

Immanuel Lutheran

— COMMUNITIES —

August 2017 Disclosure Report

*Prepared and Submitted
October 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	0	1	33	92%
July 31, 2017	1	0	34	94%
August 31, 2017	0	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 August 31, 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	100	4	2	102	106	96%	102
Skilled Nursing	94	29	35	88	105 *	84%	95
New:							
Independent Living (The Villas)	n/a	n/a	n/a	n/a	0	n/a	n/a
Memory Care (The Lodge)	16	1	2	15	24	63%	9
Total Occupied Units	210	34	39	205	235	87%	206

* Number of available beds reduced from 117 due to Phase 3A construction.

C

Summary Statement on Status of Construction

- The last OAC meeting was completed on September 26, 2017. The OAC meetings occur monthly, with the next meeting scheduled for October 24, 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)

- Backfilling of the parking level wall is complete for Areas A and B.
- Steel erection for the first and second floors is complete.
- Wall framing (wood) is complete through the 2nd floor of Area A and 1st floor of Area B.
- Building wrap and window sill flashing is ongoing as framing allows.
- Striping of the parking area has begun at the north end of Area B.
- Shower pans have been set in the Area B units.
- MEP and fire sprinkler rough-ins are ongoing.
- Perimeter spread footings are complete for the pool room.
- Footing framework and rebar are ongoing for the auditorium.
- Concrete masonry unit (CMU) walls are nearly complete around the pool room.
- Underground plumbing rough-in is ongoing for pool room and auditorium.

Skilled Care Center (Phase 3)

- Electrical and plumbing trim-out is nearly complete in Phase 3A.
- Corner guards and handrails are installed in the corridor in Phase 3A.
- Carpet installation in the corridor of Phase 3A was ongoing at the time of the site visit.
- Unit Carpet Installation remains in Phase 3A.
- Work on Phase 3B will occur after residents are relocated into the completed Phase 3A area.

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 24, 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 executed 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	(\$66,400.00)
Resident C.O. Reimbursement(s) CO #1 ^x	\$147,917.00
Total Hard Cost Budget	\$15,464,201.00
Project Hard Costs	
Original Construction Contract	\$14,547,176.00
Executed Change Order(s) #1-#3 ²	\$200,565.00
Pending & Potential Change Orders	\$0.00
Contingency use - soft cost ³	\$5,100.00
Total Projected Hard Costs	\$14,752,841.00
Remaining HC Contingency (Balance)	\$711,360.00
Committed (Encumbard) HC Contingency Funds	\$5,100.00
zumBrunnen Estimated Cost-To-Complete *	\$12,583,180.00
Remaining HC Contingency as a % of zumBrunnen Cost-To-Complete	5.7%
Committed HC Contingency as a % of HC Contingency Budget	0.5%

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

¹ Represents savings from Phase 1 contingency in the total amount shown. This budget transfer directly covers the addition of the elevator alternate into the contract and is not shown as committed contingency or included in any contingency calculation.

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 #6 for costs through 9/30/17.

^x June 27, 2017: The resident CO amount was reduced by \$3,965 from \$151,882 due to resident withdrawing. The construction contract was reduced by the same amount in Change Order #2 and is not shown as committed contingency or included in any contingency calculation.

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	\$303,209.00
Resident C.O. Reimbursement(s) CO # N/A	\$0.00
Total Hard Cost Budget	\$4,295,822.00
Project Hard Costs	
Original Construction Contract - Renovation	\$3,448,544.00
Original Construction Contract - Abatement	\$164,680.00
Executed Change Order(s) #1-#3 ²	\$308,936.00
Pending & Potential Change Orders ²	\$20,000.00
Contingency use - soft cost ³	\$0.00
Total Projected Hard Costs	\$3,942,160.00
Remaining HC Contingency (Balance)	\$353,662.00
Committed (Encumbard) HC Contingency Funds	\$25,727.00
zumBrunnen Estimated Cost-To-Complete *	\$2,946,440.00
Remaining HC Contingency as a % of zumBrunnen Cost-To-Complete	12.0%
Committed HC Contingency as a % of HC Contingency Budget	3.8%

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

¹ Represents savings from Phase 1 contingency in the amount of \$236,809 and \$66,400 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 #4 for costs through 7/31/17.



