

Immanuel Lutheran

— COMMUNITIES —

June 2017 Disclosure Report

*Prepared and Submitted
August 11, 2017*

Background: Campus and Project Description

Immanuel Lutheran Communities (the Community) is a Continuing Care Retirement Community (CCRC) located on 13 acres in Kalispell, Montana.

The Community is comprised of 106 existing apartments utilized for independent and assisted living services and a Skilled Care Center that provides both short-term and long-term nursing services.

The Community is undergoing an expansion and renovation project that will include the development of 36 new independent living units (the Villas) and 24 new memory support units (the Lodge), as well as an indoor pool, auditorium, expanded dining, and other common areas. In addition, the Skilled Care Center is undergoing significant renovation that will create private rooms with private bathrooms in both the west and center wings of the existing building. The project will also include a new therapy gym and dining and living spaces for residents of the Skilled Care Center and their families.

Site work and construction of the new memory support Lodge as well as renovation of the west wing of the Skilled Care Center, began in Spring 2016. Construction of the independent living Villas and the center wing of the Skilled Care Center began Spring 2017.

A

Calculation of Marketing Levels for the Project's Independent Living Units

The table below provides marketing results for the 36 new independent living units, known as The Villas. Cumulative net reservations and percentage of total new independent living units reserved as of each month-end are shown, as well as the number of new reservations and cancellations each month.

Month ending	New Reservations	Cancellations	Cumulative Net Reservations	% of Total Reserved
June 30, 2017	-	1	33	92%

B

Occupancy Levels for the Project

The table below provides occupancy by level of care for both the existing and proposed units at Immanuel Lutheran Communities.

For the month ending June 30, 2017	Beg. of month occupied units	Move-ins	Move-outs & transfers	End of month occupied units	Available units	Occupancy percentage	Budget
Existing:							
Existing Independent/ Assisted Living	103	0	7	96	106	91%	104
Skilled Nursing	91	32	27	96	117	82%	90
New:							
Independent Living (The Villas)	n/a	n/a	n/a	n/a	0	n/a	n/a
Memory Care (The Lodge) *	0	6 transfers 5 new	0	11	24	46%	0
Total Occupied Units	194	43	34	203	247	82%	194

* The Lodge opened June 28, 2017.

C

Summary Statement on Status of Construction

- The last OAC meeting was completed on June 27, 2017. Patrick Yaeger, the construction monitor with zumBrunnen, was in attendance. The OAC meetings occur monthly, with the next meeting scheduled for July 25, 2017.
- All permits for construction have been received.
- 100% buyout for both The Villas and the Skilled Care Center has been completed.

Independent Living - The Villas (Phase 2)

- The south parking level wall, approximately 50% of the west wall, and part of the east wall have all been poured and wall/footing membrane waterproofing is complete. Below grade rigid wall insulation has been installed on the poured walls.
- Slab prep was ongoing at the time of zumBrunnen's site visit
- Steel erection and wall framing (wood) has begun.
- Work has not yet begun on the Pool and Auditorium portion of the building.

Skilled Care Center (Phase 3)

- Work on the center wing of the Skilled Care Center will be completed in two subsequent phases (Phase 3A and 3B).
- In Phase 3A, the underground rough-ins are complete, slab openings have been re-poured, and insulation and wood framing is complete.
- Plumbing and electrical in-wall rough-ins are ongoing, as well as installation of mechanical equipment and ductwork.
- Hat channel has been installed on the ceiling of the units in preparation for drywall hanging and the drywall is staged in the area.
- Soffit replacement is complete and brick infill work is ongoing.

Project Substantial Completion Dates

- The original and current Independent Living (Phase 2) contract substantial completion date was November 1, 2018. The contractor's current Phase 2 projected substantial completion date is September 25, 2018.
- The original and current Skilled Care Center (Phase 3) contract substantial completion date was October 28, 2018. The contractor's current Phase 3 projected substantial completion date is October 18, 2018.

D

Financial Report on Development Costs Incurred Monthly

Construction Budget

The construction costs for the project has been established in the contracts between ILC and Swank Enterprises. There are three (3) separate Stipulated Sum contracts:

- 1) Independent Living Villas and Commons (Phase 2 contract)
- 2) Nursing Project (Phase 3)
- 3) Abatement

BUDGET SUMMARY DATA & ANALYSIS

A. Budget Summary Data

The following summary table includes an analysis of the total committed hard cost project funds to date, including executive change orders and estimated values for pending changes. These costs are compared to the hard cost project budget, to determine, in zumBrunnen's opinion, if the remaining HC contingency will be sufficient to complete the project. This analysis helps provide the earliest possible notice of a hard cost construction budget overrun.

