



**FRIENDSHIP RETIREMENT CORPORATION AND AFFILIATES (OBLIGATED GROUP)**

QUARTERLY REPORT AND UNAUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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## **OFFICER'S CERTIFICATE OF THE OBLIGATED GROUP REPRESENTATIVE**

The Obligated Group is in compliance with all of the terms, provisions and conditions of the Master Indenture.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of February 23, 2018 for the fourth quarter ended December 31, 2017.

I, Chief Financial Officer of the Obligors, hereby certify that all financial statements of the Obligors provided to the Master Trustee have been prepared in accordance with GAAP (subject to year-end adjustments).

FRIENDSHIP RETIREMENT CORPORATION

A handwritten signature in black ink, appearing to read "Ben Jarmul", is positioned above the printed name.

Name: Ben Jarmul

Title: Chief Financial Officer

**FRIENDSHIP RETIREMENT CORPORATION AND AFFILIATES (OBLIGATED GROUP)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Results of Operations - Three-Months Ended December 31, 2017 - Compared to Budget**

**Revenues:** Total unrestricted revenues for the three-months ended December 31, 2017 were \$7,862,210, down \$398,371 or 5% as compared to budget. The single biggest contributor for the unfavorable variance was due to net patient services for skilled nursing care of \$4,986,099, down \$579,799 or 10% as compared to budget. The average census for Providence Place for the three-months ended December 31, 2017 was 92% calculated historically and 82% as adjusted for Primrose Lane, which opened in August 2017, as compared to a budgeted census of 91%.

**Expenses:** Operating expenses for the three-months ended December 31, 2017 were \$8,308,758, up \$259,116 or 3% as compared to budget. Purchased property services were \$808,790, up \$394,036 or 95% as compared to budget which was partially offset by other purchased services of \$486,488, down \$258,877 or 35% as compared to budget. Purchased property services were up due to the finalization of projects and associated costs and other purchased services were down due to efforts to reduce costs. Otherwise, there were no budget variances over \$125,000 and 5%.

**Results of Operations - Year Ended December 31, 2017 - Compared to Budget**

**Revenues:** Total unrestricted revenues for the year ended December 31, 2017 were \$29,227,023, down \$2,477,208 or 8% as compared to budget. The single biggest contributor for the unfavorable variance was due to net patient services for skilled nursing care of \$18,622,855, down \$2,899,047 or 13% as compared to budget. The average census for Providence Place for the year ended December 31, 2017 was 89% calculated historically and 85% as adjusted for Primrose Lane, which opened in August 2017, as compared to a budgeted census of 91%.

**Expenses:** Operating expenses for the year ended December 31, 2017 were \$31,082,114, down \$344,739 or 1% as compared to budget. The single biggest contributor for the favorable variance was due to salaries and benefits of \$18,444,132, down \$703,303 or 4% as compared to budget. The lower than expected census as previously noted resulted in decreased staffing; however, the decrease in staffing did not keep pace with the decrease in revenues. Otherwise, there were no budget variances over \$500,000 and 5%.

### **Refundable Entrance Fee Contracts - Liability and Refunds**

There are 86 current residents and 8 former residents that have refundable entrance fee contracts. The total liability of refundable entrance fee contracts was \$3,327,551 as of December 31, 2017. Refunds of refundable entrance fees were \$683,829 for the year ended December 31, 2017.

### **Facilities Update and Bond Capital Project Fund**

During the year ended December 31, 2017, the ongoing remodeling of independent living units, remodeling of the projects activity center and corporate area (second phase which freed up five Casitas for rental), the paving of parking lots throughout the campus, the replacement of two cooling towers, and the Villa's basement (which houses the wellness center, main activity room, and thrift store) were completed.

There were no significant projects outstanding as of December 31, 2017.

Draws collected from the bond capital project fund for the year ended December 31, 2017 were \$691,778 and the fund was fully drawn with no balance remaining as of December 31, 2017.

