extinguishment	-	-	-
Decrease in future service obligation	-	-	-
Net assets released from restriction for acquisition of property, plant and equipment	88,788	225,958	-
Adjustment for gains on disposal of fixed assets	1,795	3,600	14,975
	10,096,516	9,850,656	9,751,477
Add:			
Provision for depreciation and amortization	7,129,803	7,561,744	7,706,811
Loss on disposal of property, plant and equipment			
Interest expense	4,802,996	4,739,908	4,855,457
Entrance fees received, net of refunds	13,707,389	12,969,985	9,899,211
Unrealized losses on investments	-	572,232	-
Write off of deferred financing costs	-	-	1,903,178
Increase in future service obligation	-	-	-
Loss on refinancing of debt	-	-	-
Other than temporary decline in investments	-	-	-
Adjustment for losses on disposal of fixed assets	-	-	-
Loss on project abandonment	-	-	-
Adjustment for realized gains/(losses) vs. five-year average	267,984	240,545	N/A
	25,908,172	26,084,414	24,364,657
Income available for debt service	\$ 13,315,312	\$ 14,076,301	\$ 13,176,552
Maximum annual debt service	\$ 7,720,305	\$ 8,323,861	\$ 6,297,750
<b>Debt service coverage ratio (excluding deferred entrance fees receivable)</b>	<b>1.72</b>	<b>1.69</b>	<b>2.09</b>

Effective 9/30/2016, this calculation reflects the provisions of the EDA of the City of Newport News, Virginia Residential Care Facilities Revenue Refunding Bonds (LifeSpire of Virginia) Series 2016. Previous periods' calculations have not been restated.

**OPERATING RATIOS**  
**VIRGINIA BAPTIST HOMES, INC.**

	<b>Twelve Mths Ended 12/31/2014</b>	<b>Twelve Mths Ended 12/31/2015</b>	<b>Quarter Ended 12/31/2016</b>	<b>Twelve Mths Ended 12/31/2016</b>
<b>OPERATING RATIO</b>				
Total Revenues	52,194,286	53,707,325	14,521,557	55,849,746
Less: Earned Entrance Fees	(9,349,657)	(9,621,098)	(2,798,916)	(9,363,169)
Less: Contributions	(836,068)	(461,197)	(45,367)	(238,423)
Less: Investment Income	(1,658,279)	(1,306,597)	(179,647)	(818,708)
Cash Revenues Excluding Investment Income	<u>40,350,282</u>	<u>42,318,433</u>	<u>11,497,627</u>	<u>45,429,446</u>
 Total Expenses	 55,301,040	 55,518,562	 14,307,411	 55,883,481
Less: Depreciation & Amortization	(7,129,803)	(7,561,744)	(1,840,063)	(7,706,811)
Cash Expenditures	<u>48,171,237</u>	<u>47,956,818</u>	<u>12,467,348</u>	<u>48,176,670</u>
 Net Operating Ratio	 119.4%	 113.3%	 108.4%	 106.0%

Note: Calculated per the Supplemental Indenture for the Series 2016 bonds, which is slightly different than the preceding bonds' calculation. There is no covenant related to this ratio; it is shown for informational purposes only.

**VBH Obligated Group**  
**OPERATING BUDGET AND PROJECTIONS**  
**Fiscal Year Ending December 31,**

	2015	2016	July, 2016	2016	D4.BOT	% Variance	
	Actual	Budget	Annualized	D2 Forecast	2017 Budget	Vs Budget	Vs Forecast
Earned Entrance Fees	9,621,098	9,422,390	8,443,058	8,900,690	9,117,000	-3.2%	2.4%
Independent Living	20,208,980	21,412,766	21,346,599	21,355,627	22,222,909	3.8%	4.1%
Assisted Living	5,581,583	5,730,917	5,685,288	5,738,944	6,130,000	7.0%	6.8%
Health Care	7,043,110	6,517,327	7,635,875	7,657,513	8,531,458	30.9%	11.4%
Medicare A	3,615,695	3,949,761	3,729,093	4,897,323	5,832,782	47.7%	19.1%
Memory Support	1,298,620	1,323,350	1,175,393	1,227,137	1,353,545	2.3%	10.3%
Clinic	1,038,508	754,150	1,193,493	1,155,728	1,191,420	58.0%	3.1%
<b>Total Resident Income</b>	<b>48,407,594</b>	<b>49,110,662</b>	<b>49,208,798</b>	<b>50,932,963</b>	<b>54,379,113</b>	<b>10.7%</b>	<b>6.8%</b>
Contributions	362,152	334,670	508,232	421,200	13,010	-96.1%	-96.9%
Corporate Contribution	569,793	836,600	222,857	439,331	739,330	-11.6%	68.3%
Therapy Income	2,149,858	2,324,369	2,425,788	2,560,253	2,623,618	12.9%	2.5%
Other Income	1,234,682	1,287,450	1,114,781	1,229,356	1,073,324	-16.6%	-12.7%
Investment Income	553,286	541,560	672,056	512,830	355,565	-34.3%	-30.7%
Change in Future Svc Oblig	0	0	0	0	0		
<b>Total Revenues</b>	<b>53,277,365</b>	<b>54,435,311</b>	<b>54,152,513</b>	<b>56,095,933</b>	<b>59,183,960</b>	<b>8.7%</b>	<b>5.5%</b>
<b>Salary and Wages</b>							
Administration	1,459,681	1,510,479	1,509,840	1,535,258	1,557,316	3.1%	1.4%
Marketing	657,762	619,048	657,790	671,023	730,525	18.0%	8.9%
Resident Services	617,080	641,723	598,037	637,926	678,257	5.7%	6.3%
Activities	125,259	121,621	127,346	127,321	127,794	5.1%	0.4%
Beauty Shop	371,515	179,305	178,472	249,424	183,116	2.1%	-26.6%
Laundry	179,316	196,556	181,105	183,870	207,949	5.8%	13.1%
Housekeeping	1,353,951	1,371,362	1,291,262	1,336,675	1,417,077	3.3%	6.0%
Food Service	3,851,829	3,881,878	3,692,063	3,739,748	3,909,931	0.7%	4.6%
Health Care	6,496,022	6,653,557	6,077,580	6,224,874	6,947,838	4.4%	11.6%
Assisted Living	2,686,674	2,707,046	2,697,047	2,741,915	2,669,482	-1.4%	-2.6%
Assisted Living (2)	468,494	464,195	473,614	479,819	483,201	4.1%	0.7%
Clinic	513,115	458,319	475,317	481,532	454,187	-0.9%	-5.7%
Memory Support	576,261	574,951	564,086	572,856	588,822	2.4%	2.8%
Maintenance	1,073,862	1,123,982	1,065,489	1,078,006	1,292,289	15.0%	19.9%
Home Health	247,585	134,170	334,567	333,793	294,199	119.3%	-11.9%
Wellness	77,797	89,041	88,681	38,926	38,926	-56.3%	0.0%
Therapy	0	0	0	0	0		
Rehab Clinic	42,772	0	(8,519)	0	0		
Security	435,872	386,498	436,718	426,838	398,984	3.2%	-6.5%
<b>Total Salary and Wages</b>	<b>21,234,848</b>	<b>21,113,731</b>	<b>20,440,494</b>	<b>20,859,803</b>	<b>21,979,893</b>	<b>4.1%</b>	<b>5.4%</b>
Benefits	3,710,604	3,697,630	3,588,630	3,825,128	4,144,870	12.1%	8.4%
<b>Total Salary, Wages and Benefits</b>	<b>24,945,452</b>	<b>24,811,361</b>	<b>24,029,125</b>	<b>24,684,931</b>	<b>26,124,763</b>	<b>5.3%</b>	<b>5.8%</b>
<b>Controllable Expenses</b>							
Administration	770,077	867,521	832,914	874,547	955,040	10.1%	9.2%
Marketing	744,400	748,660	644,581	648,443	805,750	7.6%	24.3%
Resident Services	213,590	331,930	299,081	296,654	205,219	-38.2%	-30.8%
Activities	134,751	75,260	63,197	65,068	72,860	-3.2%	12.0%
Beauty Shop	18,959	15,270	11,099	12,550	15,280	0.1%	21.8%
Laundry	70,803	74,530	84,941	86,995	85,560	14.8%	-1.6%
Housekeeping	216,446	241,160	215,043	250,294	250,740	4.0%	0.2%
Food Service	3,060,053	3,213,700	3,077,090	3,109,757	3,218,590	0.2%	3.5%
Health Care	731,840	772,010	796,310	831,353	832,690	7.9%	0.2%
Assisted Living	90,740	90,890	87,001	98,589	99,770	9.8%	1.2%
Assisted Living (2)	2,629	5,671	2,009	3,583	5,000	-11.8%	39.5%
Clinic	315,774	164,890	139,959	141,968	144,280	-12.5%	1.6%
Home Health	1,077	1,540	3,167	2,426	2,470	60.4%	1.8%
Maintenance	4,345,279	4,713,610	4,546,878	4,633,588	4,578,680	-2.9%	-1.2%
Memory Support	37,392	38,040	27,232	31,540	32,360	-14.9%	2.6%
Wellness	12,566	11,360	7,454	31,490	210,630	1754.1%	568.9%
Therapies	2,745,247	3,047,494	3,082,070	3,538,280	3,842,887	26.1%	8.6%
Rehab Clinic	20,006	0	0	0	0		#DIV/0!
Security	166,591	173,336	130,949	169,300	174,460	0.6%	3.0%
<b>Total Controllable Expenses</b>	<b>13,698,221</b>	<b>14,586,871</b>	<b>14,050,977</b>	<b>14,826,425</b>	<b>15,532,266</b>	<b>6.5%</b>	<b>4.8%</b>
<b>Total Operating Expenses</b>	<b>38,643,673</b>	<b>39,398,232</b>	<b>38,080,102</b>	<b>39,511,357</b>	<b>41,657,029</b>	<b>5.7%</b>	<b>5.4%</b>
<b>General Expenses:</b>							
Depreciation Expense	7,058,374	7,301,588	7,352,566	7,415,000	7,443,000	1.9%	0.4%
Interest Expense	4,410,839	4,596,105	4,444,812	4,395,272	3,858,663	-16.0%	-12.2%
Property Taxes, etc	81,062	91,650	81,000	88,516	91,520	-0.1%	3.4%
Abandoned Project Costs							
Bond Amortization Expense	184,193	185,370	109,246	106,642	106,640	-42.5%	0.0%
Amortized Marketing Costs	45,292	64,160	45,292	45,291	45,290	-29.4%	0.0%
Write off of Deferred Financing C	1,500	37,872	25,512	27,500	30,200	-20.3%	9.8%
Loss on Refinancing of Debt	0	0	0	0	0		
Services Corporate Office	5,214,499	5,315,069	5,354,151	5,346,378	5,822,332	9.5%	8.9%
	<b>16,995,760</b>	<b>17,591,814</b>	<b>17,412,579</b>	<b>17,424,599</b>	<b>17,397,645</b>	<b>-1.1%</b>	<b>-0.2%</b>
<b>Total Expenses</b>	<b>55,639,433</b>	<b>56,990,046</b>	<b>55,492,681</b>	<b>56,935,956</b>	<b>59,054,674</b>	<b>3.6%</b>	<b>3.7%</b>
<b>Income (Loss)</b>	<b>(2,362,069)</b>	<b>(2,554,735)</b>	<b>(1,340,168)</b>	<b>(840,023)</b>	<b>129,286</b>	<b>-105.1%</b>	<b>-115.4%</b>

<b><u>LSVa OBLIGATED GROUP:</u></b>			<b>2016</b>	<b>D4.BOT</b>
	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>D2 Forecast</u></b>	<b><u>2017</u></b>
<b><u>Debt Service Coverage Ratio</u></b>				<b><u>Budget</u></b>
Change in unrestricted net assets			(840,023)	129,286
<b>Deduct:</b>				
Entrance fee amortization			8,900,690	9,117,000
Extraordinary Gain on debt Extinguishment				
Decrease in future service obligation				
Adjustment for gains on disposal of fixed assets				
			8,900,690	9,117,000
<b>Add:</b>				
Provision for depreciation and amortization - CCRCs			7,566,933	7,594,930
Loss on disposal of property, plant and equipment				
Interest expense			4,395,272	3,858,663
Entrance fees received, net of refunds			9,749,623	8,264,972
Increase in future service obligation				
Write off of deferred financing costs				
Extraordinary loss on cancellation of debt				
Adjustment for losses on disposal of fixed assets				
			21,711,828	19,718,565
<b>Income available for debt service</b>			<b>11,971,115</b>	<b>10,730,851</b>
<b>Maximum annual debt service</b>			<b>6,297,750</b>	<b>6,297,750</b>
<b>Debt service coverage ratio</b>	<b>1.72</b>	<b>1.69</b>	<b>1.90</b>	<b>1.70</b>
(excluding entrance fee notes outstanding)				

### **Operating Ratio**

Total Revenues			56,095,933	59,183,960
Add: Investment Income-non current operations			0	0
Less: Contributions			(421,200)	(13,010)
Less: Earned Entrance Fees			(8,900,690)	(9,117,000)
<b>Cash Revenues</b>			<b>46,774,043</b>	<b>50,053,950</b>
Total Expenses			56,935,956	59,054,674
Less: Depreciation & Amortization			(7,566,933)	(7,594,930)
<b>Cash Expenditures</b>			<b>49,369,023</b>	<b>51,459,744</b>
<b>Operating Ratio</b>	<b>1.15</b>	<b>1.10</b>	<b>1.06</b>	<b>1.03</b>

Virginia Baptist Homes  
Census Analysis  
Budget Year ending 12/31/2017

	Obligated Group			The Culpeper			The Chesapeake			Lakewood			The Glebe		
	Forecast 12/31/16	Budget 12/31/17	Average 2017	Forecast 12/31/16	Budget 12/31/17	Average 2017	Forecast 12/31/16	Budget 12/31/17	Average 2017	Forecast 12/31/16	Budget 12/31/17	Average 2017	Forecast 12/31/17	Budget 2017	Average Jan-00
<b>Capacity</b>															
Independent Living	588	588	588	63	63	63	255	255	255	270	270	270	153	153	153
Assisted Living	157	157	157	40	40	40	57	57	57	60	60	60	32	32	32
Memory Support	29	29	29	-	-	-	15	15	15	14	14	14	-	-	-
Health Care	185	185	185	37	37	37	52	52	52	96	96	96	32	32	32
<b>Total</b>	<b>959</b>	<b>959</b>	<b>959</b>	<b>140</b>	<b>140</b>	<b>140</b>	<b>379</b>	<b>379</b>	<b>379</b>	<b>440</b>	<b>440</b>	<b>440</b>	<b>217</b>	<b>217</b>	<b>217</b>
<b>Occupancy</b>															
Independent Living (Units)	525	528	527	57	51	54	230	234	232	238	243	241	143	147	145
Assisted Living	139	139	139	32	32	32	52	52	52	55	55	55	30	30	30
Memory Support	25	25	25	-	-	-	12	12	12	13	13	13	-	-	-
<b>Health Care</b>															
Private Pay	133	132	132	24	24	24	39	38	38	70	70	70	24	24	24
Medicare	32	32	32	4	4	4	9	9	9	19	19	19	7	6	6
Medicaid	7	8	8	6	6	6	1	2	2	-	-	-	-	-	-
<b>Total Health Care</b>	<b>172</b>	<b>172</b>	<b>172</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>49</b>	<b>49</b>	<b>49</b>	<b>89</b>	<b>89</b>	<b>89</b>	<b>31</b>	<b>30</b>	<b>30</b>
<b>Total Occupancy</b>	<b>861</b>	<b>864</b>	<b>863</b>	<b>123</b>	<b>117</b>	<b>120</b>	<b>343</b>	<b>347</b>	<b>345</b>	<b>395</b>	<b>400</b>	<b>398</b>	<b>204</b>	<b>207</b>	<b>205</b>
<b>% Occupancy</b>															
Independent Living	89.3%	89.8%	89.6%	90.5%	81.0%	85.7%	90.2%	91.8%	91.0%	88.1%	90.0%	89.3%	93.5%	96.1%	94.8%
Assisted Living	88.5%	88.5%	88.5%	80.0%	80.0%	80.0%	91.2%	91.2%	91.2%	91.7%	91.7%	91.7%	93.8%	93.8%	93.8%
Memory Support	86.2%	86.2%	86.2%				80.0%	80.0%	80.0%	92.9%	92.9%	92.9%			
Health Care	93.0%	93.0%	93.0%	91.9%	91.9%	91.9%	94.2%	94.2%	94.2%	92.7%	92.7%	92.7%	96.9%	93.8%	93.8%
<b>% Total</b>	<b>89.8%</b>	<b>90.1%</b>	<b>90.0%</b>	<b>87.9%</b>	<b>83.6%</b>	<b>85.7%</b>	<b>90.5%</b>	<b>91.6%</b>	<b>91.0%</b>	<b>89.8%</b>	<b>90.9%</b>	<b>90.5%</b>	<b>94.0%</b>	<b>95.4%</b>	<b>94.5%</b>



