



**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: August 14, 2017

SUBJECT: Quarterly 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., and Newport News Baptist Retirement Community, Inc. 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 quarterly filing for the period ended June 30, 2017.

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

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**VIRGINIA BAPTIST HOMES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS - OBLIGATED GROUP**

	Six Months Ended June 30, 2017		Increase (Decrease)	2016 Prior Year	Increase (Decrease)
	Actual	Budget			
<b>Unrestricted revenues, gains and other support:</b>					
Earned Entrance Fees	\$4,154,509	\$4,521,033	(\$366,524)	\$4,154,085	\$424
Independent Living	10,900,387	11,108,827	(208,440)	10,696,826	203,561
Assisted Living	3,162,379	3,049,913	112,466	2,828,269	334,110
Memory Support	712,819	666,723	46,096	585,945	126,874
Health care services	8,324,200	8,007,246	316,954	6,607,761	1,716,439
Clinic	425,196	590,813	(165,617)	346,318	78,878
Net assets released from restrictions used for operations	124,096	0	124,096	620,204	(496,108)
Unrestricted gifts and donations:		0		0	
Cooperative Program	4,767	20,986	(16,219)	16,053	(11,286)
Churches	0	24,948	(24,948)	14,094	(14,094)
Gifts and bequests	91,304	(16,723)	108,027	219,612	(128,307)
Investment income designated for current operations	369,626	345,861	23,765	377,754	(8,128)
Other	486,317	619,275	(132,958)	906,700	(420,383)
	28,755,600	28,938,902	(183,302)	27,373,621	1,381,980
<b>Expenses:</b>					
Salaries, wages and professional fees	14,316,001	14,687,596	(371,595)	13,543,952	772,049
Provisions for depreciation and amortization	3,756,404	3,871,382	(114,978)	3,887,277	(130,873)
Interest	1,545,025	2,119,041	(574,016)	2,381,065	(836,040)
Other	8,108,164	8,649,648	(541,484)	7,788,991	319,174
	27,725,594	29,327,667	(1,602,073)	27,601,285	124,310
<b>Operating Income</b>	1,030,006	(388,765)	1,418,771	(227,664)	1,257,670
Investment income in excess of amounts designated for current operations	1,870	0	1,870	0	1,870
Gain/(Loss) from Intercompany Debt Cancellation	0	0	0	0	0
Deferred Financing Cost Write-off	0	0	0	0	0
Extraordinary Gain on Debt Extinguishment	0	0	0	0	0
Other Net Assets Transferred	0	0	0	0	0
Decrease (increase) in obligation to provide future services and use of facilities to current residents	0	0	0	0	0
Excess of revenues, gains and other support over expenses	\$1,031,876	(\$388,765)	\$1,420,641	(\$227,664)	\$1,259,540

(continued)

**VIRGINIA BAPTIST HOMES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS - OBLIGATED GROUP (CONTINUED)**

	Six Months Ended June 30, 2017		Increase	2016	Increase
	Actual	Budget	(Decrease)	Prior Year	(Decrease)
<b>Unrestricted net assets (continued):</b>					
Excess of revenues, gains and other support over expenses	\$1,031,876	(\$388,765)	\$1,420,641	(\$227,664)	\$1,259,540
Other changes in unrestricted net assets:					
Unrealized gains on investments	943,978	(52,052)	996,030	77,448	866,530
Contributions of long-lived assets	0	0	0	0	0
Reclassification of net assets	0	0	0	0	0
Net assets released from restrictions for acquisition of property, plant and equipment	1,926	0	1,926	(756)	2,682
<b>Increase (Decrease) in unrestricted net assets</b>	<b>1,977,780</b>	<b>(440,817)</b>	<b>2,418,597</b>	<b>(150,972)</b>	<b>2,128,752</b>
<b>Temporarily restricted net assets:</b>					
Gifts, grants and bequests	40,158	0	40,158	309,000	(268,842)
Investment Income (Loss)	0	0	0	0	0
Change in value of annuity obligations	0	0	0	10,782	(10,782)
Reclassification of net assets	0	0	0	0	0
Net assets released from restrictions	(106,331)	0	(106,331)	(619,448)	513,117
<b>Increase in temporarily restricted net assets</b>	<b>(66,173)</b>	<b>0</b>	<b>(66,173)</b>	<b>(299,666)</b>	<b>233,493</b>
<b>Permanently restricted net assets:</b>					
Gifts, grants and bequests.	417	0	417	8	409
Change in present value of perpetual trust funds	0	0	0	0	0
Reclassification of net assets	0	0	0	0	0
<b>Increase in permanently restricted net assets</b>	<b>417</b>	<b>0</b>	<b>417</b>	<b>8</b>	<b>409</b>
<b>Increase (Decrease) in net assets</b>	<b>1,912,024</b>	<b>(440,817)</b>	<b>2,352,841</b>	<b>(450,630)</b>	<b>2,362,654</b>
Net assets at beginning of year	(33,299,124)	(33,299,124)	0	(31,596,919)	(1,702,205)
Net assets at end of period	(\$31,387,100)	(\$33,739,941)	\$2,352,841	(\$32,047,549)	\$660,449

