

**MASONIC VILLAGES OF THE GRAND LODGE OF PENNSYLVANIA
DEBT SERVICE COVERAGE RATIO COVENANT CALCULATION
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNRESTRICTED FUNDS)**

CALCULATION OF NET INCOME AVAILABLE FOR DEBT SERVICE:

Operating revenues, including appreciation in fair values of interest rate swap agreements	\$ 169,697,395
Operating expenses	<u>(190,958,515)</u>
Loss from operations	(21,261,120)
Add back:	
Depreciation and amortization expense	25,615,316
Interest expense recognized in the statement of operations, net of bond premium amortization	6,156,848
Capitalized interest expense on internally funded construction projects	265,380
Capitalized interest expense on construction projects funded by 2013 Bonds, net of capitalized interest income on bond proceeds	-
Proceeds from entrance fees and deposits, net of refunds	18,094,072
Depreciation (appreciation) in fair values of interest rate swap agreements	(3,040,601)
Net assets released from restrictions for use in operations	6,355,827
Loss on refunding of debt	-
Decrease in notes receivable from entrance fees	624,094
Less:	
Amortization of entrance fees	<u>(12,657,494)</u>
Adjusted net income (loss) before nonoperating revenue	20,152,322
Nonoperating revenue	<u>23,996,291</u>
Net income available for debt service per 1994 Loan Agreement definition	<u>\$ 44,148,613</u>

DEBT SERVICE COVERAGE RATIO CALCULATION:

Net income available for debt service per 1994 Loan Agreement definition	\$ 44,148,613
Maximum annual debt service	16,376,000
Debt Service Coverage Ratio per 1994 Loan Agreement definition	<u>2.70</u>

Minimum Debt Service Coverage Ratio required by Section 4.01 D of the 1994 Loan Agreement, Section 6.15 (d) of the Wells Fargo Bank Continuing Covenants Agreements, Section 6.17 (d) of the JP Morgan Bank Letter of Credit Agreement, and Section 5.12 of the PNC Bank Continuing Covenants Agreement.

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