**FRIENDSHIP RETIREMENT CORPORATION AND AFFILIATES (OBLIGATED GROUP)**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b><u>Current Assets:</u></b>		
Unrestricted Cash and Cash Equivalents	\$ 7,597,350	\$ 7,180,353
Unrestricted Investments	1,318,741	1,166,480
Restricted Cash and Investments	3,700,779	2,988,741
Accounts Receivable, net	1,651,693	1,801,736
Inventories	65,820	67,782
Due from/to Affiliates	(7,551)	63,207
Prepaid Expenses and Other	122,391	117,082
<b>Total Current Assets</b>	<u>14,449,223</u>	<u>13,385,381</u>
Assets Whose Use is Limited	1,753,194	5,205,377
Other Assets	174,064	174,064
Property and Equipment, net	24,015,182	23,883,395
Deferred Financing Costs, net	736,182	758,110
<b>Total Assets</b>	<u>\$ 41,127,845</u>	<u>\$ 43,406,327</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b><u>Current Liabilities:</u></b>		
Current Maturities of Long-Term Debt	\$ 250,000	\$ 240,000
Line of Credit	1,350,000	600,000
Accounts Payable	951,134	1,282,911
Accrued Expenses	1,138,528	979,370
Accrued Bond Interest Payable	127,553	84,779
Current Portion of Refundable Entrance Fees	630,000	630,000
Security Deposits	199,273	167,204
<b>Total Current Liabilities</b>	<u>4,646,488</u>	<u>3,984,264</u>
Long-Term Debt, less Current Maturities	19,910,000	20,160,000
Premium on Bonds Payable, net	255,826	263,442
Capital Lease Obligation	44,887	59,073
Refundable Entrance Fees	2,697,551	3,367,336
Deferred Revenue from Entrance Fees	1,415,762	1,707,891
<b>Total Liabilities</b>	<u>28,970,514</u>	<u>29,542,006</u>
<b><u>Net Assets:</u></b>		
Unrestricted:		
Undesignated	8,456,552	10,284,621
Board-Designated	-	400,112
<b>Total Unrestricted Net Assets</b>	<u>8,456,552</u>	<u>10,684,733</u>
Temporarily Restricted	1,110,115	1,030,168
Permanently Restricted	2,590,664	2,149,420
<b>Total Net Assets</b>	<u>12,157,331</u>	<u>13,864,321</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 41,127,845</u>	<u>\$ 43,406,327</u>

**FRIENDSHIP RETIREMENT CORPORATION AND AFFILIATES (OBLIGATED GROUP)**  
**UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS**  
**THREE-MONTHS ENDED DECEMBER 31, 2017 AND 2016**

	2017				2016			
	Actual	Budget	\$ Var	% Var	Actual	Budget	\$ Var	% Var
<b>Unrestricted Revenues, Gains and Other:</b>								
Net Patient Services	\$ 4,986,099	\$ 5,565,898	\$ (579,799)	-10%	\$ 4,804,163	\$ 5,117,975	\$ (313,812)	-6%
Earned Entrance Fees	56,977	86,700	(29,723)	-34%	87,353	93,450	(6,097)	-7%
Monthly Service Fees	241,712	241,189	523	0%	238,188	227,726	10,462	5%
Apartment Rental	1,214,723	1,322,618	(107,895)	-8%	1,057,679	1,554,408	(496,728)	-32%
HUD Subsidy and Rents	218,384	220,754	(2,370)	-1%	216,841	187,416	29,425	16%
Dining Services Revenue	368,924	375,170	(6,246)	-2%	295,559	57,720	237,839	412%
Glencroft at Home	81,147	85,000	(3,853)	-5%	-	-	-	-
Contributions	55,296	18,840	36,456	194%	25,577	42,000	(16,423)	-39%
Investment Income	57,501	4,717	52,784	1119%	15,126	-	15,126	-
Management Fees	6,714	-	6,714	-	6,432	-	6,432	-
Other Revenues	265,679	235,065	30,614	13%	259,300	128,692	130,608	101%
Net Assets Released From Restrictions	309,054	104,630	204,424	195%	90,235	-	90,235	-
<b>Total Unrestricted Revenues, Gains and Other</b>	<b>7,862,210</b>	<b>8,260,581</b>	<b>(398,371)</b>	<b>-5%</b>	<b>7,096,453</b>	<b>7,409,387</b>	<b>(312,934)</b>	<b>-4%</b>
<b>Expenses:</b>								
Salaries and Benefits	4,766,117	4,966,266	(200,149)	-4%	4,496,780	4,293,359	203,422	5%
Purchased Professional Services	336,620	220,351	116,269	53%	289,685	240,480	49,205	20%
Purchased Property Services	808,790	414,754	394,036	95%	427,963	332,624	95,339	29%
Other Purchased Services	486,488	745,365	(258,877)	-35%	833,475	566,960	266,515	47%
Management Fees	-	18,072	(18,072)	-100%	-	17,562	(17,562)	-100%
Supplies	720,921	734,062	(13,141)	-2%	748,337	685,865	62,473	9%
Interest	310,517	262,263	48,254	18%	151,088	136,666	14,422	11%
Depreciation and Amortization	773,411	682,509	90,902	13%	587,221	570,584	16,637	3%
Provision for Bad Debts	105,894	6,000	99,894	1665%	17,500	-	17,500	-
<b>Total Expenses</b>	<b>8,308,758</b>	<b>8,049,642</b>	<b>259,116</b>	<b>3%</b>	<b>7,552,049</b>	<b>6,844,099</b>	<b>707,950</b>	<b>10%</b>
<b>Operating (Loss) Income</b>	<b>(446,548)</b>	<b>210,939</b>	<b>(657,487)</b>	<b>-8%</b>	<b>(455,596)</b>	<b>565,288</b>	<b>(1,020,884)</b>	<b>-181%</b>
<b>Net Assets Released From Restrictions</b>								
Used for Capital	(16,074)	-	(16,074)	-	-	-	-	-
Unrealized (Losses) Gains on Investments	(7,045)	1,250	(8,295)	-664%	828	-	828	-
Other Non-Operating (Losses) Gains	(397,796)	-	(397,796)	-	(5,281)	-	(5,281)	-
<b>Total</b>	<b>(420,915)</b>	<b>1,250</b>	<b>(422,165)</b>	<b>-33773%</b>	<b>(4,453)</b>	<b>-</b>	<b>(4,453)</b>	<b>-</b>
<b>Net (Loss) Income</b>	<b>\$ (867,463)</b>	<b>\$ 212,189</b>	<b>\$ (1,079,652)</b>	<b>-509%</b>	<b>\$ (460,049)</b>	<b>\$ 565,288</b>	<b>\$ (1,025,336)</b>	<b>-181%</b>