**VIRGINIA BAPTIST HOMES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET - OBLIGATED GROUP**

	June 30 2017	June 30 2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$13,219,148	\$16,456,145
Short-term investments	0	0
Current portion of assets whose use is limited	1,864,747	2,949,988
Accounts receivable	2,368,329	1,774,643
Notes receivable	2,354,050	1,410,700
Interest receivable	387	59,336
Prepaid expenses	428,240	378,243
Due from Affiliates	834,409	1,023,406
Other	2,312,253	536,686
<b>Total current assets</b>	<b>23,381,563</b>	<b>24,589,147</b>
<b>Investments</b>	<b>15,380,515</b>	<b>12,387,993</b>
<b>Beneficial Interest in Perpetual Trust</b>	<b>5,783,423</b>	<b>5,749,545</b>
<b>Assets whose use is limited:</b>		
Externally restricted under bond indenture agreement (held by trustee)	8,068,524	10,345,385
Less amounts available for current liabilities	1,864,747	2,949,988
<b>Total assets whose use is limited</b>	<b>6,203,777</b>	<b>7,395,397</b>
Property, plant and equipment, less accumulated depreciation of \$121,750,941 in 2017 and \$114,435,170 in 2016	84,734,505	83,331,313
<b>Other assets:</b>		
Deferred development costs	0	0
Deferred marketing costs	17,845	63,137
Deferred financing costs	0	0
Notes receivable	0	0
Miscellaneous	0	9,884
<b>Total other assets</b>	<b>17,845</b>	<b>73,021</b>
<b>TOTAL ASSETS</b>	<b>\$135,501,628</b>	<b>\$133,526,416</b>

**VIRGINIA BAPTIST HOMES, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET - OBLIGATED GROUP (CONTINUED)**

	<b>June 30 2017</b>	<b>June 30 2016</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Note payable to bank	\$0	\$0
Accounts payable	2,515,219	2,613,853
Retainage payable	0	0
Salaries and wages	2,891,306	2,823,112
Interest payable	316,054	676,933
Deferred Revenue	208,448	118,425
Annuities payable	0	0
Deposits from prospective residents	1,771,108	245,860
Current portion of long-term debt	2,571,448	2,933,426
Refunds Payable	0	0
Deferred revenue from advance fees subject to refund	30,314,838	29,208,599
<b>Total current liabilities</b>	<b>40,588,421</b>	<b>38,620,208</b>
<b>Advance fees:</b>		
Deferred revenue from advance fees	39,066,194	38,254,954
	<b>39,066,194</b>	<b>38,254,954</b>
<b>Annuities payable</b>	<b>0</b>	<b>0</b>
Estimated obligation to provide future services, in excess of amounts received or to be received	0	0
<b>Other Liabilities</b>	<b>0</b>	<b>0</b>
<b>Long-term debt, less current portion</b>	<b>87,234,113</b>	<b>90,633,204</b>
<b>Total liabilities</b>	<b>166,888,728</b>	<b>167,508,366</b>
<b>Net assets:</b>		
Unrestricted	(41,908,862)	(42,601,030)
Temporarily restricted	3,295,912	3,304,666
Permanently restricted	7,225,850	7,248,818
<b>Total net assets</b>	<b>(31,387,100)</b>	<b>(32,047,546)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$135,501,628</b>	<b>\$135,460,820</b>

**VIRGINIA BAPTIST HOMES, INCORPORATED AND SUBSIDIARIES (OBLIGATED GROUP)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>6 Month Period ended Jun 30</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Increase/(Decrease) in net assets	\$1,911,949	(450,626)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Amortization of deferred revenue from advance fees	(4,154,509)	(4,154,085)
Proceeds from advance fees and deposits	5,303,374	3,890,981
Increase (decrease) in obligation to provide future services	0	0
Amortization of deferred marketing costs	22,646	22,646
Amortization of deferred financing costs	0	62,452
Loss on Extinguishment of Debt	0	0
Gain on Long-Term Debt Forgiveness	0	0
Accretion of Interest	0	0
Provision for Bad Debts	95,672	(55,974)
Provision for depreciation	3,733,758	3,796,111
Increase (decrease) in annuity obligations	0	0
Contributions restricted for long-term investment	0	0
Net realized and unrealized (gains) losses on long-term investments	(1,903,914)	(172,236)
Other-than-temporary decline in value of investments	0	0
Change in present value of trust funds	0	58,463
(Gain)/loss on sales of assets	4,727	0
Other	0	0
Decrease (increase) in operating assets:		
Accounts receivable	(300,781)	(102,638)
Interest receivable	0	(40,619)
Prepaid expense	130,349	246,933
Notes Receivable	157,250	1,139,530
Other current assets	(1,275,068)	0
Beneficial Interest in Perpetual Trust	0	0
Increase (decrease) in operating liabilities:		
Accounts payable	(375,970)	(533,518)
Deferred Revenue	31,513	10,613
Salaries and wages	4,305	79,585
Interest payable	3,670	2,465
Refunds payable	0	0
Deposits from prospective residents	1,249,226	76,700
<b>Net cash (used in) provided by operating activities</b>	<b>\$4,638,197</b>	<b>\$3,876,783</b>

(continued)

**VIRGINIA BAPTIST HOMES, INCORPORATED AND SUBSIDIARIES (OBLIGATED GROUP)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

	<b>6 Month Period ended Jun 30</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(\$4,197,413)	(2,955,568)
Proceeds from sales of property, plant and equipment	0	0
Decrease (increase) in deferred development costs	0	0
Change in investments and assets whose use is limited:		
Change in cash and cash equivalents	(1,361,183)	(1,290,275)
Net (Purchases)/Sales of Investments	1,012,555	268,989
Net cash used in investing activities	(4,546,041)	(3,976,854)
<b>Cash flows from financing activities</b>		
Proceeds from contributions restricted for long-term investment	0	0
Other financing activities:		
Refunds of advance fees and deposits	(513,711)	(547,888)
Change in due (to) from affiliates	96,683	297,283
Increase in deferred financing costs	0	(9,130)
Increase in deferred marketing costs	0	0
Proceeds from debt issuance	0	2,003,570
Payments on long-term debt	(89,700)	0
Increase in other liabilities	0	0
Net cash provided by financing activities	(506,728)	1,743,835
Net increase (decrease) in cash and cash equivalents	(414,572)	1,643,764
Cash and cash equivalents at beginning of year	13,633,708	14,812,383
Cash and cash equivalents at end of period	<u>\$13,219,136</u>	<u>\$16,456,147</u>