Virginia Baptist Homes  
Entrance Fee Analysis  
Budget Year Ending 12/31/2017

	2016 YTD Settlements		2016 YTD Refunds		Average Entrance Fee	Average Refund	Deferral %	Est. 2017 Move-ins			Est. 2017 Refunds			Est Y/E Deferrals		Estimated Entrance Fee
	\$	Units	\$	Units				Units	Average EF	\$	Units	Average Ref	\$	%	\$	Net Cash
Culpeper	783,000	12	(2,000)	1	65,250	(2,000)	0.0%	2	65,250	130,500	5	(2,000)	(10,000)	0.0%	-	120,500
Chesapeake	2,921,930	19	(427,727)	7	153,786	(61,104)	0.0%	29	153,786	4,459,788	5	(61,104)	(305,519)	10.0%	445,979	3,708,290
Lakewood	3,443,700	20	(457,403)	7	172,185	(65,343)	0.0%	32	172,185	5,509,920	8	(65,343)	(522,746)	10.0%	550,992	4,436,182
<b>Obligated Group</b>	<b>7,148,630</b>	<b>51</b>	<b>(887,130)</b>	<b>15</b>	<b>140,169</b>	<b>(59,142)</b>	<b>0.0%</b>	<b>63</b>		<b>10,100,208</b>	<b>18</b>		<b>(838,266)</b>		<b>996,971</b>	<b>8,264,972</b>
Glebe	4,281,940	15	(1,706,670)	8	285,463	(213,334)	0.0%	22	175,000	3,850,000	4	(213,334)	(853,335)	10.0%	385,000	2,611,665
<b>VBH Total</b>	<b>11,430,570</b>	<b>66</b>	<b>(2,593,800)</b>	<b>23</b>	<b>173,190</b>	<b>(112,774)</b>	<b>0.0%</b>	<b>85</b>		<b>13,950,208</b>	<b>22</b>		<b>(1,691,601)</b>		<b>1,381,971</b>	<b>10,876,637</b>

**The Chesapeake**  
**Proforma Income Statement**  
**Accrual basis**

	Fiscal Year Ending December 31, 2017				
	1st qtr	2nd qtr	3rd qtr	4th qtr	Full Year
<b>Units Capacity:</b>					
Independent Living	255	255	255	255	255
Assisted Living	57	57	57	57	57
Memory Support	15	15	15	15	15
Nursing	52	52	52	52	52
	<b>379</b>	<b>379</b>	<b>379</b>	<b>379</b>	<b>379</b>
<b>Average Occupancy:</b>					
Independent Living	230	232	233	234	232
Assisted Living	54	52	51	52	52
Memory Support	12	12	13	12	12
Nursing	49	49	49	48	49
	<b>345</b>	<b>345</b>	<b>346</b>	<b>346</b>	<b>346</b>
<b>Percentage Occupancy:</b>					
Independent Living	90%	91%	91%	92%	91%
Assisted Living	94%	92%	90%	91%	92%
Memory Support	80%	81%	83%	82%	82%
Nursing	94%	95%	95%	93%	94%
	<b>91%</b>	<b>91%</b>	<b>91%</b>	<b>91%</b>	<b>91%</b>
<b>Revenues:</b>					
Earned Entrance Fees	890,240	891,962	893,253	894,545	3,570,000
Independent Living	2,339,304	2,356,243	2,366,407	2,376,570	9,438,524
Assisted Living	525,317	512,225	504,043	508,952	2,050,537
Health Care	529,786	531,588	531,588	522,578	2,115,541
Medicare A	405,254	406,632	406,632	399,740	1,618,257
Memory Support	161,758	164,005	168,498	166,251	660,512
Clinic Revenues	204,094	204,489	204,785	205,081	818,450
<b>Total Resident Income</b>	<b>5,055,753</b>	<b>5,067,144</b>	<b>5,075,206</b>	<b>5,073,718</b>	<b>20,271,821</b>
Contributions	247	249	252	252	1,000
Corporate Contribution	108,328	109,532	110,735	110,735	439,330
Therapy Revenue	202,731	204,984	207,236	207,236	822,188
Other Income	164,637	166,466	168,295	168,295	667,694
Investment Income	13,001	13,145	13,290	13,290	52,725
<b>Total Revenues</b>	<b>5,544,697</b>	<b>5,561,520</b>	<b>5,575,015</b>	<b>5,573,527</b>	<b>22,254,758</b>
<b>Expenses:</b>					
Salary and Wages	1,810,864	1,830,985	1,851,105	1,851,105	7,344,059
Benefits	351,303	355,207	359,110	359,110	1,424,730
Administration	87,818	88,794	89,769	89,769	356,150
Marketing	118,701	120,020	121,339	121,339	481,400
Resident Services	14,055	14,211	14,367	14,367	57,000
Activities	11,804	11,935	12,066	12,066	47,870
Beauty Shop	3,403	3,441	3,478	3,478	13,800
Laundry	8,063	8,153	8,242	8,242	32,700
Housekeeping	22,838	23,092	23,345	23,345	92,620
Food Service	272,752	275,782	278,813	278,813	1,106,160
Health Care	113,343	114,603	115,862	115,862	459,670
Assisted Living	13,322	13,470	13,619	13,619	54,030
Memory Support	609	616	623	623	2,470
Clinic	6,076	6,143	6,211	6,211	24,640
Therapies	259,545	262,429	265,313	265,313	1,052,600
Maintenance	553,086	559,231	565,377	565,377	2,243,070
Wellness	24,690	24,964	25,238	25,238	100,130
Security	33,288	33,658	34,027	34,027	135,000
Depreciation Expense	866,994	876,628	886,261	886,261	3,516,144
Interest Expense	690,411	698,082	705,753	705,753	2,800,000
Property Taxes, etc	20,071	20,294	20,517	20,517	81,400
Bond Amortization Expense	14,795	14,959	15,123	15,123	60,000
Amortized Marketing Costs	-	-	-	-	-
Services Corporate Office	639,284	646,387	653,490	653,490	2,592,651
<b>Total Expenses</b>	<b>5,937,114</b>	<b>6,003,082</b>	<b>6,069,050</b>	<b>6,069,050</b>	<b>24,078,294</b>
<b>Net Operating Income / (Loss)</b>	<b>(392,417)</b>	<b>(441,561)</b>	<b>(493,795)</b>	<b>(495,523)</b>	<b>(1,823,536)</b>

**Culpeper Baptist Retirement Community**  
**Proforma Income Statement**  
**Accrual basis**

	Fiscal Year Ending December 31, 2017				
	1st qtr	2nd qtr	3rd qtr	4th qtr	Full Year
<b>Units Capacity:</b>					
Independent Living	63	63	63	63	63
Assisted Living	40	40	40	40	40
Memory Support	-	-	-	-	-
Nursing	37	37	37	37	37
	<b>140</b>	<b>140</b>	<b>140</b>	<b>140</b>	<b>140</b>
<b>Average Occupancy:</b>					
Independent Living	57	56	55	52	55
Assisted Living	32	32	32	32	32
Memory Support	-	-	-	-	-
Nursing	34	34	34	34	34
	<b>123</b>	<b>122</b>	<b>121</b>	<b>118</b>	<b>121</b>
<b>Percentage Occupancy:</b>					
Independent Living	90%	89%	87%	83%	87%
Assisted Living	80%	80%	80%	80%	80%
Memory Support	0%	0%	0%	0%	0%
Nursing	92%	92%	92%	92%	92%
	<b>88%</b>	<b>87%</b>	<b>86%</b>	<b>84%</b>	<b>86%</b>
<b>Revenues:</b>					
Earned Entrance Fees	178,151	176,942	174,767	171,141	701,000
Independent Living	533,423	525,602	511,523	488,059	2,058,607
Assisted Living	440,712	440,712	440,712	440,712	1,762,847
Health Care	655,737	655,737	655,737	655,737	2,622,948
Medicare A	198,130	198,130	198,130	198,130	792,519
Memory Support	-	-	-	-	-
Clinic Revenues	24,603	24,436	24,136	23,635	96,810
<b>Total Resident Income</b>	<b>2,030,756</b>	<b>2,021,559</b>	<b>2,005,004</b>	<b>1,977,413</b>	<b>8,034,732</b>
Contributions	2,466	2,493	2,521	2,521	10,000
Corporate Contribution	73,973	74,795	75,616	75,616	300,000
Therapy Revenue	71,566	72,361	73,156	73,156	290,240
Other Income	25,649	25,934	26,219	26,219	104,020
Investment Income	15,187	15,355	15,524	15,524	61,590
<b>Total Revenues</b>	<b>2,219,596</b>	<b>2,212,497</b>	<b>2,198,040</b>	<b>2,170,449</b>	<b>8,800,582</b>
<b>Expenses:</b>					
Salary and Wages	1,087,814	1,099,901	1,111,988	1,111,988	4,411,690
Benefits	211,559	213,910	216,260	216,260	857,990
Administration	63,197	63,899	64,602	64,602	256,300
Marketing	11,959	12,092	12,225	12,225	48,500
Resident Services	16,602	16,786	16,971	16,971	67,329
Activities	-	-	-	-	-
Beauty Shop	365	369	373	373	1,480
Laundry	2,397	2,423	2,450	2,450	9,720
Housekeeping	15,137	15,305	15,474	15,474	61,390
Food Service	167,957	169,823	171,690	171,690	681,160
Health Care	35,260	35,652	36,044	36,044	143,000
Assisted Living	3,871	3,914	3,957	3,957	15,700
Memory Support	-	-	-	-	-
Clinic	10,662	10,780	10,899	10,899	43,240
Therapies	115,037	116,315	117,594	117,594	466,540
Maintenance	155,394	157,121	158,847	158,847	630,210
Wellness	-	-	-	-	-
Security	8,852	8,950	9,049	9,049	35,900
Depreciation Expense	123,312	124,682	126,053	126,053	500,100
Interest Expense	27,832	28,141	28,450	28,450	112,873
Property Taxes, etc	720	728	736	736	2,920
Bond Amortization Expense	552	558	565	565	2,240
Amortized Marketing Costs	-	-	-	-	-
Services Corporate Office	204,351	206,622	208,892	208,892	828,758
<b>Total Expenses</b>	<b>2,262,832</b>	<b>2,287,974</b>	<b>2,313,117</b>	<b>2,313,117</b>	<b>9,177,040</b>
<b>Net Operating Income / (Loss)</b>	<b>(43,236)</b>	<b>(75,477)</b>	<b>(15,076)</b>	<b>(142,667)</b>	<b>(376,457)</b>

**Lakewood**  
**Proforma Income Statement**  
**Accrual basis**

	Fiscal Year Ending December 31, 2017				
	1st qtr	2nd qtr	3rd qtr	4th qtr	Full Year
<b>Units Capacity:</b>					
Independent Living	271	271	271	271	271
Assisted Living	60	60	60	60	60
Memory Support	14	14	14	14	14
Nursing	96	96	96	96	96
	<b>441</b>	<b>441</b>	<b>441</b>	<b>441</b>	<b>441</b>
<b>Average Occupancy:</b>					
Independent Living	238	239	240	241	240
Assisted Living	55	55	55	55	55
Memory Support	13	13	13	13	13
Nursing	89	89	89	89	89
	<b>395</b>	<b>396</b>	<b>397</b>	<b>398</b>	<b>397</b>
<b>Percentage Occupancy:</b>					
Independent Living	88%	88%	89%	89%	88%
Assisted Living	92%	92%	92%	92%	92%
Memory Support	93%	93%	93%	93%	93%
Nursing	93%	93%	93%	93%	93%
	<b>90%</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>
<b>Revenues:</b>					
Earned Entrance Fees	1,207,555	1,209,846	1,212,136	1,216,463	4,846,000
Independent Living	2,666,993	2,675,384	2,683,775	2,699,625	10,725,777
Assisted Living	579,154	579,154	579,154	579,154	2,316,615
Health Care	948,242	948,242	948,242	948,242	3,792,969
Medicare A	855,501	855,501	855,501	855,501	3,422,006
Memory Support	173,258	173,258	173,258	173,258	693,032
Clinic Revenues	68,815	68,946	69,076	69,323	276,160
<b>Total Resident Income</b>	<b>6,499,519</b>	<b>6,510,331</b>	<b>6,521,143</b>	<b>6,541,567</b>	<b>26,072,559</b>
Contributions	496	501	507	507	2,010
Corporate Contribution	-	-	-	-	-
Therapy Revenue	372,622	376,762	380,903	380,903	1,511,190
Other Income	74,370	75,196	76,022	76,022	301,610
Investment Income	59,486	60,147	60,808	60,808	241,250
<b>Total Revenues</b>	<b>7,006,492</b>	<b>7,022,938</b>	<b>7,039,383</b>	<b>7,059,806</b>	<b>28,128,619</b>
<b>Expenses:</b>					
Salary and Wages	2,521,022	2,549,033	2,577,044	2,577,044	10,224,144
Benefits	459,160	464,262	469,364	469,364	1,862,150
Administration	84,474	85,413	86,351	86,351	342,590
Marketing	68,018	68,774	69,529	69,529	275,850
Resident Services	19,945	20,167	20,389	20,389	80,890
Activities	6,162	6,230	6,299	6,299	24,990
Beauty Shop	-	-	-	-	-
Laundry	10,637	10,755	10,874	10,874	43,140
Housekeeping	23,851	24,116	24,381	24,381	96,730
Food Service	352,916	356,837	360,758	360,758	1,431,270
Health Care	56,717	57,347	57,978	57,978	230,020
Assisted Living	7,407	7,489	7,572	7,572	30,040
Memory Support	3,496	3,535	3,574	3,574	14,180
Clinic	18,838	19,048	19,257	19,257	76,400
Therapies	572,979	579,345	585,712	585,712	2,323,747
Maintenance	420,510	425,182	429,854	429,854	1,705,400
Wellness	27,247	27,549	27,852	27,852	110,500
Security	878	888	897	897	3,560
Depreciation Expense	844,954	854,342	863,730	863,730	3,426,756
Interest Expense	233,208	235,800	238,391	238,391	945,790
Property Taxes, etc	1,775	1,795	1,815	1,815	7,200
Bond Amortization Expense	10,948	11,070	11,191	11,191	44,400
Amortized Marketing Costs	11,167	11,291	11,416	11,416	45,290
Services Corporate Office	592,008	598,586	605,164	605,164	2,400,923
<b>Total Expenses</b>	<b>6,348,319</b>	<b>6,418,856</b>	<b>6,489,393</b>	<b>6,489,393</b>	<b>25,745,960</b>
<b>Net Operating Income / (Loss)</b>	<b>658,173</b>	<b>604,082</b>	<b>549,990</b>	<b>570,414</b>	<b>2,382,660</b>

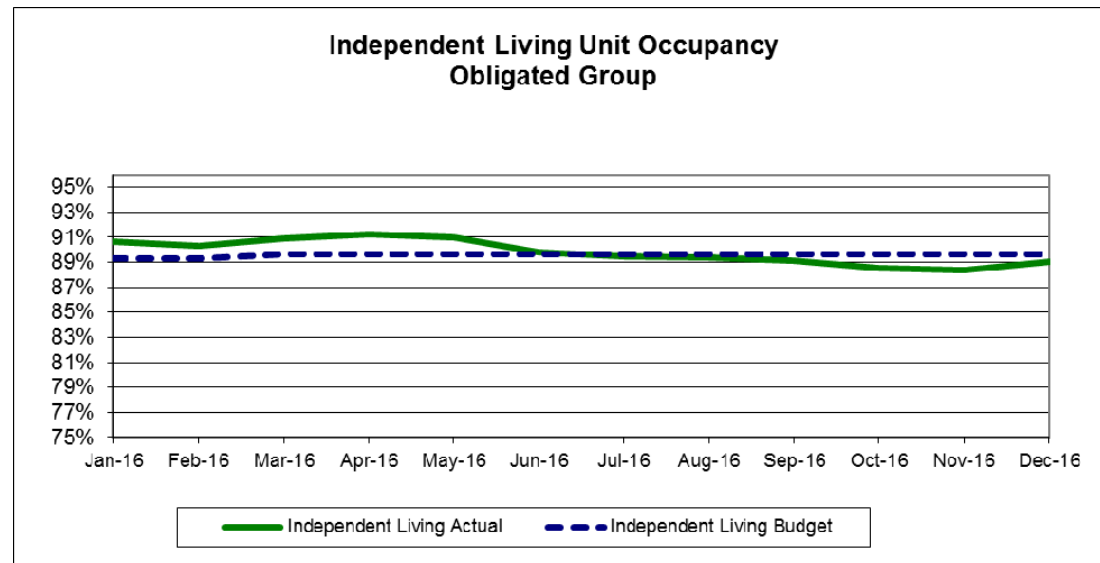
**Virginia Baptist Homes Obligated Group  
Interim Financial Statements  
Twelve Months Ended December 31, 2016**

