

## 2017 Annual Bond Update Report

- (i) There were no changes to accounting principles from the previous fiscal year that were not disclosed in the audited financial statements, including the footnotes.
- (ii) The fiscal year has not changed for Foulkeways at Gwynedd.
- (iii)

### OPERATION OF THE FACILITIES

#### **Occupancy**

The following are the average annual occupancy percentages of the Facilities for the period ending on December 31 of the years 2012 through 2016.

	2016	2015	2014	2013	2012
Residential Living	92%	92%	90%	92%	95%
Personal Care	104%*	104%*	102%*	94%	96%
Skilled Nursing	91%	90%	92%	93%	85%

\*Occupancy levels greater than 100% in personal care represent double occupancy in some suites by married couples. Personal care numbers reflect occupancy of both long-term suites and short-term rooms.

Foulkeways currently has a waiting list of 435 individuals for its residential living units. The payer mix at December 31, 2016 was 99.58% Contract Residents, 0.23% Per Diem Residents and 0.19% Medicare.

#### **Resident Agreements; Entry Fees and Monthly Maintenance Fees**

**General.** Foulkeways enters into certain contracts with individuals for services (i) for the life of residents and (ii) on a per diem basis. Foulkeways enters into a Residence and Care Agreement (the “Resident Agreement”) with each resident of the Community, pursuant to which Foulkeways is obligated to provide certain services, including health services, for the life of the resident in exchange for payment of an Entry Fee (a one-time fee) and Monthly Maintenance Fees (an ongoing monthly amount). Upon receipt by Foulkeways of a prospective resident’s application, the prospective resident pays a deposit of \$1,200 (\$1,400 for a couple), consisting of a \$200 per person non-refundable processing fee and a \$1,000 “Priority Fee” which is applied toward the resident’s Entry Fee if occupancy occurs, or refunded if residency is never established. Once a resident accepts a residential living unit, a Resident Agreement is signed with an Occupancy Ready Date that denotes when the agreed upon unit will be ready and when residency begins. A deposit of 10% of the Entry Fee is required at acceptance of a unit. This amount is deposited to an escrow account and is applied against the Entry Fee when due on the Occupancy Ready Date.

Residents are expected to remain in their Residential Living Units as long as can be reasonably managed. Decisions involving permanent transfer to a personal care unit or nursing bed at the Facilities or to a hospital or nursing facility outside of the Facilities are made by the Resident Care Committee (whose members include the Chief Executive Officer or his/her delegate, the Medical Director or his/her delegate, the Director of Health Services or his/her delegate, and a qualified social worker). The fees charged to residents transferred to personal care or skilled nursing units depends on when they commenced residency at the Facilities. A resident who entered prior to 2004 will pay a Monthly Maintenance Fee equal to the then-current Monthly Maintenance Fee for a Studio unit (plus an additional fee for extra meals). Residents who entered into a Resident Agreement between 2004 and July 2015 pay a health maintenance fee. Residents who entered the facility after July 2015 pay the Monthly Maintenance Fee then applicable

to their residential living unit (plus an additional fee for extra meals). If a resident downsizes to a less-expensive residential unit, he or she must stay in that unit for at least 18 months before transfer for the lower fee to follow them to the personal care or skilled nursing unit. No refund of any portion of the Entry Fee is payable in connection with such a transfer.

**Termination and Refunds.** A resident may terminate the Resident Agreement at any time prior to his or her Occupancy Ready Date, in which event the resident's Priority Fee and Entry Fee, if paid, will be refunded to the resident, without interest, within sixty (60) days after the Occupancy Ready Date.

There is a probationary period of six months, commencing on the Occupancy Ready Date, during which either the Community or the resident may terminate the Resident Agreement by giving at least 30 days prior written notice to the other of the intent to do so. In the case of a termination effected by notice given during the probationary period, the resident or his or her estate shall be entitled to a full refund of the Entry Fee, less any actual cost to the Community of providing any health care to such resident, and less any costs of redecorating the residential living unit, if deemed necessary by the Chief Executive Officer.

Following the probationary period, the Resident Agreement may be terminated by the resident for any reason, or by the Community for just cause (which shall include, without limitation, failure on the part of the resident to abide by the rules adopted by the Community, the making of any material misrepresentation or omission in connection with the application to the Community, a breach by the resident of any other terms of the Resident Agreement, or if the resident's continued presence has become seriously disruptive to, or a threat to, the safety of other residents or a threat to the safety of the resident himself or herself). In the case of termination following the probationary period but prior to the expiration of 50 months of occupancy, the resident is entitled to a partial refund of the Entry Fee paid. The amount of such refund shall be equal to the Entry Fee paid less a sum equal to 2% of such Entry Fee per month for each calendar month of occupancy. After the expiration of 50 months of occupancy, no refund of the Entry Fee will be made.