**STATISTICAL SUMMARY**  
Average Year-to-Date Through 6/30/2017

	UNITS AVAILABLE					UNITS OCCUPIED					OCCUPANCY PERCENT				
	ILU	AL	MS	HC	Total	ILU	AL	MS	HC	Total	ILU	AL	MS	HC	TOTAL
Culpeper	63	41	-	37	141	57	35	-	33	124	90.1%	84.3%	N/A	89.4%	88.2%
The Chesapeake	252	57	15	52	376	227	51	11	48	338	90.3%	89.1%	73.4%	93.1%	89.8%
Lakewood Manor	270	60	14	96	440	240	55	13	89	397	88.9%	91.0%	96.4%	92.7%	90.2%
<b>OBLIGATED GROUP</b>	<b>585</b>	<b>158</b>	<b>29</b>	<b>185</b>	<b>957</b>	<b>524</b>	<b>140</b>	<b>24</b>	<b>170</b>	<b>859</b>	<b>89.6%</b>	<b>88.6%</b>	<b>84.5%</b>	<b>92.1%</b>	<b>89.8%</b>
The Glebe	153	32	-	32	217	141	31	-	31	204	92.2%	98.3%	N/A	97.3%	93.8%
<b>TOTAL</b>	<b>738</b>	<b>190</b>	<b>29</b>	<b>217</b>	<b>1,174</b>	<b>665</b>	<b>171</b>	<b>24</b>	<b>202</b>	<b>1,063</b>	<b>90.1%</b>	<b>90.2%</b>	<b>84.5%</b>	<b>92.9%</b>	<b>90.5%</b>

Average for the Month Ending 6/30/2017

	UNITS AVAILABLE					UNITS OCCUPIED					OCCUPANCY PERCENT				
	ILU	AL	MS	HC	Total	ILU	AL	MS	HC	Total	ILU	AL	MS	HC	TOTAL
Culpeper	63	41	-	37	141	58	33	-	35	126	92.1%	80.2%	N/A	94.0%	89.1%
The Chesapeake	252	57	15	52	376	224	52	9	50	335	89.0%	90.6%	61.1%	96.7%	89.2%
Lakewood Manor	270	60	14	96	440	243	55	14	91	402	89.9%	91.7%	96.9%	94.4%	91.3%
<b>OBLIGATED GROUP</b>	<b>585</b>	<b>158</b>	<b>29</b>	<b>185</b>	<b>957</b>	<b>525</b>	<b>140</b>	<b>23</b>	<b>176</b>	<b>863</b>	<b>89.7%</b>	<b>88.3%</b>	<b>78.4%</b>	<b>94.9%</b>	<b>90.2%</b>
The Glebe	153	32	-	32	217	140	32	-	32	204	91.5%	101.1%	N/A	98.5%	93.9%
<b>TOTAL</b>	<b>738</b>	<b>190</b>	<b>29</b>	<b>217</b>	<b>1,174</b>	<b>665</b>	<b>172</b>	<b>23</b>	<b>207</b>	<b>1,067</b>	<b>90.1%</b>	<b>90.5%</b>	<b>78.4%</b>	<b>95.5%</b>	<b>90.9%</b>



## Fee List and Unit Counts: The Chesapeake

			2017	
Type of Unit	Number of Units at QE	Approximate Square Footage	Entrance Fee <sup>(1)</sup>	Monthly Fee <sup>(2)</sup>
Independent Living Units:				
<b>Apartments:</b>				
Aberdeen - 1 BR	12	857	135,000	2,733
Bennett - 1 BR	6	1,050	163,000	3,095
Bethel - 2 BR	3	1,147	197,000	3,240
Bryant - 2 BR	30	1,160	221,000	3,219
Chester - 1 BR	3	919	148,000	3,002
Easton - 2 BR	12	1,093	195,000	3,188
Elizabeth - 1 BR	6	1,126	189,000	3,199
Hampton (Virginian) - 1 BR	27	760	131,000	2,681
Harris - 1 BR	18	857	135,000	2,733
James - 2 BR	30	1,160	221,000	3,219
Lawson - 2 BR	2	1,256	200,000	3,323
Lynnhaven - 2 BR	5	1,762	297,000	3,758
Madison - 2 BR	2	1,056	193,000	3,168
Mobjack - 2 BR	4	1,088	178,000	3,116
Patrick - 2 BR	1	1,065	188,000	3,178
Potomac - 1 BR	4	1,110	194,000	3,209
Rappahannock - 2 BR	17	1,326	252,000	3,488
Warwick - 2 BR	15	1,178	205,000	3,209
Willoughby - 2 BR	1	1,519	263,000	3,592
York - 1 BR	20	950	177,000	3,168
Total Apartments	218			

### Cottages:

Gloucester/Lancaster 1 - 2 BR	4	1,469	273,000	3,778
Gloucester/Lancaster 2 - 2 BR	4	1,625	289,000	3,944
Gloucester/Lancaster 3 - 2 BR	16	1,765	300,000	4,037
Smithfield - 2 BR	7	1,389	268,000	3,488
Smithfield 2 & 5 - 2 BR	3	1,526	283,000	3,758

Total Cottages: 34

**Independent Living: Total** 252

Type of Unit	Number of Units	Daily Rate <sup>(3)</sup>
<b>Health Care Center:</b>		
Assisted Living Beds		
Semi-private	3	192.00
Private	54	192.00
Memory Care Beds:		
Private	15	282.60
Nursing Beds <sup>(4)</sup>		
Private	52	294.60
<b>Health Care Center: Total</b>	124	
<b>TOTAL UNITS AND BEDS</b>	376	

(1) Entrance Fees are shown for the Standard Life Care Plan

(2) Incremental second person monthly & entrance fees for all independent living units are \$1,201 and \$32,000, respectively