**Narrative on Financial Condition**

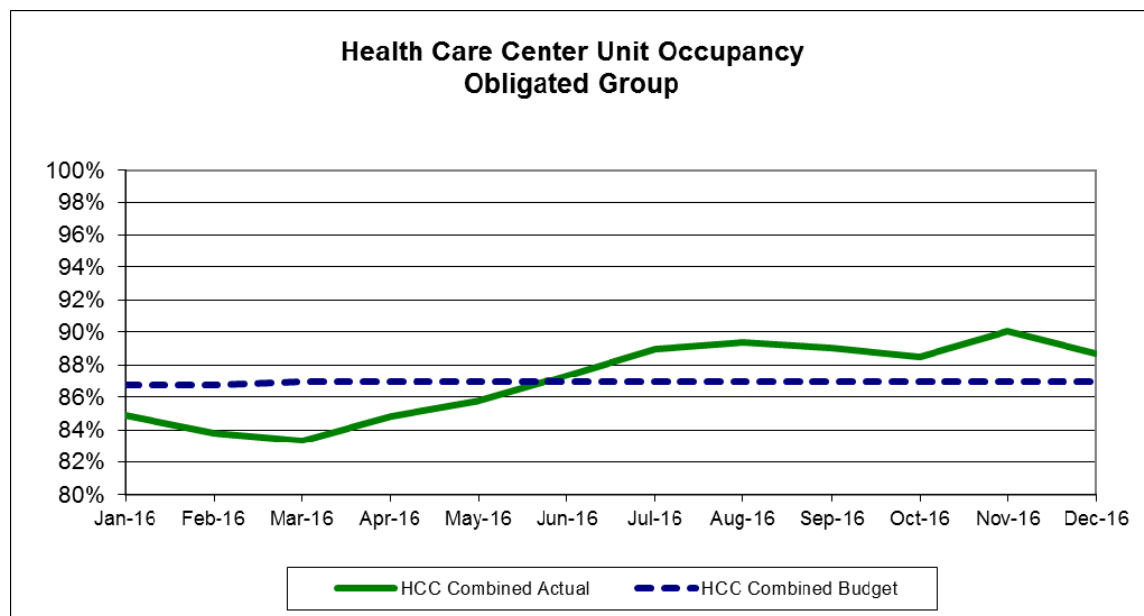
*Virginia Baptist Homes, Inc. dba LifeSpire of Virginia  
Culpeper Baptist Retirement Community, Inc. dba The Culpeper  
Newport News Baptist Retirement Community, Inc. dba The Chesapeake  
Lakewood Manor Baptist Retirement Community, Inc.*

**Revenues:**

Combined revenues for the Obligated Group ("The Group") of \$56.0M through Q4 2016 were \$2.2M more than budgeted and exceeded prior year's results by \$2.3M. Significant favorable variances to budget in Net Assets Released (driven by a temporarily restricted bequest received in 2011, whose restrictions were met, and the assets released from restriction, in 2016) and Health Care (discussed below) more than offset shortfalls in Earned Entrance Fees, Independent Living and Contributions. Combined Independent Living ("IL") unit occupancy for The Group averaged 528 through Q4, 13 units higher than the 2015 Q4 average, and also slightly higher than the 2016 annual average budget of 524, although there was some attrition-related decline during the quarter. There are 17 IL unit move-ins scheduled during Q4/2016. The following chart illustrates the trailing 12-month IL occupancy results:



Health care center (HCC) and Clinic revenues exceeded the budget by a combined \$2.2M, and were \$1.7M more than the previous year's results through Q4. The Group's combined HCC unit occupancy averaged 162 through Q4, 1 more than the average 2016 budget of 161, and 1 more than average 2015 performance through Q4, primarily due to a decreased demand for HCC services at Lakewood during the first half of the year. As a result of these occupancy challenges, Lakewood received approval for an open admission period, permitting direct HCC admissions from non-continuing care contract holders, through March 28, 2019. This development has helped improve The Group's HCC occupancy during the second half of the year, and that favorable impact should continue through the open admission period; most of these incremental admissions are rehabilitation-related residents whose care is reimbursed by Medicare.



### Operating Expenses:

Combined operating expenses for The Group of \$55.8M through Q4 2016 were \$557K less than budget, and \$365K more than the previous year. The favorable results to budget were primarily driven by salary-related expenses, which were less than both budget and prior year by \$426K and \$360K, respectively. These favorable variances resulted from i) adjusting HCC staffing in response to the previously-noted occupancy declines early in the year, ii) improved monitoring and controlling operating costs on a current basis, and iii) Performance Improvement Plans for each of The Group's companies, which were implemented beginning in late 2015, improving The Group's operating performance while maintaining our service standards and commitments to our residents. Other operating expense exceeded budget and the previous year by \$23K and \$465K, respectively, primarily due to an increase in

contracted therapy expenses as a result of the previously discussed increase in Medicare utilization resulting from Lakewood's open enrollment approval.

### **Medicare Case Load:**

Combined Medicare Part A average case load for The Group for the previous twelve months, by quarter, is shown below:

	QE	QE	QE	QE
	<u>3/31/2016</u>	<u>6/30/2016</u>	<u>9/30/2016</u>	<u>12/31/2016</u>
Actual Avg.	15.6	20.1	30.7	29.1
Avg. Annual Budgeted	21.0	21.0	21.0	21.0

### **Entrance Fee Deferrals:**

Collections of deferred entrance fees exceeded new entrance fee deferrals by \$39K through Q4, 2016, slightly decreasing The Group's outstanding entrance fee deferral balance to \$2.5M at December 31, 2016. We expect most of these remaining deferrals will be collected over the next six months.

### **Strategic Repositioning & Refinancing:**

In consideration of this year's favorable interest rate environment and The Group's improving financial performance, all of The Group's outstanding secured debt, comprised of \$85.9M of tax exempt bonds and a \$9.6M taxable line of credit, was refinanced as of October 12, 2016, through the issuance of \$85.5M of Economic Development Authority of the City of Newport News, Virginia Residential Care Facilities Revenue Refunding Bonds (LifeSpire of Virginia), Series 2016. The new tax exempt bonds carry an all-in true interest cost of 4.11% and a maximum annual debt service of \$6.3M. The Official Statement, continuing disclosure and other information are available to bondholders and the public, at no charge, from the Municipal Securities Rulemaking Board's Electronic Municipal Market Access web site (<http://emma.msrb.org> - quick search term "LifeSpire"). This quarterly report has been prepared in compliance with the Series 2016 bond documents' provisions, some of which are slightly different than the preceding documents' provisions.

Additionally, The Group has major strategic expansion/construction projects pertaining to two of its communities:

- The existing Assisted Living and Health Care buildings at The Culpeper, which are more than sixty years old, will be replaced by a new community that will also include a dedicated neighborhood for those with memory impairment. Groundbreaking on

this project is expected to occur during Q2 of 2017, and financing for this project is presently being arranged. Construction, development and pre-financing costs pertaining to this project are expected to be approximately \$45M.

- Improvements at Lakewood will include a new community center, containing updated amenities and multiple dining venues, and 64 additional Independent Living residences. The specific timing of this project will be contingent upon a successful presales campaign, which began accepting priority deposits in February, 2016; specific unit presales and the acceptance of 10% entrance fee reservation deposits began in early November. Priority deposits exceeded expectations, with more than 160 received to date; and they are still being solicited concurrently with the presales/reservation campaign. The receipt of 10% entrance fee reservations is presently ahead of schedule, with almost one third of the required escrow deposits having been received to date. Construction, development and pre-financing costs pertaining to this project are expected to be approximately \$58M.

The Group has engaged Greenbrier Development LLC of Dallas, Texas, a nationally-experienced developer of CCRCs, to oversee the development of both of these projects; which are presently in the latter design phase. Through Q4 2016, costs of \$1.3M and \$2.8M have been incurred and capitalized for The Culpeper's and Lakewood's strategic expansion projects, respectively.

#### **CMS Star Ratings:**

The federal government's Centers for Medicare and Medicaid Services ("CMS") maintains a rating system in which it assigns one to five stars (with five being the best) to nursing facilities based on the results of surveys and various other quality indicators. The overall CMS star ratings assigned to the Health Care components of each of The Group's communities are presently:

- The Chesapeake      4 stars (above average)
- The Culpeper        5 stars (much above average)
- Lakewood            5 stars (much above average)



### Financial Ratios and Covenant Compliance:

Interim calculations indicate that, as shown below, The Group's financial ratio covenants, calculated in accordance with the definitions in the Series 2016 bond documents, have been exceeded as of December 31, 2016. Please note that deferred entrance fees are not included in the Debt Service Coverage Ratio calculation.

	Results	Required
Days Cash on Hand (a)	213	120
Debt Service Coverage Ratio (a)	2.09	1.20
(a) Tested annually at December 31st.		



**CALCULATION OF OBLIGATION  
TO PROVIDE FUTURE SERVICES**

**Health Care Auditing Guidelines**

As of December 31, 2016

***Report Date: February 21, 2017***

## **TABLE OF CONTENTS**

	<u>Page</u>
I. Introduction.....	1
II. Executive Summary .....	2
III. Methodology and Assumptions .....	3
IV. Results.....	6

## **SECTION I - INTRODUCTION**

Continuing Care Actuaries has performed the calculation of The Obligation to Provide Future Services to Current Residents (the "Obligation") for The Chesapeake as of December 31, 2016 as defined by AICPA SOP 90-8, "Financial Accounting and Reporting by Continuing Care Retirement Communities."

In order to calculate this liability, we projected existing residents through various levels of care until move-out or death. The rates of population movement utilized in these population projections were developed based on an analysis of the demographic experience at The Chesapeake for the time period from January 1, 1990 through December 31, 2016. We then combined the results of our Population Projection with projected unit revenue and expense items for The Chesapeake to develop the net present value of future cash outflows. This value, together with unamortized deferred revenue, unamortized costs of acquiring the initial continuing-care contracts, and allocable depreciation, produces the Obligation.

## **SECTION II - EXECUTIVE SUMMARY**

Continuing Care Actuaries has calculated The Chesapeake's Obligation as of December 31, 2016 to be approximately (\$15,719,000). Since this is a liability calculation, the negative result represents a surplus. This represents an increase in surplus from the prior year, which was (\$7,549,000).

We relied on Virginia Baptist Homes' management to provide budget results and budget forecasts to assist our development of revenue and expense assumptions. No further due diligence was provided by Continuing Care Actuaries as to the accuracy of these budget results and budget forecasts.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual resident movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected.

Management should scrutinize future developments, which may cause the Obligation to become a greater liability. These developments include higher apartment vacancy rates, higher expense inflation, higher nursing care utilization, longer life expectancies than assumed in the current projection, and the possible expansion of the federal program as part of health care reform.

### **SECTION III - METHODOLOGY AND ASSUMPTIONS**

The first step of our actuarial review was to develop the demographic assumptions as input to the population projections. These assumptions, which include mortality rates, morbidity rates and withdrawal rates, are applied to the current and future resident populations in order to track the resident movements through various levels of care until death or move-out. Note that the SOP 90-8 calculation excludes those units and beds occupied by private pay or per diem residents.

In order to develop these demographic assumptions, we collected historic resident movements relating to deaths, transfers, and move-outs. We compiled the experience at the facility from January 1, 1990 to December 31, 2016. The information was compiled and applied against the number of life years of exposure in order to develop historic decrement rates.

The number of life-years exposure for mortality and morbidity involved in this study is not completely statistically credible. Therefore, it was necessary for us to compare these historic rates to industry experience, and smooth out any anomalies that emerged in the underlying data. The basis of these adjustments can be found in Credibility Theory, which, in general, states that the facility's experience becomes more credible as exposure life years increases. In general, female experience at the facility tended to be more credible, due to the larger amount of exposure years for females. In addition, the Independent Living Unit experience tends to be more credible than nursing experience due to the much larger amount of exposure years for ILU residents.

In addition, in order for us to gain more comfort in the demographic assumptions, we compared resident transfers (both permanent and temporary), deaths and move-outs against a simulated population projected through our model. We then adjusted the mortality and morbidity rates in our simulation model to more closely reflect the actual experience at The Chesapeake.

We found that the historic mortality rates are somewhat higher than the death rates observed in the industry. We also found that the historic morbidity rates or transfers to nursing to be higher than those found in our database. Because of the limited credibility of the experience, this does not necessarily mean that these historical rates are indicative of the expected future experience. Although we did not give full credibility to past experience in developing the projected rates of morbidity, we generally assumed rates that were between The Chesapeake experience and our national CCRC residential database.

The second step in our actuarial review was to develop population projections based on the derived demographic assumptions. Existing residents as of December 31, 2016 were projected through the various levels of care until death or move-out. Apartment turnovers due to deaths, transfers, and move-outs were projected, and the derivative new entrants "admitted" into the facility. Similar to the existing residents, each generation, or year, of new entrants was tracked through the various levels of care until death. In addition, apartment turnovers due to deaths, transfers, and move-outs of all generations of new entrants were calculated using our projection system.

We developed population projections based on the expected scenario, which is based on the most likely outcome. The Chesapeake provides two levels of care in addition to independent living: assisted living and the health care center.

The final step in our actuarial analysis was to develop the Present Value of The Obligation. This calculation will be presented in Section IV. This calculation is necessary in order to comply with the Statement of Position 90-8 promulgated by the AICPA. The SOP requires that a facility recognize future contract losses. The Obligation calculation excludes most of the general and administrative expenses and allocates a portion of the depreciation charge based on historical costs to the existing residents.

The Virginia Baptist Homes' management supplied Continuing Care Actuaries with revenue and expense information based on their fiscal year 2017 budget. We combined the revenue and expense assumptions with the results of the population projection output to develop projected cash flows. We have assumed a constant discount rate of 5.5%. The inflation rate and monthly fee increase assumptions were determined to be most appropriate and are detailed in the next page. The Chesapeake management also supplied the unamortized deferred revenue and the unamortized costs of acquiring the initial continuing-care contracts as of December 31, 2016. The following page contains other key financial assumptions.

## **FINANCIAL ASSUMPTIONS**

### **FY 2017 ANNUAL REVENUES**

Independent Living Unit - Annual Fee Per Unit	\$ 36,829
Independent Living Unit - Subsidy Per Unit	(253)
Independent Living Unit - Annual Fee Per Second Resident	15,610
Independent Living Unit - Subsidy Per Second Resident	0
Assisted Living Unit - Annual Fee Per Bed	40,840
Assisted Living Unit - Subsidy Per Bed	(371)
Health Care Center - Annual Fee Per Bed	49,207
Health Care Center - Subsidy Per Bed (Net of Medicaid)	(472)
Other Revenue	7,037

### **FY 2017 ANNUAL EXPENSES**

Independent Living Unit - Per Unit	\$ 14,785
Independent Living Unit - Per Resident	11,698
Assisted Living Unit - Per Patient	34,886
Health Care Unit - Per Patient	60,653
ILU Fee Increase Rate	4.0%
ALU Fee Increase Rate	5.0
Health Care Center Fee Increase Rate	5.5
Other Fees Increase Rate	4.0
Investment Earning Rate	4.0
ILU Expense Inflation Rate	4.0
ALU Expense Inflation Rate	5.0
HCC Expense Inflation Rate	5.5
Discount Rate	5.5
Allocable Depreciation	\$23,662,000
Unamortized Deferred Revenue	21,001,000
Unamortized Costs of Acquiring Initial Continuing-Care Contracts	0



## **SECTION IV - RESULTS**

The Obligation to Provide Future Services to Current Residents calculation consists of thirteen pages. The 20<sup>th</sup> or the last page of this report has the actual calculation with the Obligation found on the last line. A positive value represents a liability, while a negative value represents an asset or a surplus.

Pages eight through ten contain both the open and closed group population projections. Each row represents the average number of residents that occupy the facility throughout each fiscal year.

Pages eleven through thirteen contain the revenue and expense assumptions. The first four lines represent the amount collected per resident per year for each facility. Similarly, the expense summary represents the expense per resident per year for each facility. The interest summary contains the total interest payments and the amount allocated to the closed group.