BUDGET SUMMARY TABLE - PHASE 2 (only)	
Project Hard Cost Budget	
Original Construction Budget	\$14,547,176.00
Project Contingency (combined hard and soft cost)	\$716,460.00
Reallocated savings from previous phases ¹	\$119,048.00
Reallocate Phase 2 savings to Phase 3	(\$60,000.00)
Resident C.O. Reimbursement(s) CO #1	\$147,917.00
Total Hard Cost Budget	\$15,470,601.00
Project Hard Costs	
Original Construction Contract	\$14,547,176.00
Executed Change Order(s) # 1 ²	\$270,930.00
Pending & Potential Change Orders ^x	(\$60,000.00)
Contingency use - soft cost ³	\$5,100.00
Total Projected Hard Costs	\$14,763,206.00
Remaining HC Contingency (Balance)	\$707,395.00
Committed (Encumbard) HC Contingency Funds	\$9,065.00
zumBrunnen Estimated Cost-To-Complete *	\$14,418,790.00
Remaining HC Contingency as a % of zumBrunnen Cost-To-Complete	4.9%
Committed HC Contingency as a % of HC Contingency Budget	0.9%

* *zumBrunnen Estimated Cost-To-Complete*: Calculated based on data and assumptions as detailed in Exhibit G - Definitions

¹ Represents savings from Phase 1 contingency in the total amount shown (see disbursement drawn-down schedules included in Exhibit D).

² Includes costs covered by budget reallocations or resident reimbursement. These costs, therefore, are not shown as committed contingency or included in any contingency calculation.

³ Based on billing information included in Disbursement #3 for costs through 6/30/17 (copy in Exhibit D).

^x The credit amount shown will be transferred to Owner's Phase 3 contingency and, therefore, is not included in any of the Phase 2 contingency calculations.

June 27, 2017 - The resident CO amount was reduced by \$3,965 from \$151,882 due to resident withdrawing. The construction contract will not reflect the credit and this amount will now be shown as committed contingency and included in the contingency calculations.

BUDGET SUMMARY TABLE - PHASE 3 (Renovation & Abatement)	
Project Hard Cost Budget	
Original Construction Budget - Renovation	\$3,448,544.00
Original Construction Budget - Abatement	\$164,680.00
Project Contingency (combined hard and soft cost) - Reno & Abatement	\$379,389.00
Reallocated savings from previous phases ¹	\$296,809.00
Resident C.O. Reimbursement(s) CO # N/A	\$0.00
Total Hard Cost Budget	\$4,289,422.00
Project Hard Costs	
Original Construction Contract - Renovation	\$3,448,544.00
Original Construction Contract - Abatement	\$164,680.00
Executed Change Order(s) # 1 ²	\$236,809.00
Pending & Potential Change Orders ²	\$122,127.00
Contingency use - soft cost ³	\$0.00
Total Projected Hard Costs	\$3,972,160.00
Remaining HC Contingency (Balance)	\$317,262.00
Committed (Encumbard) HC Contingency Funds	\$62,127.00
zumBrunnen Estimated Cost-To-Complete *	\$3,653,329.00
Remaining HC Contingency as a % of zumBrunnen Cost-To-Complete	8.7%
Committed HC Contingency as a % of HC Contingency Budget	9.2%

* zumBrunnen Estimated Cost-To-Complete : Calculated based on data and assumptions as detailed in Exhibit G - Definitions

¹ Represents savings from Phase 1 contingency in the amount of \$236,809 and \$60,000 from the Contractor's Phase 2 scope of work.

² Includes costs covered by budget reallocations or resident reimbursement. These costs, therefore, are not shown as committed contingency or included in any contingency calculation.

³ Based on billing information included in Disbursement #3 for costs through 6/30/17 (copy in Exhibit D).