Unaudited Financial Statements Compared to Budget

BALANCE SHEET August 31, 2017

ASSETS	THIS YEAR	LAST YEAR	DIFFERENCE
CURRENT ASSETS			
Cash and Equivalents	2,525,087	3,319,957	(794,870)
Accounts Receivable			
Residents	2,170,704	1,298,837	871,867
Less Estimated Uncollectibles	(125,000)	(125,000)	0
Net Patient/Resident Accounts Receivable	2,045,704	1,173,837	871,867
Supplies' Inventory	132,591	81,683	50,908
Prepaid Expenses	161,339	159,648	1,691
Total Current Assets	\$ 4,864,721	\$ 4,735,125	\$ 129,596
ASSETS LIMITED AS TO USE			
Resident Funds and Deposits	1,244,160	976,830	267,330
Under Indenture Agreements	30,329,779	0	30,329,779
Total Assets Limited as to Use	\$31,573,939	\$976,830	\$30,597,109
FIXED ASSETS			
Fixed Assets	55,796,462	38,899,236	16,897,226
Owner's Rep Costs	13,407	30,383	(16,976)
Interest to be Capitalized - 2016B Bonds	0	26,492	(26,492)
Less: Accumulated Depreciation	(18,380,866)	(16,802,091)	(1,578,775)
Total Fixed Assets	\$37,429,003	\$22,154,020	\$15,274,983
OTHER ASSETS			
Long-term Investments	9,418,112	8,493,458	924,654
Property Held for Investment	0	0	0
Marketing Costs	1,055,437	676,965	378,472
Long-term Receivables	37,000	37,000	0
Deferred Charges and Other Assets	650,664	462,285	188,379
Total Other Assets	\$11,161,213	\$9,669,708	\$1,491,505
TOTAL ASSETS	\$ 85,028,876	\$ 37,535,683	\$ 47,493,193

BALANCE SHEET (Continued)

LIABILITIES	THIS YEAR	LAST YEAR	DIFFERENCE
CURRENT LIABILITIES			
Current Maturities of LTD	0	293,000	(293,000)
Accounts Payable			
Trade	2,282,493	1,444,497	837,996
Accrued Expenses			
Salaries and Wages	480,313	369,170	111,143
Vacation	273,090	247,283	25,807
Interest	596,823	42,651	554,172
Employee Benefits Plans	121,130	119,796	1,334
Payroll Taxes and Other	29,686	27,768	1,918
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	\$3,854,535	\$2,627,165	\$1,227,370
OTHER LIABILITIES	\$1,669,708	\$1,364,932	\$304,776
FMV INTEREST RATE SWAP AGREEMENT	\$0	\$1,297,413	(\$1,297,413)
LONG-TERM LIABILITIES			
Bonds Payable	66,037,337	18,689,060	47,348,277
Less: Current Portion of LTD	0	(293,000)	293,000
Total Long-Term Liabilities	\$66,037,337	\$18,396,060	\$47,641,277
TOTAL LIABILITIES	\$71,561,580	\$23,685,570	\$47,876,010
NET ASSETS			
Current Earnings	(347,200)	189,361	(536,561)
Fund Balance - Prior Years	13,814,496	13,660,752	153,744
Total Net Assets	\$13,467,296	\$13,850,113	(\$382,817)
TOTAL LIABILITIES AND NET ASSETS	\$85,028,876	\$37,535,683	\$47,493,193