(3) Rates shown are daily rates for direct admissions

(4) All Health Care beds are Medicare and Medicaid certified

## Fee List and Unit Counts: The Culpeper

			2017	
Type of Unit	Number of Units at QE	Approximate Square Footage	Entrance Fee <sup>(1)</sup>	Monthly Fee <sup>(2)</sup>
Independent Living Units:				
Apartments:				
Caroline - efficiency	4	280	27,000	2,613
Davenport - 1 BR	3	300	32,000	2,686
Essex 1 - 1 BR	15	280	38,000	2,958
Essex 2 - 2 BR	3	434	43,000	3,010
Essex 3 - 3 BR	3	434	41,000	2,958
Jefferson 1 - 2 BR	3	560	48,000	3,135
Jefferson 2 - 3 BR	2	672	53,000	3,250
Malvern - suite	4	308	32,000	2,926
Total Apartments	37			
Cottages:				
Keswick 1 - 2 BR	7	1000	195,000	2,090
Keswick 2 - 2 BR	5	1000	211,000	2,467
Keswick 3 - 2 BR	2	1133	227,000	2,592
Keswick 4 - 2 BR	1	1133	253,000	2,697
Keswick 5 - 2 BR (1a)	1	1000	200,000	2,341
Keswick 6 - 2 BR (2a)	1	1000	248,000	2,592
Waverly - 2 BR duplex	10	1366	263,000	2,749
Total Cottages:	27			
Independent Living: Total	64			

Type of Unit	Number of Units	Average Square Feet	Daily Fee <sup>(3)</sup>
<b>Health Care Center:</b>			
Assisted Living Beds			
Ashland - studio	11	160	161.80
Brookneal - studio	1	154	170.30
Caroline - 1 BR	4	280	178.60
Essex 1 - 1 BR	4	250	181.00
Jefferson 1 - 2 BR	1	560	214.30
Madison 1 - 1 BR	6	308	170.30
Madison 2 - 1 BR	1	308	178.60
Malvern - suite	1	308	181.00
AL Suite - level 2	4	264	206.20
Wilson - studio	8	138	160.50
Total Assisted Living	41		
Nursing Beds <sup>(4)</sup>			
Ward	4		232.90
Semi-private	2		249.60
Private	31		259.60
Total Health Care	37		
<b>Health Care Center: Total</b>	78		
<b>TOTAL UNITS AND BEDS</b>	142		

(1) Entrance Fees are shown for the Standard Fee For Service Plan

(2) Incremental second person monthly fees for all independent living units are \$1,192

(3) Rates shown are daily rates for direct admissions; AL rates shown are for Level 1

(4) All Health Care beds are Medicare and Medicaid certified

## Fee List and Unit Counts: Lakewood

			2017	
Type of Unit	Number of Units at QE	Approximate Square Footage	Entrance Fee <sup>(1)</sup>	Monthly Fee <sup>(2)</sup>
Independent Living Units:				
<b>Apartments:</b>				
Ashton - studio	10	472	130,000	2,391
Berkley - 1 BR	34	472	134,000	2,391
Carlisle - 1 BR	66	615	160,000	3,012
Davenport - 1 BR	28	944	215,000	3,737
Davidson - 1 BR	30	822	201,000	3,613
Easton - 2 BR	30	874	221,000	3,913
Fairchild - 2 BR	15	937	228,000	3,965
Gathright - 2 BR	11	1,230	323,000	4,213
Total Apartments	224			
<b>Villas:</b>				
Copperas - 2 BR	6	1,640	428,000	4,989
Timbercrest - 2 BR	6	1,800	486,000	5,165
Tuckahoe - 2 BR	18	1,470	396,000	4,503
Villas	30			
<b>Cottages:</b>				
Irvington - 2 BR	3	2,805	583,000	6,397
Jamestown 1 - 2 BR	3	2,068	514,000	5,724
Jamestown 2 - 2 BR	1	2,773	546,000	5,983
Kilmarnock 1 - 2 BR	1	2,181	534,000	5,983
Kilmarnock 2 - 2 BR	2	2,932	568,000	6,273
Lancaster - 2 BR	4	1,826	475,000	5,165
Total Cottages:	14			
<b>Independent Living: Total</b>	<b>268</b>			

Type of Unit	Number of Units	Daily Rate <sup>(3)</sup>
<b>Health Care Center:</b>		
Assisted Living Beds (level 1)		
Private	60	205.00
Memory Care Beds:		
Private	14	228.00
Nursing Beds <sup>(4)</sup>		
Private	96	291.50
<b>Health Care Center: Total</b>	<b>170</b>	
<b>TOTAL UNITS AND BEDS</b>	<b>438</b>	

(1) Entrance Fees are shown for the Standard Life Care Plan

(2) Incremental second person monthly & entrance fees for all independent living units are \$1,584 and \$68,000, respectively

(3) Rates shown are daily rates for direct admissions

(4) All Health Care beds are Medicare certified

**LifeSpire of Virginia – Obligated Group**  
**Supplemental Occupancy & Contract-Related Continuing Disclosure Information**  
**June 30, 2017**

**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 2014 through 2016, and at June 30, 2017:

	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>FYE 2016</b>	<b>YTD through 6/30/2017</b>
Life Care	74.2%	70.4%	64.9%	63.2%
CC/FFS/RE	25.8%	29.6%	35.1%	36.8% *
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 2014 through 2016, and at June 30, 2017:

	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>FYE 2016</b>	<b>YTD through 6/30/2017</b>
Standard	94.6%	93.0%	91.8%	90.9%
Guaranteed:				
90%+	4.0%	5.7%	7.1%	8.0%
50%	1.4%	1.3%	1.1%	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 average available units through June 30, 2017, and average year to date unit occupancy through June 30, 2017 followed by the average occupancy of the five most recent fiscal years:

	# of Units Available	Avg. Through June 30, 2017		Average Occupancy for the Fiscal Year Ended December 31,				
		# Occ.	% Occ.	2016	2015	2014	2013	2012
<b>Independent Living</b>								
Lakewood	270	240	88.9%	90.2%	89.5%	86.7%	92.9%	81.2%
The Chesapeake	252	227	90.3%	89.1%	87.8%	84.3%	81.0%	80.8%
The Culpeper	63	57	90.1%	91.0%	71.0%	68.5%	60.9%	62.1%
<b>Assisted Living</b>								
Lakewood	60	55	91.0%	86.6%	91.8%	90.6%	93.7%	93.2%
The Chesapeake	57	51	89.1%	94.8%	96.7%	97.3%	99.4%	99.8%
The Culpeper	41	35	84.3%	78.2%	63.8%	57.5%	58.2%	61.0%
<b>Memory Support</b>								
Lakewood	14	13	96.4%	94.3%	91.3%	68.9%	81.3%	87.7%
The Chesapeake	15	11	73.4%	73.3%	88.0%	90.6%	92.8%	89.8%
The Culpeper								
<b>Nursing</b>								
Lakewood	96	89	92.7%	82.6%	88.7%	92.7%	81.8%	86.3%
The Chesapeake	52	48	93.1%	92.5%	90.1%	93.1%	91.2%	89.7%
The Culpeper	37	33	89.4%	92.3%	71.1%	80.5%	79.9%	86.1%
<b>Total</b>	<b>957</b>	<b>859</b>	<b>89.8%</b>	<b>88.7%</b>	<b>86.5%</b>	<b>84.8%</b>	<b>81.8%</b>	<b>82.1%</b>

Below is a table of the weighted average year to date unit occupancy through June 30, 2017 and during the five most recent fiscal years:

	# of Units Available	Avg. Through June 30, 2017		Weighted Average Occupancy for the Fiscal Year Ended December 31,				
		# Occ.	% Occ.	2016	2015	2014	2013	2012
<b>Independent Living</b>	585	524	89.6%	89.8%	86.8%	83.7%	84.4%	79.0%
<b>Assisted Living</b>	158	140	88.6%	87.3%	86.2%	84.3%	86.4%	87.1%
<b>Memory Support</b>	29	24	84.5%	83.4%	89.6%	80.1%	87.2%	88.8%
<b>Nursing</b>	185	170	92.1%	87.4%	85.6%	90.4%	84.1%	87.2%
<b>Total</b>	<b>957</b>	<b>859</b>	<b>89.8%</b>	<b>88.7%</b>	<b>86.5%</b>	<b>84.8%</b>	<b>81.8%</b>	<b>82.1%</b>

**SKILLED NURSING PAYOR MIX**

The following tables display the skilled nursing payor mix from fiscal year 2013 through 2016 and the period ended June 30, 2017 for each community and the Obligated Group:

**Lakewood Payor Mix**

	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>FYE 2016</b>	<b>YTD through 6/30/2017</b>
Private Pay	93.6%	89.8%	90.6%	83.6%	74.5%
Medicare	5.9%	8.5%	8.6%	14.9%	24.0%
Medicaid	0.0%	0.0%	0.0%	0.0%	0.0%
Other	0.5%	1.7%	0.8%	1.5%	1.5%
Total	100%	100%	100%	100%	100%

**The Chesapeake Payor Mix**

	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>FYE 2016</b>	<b>YTD through 6/30/2017</b>
Private Pay	72.4%	73.6%	79.7%	76.7%	74.7%
Medicare	18.6%	18.6%	17.7%	16.4%	17.8%
Medicaid	5.9%	6.2%	0.7%	3.3%	6.2%
Other	3.1%	1.6%	1.9%	3.6%	1.3%
Total	100%	100%	100%	100%	100%

**The Culpeper Payor Mix**

	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>FYE 2016</b>	<b>YTD through 6/30/2017</b>
Private Pay	63.7%	66.0%	57.7%	65.8%	73.5%
Medicare	12.1%	9.6%	15.9%	12.5%	9.9%
Medicaid	23.9%	24.4%	25.7%	21.7%	16.6%
Other	0.3%	0.0%	0.7%	0.0%	0.0%
Total	100%	100%	100%	100%	100%

**Consolidated Payor Mix**

	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>FYE 2016</b>	<b>YTD through 6/30/2017</b>
Private Pay	81.4%	80.7%	80.9%	77.8%	74.3%
Medicare	10.9%	11.6%	12.8%	14.8%	19.5%
Medicaid	6.5%	6.3%	5.2%	5.6%	5.0%
Other	1.2%	1.4%	1.1%	1.8%	1.2%
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) through June 30, 2017:

	<b><u>Culpeper</u></b>	<b><u>Chesapeake</u></b>	<b><u>Lakewood</u></b>	<b><u>Combined 6/30/2017</u></b>
Cont. Care	56.6%	89.3%	92.1%	84.5%
Direct Admits	43.4%	10.7%	7.9%	15.5% <sup>*</sup>
Total	100%	100%	100%	100%

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

*Tested annually on December 31st*

	2015	2016	June 30, 2017
Change in unrestricted net assets	\$ (2,157,457)	\$ (1,436,628)	\$ 1,977,780
Deduct:			
Entrance fee amortization	9,621,098	9,363,169	4,154,509
Unrealized gains on investments	-	373,333	943,978
Extraordinary Gain on debt extinguishment	-	-	-
Decrease in future service obligation	-	-	-
Net assets released from restriction for acquisition of property, plant and equipment	225,958	-	1,926
Adjustment for gains on disposal of fixed assets	3,600	14,975	1,870
	9,850,656	9,751,477	5,102,283
Add:			
Provision for depreciation and amortization	7,561,744	7,706,811	3,756,404
Loss on disposal of property, plant and equipment			
Interest expense	4,739,908	4,855,457	1,545,025
Entrance fees received, net of refunds	12,969,985	9,899,211	4,995,140
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	240,545	N/A	N/A
	26,084,414	24,364,657	10,296,569
Income available for debt service	\$ 14,076,301	\$ 13,176,552	\$ 7,172,066
Maximum annual debt service	\$ 8,323,861	\$ 6,297,750	\$ 3,148,875
<b>Debt service coverage ratio (excluding deferred entrance fees receivable)</b>	<b>1.69</b>	<b>2.09</b>	<b>2.28</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.