**FRIENDSHIP RETIREMENT CORPORATION AND AFFILIATES (OBLIGATED GROUP)**  
**UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2017 AND 2016**

	2017				2016			
	Actual	Budget	\$ Var	% Var	Actual	Budget	\$ Var	% Var
<b>Unrestricted Revenues, Gains and Other:</b>								
Net Patient Services	\$ 18,622,855	\$ 21,521,902	\$ (2,899,047)	-13%	\$ 18,416,817	\$ 19,571,825	\$ (1,155,009)	-6%
Earned Entrance Fees	278,085	346,800	(68,715)	-20%	384,025	373,800	10,225	3%
Monthly Service Fees	1,006,044	1,004,577	1,467	0%	990,781	982,945	7,836	1%
Apartment Rental	4,777,155	4,974,799	(197,644)	-4%	4,036,739	5,458,804	(1,422,065)	-26%
HUD Subsidy and Rents	853,142	868,895	(15,753)	-2%	838,697	749,664	89,033	12%
Dining Services Revenue	1,348,090	1,407,155	(59,065)	-4%	1,074,656	233,040	841,616	361%
Glencroft at Home	225,029	188,000	37,029	20%	-	-	-	-
Contributions	117,648	75,360	42,288	56%	177,477	168,000	9,477	6%
Investment Income	371,796	18,867	352,929	1871%	27,422	-	27,422	-
Management Fees	25,919	-	25,919	-	-	-	-	-
Other Revenues	992,351	902,968	89,383	10%	986,571	484,882	501,689	103%
Net Assets Released From Restrictions	608,909	394,908	214,001	54%	346,466	-	346,466	-
<b>Total Unrestricted Revenues, Gains and Other</b>	<b>29,227,023</b>	<b>31,704,231</b>	<b>(2,477,208)</b>	<b>-8%</b>	<b>27,279,651</b>	<b>28,022,961</b>	<b>(743,309)</b>	<b>-3%</b>
<b>Expenses:</b>								
Salaries and Benefits	18,444,132	19,147,435	(703,303)	-4%	16,712,304	16,352,266	360,038	2%
Purchased Professional Services	975,733	891,130	84,603	9%	990,953	994,593	(3,640)	0%
Purchased Property Services	1,898,465	1,672,390	226,075	14%	1,607,939	1,356,889	251,050	19%
Other Purchased Services	2,861,694	2,981,740	(120,046)	-4%	3,396,694	2,279,274	1,117,420	49%
Management Fees	-	72,288	(72,288)	-100%	-	70,248	(70,248)	-100%
Supplies	2,933,122	2,919,290	13,832	0%	2,203,163	2,730,974	(527,811)	-19%
Interest	1,110,969	1,049,194	61,775	6%	679,349	535,296	144,053	27%
Depreciation and Amortization	2,734,105	2,669,386	64,719	2%	2,380,186	2,282,319	97,867	4%
Provision for Bad Debts	123,894	24,000	99,894	416%	22,500	-	22,500	-
<b>Total Expenses</b>	<b>31,082,114</b>	<b>31,426,853</b>	<b>(344,739)</b>	<b>-1%</b>	<b>27,993,088</b>	<b>26,601,859</b>	<b>1,391,229</b>	<b>5%</b>
<b>Operating (Loss) Income</b>	<b>(1,855,091)</b>	<b>277,378</b>	<b>(2,132,469)</b>	<b>-769%</b>	<b>(713,437)</b>	<b>1,421,102</b>	<b>(2,134,538)</b>	<b>-150%</b>
Net Assets Released From Restrictions								
Used for Capital	16,074	-	16,074	-	-	-	-	-
Unrealized (Losses) Gains on Investments	(160,385)	5,000	(165,385)	-3308%	124,371	-	124,371	-
Other Non-Operating (Losses) Gains	(253,775)	-	(253,775)	-	(522,851)	-	(522,851)	-
<b>Total</b>	<b>(398,086)</b>	<b>5,000</b>	<b>(403,086)</b>	<b>-8062%</b>	<b>(398,480)</b>	<b>-</b>	<b>(398,480)</b>	<b>-</b>
<b>Net (Loss) Income</b>	<b>\$ (2,253,177)</b>	<b>\$ 282,378</b>	<b>\$ (2,535,555)</b>	<b>-898%</b>	<b>\$ (1,111,917)</b>	<b>\$ 1,421,102</b>	<b>\$ (2,533,019)</b>	<b>-178%</b>