Income Statement

For the Month Ending August 31, 2017

	This Year		Last Year	Variance	
	Actual	Budget	Actual	Act v. Bud	Act v. LY
REVENUES					
Room and Bed Revenue	790,390	832,731	729,918	-5.08%	8.28%
Ancillary Service Revenue	274,930	362,619	255,515	-24.18%	7.60%
Apartment Revenues	544,312	480,524	425,551	13.27%	27.91%
Total Service Revenues	\$1,609,632	\$1,675,874	\$1,410,984	-3.95%	14.08%
Contractual Allowances	261,344	332,485	229,709	-21.40%	13.77%
Net Service Revenues	\$1,348,288	\$1,343,389	\$1,181,275	0.36%	14.14%
Other Operating Revenues	7,743	6,497	11,304	19.18%	-31.50%
Total Net Revenues	\$1,356,031	\$1,349,886	\$1,192,579	0.46%	13.71%
OPERATING EXPENSES					
Salaries and Benefits	842,857	843,106	684,664	-0.30%	23.11%
Supplies	132,609	131,805	115,412	0.61%	14.90%
Travel and Education	5,526	7,849	2,483	-29.60%	122.55%
Repairs and Maintenance	28,702	20,100	25,405	42.80%	12.98%
Administrative Expenses	80,216	29,163	25,519	175.06%	214.34%
Other Expenses	51,642	53,394	45,333	-3.28%	13.92%
Utilities	26,451	32,756	27,470	-19.25%	-3.71%
Subtotal	\$1,168,003	\$1,118,173	\$926,286	4.46%	26.10%
Insurance	16,579	16,109	14,722	2.92%	12.61%
Taxes	35,363	36,756	25,623	-3.79%	38.01%
Depreciation	155,270	150,833	129,476	2.94%	19.92%
Bad Debt	-	-	-	0.00%	0.00%
Interest	271,059	121,783	43,239	122.25%	526.89%
Amortization	-	4,167	543	-100.00%	-100.00%
Total Operating Expenses	\$1,646,274	\$1,447,821	\$1,139,889	13.71%	44.42%
NET REVENUE FROM OPERATIONS	(\$290,243)	(\$97,935)	\$52,690	196.36%	-650.85%
Other Non Operating Revenue	31,646	22,267	(7,566)	42.12%	-518.27%
NET INCOME (LOSS)	(\$258,597)	(\$75,668)	\$45,124	241.75%	-673.08%

Statement of Cash Flows of the General Fund
For the Two Month Month Period Ending August 31, 2017

OPERATING ACTIVITIES & NON OPERATING GAINS AND LOSSES:	
Excess of Revenues & Gains Over Expenses and Losses	(347,200)
Adjustments to Reconcile to Net Cash Provided by Operating Activities:	
Depreciation	311,526
Change in Value of Interest Rate SWAP Agreement	0
Amortization	(3,537)
(Gains) Losses on Disposal of Assets	0
(Increase) Decrease in:	
Resident Accounts Receivable, Net	(382,920)
Other Receivable	0
Supplies Inventory, at Cost	(6,644)
Prepaid Expenses and Other	21,973
Increase (Decrease) in:	
Current Maturities of LT Debt	0
Accounts Payable Trade	161,425
Accrued Salaries and Wages	171,253
Accrued Vacation Payable	0
Accrued Interest Payable	403,495
Accrued Employee Benefits Plans	22,629
Accrued Payroll Taxes and Other	23,060
Rental Deposits	0
Estimated Liability to Beneficiaries	0
Due to/from Other Funds	0
Net Cash Provided by Operation Activities and Non-Operating Gains and Losses	\$375,060
INVESTING ACTIVITIES	
Land, Building & Equipment additions	(102,077)
Campus Expansion	(2,084,233)
(Increase) Decrease in Assets Whose Use is Limited	2,152,016
(Increase) Decrease in Investments and Other	(203,615)
Sales/Marketing Costs Pre-Sales	(23,375)
Net Cash Provided by Investing Activities	(\$261,284)
FINANCING ACTIVITIES	
Long Term Debt Increases (Decreases)	(140)
Other Investments	0
Other Liabilities	(4,515)
Restricted Donations & Grants, Net	0
Equity Transfers, Intracompany	0
Net Cash Provided in Financing Activities	(\$4,655)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$109,121
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$2,415,966
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$2,525,087

F

Statement of Fund / Account Balances Held by the Trustee

ACCOUNT	Balance as of August 31, 2017
Account #270293000 Series 2017ABC Revenue Fund	\$0.00
Account #270293001 Series 2017ABC Principal Account	\$0.00
Account #270293002 Series 2017ABC Interest Account	\$2,404,656.60
Account #270293003 Series 2017ABC Debt Service Reserve Fund	\$3,840,882.85
Account #270293004 Series 2017ABC Project Fund	\$23,241,312.93
Account #270293005 Series 2017ABC Principal Account	\$0.00
Account #270293006 Series 2017ABC Interest Account	\$418,187.49
Account #270293007 Series 2017ABC Redemption Fund	\$0.00
Account #270293008 Series 2017ABC Debt Service Reserve Fund	\$170,068.94