Pages fourteen through sixteen contain the projected cash inflows and outflows. These values are obtained from the revenue and expense assumptions and the closed group population.

Pages seventeen through nineteen contain the net cash outflows along with their present value. Below this are each year's facility depreciation charge and the amount allocated to the closed group.

# **FUTURE SERVICE OBLIGATION CALCULATION**

**RESIDENT LEVEL OF  
CARE INFORMATION**

	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>Total Facility Occupancy Projection</u>										
Independent Living	287.6	286.2	284.0	282.0	280.3	278.9	277.9	277.3	276.9	276.8
Total ILU Units Occupied	233.5	234.0	234.0	234.0	234.0	234.0	234.0	234.0	234.0	234.0
Assisted Living/Memory Support - Permanent	64.5	64.5	64.5	64.5	64.5	64.5	64.5	64.5	64.5	64.5
Assisted Living/Memory Support - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	42.7	42.6	42.4	42.4	42.4	42.3	42.2	42.2	42.2	42.1
Health Care Center - Temporary	7.3	7.4	7.6	7.6	7.6	7.7	7.8	7.8	7.8	7.9
 Total Residents	 394.8	 393.2	 391.0	 388.9	 387.2	 385.7	 384.6	 384.0	 383.6	 383.4
<u>Closed Group Occupancy Projection</u>										
Independent Living	271.1	238.0	206.4	176.8	149.4	124.6	102.4	83.1	66.4	52.4
Total ILU Units Occupied	220.7	196.4	172.9	150.5	129.4	109.7	91.8	75.7	61.5	49.2
Assisted Living/Memory Support - Permanent	58.3	57.0	55.9	54.6	52.8	50.3	47.1	43.4	39.2	34.7
Assisted Living/Memory Support - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	31.1	31.0	30.6	29.9	28.9	27.6	26.2	24.5	22.5	20.4
Health Care Center - Temporary	6.8	6.4	5.9	5.3	4.7	4.2	3.6	3.1	2.6	2.2
 Total Residents	 360.5	 326.0	 292.9	 261.2	 231.1	 202.5	 175.8	 150.9	 128.1	 107.6

**RESIDENT LEVEL OF  
CARE INFORMATION**

	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
<u>Total Facility Occupancy Projection</u>										
Independent Living	276.8	276.9	277.0	277.2	277.3	277.3	277.4	277.4	277.4	277.4
Total ILU Units Occupied	234.0	234.0	234.0	234.0	234.0	234.0	234.0	234.0	234.0	234.0
Assisted Living/Memory Support - Permanent	64.5	64.5	64.5	64.5	64.5	64.5	64.5	64.5	64.5	64.5
Assisted Living/Memory Support - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	42.1	42.1	42.2	42.2	42.2	42.2	42.2	42.2	42.2	42.2
Health Care Center - Temporary	7.9	7.9	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
 Total Residents	 383.4	 383.5	 383.7	 383.8	 384.0	 384.0	 384.1	 384.1	 384.1	 384.0
<u>Closed Group Occupancy Projection</u>										
Independent Living	40.8	31.3	23.7	17.7	13.1	9.5	6.9	4.9	3.5	2.5
Total ILU Units Occupied	38.8	30.1	23.0	17.3	12.8	9.4	6.8	4.9	3.5	2.5
Assisted Living/Memory Support - Permanent	30.2	25.8	21.7	17.8	14.4	11.3	8.7	6.6	4.9	3.6
Assisted Living/Memory Support - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	18.4	16.3	14.2	12.2	10.3	8.5	6.9	5.5	4.3	3.4
Health Care Center - Temporary	1.8	1.4	1.1	0.8	0.6	0.4	0.3	0.2	0.2	0.1
 Total Residents	 89.4	 73.5	 59.6	 47.7	 37.7	 29.4	 22.5	 17.0	 12.7	 9.4

**RESIDENT LEVEL OF  
CARE INFORMATION**

	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
<u>Total Facility Occupancy Projection</u>										
Independent Living	277.4	277.3	277.3	277.3	277.3	277.3	277.3	277.3	277.3	277.3
Total ILU Units Occupied	234.0	234.0	234.0	234.0	234.0	234.0	234.0	234.0	234.0	234.0
Assisted Living/Memory Support - Permanent	64.5	64.5	64.5	64.5	64.5	64.5	64.5	64.5	64.5	64.5
Assisted Living/Memory Support - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	42.2	42.2	42.2	42.2	42.2	42.2	42.2	42.1	42.1	42.1
Health Care Center - Temporary	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.9	7.9	7.9
Total Residents	384.0	384.0	384.0	384.0	384.0	384.0	383.9	383.9	383.9	383.9
<u>Closed Group Occupancy Projection</u>										
Independent Living	1.8	1.2	0.9	0.6	0.5	0.3	0.3	0.2	0.1	0.1
Total ILU Units Occupied	1.8	1.2	0.9	0.6	0.5	0.3	0.3	0.2	0.1	0.1
Assisted Living/Memory Support - Permanent	2.6	1.9	1.3	0.9	0.7	0.5	0.3	0.2	0.2	0.2
Assisted Living/Memory Support - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	2.6	2.0	1.5	1.1	0.8	0.6	0.4	0.3	0.2	0.2
Health Care Center - Temporary	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Residents	6.9	5.1	3.7	2.7	1.9	1.4	1.0	0.7	0.5	0.4

The Chesapeake - Obligation Calculation as of December 31, 2016

**REVENUE AND EXPENSE  
ASSUMPTIONS**

Inflation: 4.00% Independent Living  
5.00% Assisted Living  
5.50% Health Care Center

	YEAR									
REVENUES	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>Independent Living Unit</u>										
Annual Fee Per Unit	\$36,829	\$38,302	\$39,834	\$41,427	\$43,084	\$44,808	\$46,600	\$48,464	\$50,402	\$52,419
Annual Subsidy Per Unit	(253)	(214)	(223)	(231)	(241)	(250)	(260)	(271)	(282)	(293)
Annual Fee Per Second Resident	15,610	16,234	16,884	17,559	18,261	18,992	19,751	20,542	21,363	22,218
Annual Subsidy Per Second Resident	0	0	0	0	0	0	0	0	0	0
Per Assisted Living/Memory Support Resident	40,840	42,882	45,026	47,277	49,641	52,123	54,729	57,466	60,339	63,356
Annual Subsidy Per Resident	(371)	(389)	(409)	(429)	(450)	(473)	(497)	(521)	(548)	(575)
Per Health Care Center Resident	49,207	51,914	54,769	57,781	60,959	64,312	67,849	71,581	75,518	79,671
Annual Subsidy Per Resident (Net of Medicaid)	(472)	(498)	(526)	(555)	(585)	(617)	(651)	(687)	(725)	(765)
Other Reimbursements Per Resident	7,037	7,319	7,611	7,916	8,232	8,562	8,904	9,260	9,631	10,016
<u>Investment Income</u>										
Asset Base	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557
Earnings Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Investment Income	102,742	102,742	102,742	102,742	102,742	102,742	102,742	102,742	102,742	102,742
Corporate Contributions and Trust	564,960	576,259	587,784	599,540	611,531	623,761	636,237	648,961	661,941	675,179
Total Other Income	667,702	679,001	690,527	702,282	714,273	726,504	738,979	751,704	764,683	777,922
Allocated Other Income	609,664	562,992	517,369	471,720	426,334	381,505	337,666	295,405	255,349	218,259
<b>EXPENSES</b>										
<u>Independent Living Unit</u>										
Per Unit	\$14,785	\$15,376	\$15,991	\$16,631	\$17,296	\$17,988	\$18,708	\$19,456	\$20,234	\$21,043
Per Resident	11,698	12,166	12,653	13,159	13,685	14,232	14,801	15,393	16,009	16,649
Per Assisted Living/Memory Support Resident	\$34,886	\$36,630	\$38,462	\$40,385	\$42,404	\$44,524	\$46,750	\$49,088	\$51,542	\$54,119
Per Health Care Center Resident	60,653	63,989	67,508	71,221	75,138	79,271	83,631	88,231	93,084	98,204
<u>Interest Expense</u>										
Total Interest Expense	\$2,598,991	\$2,565,120	\$2,527,523	\$2,471,979	\$2,396,006	\$2,316,817	\$2,234,547	\$2,147,095	\$2,035,804	\$1,922,747
Allocated Interest Expense	2,373,080	2,126,862	1,893,716	1,660,417	1,430,124	1,216,618	1,021,046	843,767	679,812	539,458

The Chesapeake - Obligation Calculation as of December 31, 2016

**REVENUE AND EXPENSE  
ASSUMPTIONS**

Inflation: 4.00% Independent Living  
5.00% Assisted Living  
5.50% Health Care Center

	YEAR									
REVENUES	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
<u>Independent Living Unit</u>										
Annual Fee Per Unit	\$54,515	\$56,696	\$58,964	\$61,322	\$63,775	\$66,326	\$68,979	\$71,738	\$74,608	\$77,592
Annual Subsidy Per Unit	(305)	(317)	(329)	(343)	(356)	(371)	(385)	(401)	(417)	(434)
Annual Fee Per Second Resident	23,106	24,031	24,992	25,992	27,031	28,112	29,237	30,406	31,623	32,888
Annual Subsidy Per Second Resident	0	0	0	0	0	0	0	0	0	0
Per Assisted Living/Memory Support Resident	66,524	69,850	73,342	77,009	80,860	84,903	89,148	93,605	98,286	103,200
Annual Subsidy Per Resident	(604)	(634)	(666)	(699)	(734)	(770)	(809)	(849)	(892)	(936)
Per Health Care Center Resident	84,053	88,676	93,553	98,698	104,127	109,854	115,896	122,270	128,995	136,090
Annual Subsidy Per Resident (Net of Medicaid)	(807)	(851)	(898)	(947)	(999)	(1,054)	(1,112)	(1,174)	(1,238)	(1,306)
Other Reimbursements Per Resident	10,417	10,833	11,267	11,717	12,186	12,673	13,180	13,708	14,256	14,826
<u>Investment Income</u>										
Asset Base	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557
Earnings Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Investment Income	102,742	102,742	102,742	102,742	102,742	102,742	102,742	102,742	102,742	102,742
Corporate Contributions and Trust	688,683	702,457	716,506	730,836	745,453	760,362	775,569	791,080	806,902	823,040
Total Other Income	791,425	805,199	819,248	833,578	848,195	863,104	878,311	893,823	909,644	925,782
Allocated Other Income	184,560	154,222	127,200	103,573	83,287	66,025	51,513	39,633	30,167	22,747
<b>EXPENSES</b>										
<u>Independent Living Unit</u>										
Per Unit	\$21,885	\$22,760	\$23,670	\$24,617	\$25,602	\$26,626	\$27,691	\$28,799	\$29,951	\$31,149
Per Resident	17,315	18,008	18,728	19,477	20,256	21,066	21,909	22,785	23,696	24,644
Per Assisted Living/Memory Support Resident	\$56,825	\$59,666	\$62,649	\$65,781	\$69,070	\$72,524	\$76,150	\$79,958	\$83,956	\$88,154
Per Health Care Center Resident	103,605	109,303	115,315	121,657	128,348	135,407	142,854	150,711	159,000	167,745
<u>Interest Expense</u>										
Total Interest Expense	\$1,844,714	\$1,748,787	\$1,649,238	\$1,542,962	\$1,401,329	\$1,252,705	\$1,096,582	\$932,627	\$760,624	\$579,906
Allocated Interest Expense	430,186	334,951	256,068	191,715	137,601	95,828	64,315	41,353	25,225	14,249

The Chesapeake - Obligation Calculation as of December 31, 2016

**REVENUE AND EXPENSE  
ASSUMPTIONS**

Inflation: 4.00% Independent Living  
5.00% Assisted Living  
5.50% Health Care Center

	YEAR									
REVENUES	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
<u>Independent Living Unit</u>										
Annual Fee Per Unit	\$80,696	\$83,924	\$87,281	\$90,772	\$94,403	\$98,179	\$102,106	\$106,190	\$110,438	\$114,855
Annual Subsidy Per Unit	(451)	(469)	(488)	(507)	(528)	(549)	(571)	(593)	(617)	(642)
Annual Fee Per Second Resident	34,203	35,571	36,994	38,474	40,013	41,613	43,278	45,009	46,809	48,682
Annual Subsidy Per Second Resident	0	0	0	0	0	0	0	0	0	0
Per Assisted Living/Memory Support Resident	108,360	113,778	119,467	125,440	131,712	138,298	145,212	152,473	160,097	168,102
Annual Subsidy Per Resident	(983)	(1,032)	(1,084)	(1,138)	(1,195)	(1,255)	(1,318)	(1,384)	(1,453)	(1,525)
Per Health Care Center Resident	143,574	151,471	159,802	168,591	177,864	187,646	197,967	208,855	220,342	232,461
Annual Subsidy Per Resident (Net of Medicaid)	(1,378)	(1,454)	(1,534)	(1,618)	(1,707)	(1,801)	(1,900)	(2,005)	(2,115)	(2,231)
Other Reimbursements Per Resident	15,419	16,036	16,677	17,344	18,038	18,760	19,510	20,291	21,102	21,946
<u>Investment Income</u>										
Asset Base	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557	\$2,568,557
Earnings Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Investment Income	102,742	102,742	102,742	102,742	102,742	102,742	102,742	102,742	102,742	102,742
Corporate Contributions and Trust	839,501	856,291	873,417	890,885	908,703	926,877	945,414	964,323	983,609	1,003,281
Total Other Income	942,243	959,033	976,159	993,627	1,011,445	1,029,619	1,048,157	1,067,065	1,086,351	1,106,024
Allocated Other Income	17,040	12,688	9,398	6,936	5,111	3,750	2,757	2,059	1,546	1,156
<b>EXPENSES</b>										
<u>Independent Living Unit</u>										
Per Unit	\$32,395	\$33,691	\$35,039	\$36,441	\$37,899	\$39,415	\$40,992	\$42,632	\$44,337	\$46,110
Per Resident	25,630	26,655	27,721	28,830	29,983	31,182	32,429	33,726	35,075	36,478
Per Assisted Living/Memory Support Resident	\$92,562	\$97,190	\$102,050	\$107,153	\$112,511	\$118,137	\$124,044	\$130,246	\$136,758	\$143,596
Per Health Care Center Resident	176,971	186,704	196,973	207,807	219,236	231,294	244,015	257,436	271,595	286,533
<u>Interest Expense</u>										
Total Interest Expense	\$390,127	\$190,923	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Interest Expense	7,055	2,526	0	0	0	0	0	0	0	0



**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Independent Living Unit	\$8,859,347	\$8,156,334	\$7,415,233	\$6,661,106	\$5,908,122	\$5,171,238	\$4,464,568	\$3,799,841	\$3,188,342	\$2,637,672
Assisted Living/Memory Support Unit	2,357,912	2,421,553	2,493,183	2,556,497	2,596,900	2,599,195	2,555,782	2,468,938	2,341,280	2,179,513
Health Care Center	1,514,505	1,595,445	1,660,407	1,710,164	1,743,922	1,761,070	1,759,582	1,733,802	1,681,701	1,611,679
Other Income	2,536,647	2,386,147	2,229,524	2,067,892	1,902,379	1,734,129	1,564,987	1,397,278	1,233,573	1,077,446
Investment Income	609,664	562,992	517,369	471,720	426,334	381,505	337,666	295,405	255,349	218,259
<b>TOTAL CASH INFLOWS</b>	<b>\$15,878,076</b>	<b>\$15,122,471</b>	<b>\$14,315,716</b>	<b>\$13,467,379</b>	<b>\$12,577,658</b>	<b>\$11,647,137</b>	<b>\$10,682,585</b>	<b>\$9,695,264</b>	<b>\$8,700,246</b>	<b>\$7,724,569</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Independent Living Unit	\$6,434,620	\$5,915,772	\$5,377,052	\$4,829,015	\$4,281,910	\$3,746,804	\$3,233,931	\$2,751,686	\$2,308,301	\$1,909,159
Assisted Living/Memory Support Unit	2,032,601	2,087,460	2,149,236	2,203,810	2,238,626	2,240,594	2,203,161	2,128,320	2,018,259	1,878,807
Health Care Center	2,299,369	2,393,858	2,465,892	2,508,398	2,526,525	2,522,618	2,493,370	2,431,746	2,336,686	2,219,967
Interest Expense	2,373,080	2,126,862	1,893,716	1,660,417	1,430,124	1,216,618	1,021,046	843,767	679,812	539,458
<b>TOTAL CASH OUTFLOWS</b>	<b>\$13,139,670</b>	<b>\$12,523,952</b>	<b>\$11,885,897</b>	<b>\$11,201,640</b>	<b>\$10,477,185</b>	<b>\$9,726,634</b>	<b>\$8,951,508</b>	<b>\$8,155,519</b>	<b>\$7,343,058</b>	<b>\$6,547,391</b>