Unaudited Financial Statements Compared to Budget

BALANCE SHEET June 30, 2017

ASSETS	THIS YEAR	LAST YEAR	DIFFERENCE
CURRENT ASSETS			
Cash and Equivalents	2,415,906	3,458,637	(1,042,731)
Accounts Receivable			
Residents	1,815,759	1,169,883	645,876
Less Estimated Uncollectibles	(125,000)	(125,000)	0
Net Patient/Resident Accounts Receivable	1,690,759	1,044,883	645,876
Supplies' Inventory	134,741	82,724	52,017
Prepaid Expenses	183,312	160,263	23,049
Total Current Assets	\$ 4,424,718	\$ 4,746,507	\$ (321,789)
ASSETS LIMITED AS TO USE			
Resident Funds and Deposits	1,242,541	758,218	484,323
Under Indenture Agreements	32,483,414	0	32,483,414
Total Assets Limited as to Use	\$33,725,955	\$758,218	\$32,967,737
FIXED ASSETS			
Fixed Assets	53,185,525	37,204,516	15,981,009
Owner's Rep Costs	93,862	18,953	74,909
Interest to be Capitalized - 2016B Bonds	159,496	19,124	140,372
Less: Accumulated Depreciation	(18,026,317)	(16,542,245)	(1,484,072)
Total Fixed Assets	\$35,412,566	\$20,700,348	\$14,712,218
OTHER ASSETS			
Long-term Investments	9,214,497	8,298,350	916,147
Property Held for Investment	0	0	0
Marketing Costs	1,032,062	578,245	453,817
Long-term Receivables	37,000	37,000	0
Deferred Charges and Other Assets	646,583	463,372	183,211
Total Other Assets	\$10,930,142	\$9,376,967	\$1,553,175
TOTAL ASSETS	\$84,493,381	\$35,582,040	\$48,911,341

LIABILITIES	THIS YEAR	LAST YEAR	DIFFERENCE
CURRENT LIABILITIES			
Current Maturities of LTD	0	290,000	(290,000)
Accounts Payable			
Trade	1,890,031	1,238,453	651,578
Accrued Expenses			
Salaries and Wages	309,060	233,315	75,745
Vacation	273,090	247,283	25,807
Interest	193,328	50,280	143,048
Employee Benefits Plans	98,203	96,220	1,983
Payroll Taxes and Other	6,626	21,448	(14,822)
Deferred Revenue			
Rental Deposits	7,000	21,000	(14,000)
Estimated Liability to Beneficiaries	64,000	62,000	2,000
Intracompany Transfers	0	0	0
Total Current Liabilities	\$2,841,338	\$2,259,999	\$581,339
OTHER LIABILITIES	\$1,674,223	\$1,137,848	\$536,375
FMV INTEREST RATE SWAP AGREEMENT	\$0	\$1,297,413	(\$1,297,413)
LONG-TERM LIABILITIES			
Bonds Payable	66,037,477	17,516,028	48,521,449
Less: Current Portion of LTD	0	(290,000)	290,000
Total Long-Term Liabilities	\$66,037,477	\$17,226,028	\$48,811,449
TOTAL LIABILITIES	\$70,553,038	\$21,921,288	\$48,631,750
NET ASSETS			
Current Earnings	279,591	(1,028,173)	1,307,764
Fund Balance - Prior Years	13,660,752	14,688,925	(1,028,173)
Total Net Assets	\$13,940,343	\$13,660,752	\$279,591
TOTAL LIABILITIES AND NET ASSETS	\$84,493,381	\$35,582,040	\$48,911,341