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

<b>For Period Ending</b>	<b>12/31/2015</b>	<b>12/31/2016</b>	<b>3/31/2017</b>	<b>6/30/2017</b>
Unrestricted Cash and Securities	27,278,739	28,045,305	28,103,546	28,599,663
Total Operating Expenses for period ended	55,518,507	55,849,746	13,648,631	27,725,594
Less: Depreciation & Amortization	7,561,744	7,706,811	1,879,590	3,756,404
	47,956,763	48,142,935	11,769,041	23,969,190
Average day's expenses	131,388	131,538	130,767	132,426
Day's Cash on Hand	208	213	215	216
Minimum Days Cash on Hand	120	120	120	120
Better or Worse than requirement	Better	Better	Better	Better

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

<b>For Period Ending</b>	<b>12/31/2015</b>	<b>12/31/2016</b>	<b>3/31/2017</b>	<b>6/30/2017</b>
Unrestricted Cash and Securities	27,278,739	28,045,305	28,103,546	28,599,663
Debt Service Reserve Fund	8,013,946	6,345,792	6,339,540	6,400,863
Total Funds Available	35,292,685	34,391,097	34,443,086	35,000,526
Total Indebtedness	91,563,060	89,895,261	89,857,374	89,805,561
Less Intermediate Term Bonds	-	-	-	-
Less Current Portion of LTD	2,933,425	2,571,448	2,571,448	2,571,448
Net Indebtedness	88,629,635	87,323,813	87,285,926	87,234,113
Ratio	39.8%	39.4%	39.5%	40.1%

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

	<b>Twelve Mths Ended 12/31/2015</b>	<b>Twelve Mths Ended 12/31/2016</b>	<b>Quarter Ended 3/31/2017</b>	<b>Quarter Ended 6/30/2017</b>
<b><i>OPERATING RATIO</i></b>				
Total Revenues	53,707,325	55,849,746	14,020,350	14,735,250
Less: Earned Entrance Fees	(9,621,098)	(9,363,169)	(1,895,203)	(2,259,306)
Less: Contributions	(461,197)	(238,423)	(109,759)	13,688
Less: Investment Income	(1,306,597)	(818,708)	(96,003)	(273,623)
Cash Revenues Excluding Investment Income	<u>42,318,433</u>	<u>45,429,446</u>	<u>11,919,385</u>	<u>12,216,009</u>
Total Expenses	55,518,562	55,883,481	13,648,631	14,076,963
Less: Depreciation & Amortization	(7,561,744)	(7,706,811)	(1,879,590)	(1,876,814)
Cash Expenditures	<u>47,956,818</u>	<u>48,176,670</u>	<u>11,769,041</u>	<u>12,200,149</u>
Net Operating Ratio	113.3%	106.0%	98.7%	99.9%

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.

**LifeSpire of Virginia**  
**Obligated Group**  
**Entry Fee Analysis**  
**Year-to-Date through 12/31/2017**

Deferral Balance	Month												Total	Deferral Balance
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
<b>Culpeper</b>														
Fees Paid in Cash	0.00	22,000.00	292,000.00	0.00	26,300.00	0.00							340,300.00	
Deferrals Collected	0.00	0.00	0.00	0.00	0.00	236,700.00	0.00	0.00	0.00	0.00	0.00	0.00	236,700.00	
Refunds	0.00	0.00	(22,176.00)	0.00	0.00	0.00							(22,176.00)	
Net Entry Fee Cash	0.00	22,000.00	269,824.00	0.00	26,300.00	236,700.00	0.00	0.00	0.00	0.00	0.00	0.00	554,824.00	
Deferrals Granted	0.00	0.00	0.00	0.00	236,700.00	0.00							236,700.00	
Deferrals Collected	0.00	0.00	0.00	0.00	0.00	(236,700.00)							(236,700.00)	
Deferrals Written off to Bad debt	0.00	0.00	0.00	0.00	0.00	0.00							0.00	
Net Deferrals/(Collections)	0	0.00	0.00	0.00	236,700.00	(236,700.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Chesapeake</b>														
Fees Paid in Cash	36,000.00	139,400.00	152,100.00	47,000.00	507,150.00	417,750.00							1,299,400.00	
Deferrals Collected	245,700.00	0.00	102,000.00	188,100.00	170,000.00	163,850.00	0.00	0.00	0.00	0.00	0.00	0.00	869,650.00	
Refunds	0.00	(251,027.00)	(113,664.00)	0.00	(95,040.00)	(5,703.00)							(465,434.00)	
Net Entry Fee Cash	281,700.00	(111,627.00)	140,436.00	235,100.00	582,110.00	575,897.00	0.00	0.00	0.00	0.00	0.00	0.00	1,703,616.00	
Deferrals Granted	169,000.00	255,600.00	153,900.00	170,000.00	276,350.00	361,250.00							1,386,100.00	
Deferrals Collected	(245,700.00)	0.00	(102,000.00)	(188,100.00)	(170,000.00)	(163,850.00)							(869,650.00)	
Deferrals Written off to Bad debt	0.00	0.00	0.00	0.00	0.00	0.00							0.00	
Net Deferrals/(Collections)	535,800	(76,700.00)	255,600.00	51,900.00	106,350.00	197,400.00	0.00	0.00	0.00	0.00	0.00	0.00	516,450.00	1,052,250.00
<b>Lakewood Manor</b>														
Fees Paid in Cash	0.00	0.00	47,800.00	130,800.00	216,000.00	320,900.00							715,500.00	
Deferrals Collected	514,500.00	170,900.00	301,400.00	109,600.00	726,900.00	197,900.00	0.00	0.00	0.00	0.00	0.00	0.00	2,021,200.00	
Refunds	0.00	0.00	0.00	0.00	0.00	0.00							0.00	
Net Entry Fee Cash	514,500.00	170,900.00	349,200.00	240,400.00	942,900.00	518,800.00	0.00	0.00	0.00	0.00	0.00	0.00	2,736,700.00	
Deferrals Granted	0.00	0.00	568,200.00	347,200.00	23,000.00	409,100.00							1,347,500.00	
Deferrals Collected	(514,500.00)	(170,900.00)	(301,400.00)	(109,600.00)	(726,900.00)	(197,900.00)							(2,021,200.00)	
Deferrals Written off to Bad debt	0.00	0.00	0.00	0.00	0.00	0.00							0.00	
Net Deferrals/(Collections)	1,975,500	(514,500.00)	(170,900.00)	266,800.00	237,600.00	(703,900.00)	211,200.00	0.00	0.00	0.00	0.00	0.00	(673,700.00)	1,301,800.00
<b>Totals</b>														
Entry Fee Paid in Cash	36,000.00	161,400.00	491,900.00	177,800.00	749,450.00	738,650.00	0.00	0.00	0.00	0.00	0.00	0.00	2,355,200.00	
Deferrals Collected	760,200.00	170,900.00	403,400.00	297,700.00	896,900.00	598,450.00	0.00	0.00	0.00	0.00	0.00	0.00	3,127,550.00	
Entry Fee Refunds	0.00	(251,027.00)	(135,840.00)	0.00	(95,040.00)	(5,703.00)	0.00	0.00	0.00	0.00	0.00	0.00	(487,610.00)	
Net Entry Fees	796,200.00	81,273.00	759,460.00	475,500.00	1,551,310.00	1,331,397.00	0.00	0.00	0.00	0.00	0.00	0.00	4,995,140.00	
Deferrals Granted	169,000.00	255,600.00	722,100.00	517,200.00	536,050.00	770,350.00	0.00	0.00	0.00	0.00	0.00	0.00	2,970,300.00	
Deferrals Collected	(760,200.00)	(170,900.00)	(403,400.00)	(297,700.00)	(896,900.00)	(598,450.00)	0.00	0.00	0.00	0.00	0.00	0.00	(3,127,550.00)	
Deferrals Written off to Bad debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Net Deferrals/(Collections)	2,511,300	(591,200.00)	84,700.00	318,700.00	219,500.00	(360,850.00)	171,900.00	0.00	0.00	0.00	0.00	0.00	(157,250.00)	2,354,050.00