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
Independent Living Unit	\$2,150,907	\$1,728,137	\$1,367,113	\$1,065,939	\$820,467	\$623,907	\$469,322	\$349,756	\$258,847	\$190,807
Assisted Living/Memory Support Unit	1,992,617	1,788,262	1,575,008	1,359,973	1,150,272	952,375	771,157	611,960	477,405	366,847
Health Care Center	1,529,245	1,430,525	1,315,016	1,189,731	1,061,081	928,502	794,464	667,667	554,251	454,555
Other Income	931,387	795,816	671,211	558,836	459,429	372,297	296,887	233,435	181,572	139,902
Investment Income	184,560	154,222	127,200	103,573	83,287	66,025	51,513	39,633	30,167	22,747
<b>TOTAL CASH INFLOWS</b>	<b>\$6,788,716</b>	<b>\$5,896,962</b>	<b>\$5,055,548</b>	<b>\$4,278,052</b>	<b>\$3,574,536</b>	<b>\$2,943,106</b>	<b>\$2,383,344</b>	<b>\$1,902,451</b>	<b>\$1,502,242</b>	<b>\$1,174,859</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
Independent Living Unit	\$1,556,536	\$1,250,377	\$989,002	\$771,037	\$593,426	\$451,224	\$339,409	\$252,930	\$187,182	\$137,977
Assisted Living/Memory Support Unit	1,717,698	1,541,531	1,357,694	1,172,321	991,554	820,969	664,754	527,525	411,536	316,233
Health Care Center	2,086,850	1,933,626	1,760,633	1,579,647	1,398,508	1,216,116	1,035,198	866,129	716,264	585,504
Interest Expense	430,186	334,951	256,068	191,715	137,601	95,828	64,315	41,353	25,225	14,249
<b>TOTAL CASH OUTFLOWS</b>	<b>\$5,791,270</b>	<b>\$5,060,486</b>	<b>\$4,363,398</b>	<b>\$3,714,719</b>	<b>\$3,121,090</b>	<b>\$2,584,137</b>	<b>\$2,103,675</b>	<b>\$1,687,938</b>	<b>\$1,340,207</b>	<b>\$1,053,963</b>

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
Independent Living Unit	\$140,616	\$103,830	\$76,996	\$57,643	\$43,767	\$33,647	\$26,164	\$20,512	\$16,104	\$10,280
Assisted Living/Memory Support Unit	278,532	209,129	155,480	115,002	85,186	63,228	47,473	36,541	28,588	25,736
Health Care Center	369,299	297,110	236,802	186,435	144,676	110,063	82,823	63,044	47,948	42,326
Other Income	107,086	81,466	61,656	46,491	34,999	26,231	19,706	15,033	11,534	8,809
Investment Income	17,040	12,688	9,398	6,936	5,111	3,750	2,757	2,059	1,546	1,156
<b>TOTAL CASH INFLOWS</b>	<b>\$912,574</b>	<b>\$704,222</b>	<b>\$540,332</b>	<b>\$412,507</b>	<b>\$313,740</b>	<b>\$236,918</b>	<b>\$178,923</b>	<b>\$137,189</b>	<b>\$105,720</b>	<b>\$88,308</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
Independent Living Unit	\$101,681	\$75,080	\$55,676	\$41,682	\$31,649	\$24,330	\$18,919	\$14,832	\$11,645	\$7,373
Assisted Living/Memory Support Unit	240,104	180,275	134,030	99,136	73,434	54,506	40,924	31,500	24,644	22,186
Health Care Center	474,389	380,817	303,002	238,284	184,849	140,697	105,996	80,779	61,520	54,147
Interest Expense	7,055	2,526	0	0	0	0	0	0	0	0
<b>TOTAL CASH OUTFLOWS</b>	<b>\$823,230</b>	<b>\$638,699</b>	<b>\$492,708</b>	<b>\$379,102</b>	<b>\$289,931</b>	<b>\$219,532</b>	<b>\$165,840</b>	<b>\$127,111</b>	<b>\$97,809</b>	<b>\$83,706</b>

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Net Cash Outflows (Inflows)	(\$2,738,405)	(\$2,598,519)	(\$2,429,819)	(\$2,265,739)	(\$2,100,473)	(\$1,920,502)	(\$1,731,076)	(\$1,539,745)	(\$1,357,188)	(\$1,177,178)
Discount Rate	0.974	0.923	0.875	0.829	0.786	0.745	0.706	0.669	0.634	0.601
	5.50%									
Present Value of Net Cash Outflows (Inflows)	(\$2,666,070)	(\$2,397,989)	(\$2,125,410)	(\$1,878,565)	(\$1,650,749)	(\$1,430,627)	(\$1,222,293)	(\$1,030,517)	(\$860,982)	(\$707,854)
Present Value of Net Cash Outflows	(\$18,380,000)									
DEPRECIATION COST	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Depreciation	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907
Allocated Depreciation	3,152,772	2,862,969	2,587,050	2,319,302	2,060,966	1,813,208	1,577,759	1,356,926	1,153,023	968,770

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
Net Cash Outflows (Inflows)	(\$997,445)	(\$836,476)	(\$692,151)	(\$563,333)	(\$453,447)	(\$358,969)	(\$279,669)	(\$214,513)	(\$162,035)	(\$120,896)
Discount Rate	0.570	0.540	0.512	0.485	0.460	0.436	0.413	0.392	0.371	0.352
Present Value of Net Cash Outflows (Inflows)	(\$568,510)	(\$451,908)	(\$354,442)	(\$273,437)	(\$208,625)	(\$156,547)	(\$115,605)	(\$84,049)	(\$60,178)	(\$42,559)
Present Value of Net Cash Outflows										
DEPRECIATION COST	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
Depreciation	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907
Allocated Depreciation	805,215	661,347	536,115	429,028	339,053	264,136	202,515	153,105	114,510	84,841

<b>PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)</b>	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
Net Cash Outflows (Inflows)	(\$89,344)	(\$65,523)	(\$47,625)	(\$33,405)	(\$23,808)	(\$17,385)	(\$13,083)	(\$10,078)	(\$7,910)	(\$4,602)
Discount Rate	0.334	0.316	0.300	0.284	0.269	0.255	0.242	0.229	0.217	0.206
Present Value of Net Cash Outflows (Inflows)	5.50% (\$29,812)	(\$20,724)	(\$14,277)	(\$9,492)	(\$6,413)	(\$4,439)	(\$3,166)	(\$2,312)	(\$1,720)	(\$948)
Present Value of Net Cash Outflows										
<b>DEPRECIATION COST</b>	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
Depreciation	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907	\$3,452,907
Allocated Depreciation	62,445	45,680	33,244	24,104	17,448	12,574	9,083	6,663	4,915	3,610

**OBLIGATION TO PROVIDE FUTURE SERVICES AND THE USE OF FACILITIES TO CURRENT RESIDENTS**

Present Value of Net Cash Outflows	(\$18,380,000)
Less:	
Unamortized deferred revenue at December 31, 2016	21,001,000
Plus:	
Allocable depreciation	23,662,000
Unamortized costs of acquiring initial continuing-care contracts	0
Obligation to provide future services and the use of facilities to current residents	(\$15,719,000)

*Since this is a liability calculation, the negative result represents an asset or surplus.  
For financial statement purposes, the amount to be booked as an obligation is \$0.*



**CALCULATION OF OBLIGATION  
TO PROVIDE FUTURE SERVICES**

**Health Care Auditing Guidelines**

*As of December 31, 2016*

***Report Date: February 21, 2017***



## **TABLE OF CONTENTS**

	<u>Page</u>
I. Introduction.....	1
II. Executive Summary .....	2
III. Methodology and Assumptions .....	3
IV. Results.....	6

## **SECTION I - INTRODUCTION**

Continuing Care Actuaries has performed the calculation of The Obligation to Provide Future Services to Current Residents (the "Obligation") for Culpeper Baptist Retirement Community, Inc. ("Culpeper") as of December 31, 2016 as defined by AICPA SOP 90-8, "Financial Accounting and Reporting by Continuing Care Retirement Communities."

In order to calculate this liability, we projected existing residents through various levels of care until move-out or death. The rates of population movement utilized in these population projections were developed based on an analysis of the demographic experience at Culpeper for the time period from January 1, 1990 through December 31, 2016. We then combined the results of our Population Projection with projected unit revenue and expense items for Culpeper to develop the net present value of future cash outflows. This value, together with unamortized deferred revenue, unamortized costs of acquiring the initial continuing-care contracts, and allocable depreciation, produces the Obligation.

## **SECTION II - EXECUTIVE SUMMARY**

Continuing Care Actuaries has calculated Culpeper's Obligation as of December 31, 2016 to be approximately (\$5,655,000). Since this is a liability calculation, the negative result represents a surplus. This represents an increase in surplus from the prior year, which was (\$2,795,000).

We relied on Virginia Baptist Homes' management to provide budget results and budget forecasts to assist our development of revenue and expense assumptions. No further due diligence was provided by Continuing Care Actuaries as to the accuracy of these budget results and budget forecasts.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual resident movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected.

Management should scrutinize future developments, which may cause the Obligation to become a liability. These developments include higher apartment vacancy rates, higher expense inflation, higher nursing care utilization, longer life expectancies than assumed in the current projection, and the possible expansion of the federal program as part of health care reform.

### **SECTION III - METHODOLOGY AND ASSUMPTIONS**

The first step of our actuarial review was to develop the demographic assumptions as input to the population projections. These assumptions, which include mortality rates, morbidity rates and withdrawal rates, are applied to the current and future resident populations in order to track the resident movements through various levels of care until death or move-out. Note that the SOP 90-8 calculation excludes those units and beds occupied by private pay or per diem residents.

In order to develop these demographic assumptions, we collected historic resident movements relating to deaths, transfers, and move-outs. We compiled the experience at the facility from January 1, 1990 to December 31, 2016. The information was compiled and applied against the number of life years of exposure in order to develop historic decrement rates.

The number of life-years exposure for mortality and morbidity involved in this study is not completely statistically credible. Therefore, it was necessary for us to compare these historic rates to industry experience, and smooth out any anomalies that emerged in the underlying data. The basis of these adjustments can be found in Credibility Theory, which, in general, states that the facility's experience becomes more credible as exposure life years increases. In general, female experience at the facility tended to be more credible, due to the larger amount of exposure years for females. In addition, the Independent Living Unit experience tends to be more credible than nursing experience due to the much larger amount of exposure years for ILU residents.

In addition, in order for us to gain more comfort in the demographic assumptions, we compared resident transfers (both permanent and temporary), deaths and move-outs against a simulated population projected through our model. We then adjusted the mortality and morbidity rates in our simulation model to more closely reflect the actual experience at Culpeper.

We found that the historic mortality rates are somewhat higher than the death rates observed in the industry. We also found that the historic morbidity rates or transfers to nursing to be higher than those found in our database. Because of the limited credibility of the experience, this does not necessarily mean that these historical rates are indicative of the expected future experience. Although we did not give full credibility to past experience in developing the projected rates of morbidity, we generally assumed rates that were between the Culpeper experience and our national CCRC residential database.

The second step in our actuarial review was to develop population projections based on the derived demographic assumptions. Existing residents as of December 31, 2016 were projected through the various levels of care until death or move-out. Apartment turnovers due to deaths, transfers, and move-outs were projected, and the derivative new entrants "admitted" into the facility. Similar to the existing residents, each generation, or year, of new entrants was tracked through the various levels of care until death. In addition, apartment turnovers due to deaths, transfers, and move-outs of all generations of new entrants were calculated using our projection system.

We developed population projections based on the expected scenario, which is based on the most likely outcome. Culpeper provides two levels of care in addition to independent living: assisted living and the health care center.

The final step in our actuarial analysis was to develop the Present Value of The Obligation. This calculation will be presented in Section IV. This calculation is necessary in order to comply with the Statement of Position 90-8 promulgated by the AICPA. The SOP requires that a facility recognize future contract losses. The Obligation calculation excludes most of the general and administrative expenses and allocates a portion of the depreciation charge based on historical costs to the existing residents.

The Virginia Baptist Homes management supplied Continuing Care Actuaries with revenue and expense information based on their fiscal year 2017 budget. We combined the revenue and expense assumptions with the results of the population projection output to develop projected cash flows. We have assumed a constant discount rate of 5.5%. The inflation rate and monthly fee increase assumptions were determined to be most appropriate and are detailed in the next page. The Culpeper management also supplied the unamortized deferred revenue and the unamortized costs of acquiring the initial continuing-care contracts as of December 31, 2016. The following page contains other key financial assumptions.

## **FINANCIAL ASSUMPTIONS**

### **FY 2017 ANNUAL REVENUES**

Independent Living Unit - Annual Fee Per Unit	\$ 28,466
Independent Living Unit - Subsidy Per Unit	(698)
Independent Living Unit - Annual Fee Per Second Resident	20,878
Independent Living Unit - Subsidy Per Second Resident	0
Assisted Living Unit - Annual Fee Per Bed	61,041
Assisted Living Unit - Subsidy Per Bed	(4,964)
Health Care Center - Annual Fee Per Bed	94,712
Health Care Center - Subsidy Per Bed (Net of Medicaid)	(7,272)
Other Revenue	3,460

### **FY 2017 ANNUAL EXPENSES**

Independent Living Unit - Per Unit	\$ 20,372
Independent Living Unit - Per Resident	18,032
Assisted Living Unit - Per Patient	48,906
Health Care Unit - Per Patient	75,647
ILU Fee Increase Rate	4.0%
ALU Fee Increase Rate	5.0
Health Care Center Fee Increase Rate	5.5
Other Fees Increase Rate	4.0
Investment Earning Rate	4.0
ILU Expense Inflation Rate	4.0
ALU Expense Inflation Rate	5.0
HCC Expense Inflation Rate	5.5
Discount Rate	5.5
Allocable Depreciation	\$2,393,000
Unamortized Deferred Revenue	4,734,000
Unamortized Costs of Acquiring Initial Continuing-Care Contracts	0

## **SECTION IV - RESULTS**

The Obligation to Provide Future Services to Current Residents calculation consists of thirteen pages. The 20<sup>th</sup> or the last page of this report has the actual calculation with the Obligation found on the last line. A positive value represents a liability, while a negative value represents an asset or a surplus.

Pages eight through ten contain both the open and closed group population projections. Each row represents the average number of residents that occupy the facility throughout each fiscal year.

Pages eleven through thirteen contain the revenue and expense assumptions. The first four lines represent the amount collected per resident per year for each facility. Similarly, the expense summary represents the expense per resident per year for each facility. The interest summary contains the total interest payments and the amount allocated to the closed group.

Pages fourteen through sixteen contain the projected cash inflows and outflows. These values are obtained from the revenue and expense assumptions and the closed group population.

Pages seventeen through nineteen contain the net cash outflows along with their present value. Below this are each year's facility depreciation charge and the amount allocated to the closed group.