**FRIENDSHIP RETIREMENT CORPORATION AND AFFILIATES (OBLIGATED GROUP)**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>UNRESTRICTED NET ASSETS</b>		
Operating (Loss) Income	\$ (1,855,091)	\$ (713,437)
Unrealized (Losses) Gains on Investments	(160,385)	124,371
Other Non-Operating (Losses) Gains	(253,775)	(522,851)
<b>Change in Unrestricted Net Assets</b>	<u>(2,269,251)</u>	<u>(1,111,917)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	221,772	315,120
Investment Income	210,899	136,898
Net Unrealized Gains on Investments	297,255	36,120
Net Assets Released from Restrictions	(608,909)	(346,466)
<b>Change in Temporarily Restricted Net Assets</b>	<u>121,017</u>	<u>141,672</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions	441,244	5,116
<b>Change in Permanently Restricted Net Assets</b>	<u>441,244</u>	<u>5,116</u>
<b>CHANGE IN NET ASSETS</b>	(1,706,990)	(965,129)
Net Assets - Beginning of Period	<u>13,864,321</u>	<u>14,829,450</u>
<b>NET ASSETS - END OF PERIOD</b>	<u><u>\$ 12,157,331</u></u>	<u><u>\$ 13,864,321</u></u>

**FRIENDSHIP RETIREMENT CORPORATION AND AFFILIATES (OBLIGATED GROUP)**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (1,706,990)	\$ (965,129)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Restricted Contributions and Investment Income	(873,915)	(457,134)
Depreciation and Amortization	2,734,105	2,380,186
Loss from the Sale or Disposal of Property and Equipment	410,183	-
Provision for Bad Debts	123,894	22,500
Amortization of Bond Premium	(7,616)	-
Earned Entrance Fees	(278,085)	(384,025)
Refinancing Costs	-	581,619
Unrealized Losses (Gains) on Investments	160,385	(124,371)
Realized Gains on Investments	(259,850)	(112,799)
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	26,149	(767,185)
Inventories	1,962	(16,624)
Due from/to Affiliates	70,758	(62,968)
Prepaid Expenses and Other	(5,309)	520,378
Increase (Decrease) in:		
Accounts Payable	(331,777)	16,746
Accrued Expenses	159,158	(71,209)
Accrued Bond Interest Payable	42,774	84,779
Security Deposits	32,069	-
<b>Net Cash Provided by Operating Activities</b>	<u>297,895</u>	<u>644,764</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(3,254,147)	(3,952,293)
Purchase of Investments	(727,350)	(1,035,664)
Sales of Assets Limited as to Use	3,625,598	554,478
Purchase of Assets Limited as to Use	-	(361,991)
Sales of Investments	-	2,284,949
<b>Net Cash Used by Investing Activities</b>	<u>(355,899)</u>	<u>(2,510,521)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Draws (Repayments) of Line of Credit	750,000	(611,518)
Proceeds from Restricted Contributions	663,016	320,236
Refunds of Refundable Entrance Fees	(683,829)	(1,047,860)
Repayment of Long-Term Debt	(240,000)	(112,830)
Repayment of Capital Lease Obligation	(14,186)	(11,435)
Net Proceeds from Issuance of Long-Term Debt	-	8,334,002
Proceeds from Nonrefundable Entrance Fees	-	82,800
Payment of financing costs	-	(767,245)
<b>Net Cash Provided by Financing Activities</b>	<u>475,001</u>	<u>6,186,150</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	416,997	4,320,393
Cash and Cash Equivalents - Beginning of Period	<u>7,180,353</u>	<u>2,859,960</u>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<u>\$ 7,597,350</u>	<u>\$ 7,180,353</u>