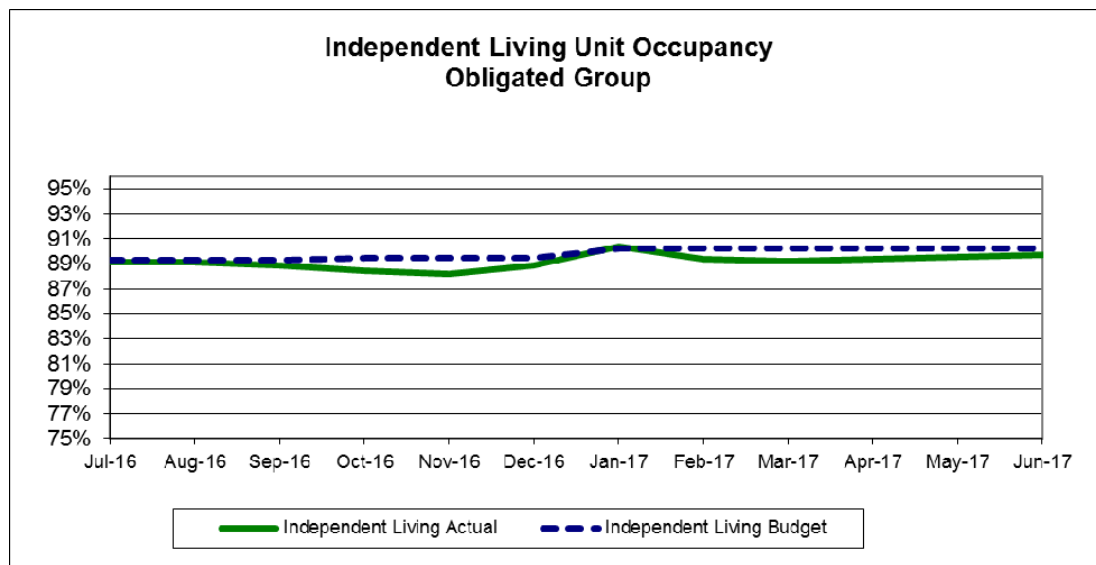
**LifeSpire of Virginia Obligated Group  
Interim Financial Statements  
Three Months Ended June 30, 2017**