# **FUTURE SERVICE OBLIGATION CALCULATION**



**RESIDENT LEVEL OF  
CARE INFORMATION**

	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>Total Facility Occupancy Projection</u>										
Independent Living	70.9	67.8	66.2	65.6	65.5	65.7	66.0	66.2	66.3	66.4
Total ILU Units Occupied	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0
Assisted Living - Permanent	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	30.1	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2
Health Care Center - Temporary	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Total Residents	133.1	129.9	128.4	127.8	127.8	127.9	128.2	128.4	128.6	128.6
<u>Closed Group Occupancy Projection</u>										
Independent Living	54.7	42.8	32.8	24.5	17.9	12.7	8.8	6.0	4.0	2.6
Total ILU Units Occupied	48.3	36.0	28.8	22.3	16.7	12.2	8.6	5.9	3.9	2.6
Assisted Living - Permanent	27.5	23.2	19.7	16.8	14.1	11.6	9.3	7.3	5.5	4.1
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	13.9	18.3	20.2	20.5	19.7	18.2	16.4	14.3	12.1	10.1
Health Care Center - Temporary	1.4	1.2	1.0	0.8	0.6	0.5	0.3	0.2	0.2	0.1
Total Residents	96.1	84.3	72.7	61.8	51.7	42.5	34.5	27.5	21.6	16.7

**RESIDENT LEVEL OF  
CARE INFORMATION**

	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
<u>Total Facility Occupancy Projection</u>										
Independent Living	66.5	66.5	66.5	66.5	66.4	66.4	66.4	66.4	66.4	66.4
Total ILU Units Occupied	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0
Assisted Living - Permanent	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2
Health Care Center - Temporary	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Total Residents	128.7	128.7	128.7	128.7	128.7	128.6	128.6	128.6	128.6	128.6
<u>Closed Group Occupancy Projection</u>										
Independent Living	1.6	1.0	0.6	0.3	0.2	0.1	0.1	0.0	0.0	0.0
Total ILU Units Occupied	1.6	1.0	0.6	0.3	0.2	0.1	0.1	0.0	0.0	0.0
Assisted Living - Permanent	2.9	2.0	1.4	0.9	0.6	0.4	0.2	0.1	0.1	0.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	8.2	6.5	5.1	3.9	2.9	2.2	1.6	1.1	0.8	0.5
Health Care Center - Temporary	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Residents	12.7	9.5	7.0	5.1	3.7	2.6	1.8	1.3	0.9	0.6

**RESIDENT LEVEL OF  
CARE INFORMATION**

	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
<u>Total Facility Occupancy Projection</u>										
Independent Living	66.4	66.4	66.4	66.4	66.4	66.4	66.4	66.4	66.4	66.4
Total ILU Units Occupied	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0	57.0
Assisted Living - Permanent	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2
Health Care Center - Temporary	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Total Residents	128.6	128.6	128.6	128.6	128.6	128.6	128.6	128.6	128.6	128.6
<u>Closed Group Occupancy Projection</u>										
Independent Living	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total ILU Units Occupied	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assisted Living - Permanent	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	0.4	0.3	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Health Care Center - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Residents	0.4	0.3	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0

Culpeper - Obligation Calculation as of December 31, 2016

**REVENUE AND EXPENSE  
ASSUMPTIONS**

Inflation:            4.00% Independent Living  
                             5.00% Assisted Living  
                             5.50% Health Care Center

	YEAR									
REVENUES	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>Independent Living Unit</u>										
Annual Fee Per Unit	\$28,466	\$29,605	\$30,789	\$32,020	\$33,301	\$34,633	\$36,019	\$37,459	\$38,958	\$40,516
Annual Subsidy Per Unit	(698)	(642)	(667)	(694)	(722)	(751)	(781)	(812)	(845)	(878)
Annual Fee Per Second Resident	20,878	21,713	22,581	23,485	24,424	25,401	26,417	27,474	28,573	29,715
Annual Subsidy Per Second Resident	0	(471)	(490)	(509)	(529)	(551)	(573)	(596)	(619)	(644)
Per Assisted Living Resident	61,041	64,093	67,297	70,662	74,195	77,905	81,800	85,890	90,185	94,694
Annual Subsidy Per Resident	(4,964)	(5,213)	(5,473)	(5,747)	(6,034)	(6,336)	(6,653)	(6,985)	(7,335)	(7,701)
Per Health Care Center Resident	94,712	99,922	105,417	111,215	117,332	123,785	130,594	137,776	145,354	153,348
Annual Subsidy Per Resident (Net of Medicaid)	(7,272)	(7,672)	(8,094)	(8,539)	(9,009)	(9,504)	(10,027)	(10,578)	(11,160)	(11,774)
Other Reimbursements Per Resident	3,460	3,599	3,743	3,893	4,048	4,210	4,379	4,554	4,736	4,925
<u>Investment Income</u>										
Asset Base	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816
Earnings Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Investment Income	3,673	3,673	3,673	3,673	3,673	3,673	3,673	3,673	3,673	3,673
Corporate Contributions and Trust	226,870	231,407	236,036	240,756	245,571	250,483	255,492	260,602	265,814	271,131
Total Other Income	230,543	235,080	239,708	244,429	249,244	254,155	259,165	264,275	269,487	274,803
Allocated Other Income	166,495	152,489	135,779	118,138	100,788	84,522	69,758	56,695	45,366	35,724
<b>EXPENSES</b>										
<u>Independent Living Unit</u>										
Per Unit	\$20,372	\$21,187	\$22,034	\$22,915	\$23,832	\$24,785	\$25,776	\$26,807	\$27,879	\$28,994
Per Resident	18,032	18,753	19,503	20,283	21,094	21,938	22,816	23,729	24,678	25,665
Per Assisted Living Resident	\$48,906	\$51,351	\$53,919	\$56,615	\$59,446	\$62,418	\$65,539	\$68,816	\$72,257	\$75,870
Per Health Care Center Resident	75,647	79,808	84,197	88,828	93,714	98,868	104,306	110,043	116,095	122,480
<u>Interest Expense</u>										
Total Interest Expense	\$92,904	\$91,693	\$90,349	\$88,364	\$85,648	\$82,817	\$79,877	\$76,750	\$72,772	\$68,731
Allocated Interest Expense	67,094	59,479	51,177	42,708	34,634	27,542	21,500	16,465	12,251	8,935

Culpeper - Obligation Calculation as of December 31, 2016

**REVENUE AND EXPENSE  
ASSUMPTIONS**

Inflation:            4.00% Independent Living  
                             5.00% Assisted Living  
                             5.50% Health Care Center

	YEAR									
REVENUES	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
<u>Independent Living Unit</u>										
Annual Fee Per Unit	\$42,137	\$43,822	\$45,575	\$47,398	\$49,294	\$51,266	\$53,316	\$55,449	\$57,667	\$59,974
Annual Subsidy Per Unit	(913)	(950)	(988)	(1,028)	(1,069)	(1,111)	(1,156)	(1,202)	(1,250)	(1,300)
Annual Fee Per Second Resident	30,904	32,140	33,426	34,763	36,153	37,599	39,103	40,668	42,294	43,986
Annual Subsidy Per Second Resident	(670)	(697)	(725)	(754)	(784)	(815)	(848)	(882)	(917)	(954)
Per Assisted Living Resident	99,429	104,400	109,620	115,101	120,856	126,899	133,244	139,906	146,902	154,247
Annual Subsidy Per Resident	(8,086)	(8,491)	(8,915)	(9,361)	(9,829)	(10,320)	(10,836)	(11,378)	(11,947)	(12,545)
Per Health Care Center Resident	161,782	170,680	180,068	189,972	200,420	211,443	223,073	235,342	248,285	261,941
Annual Subsidy Per Resident (Net of Medicaid)	(12,422)	(13,105)	(13,826)	(14,586)	(15,388)	(16,235)	(17,127)	(18,069)	(19,063)	(20,112)
Other Reimbursements Per Resident	5,122	5,327	5,540	5,762	5,992	6,232	6,481	6,741	7,010	7,291
<u>Investment Income</u>										
Asset Base	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816
Earnings Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Investment Income	3,673	3,673	3,673	3,673	3,673	3,673	3,673	3,673	3,673	3,673
Corporate Contributions and Trust	276,553	282,084	287,726	293,481	299,350	305,337	311,444	317,673	324,026	330,507
Total Other Income	280,226	285,757	291,399	297,153	303,023	309,010	315,117	321,345	327,699	334,179
Allocated Other Income	27,695	21,163	15,957	11,882	8,724	6,302	4,486	3,158	2,194	1,510
<b>EXPENSES</b>										
<u>Independent Living Unit</u>										
Per Unit	\$30,154	\$31,360	\$32,614	\$33,919	\$35,276	\$36,687	\$38,154	\$39,680	\$41,267	\$42,918
Per Resident	26,692	27,760	28,870	30,025	31,226	32,475	33,774	35,125	36,530	37,991
Per Assisted Living Resident	\$79,664	\$83,647	\$87,829	\$92,220	\$96,831	\$101,673	\$106,757	\$112,095	\$117,700	\$123,585
Per Health Care Center Resident	129,216	136,323	143,821	151,731	160,076	168,880	178,168	187,967	198,305	209,212
<u>Interest Expense</u>										
Total Interest Expense	\$65,941	\$62,512	\$58,954	\$55,155	\$50,092	\$44,779	\$39,199	\$33,338	\$27,189	\$20,729
Allocated Interest Expense	6,517	4,630	3,228	2,205	1,442	913	558	328	182	94

Culpeper - Obligation Calculation as of December 31, 2016

**REVENUE AND EXPENSE  
ASSUMPTIONS**

Inflation:            4.00% Independent Living  
                             5.00% Assisted Living  
                             5.50% Health Care Center

	YEAR									
REVENUES	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
<u>Independent Living Unit</u>										
Annual Fee Per Unit	\$62,372	\$64,867	\$67,462	\$70,161	\$72,967	\$75,886	\$78,921	\$82,078	\$85,361	\$88,775
Annual Subsidy Per Unit	(1,352)	(1,406)	(1,462)	(1,521)	(1,582)	(1,645)	(1,711)	(1,779)	(1,850)	(1,925)
Annual Fee Per Second Resident	45,746	47,575	49,478	51,458	53,516	55,656	57,883	60,198	62,606	65,110
Annual Subsidy Per Second Resident	(992)	(1,031)	(1,073)	(1,116)	(1,160)	(1,207)	(1,255)	(1,305)	(1,357)	(1,411)
Per Assisted Living Resident	161,959	170,057	178,560	187,488	196,862	206,705	217,040	227,893	239,287	251,251
Annual Subsidy Per Resident	(13,172)	(13,830)	(14,522)	(15,248)	(16,010)	(16,811)	(17,652)	(18,534)	(19,461)	(20,434)
Per Health Care Center Resident	276,348	291,547	307,582	324,499	342,346	361,176	381,040	401,997	424,107	447,433
Annual Subsidy Per Resident (Net of Medicaid)	(21,218)	(22,385)	(23,616)	(24,915)	(26,285)	(27,731)	(29,256)	(30,865)	(32,563)	(34,354)
Other Reimbursements Per Resident	7,582	7,886	8,201	8,529	8,870	9,225	9,594	9,978	10,377	10,792
<u>Investment Income</u>										
Asset Base	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816	\$91,816
Earnings Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Investment Income	3,673	3,673	3,673	3,673	3,673	3,673	3,673	3,673	3,673	3,673
Corporate Contributions and Trust	337,117	343,859	350,736	357,751	364,906	372,204	379,648	387,241	394,986	402,886
Total Other Income	340,790	347,532	354,409	361,424	368,579	375,877	383,321	390,914	398,659	406,559
Allocated Other Income	1,034	706	480	326	221	150	100	65	42	33
<b>EXPENSES</b>										
<u>Independent Living Unit</u>										
Per Unit	\$44,635	\$46,420	\$48,277	\$50,208	\$52,216	\$54,305	\$56,477	\$58,736	\$61,085	\$63,528
Per Resident	39,511	41,091	42,735	44,444	46,222	48,071	49,994	51,994	54,074	56,237
Per Assisted Living Resident	\$129,764	\$136,252	\$143,065	\$150,218	\$157,729	\$165,615	\$173,896	\$182,591	\$191,721	\$201,307
Per Health Care Center Resident	220,719	232,859	245,666	259,178	273,433	288,472	304,338	321,077	338,736	357,366
<u>Interest Expense</u>										
Total Interest Expense	\$13,946	\$6,825	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Interest Expense	42	14	0	0	0	0	0	0	0	0

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Independent Living Unit	\$1,474,162	\$1,187,718	\$955,713	\$749,281	\$572,286	\$425,874	\$308,981	\$218,678	\$150,992	\$101,628
Assisted Living Unit	1,542,789	1,363,208	1,219,326	1,088,348	959,355	829,422	699,527	573,805	457,110	353,660
Health Care Center	1,217,309	1,686,998	1,966,431	2,104,728	2,135,435	2,084,116	1,972,019	1,815,952	1,630,335	1,428,301
Other Income	332,520	303,313	272,173	240,440	209,136	179,129	151,079	125,441	102,488	82,365
Investment Income	166,495	152,489	135,779	118,138	100,788	84,522	69,758	56,695	45,366	35,724
<b>TOTAL CASH INFLOWS</b>	<b>\$4,733,276</b>	<b>\$4,693,725</b>	<b>\$4,549,422</b>	<b>\$4,300,935</b>	<b>\$3,977,000</b>	<b>\$3,603,062</b>	<b>\$3,201,364</b>	<b>\$2,790,570</b>	<b>\$2,386,292</b>	<b>\$2,001,679</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Independent Living Unit	\$1,970,262	\$1,565,477	\$1,274,279	\$1,008,200	\$775,552	\$580,276	\$422,694	\$300,018	\$207,566	\$139,889
Assisted Living Unit	1,345,507	1,188,892	1,063,417	949,187	836,691	723,368	610,083	500,437	398,664	308,442
Health Care Center	1,159,236	1,553,969	1,782,650	1,889,127	1,902,949	1,847,575	1,740,241	1,596,689	1,429,490	1,249,473
Interest Expense	67,094	59,479	51,177	42,708	34,634	27,542	21,500	16,465	12,251	8,935
<b>TOTAL CASH OUTFLOWS</b>	<b>\$4,542,099</b>	<b>\$4,367,816</b>	<b>\$4,171,524</b>	<b>\$3,889,222</b>	<b>\$3,549,826</b>	<b>\$3,178,761</b>	<b>\$2,794,518</b>	<b>\$2,413,609</b>	<b>\$2,047,971</b>	<b>\$1,706,738</b>

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
Independent Living Unit	\$66,610	\$42,473	\$26,315	\$15,816	\$9,192	\$5,157	\$2,794	\$1,458	\$730	\$350
Assisted Living Unit	266,341	195,434	139,492	96,597	64,898	42,113	26,261	15,749	9,051	4,985
Health Care Center	1,222,418	1,024,556	843,064	682,322	541,927	421,586	321,947	242,145	179,090	130,580
Other Income	65,144	50,774	39,042	29,646	22,196	16,352	11,870	8,519	6,038	4,237
Investment Income	27,695	21,163	15,957	11,882	8,724	6,302	4,486	3,158	2,194	1,510
<b>TOTAL CASH INFLOWS</b>	<b>\$1,648,208</b>	<b>\$1,334,400</b>	<b>\$1,063,869</b>	<b>\$836,263</b>	<b>\$646,936</b>	<b>\$491,511</b>	<b>\$367,358</b>	<b>\$271,029</b>	<b>\$197,103</b>	<b>\$141,662</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
Independent Living Unit	\$91,764	\$58,540	\$36,278	\$21,808	\$12,675	\$7,112	\$3,852	\$2,010	\$1,007	\$483
Assisted Living Unit	232,288	170,446	121,657	84,246	56,600	36,729	22,904	13,736	7,894	4,347
Health Care Center	1,067,074	892,793	733,583	592,921	470,414	365,639	279,035	209,761	155,077	113,038
Interest Expense	6,517	4,630	3,228	2,205	1,442	913	558	328	182	94
<b>TOTAL CASH OUTFLOWS</b>	<b>\$1,397,643</b>	<b>\$1,126,410</b>	<b>\$894,745</b>	<b>\$701,179</b>	<b>\$541,131</b>	<b>\$410,393</b>	<b>\$306,349</b>	<b>\$225,835</b>	<b>\$164,159</b>	<b>\$117,962</b>



**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
Independent Living Unit	\$161	\$70	\$29	\$11	\$4	\$1	\$1	\$0	\$0	\$0
Assisted Living Unit	2,638	1,336	648	301	133	57	24	10	4	2
Health Care Center	94,383	67,697	48,235	34,180	24,120	16,968	11,737	7,961	5,336	4,299
Other Income	2,959	2,060	1,429	989	684	472	321	215	142	112
Investment Income	1,034	706	480	326	221	150	100	65	42	33
<b>TOTAL CASH INFLOWS</b>	<b>\$101,175</b>	<b>\$71,869</b>	<b>\$50,821</b>	<b>\$35,808</b>	<b>\$25,163</b>	<b>\$17,648</b>	<b>\$12,182</b>	<b>\$8,251</b>	<b>\$5,524</b>	<b>\$4,447</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
Independent Living Unit	\$222	\$97	\$40	\$16	\$6	\$2	\$1	\$0	\$0	\$0
Assisted Living Unit	2,301	1,166	565	263	116	49	21	9	4	2
Health Care Center	81,686	58,582	41,736	29,572	20,868	14,680	10,154	6,887	4,616	3,720
Interest Expense	42	14	0	0	0	0	0	0	0	0
<b>TOTAL CASH OUTFLOWS</b>	<b>\$84,250</b>	<b>\$59,858</b>	<b>\$42,341</b>	<b>\$29,851</b>	<b>\$20,990</b>	<b>\$14,731</b>	<b>\$10,175</b>	<b>\$6,896</b>	<b>\$4,620</b>	<b>\$3,722</b>