**FRIENDSHIP RETIREMENT CORPORATION AND AFFILIATES (OBLIGATED GROUP)**  
**Occupancy and Select Payor Mix Data**

Unit Type	Units (#)	Year Ended December 31,		Year Ended December 31, 2017	
		2015	2016	December 31, 2017	Occupied (%)
		Occupied (#)	Occupied (%)	Occupied (#)	Occupied (%)
<b>Utilization</b>					
Casitas	227	161	71%	198	87%
Crossings	96	76	79%	83	86%
Villas	68	63	93%	67	99%
Towers IL	79	79	100%	78	99%
<b>Independent Living</b>	<b>470</b>	<b>379</b>	<b>81%</b>	<b>426</b>	<b>91%</b>
Manor I	21	20	100%	20	100%
Manor II	31	30	97%	29	94%
Sarah's Place	24	21	88%	23	96%
Towers AL	24	23	96%	23	96%
<b>Assisted Living/Memory Care</b>	<b>100</b>	<b>94</b>	<b>95%</b>	<b>95</b>	<b>96%</b>
<b>Skilled</b>	<b>209</b>	<b>163</b>	<b>88%</b>	<b>165</b>	<b>89%</b>
<b>Total</b>	<b>779</b>	<b>636</b>	<b>85%</b>	<b>686</b>	<b>91%</b>

Note 1 - Manor I (Friendship House) converted private rooms to companion suites: 1 during September 2017, 1 during October 2017, and 6 during November 2017. Units increased from 20 to 28.

Note 2 - Primrose Lane, a 24 bed Memory Care unit located 2 South at Providence Place, opened in August 2017. Units increased from 185 to 209.

	Year Ended December 31,		Year Ended December 31,
	2015	2016	2017
<b>Skilled Nursing Payor Mix</b>			
Private Pay	8%	8%	11%
Medicare	5%	4%	3%
Medicaid	79%	77%	79%
Insurance	8%	11%	7%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

<b>Average Length of Stay</b>			
Private Pay	13.6	13.7	17.4
Medicare	8.3	6.0	5.1
Medicaid	129.3	127.9	130.5
Insurance	11.5	17.5	12.1
	<b>162.7</b>	<b>165.1</b>	<b>165.1</b>

# CONTINUING DISCLOSURE AND COVENANT COMPLIANCE CERTIFICATE (Quarterly)

The Industrial Development Authority of the City of Glendale, Arizona

\$20,460,000

Revenue and Refunding Bonds  
(Glencroft Retirement Community Project)  
Tax-Exempt Series 2016

To: Ziegler  
Bondholders with  $\geq$  \$500,000 or upon request  
EMMA

Re: Fiscal Period Ended

12/31/17

## A. Financial Ratio Calculations

### Debt Service Coverage Ratio

(calculated and reported each quarter but only required to comply as of last quarter of fiscal year)

#### (a) Income Available for Debt Service

Excess of Revenue over Expenses of the Corporation	\$ (2,253,177)
PLUS Interest Expense	\$ 1,110,969
PLUS Depreciation and Amortization	\$ 2,734,105
PLUS Provision for Bad Debts	\$ 123,894
LESS Gain/(Loss) on Extraordinary Disposition of Capital Assets	\$ -
LESS Unrealized Gains/(Losses) on Investment*	\$ 160,385
LESS Gains/Losses from the Extinguishment of Indebtedness*	\$ -
LESS Gains/Losses from the Disposition of Capital Assets*	\$ 410,183
LESS Change in Valuation of Hedging Instrument*	\$ -
LESS Extraordinary or Non-Recurring Gains/Losses*	\$ -
LESS Other Non-Cash Income*	\$ -
PLUS Entrance Fees (Excluding Initial Entrance Fees)	\$ -
LESS Entrance Fees Refunded to Residents*	\$ (683,829)
LESS Amortized Entrance Fees*	\$ (278,085)

(a) Income Available for Debt Service	\$	1,324,445
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#### (b) Annual Debt Service

\$ 1,286,695

(a) / (b) Debt Service Coverage Ratio		1.03x
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Minimum Required Debt Service Coverage Ratio		1.20x
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Over (under) required ratio		-0.17
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\* All "Less" amounts should be entered as a negative number

**Liquidity Covenant (1)**

(calculated and reported each quarter, but only required to comply as of second and last quarters of fiscal year)

**(a) Cash and Liquid Investments of the Corporation**

Cash and Cash Equivalents	\$	7,597,350
Borrowings from Line of Credit		(500,000)
Liquid Investment Balances (includes Board Restricted Funds)	\$	1,318,741

(a)	Cash and Liquid Investments of the Corporation	\$	8,416,091
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**(b) Daily Expenses**

	Total Operating Expenses (1)	\$	28,224,115
	Number of Days in the Fiscal Year		365
(b)	Daily Expense	\$	77,326

Days Cash on Hand (a)/(b)	109
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Days Cash on Hand Requirement	100
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Over (under) required covenant	9
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(1) Total Operating Expenses excludes depreciation, amortization, and any other non-cash expenses.