Income Statement
For the Month Ending June 30, 2017

	This Year		Last Year	Variance	
	Actual	Budget	Actual	Act v. Bud	Act v. LY
REVENUES					
Room and Bed Revenue	775,921	711,002	625,510	9.13%	24.05%
Ancillary Service Revenue	268,311	246,529	219,560	8.84%	22.20%
Apartment Revenues	445,504	411,528	404,381	8.26%	10.17%
Total Service Revenues	\$1,489,736	\$1,369,059	\$1,249,451	8.81%	19.23%
Contractual Allowances	163,220	229,600	108,066	-28.91%	51.04%
Net Service Revenues	\$1,326,516	\$1,139,459	\$1,141,385	16.42%	16.22%
Other Operating Revenues	5,233	5,317	11,060	-1.58%	-52.69%
Total Net Revenues	\$1,331,749	\$1,144,776	\$1,152,445	16.33%	15.56%
OPERATING EXPENSES					
Salaries and Benefits	820,939	681,546	759,934	20.45%	8.03%
Supplies	126,715	114,639	146,543	10.53%	-13.53%
Travel and Education	8,310	8,161	3,195	1.83%	160.09%
Repairs and Maintenance	27,196	18,053	27,530	50.65%	-1.21%
Administrative Expenses	24,213	25,636	23,478	-5.55%	3.13%
Other Expenses	44,355	52,035	55,306	-14.76%	-19.80%
Utilities	23,286	27,354	29,335	-14.87%	-20.62%
Subtotal	\$1,075,014	\$927,424	\$1,045,321	15.91%	2.84%
Insurance	14,360	14,272	18,982	0.62%	-24.35%
Taxes	26,568	24,487	21,928	8.50%	21.16%
Depreciation	113,470	121,812	130,556	-6.85%	-13.09%
Bad Debt	-	15,500	80,939	-100.00%	-100.00%
Interest	132,463	43,336	39,486	205.67%	235.47%
Amortization	543	636	543	-14.62%	0.00%
Total Operating Expenses	\$1,362,418	\$1,147,467	\$1,337,755	18.73%	1.84%
NET REVENUE FROM OPERATION	(\$30,669)	(\$2,691)	(\$185,310)	1039.69%	-83.45%
Other Non Operating Revenue	37,214	16,725	(337,593)	122.51%	-111.02%
NET INCOME (LOSS)	\$6,545	\$14,034	(\$522,903)	-53.36%	-101.25%

**Statement of Cash Flows of the General Fund
For the Twelve Month Period Ending June 30, 2017**

OPERATING ACTIVITIES & NON OPERATING GAINS AND LOSSES:	
Excess of Revenues & Gains Over Expenses and Losses	279,591
Adjustments to Reconcile to Net Cash Provided by Operating Activities:	
Depreciation	1,484,072
Change in Value of Interest Rate SWAP Agreement	(1,297,413)
Amortization	(183,211)
(Gains) Losses on Disposal of Assets	0
(Increase) Decrease in:	
Resident Accounts Receivable, Net	(645,876)
Other Receivable	0
Supplies Inventory, at Cost	(52,017)
Prepaid Expenses and Other	(23,049)
Increase (Decrease) in:	
Current Maturities of LT Debt	(291,000)
Accounts Payable Trade	651,578
Accrued Salaries and Wages	75,745
Accrued Vacation Payable	25,807
Accrued Interest Payable	143,048
Accrued Employee Benefits Plans	1,983
Accrued Payroll Taxes and Other	(14,822)
Rental Deposits	0
Estimated Liability to Beneficiaries	0
Due to/from Other Funds	0
Net Cash Provided by Operating Activities and Non-Operating Gains and Losses	\$154,436
INVESTING ACTIVITIES	
Land, Building & Equipment additions	(447,793)
Campus Expansion	(15,748,496)
(Increase) Decrease in Assets Whose Use is Limited	(32,967,737)
(Increase) Decrease in Investments and Other	(916,147)
Sales/Marketing Costs Pre-Sales	(453,817)
Net Cash Provided by Investing Activities	(\$50,533,990)
FINANCING ACTIVITIES	
Long Term Debt Increases (Decreases)	48,812,449
Other Investments	0
Other Liabilities	524,375
Restricted Donations & Grants, Net	0
Equity Transfers, Intracompany	0
Net Cash Provided in Financing Activities	\$49,336,824
INCREASE (DECREASE) IN CAHS AND CASH EQUIVALENTS	(\$1,042,730)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$3,458,636
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$2,415,906

F

Statement of Fund / Account Balances Held by the Trustee

ACCOUNT	Balance as of June 30, 2017
Account #270293000 Series 2017ABC Revenue Fund	\$0.00
Account #270293001 Series 2017ABC Principal Account	\$0.00
Account #270293002 Series 2017ABC Interest Account	\$2,423,004.72
Account #270293003 Series 2017ABC Debt Service Reserve Fund	\$3,846,561.48
Account #270293004 Series 2017ABC Project Fund	\$25,482,014.85
Account #270293005 Series 2017ABC Principal Account	\$0.00
Account #270293006 Series 2017ABC Interest Account	\$418,047.75
Account #270293007 Series 2017ABC Redemption Fund	\$0.00
Account #270293008 Series 2017ABC Debt Service Reserve Fund	\$170,012.11