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Net Cash Outflows (Inflows)	(\$191,177)	(\$325,909)	(\$377,898)	(\$411,713)	(\$427,174)	(\$424,302)	(\$406,846)	(\$376,961)	(\$338,321)	(\$294,940)
Discount Rate	0.974	0.923	0.875	0.829	0.786	0.745	0.706	0.669	0.634	0.601
Present Value of Net Cash Outflows (Inflows)	5.50%									
	(\$186,127)	(\$300,758)	(\$330,555)	(\$341,358)	(\$335,713)	(\$316,072)	(\$287,269)	(\$252,292)	(\$214,626)	(\$177,352)
Present Value of Net Cash Outflows	(\$3,314,000)									
DEPRECIATION COST	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Depreciation	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352
Allocated Depreciation	401,791	360,888	315,137	268,897	224,975	185,020	149,751	119,354	93,656	72,324

<b>PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)</b>	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
Net Cash Outflows (Inflows)	(\$250,565)	(\$207,990)	(\$169,123)	(\$135,084)	(\$105,805)	(\$81,118)	(\$61,009)	(\$45,194)	(\$32,944)	(\$23,700)
Discount Rate	0.570	0.540	0.512	0.485	0.460	0.436	0.413	0.392	0.371	0.352
Present Value of Net Cash Outflows (Inflows)	(\$142,814)	(\$112,367)	(\$86,606)	(\$65,568)	(\$48,679)	(\$35,376)	(\$25,219)	(\$17,708)	(\$12,235)	(\$8,343)
Present Value of Net Cash Outflows										
<b>DEPRECIATION COST</b>	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
Depreciation	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352
Allocated Depreciation	54,985	41,204	30,466	22,246	16,017	11,347	7,921	5,467	3,726	2,514

<b>PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)</b>	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
Net Cash Outflows (Inflows)	(\$16,924)	(\$12,011)	(\$8,480)	(\$5,957)	(\$4,173)	(\$2,917)	(\$2,007)	(\$1,355)	(\$904)	(\$726)
Discount Rate	0.334	0.316	0.300	0.284	0.269	0.255	0.242	0.229	0.217	0.206
Present Value of Net Cash Outflows (Inflows)	5.50% (\$5,647)	(\$3,799)	(\$2,542)	(\$1,693)	(\$1,124)	(\$745)	(\$486)	(\$311)	(\$197)	(\$150)
Present Value of Net Cash Outflows										
<b>DEPRECIATION COST</b>	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
Depreciation	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352	\$556,352
Allocated Depreciation	1,688	1,130	754	502	334	222	145	93	59	45

**OBLIGATION TO PROVIDE FUTURE SERVICES AND THE USE OF FACILITIES TO CURRENT RESIDENTS**

Present Value of Net Cash Outflows	(\$3,314,000)
Less:	
Unamortized deferred revenue at December 31, 2016	4,734,000
Plus:	
Allocable depreciation	2,393,000
Unamortized costs of acquiring initial continuing-care contracts	0
Obligation to provide future services and the use of facilities to current residents	(\$5,655,000)

*Since this is a liability calculation, the negative result represents an asset or surplus.  
For financial statement purposes, the amount to be booked as an obligation is \$0.*



**CALCULATION OF OBLIGATION  
TO PROVIDE FUTURE SERVICES**

**Health Care Auditing Guidelines**

As of December 31, 2016

***Report Date: February 21, 2017***

## TABLE OF CONTENTS

	<u>Page</u>
I. Introduction.....	1
II. Executive Summary .....	2
III. Methodology and Assumptions .....	3
IV. Results.....	6

## **SECTION I - INTRODUCTION**

Continuing Care Actuaries has performed the calculation of The Obligation to Provide Future Services to Current Residents (the "Obligation") for Lakewood Manor Baptist Retirement Community, Inc. ("Lakewood Manor") as of December 31, 2016 as defined by AICPA SOP 90-8, "Financial Accounting and Reporting by Continuing Care Retirement Communities."

In order to calculate this liability, we projected existing residents through various levels of care until move-out or death. The rates of population movement utilized in these population projections were developed based on an analysis of the demographic experience at Lakewood Manor for the time period from January 1, 1991 through December 31, 2016. We then combined the results of our Population Projection with projected unit revenue and expense items for Lakewood Manor to develop the net present value of future cash outflows. This value, together with unamortized deferred revenue, unamortized costs of acquiring the initial continuing-care contracts, and allocable depreciation, produces the Obligation.



## **SECTION II - EXECUTIVE SUMMARY**

Continuing Care Actuaries has calculated Lakewood Manor's Obligation as of December 31, 2016 to be approximately (\$6,859,000). Since this is a liability calculation, the negative result represents a surplus. This represents a decrease in surplus from the prior year, which was (\$11,798,000).

We relied on Virginia Baptist Homes' management to provide budget results and budget forecasts to assist our development of revenue and expense assumptions. No further due diligence was provided by Continuing Care Actuaries as to the accuracy of these budget results and budget forecasts.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual resident movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected.

Management should scrutinize future developments, which may cause the Obligation to become a liability. These developments include higher apartment vacancy rates, higher expense inflation, higher nursing care utilization, longer life expectancies than assumed in the current projection, and the possible expansion of the federal program as part of health care reform.

### **SECTION III - METHODOLOGY AND ASSUMPTIONS**

The first step of our actuarial review was to develop the demographic assumptions as input to the population projections. These assumptions, which include mortality rates, morbidity rates and withdrawal rates, are applied to the current and future resident populations in order to track the resident movements through various levels of care until death or move-out. Note that the SOP 90-8 calculation excludes those units and beds occupied by private pay or per diem residents.

In order to develop these demographic assumptions, we collected historic resident movements relating to deaths, transfers, and move-outs. We compiled the experience at the facility from January 1, 1991 to December 31, 2016. The information was compiled and applied against the number of life years of exposure in order to develop historic decrement rates.

The number of life-years exposure for mortality and morbidity involved in this study is not completely statistically credible. Therefore, it was necessary for us to compare these historic rates to industry experience, and smooth out any anomalies that emerged in the underlying data. The basis of these adjustments can be found in Credibility Theory, which, in general, states that the facility's experience becomes more credible as exposure life years increases. In general, female experience at the facility tended to be more credible, due to the larger amount of exposure years for females. In addition, the Independent Living Unit experience tends to be more credible than nursing experience due to the much larger amount of exposure years for ILU residents.

In addition, in order for us to gain more comfort in the demographic assumptions, we compared resident transfers (both permanent and temporary), deaths and move-outs against a simulated population projected through our model. We then adjusted the mortality and morbidity rates in our simulation model to more closely reflect the actual experience at Lakewood Manor.

We found that the historic mortality rates are somewhat higher than the death rates observed in the industry. We also found that the historic morbidity rates or transfers to nursing to be higher than those found in our database. Because of the limited credibility of the experience, this does not necessarily mean that these historical rates are indicative of the expected future experience. Although we did not give full credibility to past experience in developing the projected rates of morbidity, we generally assumed rates that were between the Lakewood Manor experience and our national CCRC residential database.

The second step in our actuarial review was to develop population projections based on the derived demographic assumptions. Existing residents as of December 31, 2016 were projected through the various levels of care until death or move-out. Apartment turnovers due to deaths, transfers, and move-outs were projected, and the derivative new entrants "admitted" into the facility. Similar to the existing residents, each generation, or year, of new entrants was tracked through the various levels of care until death. In addition, apartment turnovers due to deaths, transfers, and move-outs of all generations of new entrants were calculated using our projection system.

We developed population projections based on the expected scenario, which is based on the most likely outcome. Lakewood Manor provides two levels of care in addition to independent living: assisted living and the health care center

The final step in our actuarial analysis was to develop the Present Value of The Obligation. This calculation will be presented in Section IV. This calculation is necessary in order to comply with the Statement of Position 90-8 promulgated by the AICPA. The new SOP requires that a facility recognize future contract losses. The Obligation calculation excludes most of the general and administrative expenses and allocates a portion of the depreciation charge based on historical costs to the existing residents.

The Virginia Baptist Homes management supplied Continuing Care Actuaries with revenue and expense information based on their fiscal year 2017 budget. We combined the revenue and expense assumptions with the results of the population projection output to develop projected cash flows. We have assumed a constant discount rate of 5.5%. The inflation rate and monthly fee increase assumptions were determined to be most appropriate and are detailed in the next page. The Lakewood Manor management also supplied the unamortized deferred revenue and the unamortized costs of acquiring the initial continuing-care contracts as of December 31, 2016. The following page contains other key financial assumptions.

## **FINANCIAL ASSUMPTIONS**

### **FY 2017 ANNUAL REVENUES**

Independent Living Unit - Annual Fee Per Unit	\$ 37,935
Independent Living Unit - Subsidy Per Unit	(0)
Independent Living Unit - Annual Fee Per Second Resident	30,559
Independent Living Unit - Subsidy Per Second Resident	(0)
Assisted Living Unit - Annual Fee Per Bed	46,660
Assisted Living Unit - Subsidy Per Bed	(0)
Health Care Center - Annual Fee Per Bed	53,175
Health Care Center - Subsidy Per Bed (Net of Medicaid)	(0)
Other Revenue	4,336

### **FY 2017 ANNUAL EXPENSES**

Independent Living Unit - Per Unit	\$ 13,840
Independent Living Unit - Per Resident	15,823
Assisted Living Unit - Per Patient	42,381
Health Care Unit - Per Patient	78,633
ILU Fee Increase Rate	4.0%
ALU Fee Increase Rate	5.0
Health Care Center Fee Increase Rate	5.5
Other Fees Increase Rate	4.0
Investment Earning Rate	4.0
ILU Expense Inflation Rate	4.0
ALU Expense Inflation Rate	5.0
HCC Expense Inflation Rate	5.5
Discount Rate	5.5
Allocable Depreciation	\$25,548,000
Unamortized Deferred Revenue	31,728,000
Unamortized Costs of Acquiring Initial Continuing-Care Contracts	40,000

## **SECTION IV - RESULTS**

The Obligation to Provide Future Services to Current Residents calculation consists of thirteen pages. The 20<sup>th</sup> or the last page of this report has the actual calculation with the Obligation found on the last line. A positive value represents a liability, while a negative value represents an asset or a surplus.

Pages eight through ten contain both the open and closed group population projections. Each row represents the average number of residents that occupy the facility throughout each fiscal year.

Pages eleven through thirteen contain the revenue and expense assumptions. The first four lines represent the amount collected per resident per year for each facility. Similarly, the expense summary represents the expense per resident per year for each facility. The interest summary contains the total interest payments and the amount allocated to the closed group.

Pages fourteen through sixteen contain the projected cash inflows and outflows. These values are obtained from the revenue and expense assumptions and the closed group population.

Pages seventeen through nineteen contain the net cash outflows along with their present value. Below this are each year's facility depreciation charge and the amount allocated to the closed group.

# **FUTURE SERVICE OBLIGATION CALCULATION**

**RESIDENT LEVEL OF  
CARE INFORMATION**

	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>Total Facility Occupancy Projection</u>										
Independent Living	283.3	280.7	284.0	288.7	290.8	290.3	290.0	289.9	289.8	289.7
Total ILU Units Occupied	243.5	244.0	248.5	253.5	256.0	256.0	256.0	256.0	256.0	256.0
Assisted Living/Memory Support - Permanent	68.0	68.0	68.0	68.0	68.0	68.0	68.0	68.0	68.0	68.0
Assisted Living/Memory Support - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	81.0	81.1	81.1	81.1	81.1	81.1	81.1	81.1	81.1	81.1
Health Care Center - Temporary	8.0	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9
 Total Residents	 432.2	 429.8	 433.1	 437.8	 440.0	 439.5	 439.2	 439.0	 438.9	 438.8
<u>Closed Group Occupancy Projection</u>										
Independent Living	268.3	232.1	198.4	167.6	139.9	115.5	94.0	75.4	59.7	46.6
Total ILU Units Occupied	231.0	203.2	176.2	150.8	127.4	106.2	87.3	70.7	56.5	44.5
Assisted Living/Memory Support - Permanent	63.7	62.8	61.2	58.7	55.3	51.0	46.2	41.1	36.0	30.9
Assisted Living/Memory Support - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	61.0	64.2	65.5	65.2	63.6	61.0	57.5	53.3	48.7	44.0
Health Care Center - Temporary	7.6	6.8	6.1	5.4	4.7	4.0	3.4	2.8	2.3	1.9
 Total Residents	 393.0	 359.0	 325.0	 291.5	 258.9	 227.5	 197.6	 169.8	 144.4	 121.6

**RESIDENT LEVEL OF  
CARE INFORMATION**

	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
<u>Total Facility Occupancy Projection</u>										
Independent Living	289.7	289.7	289.7	289.7	289.8	289.8	289.8	289.8	289.8	289.8
Total ILU Units Occupied	256.0	256.0	256.0	256.0	256.0	256.0	256.0	256.0	256.0	256.0
Assisted Living/Memory Support - Permanent	68.0	68.0	68.0	68.0	68.0	68.0	68.0	68.0	68.0	68.0
Assisted Living/Memory Support - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	81.0	81.0	81.0	81.0	81.0	81.0	81.0	81.0	81.0	81.0
Health Care Center - Temporary	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
 Total Residents	 438.7	 438.7	 438.8	 438.8	 438.8	 438.8	 438.8	 438.8	 438.8	 438.8
<u>Closed Group Occupancy Projection</u>										
Independent Living	36.0	27.3	20.4	15.0	10.8	7.7	5.4	3.7	2.5	1.7
Total ILU Units Occupied	34.6	26.5	19.9	14.7	10.7	7.6	5.3	3.7	2.5	1.7
Assisted Living/Memory Support - Permanent	26.1	21.7	17.8	14.4	11.4	8.9	6.7	4.9	3.6	2.5
Assisted Living/Memory Support - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	39.3	34.6	30.0	25.6	21.5	17.8	14.6	11.7	9.2	7.2
Health Care Center - Temporary	1.5	1.2	0.9	0.7	0.5	0.4	0.3	0.2	0.1	0.1
 Total Residents	 101.4	 83.7	 68.2	 55.0	 43.8	 34.4	 26.6	 20.3	 15.3	 11.3



**RESIDENT LEVEL OF  
CARE INFORMATION**

	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
<u>Total Facility Occupancy Projection</u>										
Independent Living	289.8	289.8	289.8	289.8	289.8	289.8	289.8	289.7	289.7	289.7
Total ILU Units Occupied	256.0	256.0	256.0	256.0	256.0	256.0	256.0	256.0	256.0	256.0
Assisted Living/Memory Support - Permanent	68.0	68.0	68.0	68.0	68.0	68.0	68.0	68.0	68.0	68.0
Assisted Living/Memory Support - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	81.0	81.0	81.0	81.0	81.0	81.0	81.0	81.0	81.0	81.0
Health Care Center - Temporary	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
 Total Residents	 438.8	 438.8	 438.8	 438.8	 438.8	 438.8	 438.8	 438.7	 438.7	 438.7
<u>Closed Group Occupancy Projection</u>										
Independent Living	1.1	0.7	0.4	0.3	0.2	0.1	0.1	0.0	0.0	0.0
Total ILU Units Occupied	1.1	0.7	0.4	0.3	0.2	0.1	0.1	0.0	0.0	0.0
Assisted Living/Memory Support - Permanent	1.7	1.1	0.7	0.5	0.3	0.2	0.1	0.1	0.0	0.0
Assisted Living/Memory Support - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	5.5	4.2	3.1	2.3	1.7	1.2	0.8	0.6	0.4	0.3
Health Care Center - Temporary	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
 Total Residents	 8.3	 6.0	 4.3	 3.0	 2.1	 1.5	 1.0	 0.7	 0.5	 0.4