**B. Attachments**

- (1) Financial statements as described in Appendix F, Section 4(b) of the 2016 Official Statement.
- (2) Occupancy levels of all of the facilities operated by the Obligated Group by level of care as of the end of each such quarter and certified by an officer of the Obligated Group.
- (3) Officer's Certificate of the Obligated Group Representative stating that the Obligated is in compliance with all of the terms, provisions and conditions of the Master Indenture or specifying all such defaults and nature thereof.
- (4) Prior to the end of the Fiscal Year, a budget for the succeeding Fiscal Year.
- (5)
- (6)

**C. Statement of Corporation Representative**

I hereby certify that the enclosed financial statements are true and were prepared in accordance with GAAP (subject to year-end adjustments).



[Signed by Chief Financial Officer of Glencroft Retirement Community]

[Due Date: No later than 45 days after the end of every fiscal quarter, with the exception of 60 days after the completion of the fiscal quarter ending December 31]

**FRIENDSHIP RETIREMENT CORPORATION AND AFFILIATES (OBLIGATED GROUP)**  
**UNAUDITED CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2017**

	Friendship Retirement	Glencroft Towers	Sarah's Place	Friendship Foundation	Eliminations	Total
<b>ASSETS</b>						
<b>Current Assets:</b>						
Unrestricted Cash and Cash Equivalents	\$ 6,451,689	\$ 1,005	\$ 299,235	\$ 845,421	\$ -	\$ 7,597,350
Unrestricted Investments	1,318,741	-	-	-	-	1,318,741
Restricted Cash and Investments	-	-	-	3,700,779	-	3,700,779
Accounts Receivable, net	1,600,351	45,787	5,555	-	-	1,651,693
Inventories	36,909	28,911	-	-	-	65,820
Due from Affiliates	678,366	(361,622)	37,913	(362,208)	-	(7,551)
Prepaid Expenses and Other	113,770	7,081	1,540	-	-	122,391
<b>Total Current Assets</b>	<b>10,199,826</b>	<b>(278,838)</b>	<b>344,243</b>	<b>4,183,992</b>	<b>-</b>	<b>14,449,223</b>
Assets Whose Use is Limited	948,302	527,045	277,597	250	-	1,753,194
Unrestricted Investments	174,064	-	-	-	-	174,064
Property and Equipment, net	15,725,740	4,808,217	3,935,130	-	(453,905)	24,015,182
Deferred Financing Costs, net	479,093	123,068	134,021	-	-	736,182
<b>Total Assets</b>	<b>\$ 27,527,025</b>	<b>\$ 5,179,492</b>	<b>\$ 4,690,991</b>	<b>\$ 4,184,242</b>	<b>\$ (453,905)</b>	<b>\$ 41,127,845</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current Liabilities:</b>						
Current Maturities of Long-Term Debt	\$ 162,750	\$ 41,750	\$ 45,500	\$ -	\$ -	\$ 250,000
Accrued Bond Interest Payable	83,037	21,301	23,215	-	-	127,553
Line of Credit	1,350,000	-	-	-	-	1,350,000
Accounts Payable	928,371	19,098	3,442	223	-	951,134
Accrued Expenses	1,025,733	72,396	39,853	546	-	1,138,528
Current Portion of Refundable Entrance Fees	630,000	-	-	-	-	630,000
Security Deposits	142,571	31,452	25,250	-	-	199,273
<b>Total Current Liabilities</b>	<b>4,322,462</b>	<b>185,997</b>	<b>137,260</b>	<b>769</b>	<b>-</b>	<b>4,646,488</b>
Long-Term Debt, less Current Maturities	12,956,950	3,328,150	3,624,900	-	-	19,910,000
Premium on Bonds Payable, Net	165,777	43,084	46,965	-	-	255,826
Capital Lease Obligation	44,887	-	-	-	-	44,887
Refundable Entrance Fees	2,697,551	-	-	-	-	2,697,551
Deferred Revenue from Entrance Fees	1,415,762	-	-	-	-	1,415,762
<b>Total Liabilities</b>	<b>21,603,389</b>	<b>3,557,231</b>	<b>3,809,125</b>	<b>769</b>	<b>-</b>	<b>28,970,514</b>
<b>Net Assets:</b>						
Unrestricted:						
Undesignated	5,923,636	1,622,261	881,866	482,694	(453,905)	8,456,552
Board-Designated	-	-	-	-	-	-
<b>Total Unrestricted Net Assets</b>	<b>5,923,636</b>	<b>1,622,261</b>	<b>881,866</b>	<b>482,694</b>	<b>(453,905)</b>	<b>8,456,552</b>
Temporarily Restricted	-	-	-	1,110,115	-	1,110,115
Permanently Restricted	-	-	-	2,590,664	-	2,590,664
<b>Total Net Assets</b>	<b>5,923,636</b>	<b>1,622,261</b>	<b>881,866</b>	<b>4,183,473</b>	<b>(453,905)</b>	<b>12,157,331</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 27,527,025</b>	<b>\$ 5,179,492</b>	<b>\$ 4,690,991</b>	<b>\$ 4,184,242</b>	<b>\$ (453,905)</b>	<b>\$ 41,127,845</b>