**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.*

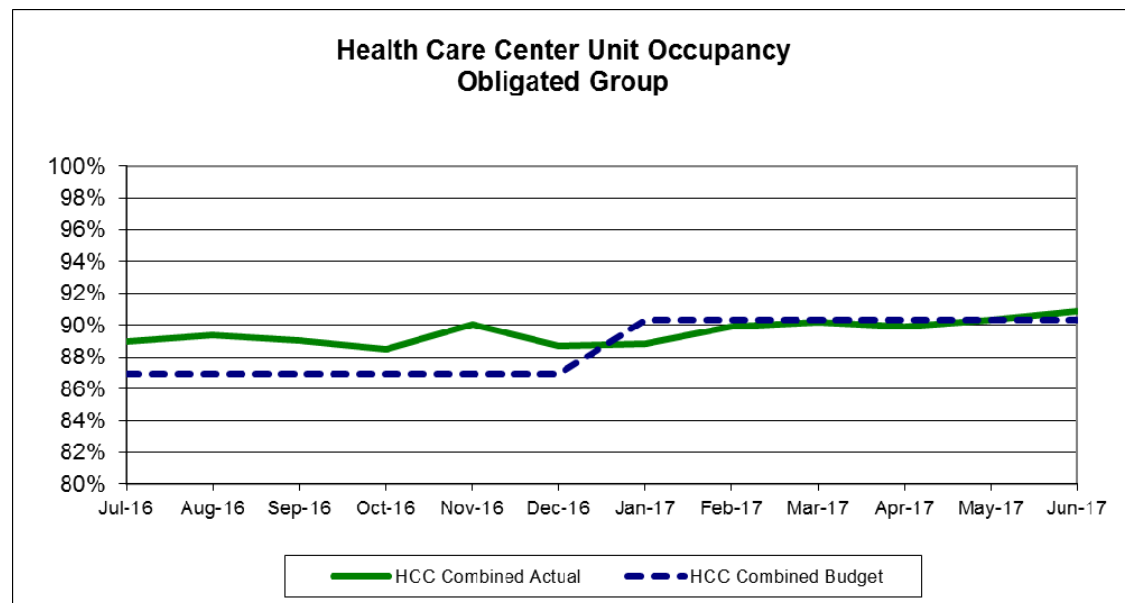
**Revenues:**

Combined revenues for the Obligated Group ("The Group") of \$28.7M through Q2 2017 were \$183K less than budgeted and exceeded the previous year's results by \$1.4M. The unfavorable variance to budget was primarily comprised of shortfalls in non-cash Earned Entrance Fees (i.e., the amortization of previously received deferred entrance fees over the life expectancy of current residents, net of the unamortized balance pertaining to withdrawn residents) and Investment Income. Operating revenue shortfalls in Independent Living, Clinic and Other were offset by favorable variances in Assisted Living, Memory Support and Gift Income. Combined Independent Living ("IL") unit occupancy for The Group averaged 524 through Q2, identical with Q1 and 9 units less than the 2016 Q2 average due to seasonal attrition and some delayed interest while the Richmond market considers the Lakewood expansion, and also slightly below the 2017 annual average budget of 527; the second through fourth quarters are historically stronger with regard to IL move-ins; and there are 14 IL unit move-ins scheduled during Q3/2017. The following chart illustrates the trailing 12-month IL occupancy results:



Combined Health Care Center (HCC) and Clinic revenues were \$151K greater than budget, and were \$1.8M greater than the previous year's results through Q2, due primarily to the rebound of Medicare caseload at Lakewood from Q1. The Group's combined HCC unit occupancy averaged 170 through Q2, 2 less than the average 2017 budget of 172, but 15 more than average 2016 performance through Q2, primarily due to the Lakewood open admission period discussed below.

As a result of HCC occupancy challenges in early 2016, Lakewood applied for and received approval for an open admission period, permitting direct HCC admissions from non-continuing care contract holders, through March 28, 2019. This development helped improve The Group's HCC occupancy beginning during the second half of 2016, and that favorable impact should continue through the open admission period; most of these incremental admissions are short term rehabilitation-related residents whose care is reimbursed by Medicare.



### Operating Expenses:

Combined operating expenses for The Group of \$37.7M through Q2 2017 were \$1.6M less than budget, and \$124K more than the previous year. The favorable results to budget were primarily driven by core operating expenses (both wages and non-wage related), which were a combined \$913K favorable to budget, reflecting effective operational management and stewardship by the community teams, as well as the ongoing viability of the performance improvement plans that were designed to control expenses without adversely affecting the residents' daily experience and which were implemented during 2015. The largest single operating expense variances to budget are i) therapies, which are \$128K favorable due to the Q1 shortfall to budget of Medicare case load at Lakewood (and which helps offset the Health Care revenue shortfall), and ii) home office allocated expenses, which are \$370K

favorable due to the timing of expenditures; we expect both expense variances to moderate somewhat as the year progresses. Interest expense is favorable to both budget and the previous year by \$574K and \$836K, respectively, due to i) the late-2016 refinancing of all extant secured debt through new tax exempt bonds at favorable interest rates, and ii) the pre-financing capitalization of interest expense for the strategic projects at The Culpeper and Lakewood, which are further discussed below.

### **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>9/30/2016</u>	<u>12/31/2016</u>	<u>3/31/2017</u>	<u>6/30/2017</u>
Actual Avg.	30.7	29.1	29.9	36.6
Avg. Annual Budgeted	21.0	21.0	32.0	32.0

Medicare occupancy is somewhat volatile, because of its rehabilitative nature and short length of stay. To illustrate, the primary driver of the overall increase from Q1 to Q2 was Lakewood's average caseload, which rebounded from 17 to 25, respectively – the average 2017 budget was 19, and the current census is 22.

### **Entrance Fee Deferrals:**

Collections of deferred entrance fees exceeded new entrance fee deferrals by \$157K through Q2, 2017, decreasing The Group's outstanding entrance fee deferral balance to \$2.3M at June 30, 2017. We expect that the presently outstanding deferrals will be collected over the next six months.

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

In addition to the previously discussed 2016 debt refinancing, The Group has undertaken 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 occurred on May 10, 2017, and site work began immediately thereafter. Construction, development and pre-financing costs pertaining to this project are expected to total approximately \$48M.

The Group's financing for this project closed in late July, and will be discussed in more detail in next quarter's disclosure. In summary, \$48M of financing was arranged among The Group, Huntington and SunTrust banks, and the EDA of Culpeper County. While the underlying financing is variable rate debt, concurrent interest rate swaps were executed which will result in a synthetically fixed all-in cost of funds of 3.364% through July, 2027.

- Improvements at Lakewood will include a new community center, including 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; specific unit presales and the acceptance of 10% entrance fee reservation deposits began in early November, 2016. The receipt of 10% entrance fee reservations is presently ahead of schedule, with almost all 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; and groundbreaking is scheduled for October, 2017. Financing has yet to be finalized; but is expected to be comprised of a blend of both short-term bank and long-term bond debt.

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. Through Q2 2017, costs of \$2.1M and \$4.1M, including interest expense of \$188.4K and \$212.4K, 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      5 stars (much above average)
- The Culpeper        4 stars (above average)
- Lakewood            4 stars (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, continue to have been exceeded as of June 30, 2017. Please note that deferred entrance fees are not included in the Debt Service Coverage Ratio calculation.

	Results	Required
Days Cash on Hand (a)	216	120
Debt Service Coverage Ratio (a)	2.28	1.20
(a) Tested annually at December 31st.		