Any refund due following termination of a Resident Agreement by the Community shall be paid to the resident within 30 days, provided that all outstanding charges have been paid and the residential living unit has been vacated. Any refund due following termination by the resident shall be paid only when the Community has entered into a Resident Agreement with a new resident for the vacated residential living unit.

A full refund of the Entry Fee is payable if the death of a single resident or the death of one of two residents in any living unit occurs within six (6) months of the Occupancy Ready Date.

The 2017 schedule of Entry Fees for new residents and the 2017 schedule of Monthly Maintenance Fees for incoming residents are as follows:

Unit Type	Entry Fees		Monthly Maintenance Fees	
	<i>Single Occupancy</i>	<i>Double Occupancy</i>	<i>Single Occupancy</i>	<i>Double Occupancy</i>
Efficiency	\$69,000	-	\$3,080	-
Studio	\$92,000	-	\$3,080	-
One Bedroom Standard	\$157,000	\$188,000	\$3,660	\$5,230
One Bedroom Expanded	\$186,000	\$217,000	\$4,120	\$6,050
One Bedroom with Den	\$283,000	\$314,000	\$5,540	\$6,970
One Bedroom with Den & Sunroom	\$333,000	\$364,000	\$5,740	\$7,170
Two Bedroom	\$298,000	\$329,000	\$5,540	\$6,970
Two Bedroom with Sunroom	\$348,000	\$379,000	\$5,740	\$7,170
Two Bedroom Expanded	\$359,000	\$390,000	\$5,870	\$7,280
Two Bedroom with Den	\$429,000	\$460,000	\$6,290	\$7,690
Cottage	Individually Priced	Individually Priced	\$6,700	\$8,340

(iv) Debt Service Coverage Ratio and Days Cash on Hand Calculations for the fiscal year ending December 31, 2016:

FOULKEWAYS AT GWYNEDD  
CALCULATION OF BOND CONVENANTS  
DECEMBER 31, 2016  
FINAL

**Debt Service Coverage Ratio**

. . . the ratio of the aggregate Income Available for Debt Service of all Obligated Group Members to Maximum Annual Debt Service on all Long-Term Debt of the Obligated Group Members other than NonRecourse Debt. . . "Maximum Annual Debt Service" on all Long-Term Debt of the Obligated Group Members shall include, with respect to such Obligation or Debt, only that amount of interest and principal (if any) which is to be funded from operations, including therein (i) interest and principal (if any) funded from operations which is due to the Holders of such Obligation or Debt on the first day immediately following the end of such Fiscal Year and (ii) interest funded or to be funded from operations and accrued as a current expense as of the end of such Fiscal Year.

Change in unrestricted net assets	(\$552,126.00)
Less:	
Amortization of resident entry fees	\$4,984,828.00
Unrealized Gain (Loss) on Investments	\$217,952.00
Change in Accrued Pension Liability	\$674,916.00
Gain (Loss) from Sale of Property and Equipment	(\$219,137.00)
Plus:	
Depreciation and amortization	\$4,171,592.00
Cash Entry Fees Received	\$7,560,681.00
Interest Paid by Community	\$1,068,308.00
Capitalized Interest	\$928,000.00
Income Available for Debt Service	\$7,517,896.00
Maximum Annual Debt Service - Series B, 2016 and Bank Qualified	\$3,222,394.35
Debt Service Coverage Ratio	2.33
Debt Service Coverage Ratio Required (per Line of Credit)	1.20

## Days' Cash on Hand

. . . Shall mean the number determined by dividing (i) the aggregate unrestricted cash and marketable securities and board designated funds of the Obligated Group . . . Excluding amounts held in any Fund under this Agreement or otherwise attributable to indebtedness of the Obligated Group, divided by (ii) the quotient determined by dividing (a) total operating expenses of the Obligated Group for the immediately preceding Fiscal Year, including interest expense, but excluding depreciation and amortization and other non-cash charges, as shown on the audited financial statements of the Obligated Group for each Fiscal Year, by (b) 365.

Cash and Cash Equivalents	\$2,226,762
Investments	\$19,715,804
Board-designated investments	\$1,327,063
Statutory Liquid Reserve	<u>\$2,712,304</u>
 Total Available for Days' Cash on Hand	 \$25,981,933
 Total Operating Expenses	 \$28,698,199
Less: Depreciation and Amortization	<u>\$4,171,592</u>
Net Operating Expenses	\$24,526,607
 Divided by : 365 Days	 365
 Daily Expense	 \$67,196
 Days' Cash on Hand	 387
Days' Cash on Hand Required	180