**FRIENDSHIP RETIREMENT CORPORATION AND AFFILIATES (OBLIGATED GROUP)**  
**UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS**  
**THREE-MONTHS ENDED DECEMBER 31, 2017**

	Friendship Retirement	Glencroft Towers	Sarah's Place	Friendship Foundation	Eliminations	Total	Budget	\$ Var	% Var
<b>Unrestricted Revenues, Gains and Other:</b>									
Net Patient Services	\$ 4,669,122	\$ 161,640	\$ 326,954	\$ -	\$ (171,617)	\$ 4,986,099	\$ 5,565,898	\$ (579,799)	-10%
Earned Entrance Fees	56,977	-	-	-	-	56,977	86,700	(29,723)	-34%
Monthly Service Fees	241,712	-	-	-	-	241,712	241,189	523	0%
Apartment Rental	1,128,901	89,393	(3,571)	-	-	1,214,723	1,322,618	(107,895)	-8%
HUD Subsidy & Rents	-	218,384	-	-	-	218,384	220,754	(2,370)	-1%
Dining Services Revenue	199,157	169,767	-	-	-	368,924	375,170	(6,246)	-2%
Glencroft at Home	81,147	-	-	-	-	81,147	85,000	(3,853)	-5%
Contributions	372,351	-	27,371	40,107	(384,533)	55,296	18,840	36,456	194%
Investment Income	56,132	918	157	294	-	57,501	4,717	52,784	1119%
Management Fees	27,312	-	-	-	(20,598)	6,714	-	6,714	-
Other Revenues	262,270	9,047	(3,829)	-	(1,809)	265,679	235,065	30,614	13%
Net Assets Released From Restrictions	-	-	-	309,054	-	309,054	104,630	204,424	195%
<b>Total Unrestricted Revenues, Gains and Other</b>	<b>7,095,081</b>	<b>649,149</b>	<b>347,082</b>	<b>349,455</b>	<b>(578,557)</b>	<b>7,862,210</b>	<b>8,260,581</b>	<b>(398,371)</b>	<b>-5%</b>
<b>Expenses:</b>									
Salaries & Benefits	4,350,187	245,349	167,905	2,676	-	4,766,117	4,966,266	(200,149)	-4%
Purchased Professional Services	277,711	11,188	3,930	45,600	(1,809)	336,620	220,351	116,269	53%
Purchased Property Services	403,174	40,778	9,969	354,869	-	808,790	414,754	394,036	95%
Other Purchased Services	744,416	238,873	12,556	46,793	(556,150)	486,488	745,365	(258,877)	-35%
Management Fees	-	14,502	3,096	3,000	(20,598)	-	18,072	(18,072)	-100%
Supplies	565,286	111,569	29,036	15,030	-	720,921	734,062	(13,141)	-2%
Interest	205,105	51,073	54,339	-	-	310,517	262,263	48,254	18%
Depreciation and Amortization	596,052	149,192	28,167	-	-	773,411	682,509	90,902	13%
Provision for Bad Debts	105,894	-	-	-	-	105,894	6,000	99,894	1665%
<b>Total Expenses</b>	<b>7,247,825</b>	<b>862,524</b>	<b>308,998</b>	<b>467,968</b>	<b>(578,557)</b>	<b>8,308,758</b>	<b>8,049,642</b>	<b>259,116</b>	<b>3%</b>
<b>Operating (Loss) Income</b>	<b>(152,744)</b>	<b>(213,375)</b>	<b>38,084</b>	<b>(118,513)</b>	<b>-</b>	<b>(446,548)</b>	<b>210,939</b>	<b>(657,487)</b>	<b>-312%</b>
Net Assets Released From Restrictions									
Used for Capital	-	-	-	(16,074)	-	(16,074)	-	(16,074)	-
Unrealized (Losses) Gains on Investments	(7,045)	-	-	-	-	(7,045)	1,250	(8,295)	-664%
Other Non-Operating (Losses) Gains	(375,118)	(17,962)	(4,716)	-	-	(397,796)	-	(397,796)	-
<b>Total</b>	<b>(382,163)</b>	<b>(17,962)</b>	<b>(4,716)</b>	<b>(16,074)</b>	<b>-</b>	<b>(420,915)</b>	<b>1,250</b>	<b>(422,165)</b>	<b>-33773%</b>
<b>Net (Loss) Income</b>	<b>\$ (534,907)</b>	<b>\$ (231,337)</b>	<b>\$ 33,368</b>	<b>\$ (134,587)</b>	<b>\$ -</b>	<b>\$ (867,463)</b>	<b>\$ 212,189</b>	<b>\$ (1,079,652)</b>	<b>-509%</b>