Lakewood Manor - Obligation Calculation as of December 31, 2016

**REVENUE AND EXPENSE  
ASSUMPTIONS**

Inflation

4.00% Independent Living

5.00% Assisted Living

5.50% Health Care Center

REVENUES	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>Independent Living Unit</u>										
Annual Fee Per Unit	\$37,935	\$39,453	\$41,031	\$42,672	\$44,379	\$46,154	\$48,000	\$49,920	\$51,917	\$53,994
Annual Subsidy Per Unit	0	0	0	0	0	0	0	0	0	0
Annual Fee Per Second Resident	30,559	31,781	33,053	34,375	35,750	37,180	38,667	40,214	41,822	43,495
Annual Subsidy Per Second Resident	0	0	0	0	0	0	0	0	0	0
Per Assisted Living Resident	46,660	48,994	51,443	54,015	56,716	59,552	62,530	65,656	68,939	72,386
Annual Subsidy Per Resident	0	0	0	0	0	0	0	0	0	0
Per Health Care Center Resident	53,175	56,099	59,185	62,440	65,874	69,497	73,319	77,352	81,606	86,095
Annual Subsidy Per Resident (Net of Medicaid)	0	0	0	0	0	0	0	0	0	0
Other Reimbursements Per Resident	4,336	4,509	4,689	4,877	5,072	5,275	5,486	5,705	5,933	6,171
<u>Investment Income</u>										
Asset Base	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825
Earnings Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Investment Income	31,233	31,233	31,233	31,233	31,233	31,233	31,233	31,233	31,233	31,233
Corporate Contributions and Trust	9,260	9,445	9,634	9,827	10,023	10,224	10,428	10,637	10,850	11,067
Total Other Income	40,493	40,678	40,867	41,060	41,256	41,457	41,661	41,870	42,083	42,300
Allocated Other Income	36,821	33,978	30,666	27,340	24,276	21,461	18,749	16,193	13,842	11,719
<b>EXPENSES</b>										
<u>Independent Living Unit</u>										
Per Unit	\$13,840	\$14,364	\$14,667	\$14,953	\$15,399	\$16,015	\$16,656	\$17,322	\$18,015	\$18,736
Per Resident	15,823	16,456	17,114	17,799	18,511	19,251	20,021	20,822	21,655	22,521
Per Assisted Living Resident	\$42,381	\$44,500	\$46,725	\$49,061	\$51,514	\$54,090	\$56,795	\$59,635	\$62,617	\$65,748
Per Health Care Center Resident	78,633	82,958	87,521	92,335	97,413	102,771	108,423	114,386	120,677	127,314
<u>Interest Expense</u>										
Total Interest Expense	\$790,076	\$779,780	\$768,350	\$751,465	\$728,370	\$704,297	\$679,288	\$652,703	\$618,871	\$584,502
Allocated Interest Expense	718,430	651,342	576,566	500,374	428,579	364,602	305,707	252,424	203,556	161,934

Lakewood Manor - Obligation Calculation as of December 31, 2016

**REVENUE AND EXPENSE  
ASSUMPTIONS**

Inflation

4.00% Independent Living

5.00% Assisted Living

5.50% Health Care Center

REVENUES	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
<u>Independent Living Unit</u>										
Annual Fee Per Unit	\$56,153	\$58,400	\$60,735	\$63,165	\$65,692	\$68,319	\$71,052	\$73,894	\$76,850	\$79,924
Annual Subsidy Per Unit	0	0	0	0	0	0	0	0	0	0
Annual Fee Per Second Resident	45,235	47,044	48,926	50,883	52,918	55,035	57,236	59,526	61,907	64,383
Annual Subsidy Per Second Resident	0	0	0	0	0	0	0	0	0	0
Per Assisted Living Resident	76,005	79,805	83,796	87,985	92,385	97,004	101,854	106,947	112,294	117,909
Annual Subsidy Per Resident	0	0	0	0	0	0	0	0	0	0
Per Health Care Center Resident	90,830	95,826	101,096	106,656	112,522	118,711	125,240	132,128	139,396	147,062
Annual Subsidy Per Resident (Net of Medicaid)	0	0	0	0	0	0	0	0	0	0
Other Reimbursements Per Resident	6,418	6,674	6,941	7,219	7,508	7,808	8,120	8,445	8,783	9,134
<u>Investment Income</u>										
Asset Base	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825
Earnings Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Investment Income	31,233	31,233	31,233	31,233	31,233	31,233	31,233	31,233	31,233	31,233
Corporate Contributions and Trust	11,288	11,514	11,744	11,979	12,218	12,463	12,712	12,966	13,226	13,490
Total Other Income	42,521	42,747	42,977	43,212	43,451	43,696	43,945	44,199	44,459	44,723
Allocated Other Income	9,828	8,154	6,683	5,414	4,335	3,427	2,668	2,045	1,545	1,155
<b>EXPENSES</b>										
<u>Independent Living Unit</u>										
Per Unit	\$19,485	\$20,264	\$21,075	\$21,918	\$22,795	\$23,707	\$24,655	\$25,641	\$26,667	\$27,734
Per Resident	23,422	24,359	25,333	26,346	27,400	28,496	29,636	30,821	32,054	33,336
Per Assisted Living Resident	\$69,035	\$72,487	\$76,111	\$79,917	\$83,913	\$88,109	\$92,514	\$97,140	\$101,997	\$107,097
Per Health Care Center Resident	134,316	141,703	149,497	157,719	166,394	175,546	185,201	195,387	206,133	217,470
<u>Interest Expense</u>										
Total Interest Expense	\$560,781	\$531,620	\$501,358	\$469,050	\$425,995	\$380,814	\$333,354	\$283,513	\$231,225	\$176,288
Allocated Interest Expense	129,616	101,403	77,964	58,766	42,504	29,863	20,242	13,116	8,037	4,553

Lakewood Manor - Obligation Calculation as of December 31, 2016

**REVENUE AND EXPENSE  
ASSUMPTIONS**

Inflation

4.00% Independent Living

5.00% Assisted Living

5.50% Health Care Center

REVENUES	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
<u>Independent Living Unit</u>										
Annual Fee Per Unit	\$83,121	\$86,446	\$89,903	\$93,499	\$97,239	\$101,129	\$105,174	\$109,381	\$113,756	\$118,307
Annual Subsidy Per Unit	0	0	0	0	0	0	0	0	0	0
Annual Fee Per Second Resident	66,959	69,637	72,422	75,319	78,332	81,465	84,724	88,113	91,637	95,303
Annual Subsidy Per Second Resident	0	0	0	0	0	0	0	0	0	0
Per Assisted Living Resident	123,804	129,994	136,494	143,319	150,485	158,009	165,909	174,205	182,915	192,061
Annual Subsidy Per Resident	0	0	0	0	0	0	0	0	0	0
Per Health Care Center Resident	155,151	163,684	172,687	182,184	192,205	202,776	213,928	225,695	238,108	251,204
Annual Subsidy Per Resident (Net of Medicaid)	0	0	0	0	0	0	0	0	0	0
Other Reimbursements Per Resident	9,500	9,880	10,275	10,686	11,113	11,558	12,020	12,501	13,001	13,521
<u>Investment Income</u>										
Asset Base	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825	\$780,825
Earnings Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Investment Income	31,233	31,233	31,233	31,233	31,233	31,233	31,233	31,233	31,233	31,233
Corporate Contributions and Trust	13,760	14,035	14,316	14,602	14,894	15,192	15,496	15,806	16,122	16,444
Total Other Income	44,993	45,268	45,549	45,835	46,127	46,425	46,729	47,039	47,355	47,677
Allocated Other Income	854	623	450	318	221	153	106	72	49	39
<b>EXPENSES</b>										
<u>Independent Living Unit</u>										
Per Unit	\$28,843	\$29,997	\$31,197	\$32,445	\$33,743	\$35,093	\$36,497	\$37,957	\$39,475	\$41,054
Per Resident	34,669	36,056	37,498	38,998	40,558	42,180	43,867	45,622	47,447	49,345
Per Assisted Living Resident	\$112,452	\$118,075	\$123,979	\$130,178	\$136,687	\$143,521	\$150,697	\$158,232	\$166,144	\$174,451
Per Health Care Center Resident	229,431	242,050	255,363	269,408	284,225	299,857	316,349	333,748	352,104	371,470
<u>Interest Expense</u>										
Total Interest Expense	\$118,596	\$58,039	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Interest Expense	2,250	799	0	0	0	0	0	0	0	0

Lakewood Manor - Obligation Calculation as of December 31, 2016

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Independent Living Unit	\$9,903,339	\$8,935,193	\$7,963,096	\$7,011,358	\$6,101,350	\$5,246,485	\$4,449,142	\$3,718,151	\$3,066,148	\$2,495,451
Assisted Living Unit	2,971,779	3,074,788	3,145,877	3,171,237	3,137,584	3,038,932	2,887,693	2,698,314	2,478,879	2,238,866
Health Care Center	3,244,918	3,598,849	3,874,926	4,071,409	4,192,159	4,239,974	4,214,274	4,121,880	3,975,820	3,789,226
Other Income	1,704,010	1,618,775	1,524,066	1,421,542	1,313,042	1,200,081	1,084,244	968,601	856,522	750,182
Investment Income	36,821	33,978	30,666	27,340	24,276	21,461	18,749	16,193	13,842	11,719
<b>TOTAL CASH INFLOWS</b>	<b>\$17,860,867</b>	<b>\$17,261,583</b>	<b>\$16,538,630</b>	<b>\$15,702,886</b>	<b>\$14,768,410</b>	<b>\$13,746,934</b>	<b>\$12,654,103</b>	<b>\$11,523,139</b>	<b>\$10,391,211</b>	<b>\$9,285,444</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Independent Living Unit	\$7,442,302	\$6,737,843	\$5,979,975	\$5,237,401	\$4,551,592	\$3,924,129	\$3,336,165	\$2,794,862	\$2,310,085	\$1,884,202
Assisted Living Unit	2,699,198	2,792,780	2,857,349	2,880,368	2,849,799	2,760,211	2,622,866	2,450,865	2,251,562	2,033,564
Health Care Center	5,396,018	5,885,499	6,264,968	6,520,916	6,657,393	6,684,800	6,602,578	6,420,523	6,162,012	5,846,492
Interest Expense	718,430	651,342	576,566	500,374	428,579	364,602	305,707	252,424	203,556	161,934
<b>TOTAL CASH OUTFLOWS</b>	<b>\$16,255,948</b>	<b>\$16,067,463</b>	<b>\$15,678,859</b>	<b>\$15,139,060</b>	<b>\$14,487,363</b>	<b>\$13,733,742</b>	<b>\$12,867,316</b>	<b>\$11,918,674</b>	<b>\$10,927,216</b>	<b>\$9,926,192</b>

Lakewood Manor - Obligation Calculation as of December 31, 2016

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
Independent Living Unit	\$2,004,007	\$1,585,139	\$1,232,907	\$942,479	\$708,677	\$524,508	\$381,893	\$273,208	\$191,977	\$132,613
Assisted Living Unit	1,986,717	1,735,484	1,493,982	1,267,554	1,056,502	860,559	683,531	529,134	399,424	294,515
Health Care Center	3,571,389	3,318,509	3,033,194	2,729,501	2,422,433	2,118,781	1,822,646	1,539,722	1,282,002	1,055,343
Other Income	650,813	558,529	473,594	396,855	328,706	268,695	216,383	171,455	133,974	103,529
Investment Income	9,828	8,154	6,683	5,414	4,335	3,427	2,668	2,045	1,545	1,155
<b>TOTAL CASH INFLOWS</b>	<b>\$8,222,754</b>	<b>\$7,205,815</b>	<b>\$6,240,361</b>	<b>\$5,341,803</b>	<b>\$4,520,653</b>	<b>\$3,775,970</b>	<b>\$3,107,121</b>	<b>\$2,515,563</b>	<b>\$2,008,922</b>	<b>\$1,587,155</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
Independent Living Unit	\$1,516,192	\$1,201,503	\$936,076	\$716,599	\$539,490	\$399,680	\$291,225	\$208,460	\$146,543	\$101,260
Assisted Living Unit	1,804,526	1,576,338	1,356,976	1,151,319	959,622	781,650	620,851	480,614	362,799	267,509
Health Care Center	5,488,334	5,081,598	4,624,478	4,145,406	3,666,431	3,197,194	2,743,176	2,311,899	1,920,904	1,578,317
Interest Expense	129,616	101,403	77,964	58,766	42,504	29,863	20,242	13,116	8,037	4,553
<b>TOTAL CASH OUTFLOWS</b>	<b>\$8,938,667</b>	<b>\$7,960,842</b>	<b>\$6,995,493</b>	<b>\$6,072,090</b>	<b>\$5,208,046</b>	<b>\$4,408,388</b>	<b>\$3,675,494</b>	<b>\$3,014,088</b>	<b>\$2,438,283</b>	<b>\$1,951,639</b>

Lakewood Manor - Obligation Calculation as of December 31, 2016

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
Independent Living Unit	\$90,061	\$60,000	\$39,142	\$24,987	\$15,727	\$9,891	\$6,228	\$3,926	\$2,477	\$1,086
Assisted Living Unit	212,209	149,070	101,884	67,758	44,193	28,607	18,447	11,843	7,580	6,033
Health Care Center	857,479	687,632	543,934	420,145	317,239	237,555	175,594	128,572	93,240	79,898
Other Income	79,082	59,692	44,508	32,551	23,404	16,763	11,915	8,420	5,913	4,836
Investment Income	854	623	450	318	221	153	106	72	49	39
<b>TOTAL CASH INFLOWS</b>	<b>\$1,239,684</b>	<b>\$957,017</b>	<b>\$729,917</b>	<b>\$545,759</b>	<b>\$400,785</b>	<b>\$292,970</b>	<b>\$212,290</b>	<b>\$152,833</b>	<b>\$109,258</b>	<b>\$91,892</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
Independent Living Unit	\$68,783	\$45,832	\$29,902	\$19,090	\$12,016	\$7,558	\$4,759	\$2,999	\$1,892	\$945
Assisted Living Unit	192,751	135,401	92,542	61,545	40,141	25,984	16,756	10,757	6,885	5,480
Health Care Center	1,280,299	1,025,218	809,939	624,944	471,452	352,773	260,610	190,734	138,268	118,398
Interest Expense	2,250	799	0	0	0	0	0	0	0	0
<b>TOTAL CASH OUTFLOWS</b>	<b>\$1,544,082</b>	<b>\$1,207,250</b>	<b>\$932,383</b>	<b>\$705,579</b>	<b>\$523,610</b>	<b>\$386,315</b>	<b>\$282,125</b>	<b>\$204,490</b>	<b>\$147,045</b>	<b>\$124,823</b>

Lakewood Manor - Obligation Calculation as of December 31, 2016

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Net Cash Outflows (Inflows)	(\$1,604,919)	(\$1,194,120)	(\$859,772)	(\$563,826)	(\$281,046)	(\$13,192)	\$213,213	\$395,535	\$536,005	\$640,748
Discount Rate	0.974	0.923	0.875	0.829	0.786	0.745	0.706	0.669	0.634	0.601
	5.50%									
Present Value of Net Cash Outflows (Inflows)	(\$1,562,525)	(\$1,101,969)	(\$752,059)	(\$467,478)	(\$220,873)	(\$9,827)	\$150,547	\$264,723	\$340,034	\$385,291
Present Value of Net Cash Outflows	\$281,000									
DEPRECIATION COST	YEAR									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Depreciation	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622
Allocated Depreciation	3,272,288	3,005,893	2,700,388	2,396,195	2,117,458	1,862,942	1,619,523	1,391,718	1,183,643	996,984



Lakewood Manor - Obligation Calculation as of December 31, 2016

PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
Net Cash Outflows (Inflows)	\$715,913	\$755,027	\$755,132	\$730,287	\$687,393	\$632,418	\$568,373	\$498,525	\$429,360	\$364,484
Discount Rate	0.570	0.540	0.512	0.485	0.460	0.436	0.413	0.392	0.371	0.352
Present Value of Net Cash Outflows (Inflows)	\$408,046	\$407,905	\$386,694	\$354,475	\$316,260	\$275,798	\$234,946	\$195,330	\$159,460	\$128,309
Present Value of Net Cash Outflows										
DEPRECIATION COST	YEAR									
	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
Depreciation	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622
Allocated Depreciation	831,764	686,414	559,604	450,859	359,052	282,202	218,514	166,482	125,085	92,944

Lakewood Manor - Obligation Calculation as of December 31, 2016

<b>PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)</b>	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
Net Cash Outflows (Inflows)	\$304,398	\$250,233	\$202,466	\$159,820	\$122,825	\$93,345	\$69,836	\$51,658	\$37,787	\$32,931
Discount Rate	0.334	0.316	0.300	0.284	0.269	0.255	0.242	0.229	0.217	0.206
Present Value of Net Cash Outflows (Inflows)	\$101,570	\$79,144	\$60,698	\$45,415	\$33,083	\$23,832	\$16,900	\$11,849	\$8,216	\$6,787
Present Value of Net Cash Outflows										
<b>DEPRECIATION COST</b>	YEAR									
	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>	<u>2044</u>	<u>2045</u>	<u>2046</u>
Depreciation	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622	\$3,598,622
Allocated Depreciation	68,267	49,549	35,524	24,982	17,272	11,895	8,130	5,524	3,730	2,934

## Lakewood Manor - Obligation Calculation as of December 31, 2016

### **OBLIGATION TO PROVIDE FUTURE SERVICES AND THE USE OF FACILITIES TO CURRENT RESIDENTS**

Present Value of Net Cash Outflows	\$281,000
Less:	
Unamortized deferred revenue at December 31, 2016	31,728,000
Plus:	
Allocable depreciation	24,548,000
Unamortized costs of acquiring initial continuing-care contracts	40,000
 Obligation to provide future services and the use of facilities to current residents	 (\$6,859,000)

*Since this is a liability calculation, the negative result represents an asset or surplus.  
For financial statement purposes, the amount to be booked as an obligation is \$0.*