**FRIENDSHIP RETIREMENT CORPORATION AND AFFILIATES (OBLIGATED GROUP)**  
**UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2017**

	Friendship Retirement	Glencroft Towers	Sarah's Place	Friendship Foundation	Eliminations	Total	Budget	\$ Var	% Var
<b>Unrestricted Revenues, Gains and Other:</b>									
Net Patient Services	\$ 17,381,975	\$ 633,156	\$ 1,246,534	\$ -	\$ (638,810)	\$ 18,622,855	\$ 21,521,902	\$ (2,899,047)	-13%
Earned Entrance Fees	278,085	-	-	-	-	278,085	346,800	(68,715)	-20%
Monthly Service Fees	1,006,044	-	-	-	-	1,006,044	1,004,577	1,467	0%
Apartment Rental	4,439,891	351,544	(14,280)	-	-	4,777,155	4,974,799	(197,644)	-4%
HUD Subsidy & Rents	-	853,142	-	-	-	853,142	868,895	(15,753)	-2%
Dining Services Revenue	664,728	683,362	-	-	-	1,348,090	1,407,155	(59,065)	-4%
Glencroft at Home	225,029	-	-	-	-	225,029	188,000	37,029	20%
Contributions	416,153	-	27,372	58,656	(384,533)	117,648	75,360	42,288	56%
Investment Income	363,487	4,229	3,085	995	-	371,796	18,867	352,929	1871%
Management Fees	113,457	-	-	-	(87,538)	25,919	-	25,919	-
Other Revenues	955,090	37,479	6,082	-	(6,300)	992,351	902,968	89,383	10%
Net Assets Released From Restrictions	-	-	-	608,909	-	608,909	394,908	214,001	54%
<b>Total Unrestricted Revenues, Gains and Other</b>	<b>25,843,939</b>	<b>2,562,912</b>	<b>1,268,793</b>	<b>668,560</b>	<b>(1,117,181)</b>	<b>29,227,023</b>	<b>31,704,231</b>	<b>(2,477,208)</b>	<b>-8%</b>
<b>Expenses:</b>									
Salaries & Benefits	16,736,777	913,802	789,929	3,624	-	18,444,132	19,147,435	(703,303)	-4%
Purchased Professional Services	899,644	23,035	11,254	48,100	(6,300)	975,733	891,130	84,603	9%
Purchased Property Services	1,335,702	164,525	43,369	354,869	-	1,898,465	1,672,390	226,075	14%
Other Purchased Services	2,805,923	827,739	48,717	202,658	(1,023,343)	2,861,694	2,981,740	(120,046)	-4%
Management Fees	-	59,329	12,427	15,782	(87,538)	-	72,288	(72,288)	-100%
Supplies	2,366,983	394,782	114,766	56,591	-	2,933,122	2,919,290	13,832	0%
Interest	732,061	181,941	196,967	-	-	1,110,969	1,049,194	61,775	6%
Depreciation and Amortization	2,197,217	424,280	112,608	-	-	2,734,105	2,669,386	64,719	2%
Provision for Bad Debts	123,894	-	-	-	-	123,894	24,000	99,894	416%
<b>Total Expenses</b>	<b>27,198,201</b>	<b>2,989,433</b>	<b>1,330,037</b>	<b>681,624</b>	<b>(1,117,181)</b>	<b>31,082,114</b>	<b>31,426,853</b>	<b>(344,739)</b>	<b>-1%</b>
<b>Operating (Loss) Income</b>	<b>(1,354,262)</b>	<b>(426,521)</b>	<b>(61,244)</b>	<b>(13,064)</b>	<b>-</b>	<b>(1,855,091)</b>	<b>277,378</b>	<b>(2,132,469)</b>	<b>-769%</b>
Net Assets Released From Restrictions									
Used for Capital	-	-	-	16,074	-	16,074	-	16,074	-
Unrealized (Losses) Gains on Investments	(160,385)	-	-	-	-	(160,385)	5,000	(165,385)	-3308%
Other Non-Operating (Losses) Gains	(242,559)	(17,962)	6,746	-	-	(253,775)	-	(253,775)	-
<b>Total</b>	<b>(402,944)</b>	<b>(17,962)</b>	<b>6,746</b>	<b>16,074</b>	<b>-</b>	<b>(398,086)</b>	<b>5,000</b>	<b>(403,086)</b>	<b>-8062%</b>
<b>Net (Loss) Income</b>	<b>\$ (1,757,206)</b>	<b>\$ (444,483)</b>	<b>\$ (54,498)</b>	<b>\$ 3,010</b>	<b>\$ -</b>	<b>\$ (2,253,177)</b>	<b>\$ 282,378</b>	<b>\$ (2,535,555)</b>	<b>-898%</b>