

# MUNICIPAL SECONDARY MARKET DISCLOSURE INFORMATION COVER SHEET

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

**Issuer's and/or Other Obligated Person's Name:** The Economic Development Corporation of the Village of Chelsea (Issuer);  
United Methodist Retirement Communities, Inc. (Obligated Person)

**CUSIP Numbers** (attach additional sheet if necessary):

Nine-digit number(s) to which the information relates: See attached additional sheet

Information relates to **all securities** issued by the issuer having the following six-digit number(s):

Number of pages of attached information: 13 (not including additional cover sheet)

Description of Material Event Notice/Financial Information (Check One):

1. \_\_\_\_\_ Principal and interest payment delinquencies
2. \_\_\_\_\_ Non-payment related defaults
3. \_\_\_\_\_ Unscheduled draws on debt service reserves reflecting financial difficulties
4. \_\_\_\_\_ Unscheduled draws on credit enhancements reflecting financial difficulties
5. \_\_\_\_\_ Substitution of credit or liquidity providers, or their failure to perform
6. \_\_\_\_\_ Adverse tax opinions or events affecting the tax-exempt status of the security
7. \_\_\_\_\_ Modifications to rights of security holders
8. \_\_\_\_\_ Bond calls
9. \_\_\_\_\_ Defeasances
10. \_\_\_\_\_ Release, substitution or sale of property securing repayment of the securities
11. \_\_\_\_\_ Rating changes
12. \_\_\_\_\_ Failure to provide annual financial information as required
13. \_\_\_\_\_ Other material event notice (specify)
14.  Financial information (**not** to be filed with the MSRB): Please check all appropriate boxes

CAFR: a.  includes  does not include Annual Financial Information

b. Audited? Yes  No

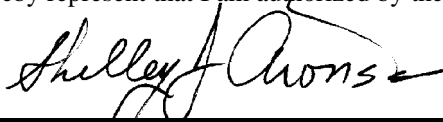
Annual Financial Information: Audited? Yes  No

Operating Data

Fiscal Period Covered: January 1, 1998 through December 31, 1998 (FY1998)

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:



Name: Shelley J. Aronson

Title: President

Employer: First River Advisory L.L.C.

Address: 398 Thornden Street

City, State, Zip Code: South Orange, NJ 07079

Voice Telephone Number: (973) 275-0454

# FIRST RIVER ADVISORY L.L.C.

398 THORNDEN STREET  
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SHELLEY J. ARONSON  
PRESIDENT

## MUNICIPAL SECONDARY MARKET DISCLOSURE INFORMATION COVER SHEET

ISSUER: The Economic Development Corporation of the Village of Chelsea  
OBLIGATED PERSON: United Methodist Retirement Communities, Inc.  
SECURITIES: \$22,980,000 Revenue and Revenue Refunding Bonds, Series 1998  
PERIOD: Fiscal Year Ended December 31, 1998

Nine-Digit CUSIP Numbers to which the Information Relates

<u>Maturity (November 15)</u>	<u>CUSIP Number</u>
1999 .....	163347AR8
2000 .....	163347AS6
2001 .....	163347AT4
2002 .....	163347AU1
2003 .....	163347AV9
2004 .....	163347AW7
2005 .....	163347AX5
2006 .....	163347AY3
2007 .....	163347AZ0
2008 .....	163347BA4
2009 .....	163347BD8
2010 .....	163347BE6
2011 .....	163347BF3
2012 .....	163347BB2
2018 .....	163347BG1
2027 .....	163347BC0

First River Advisory L.L.C. has been appointed as Dissemination Agent by the Obligated Person pursuant to Section 7 of the Continuing Disclosure Agreement relating to the Securities. First River Advisory L.L.C. hereby represents that it is authorized by the Obligated Person to distribute this information publicly.



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by: Shelley J. Aronson, President

**UNITED METHODIST RETIREMENT COMMUNITIES, INC.  
809 WEST MIDDLE STREET  
CHELSEA, MI 48118**

**OFFICER'S CERTIFICATE**

**DATED:** April 30, 1999

This Officer's Certificate is delivered pursuant to Section 5.6(b)(i) of the Loan Agreement between United Methodist Retirement Communities, Inc. (the Corporation) and The Economic Development Corporation of the Village of Chelsea (the Issuer), dated as of April 1, 1998. All capitalized terms used herein are as defined in the Loan Agreement or in the Trust Indenture between the Issuer and U.S. Bank Trust National Association, as Trustee, dated as of April 1, 1998.

In accordance with Section 5.6(a)(i) of the Loan Agreement, attached are audited financial statements for the Fiscal Year ended December 31, 1998, including a balance sheet as of such date, a statement of activities and changes in Net Assets for such Fiscal Year, a statement of cash flows for the Fiscal Year, and notes to the financial statements (the Annual Financial Statements). The undersigned certifies that:

1. I am a Vice President of the Corporation and duly authorized to deliver this Officer's Certificate;
2. the Corporation has complied with Section 506(b)(i) of the Loan Agreement, for to the best of my knowledge, no Event of Default exists under the Loan Agreement, nor has any event occurred which, with notice and/or passage of time, would constitute such an Event of Default; and
3. the Corporation has complied with Section 501(a)(ii) of the Loan Agreement by having recorded a Debt Service Coverage Ratio for FY1998 of 2.31, as calculated in the following manner:

<i>Debt Service Coverage Ratio Calculation for the Fiscal Year Ended December 31, 1998</i>		
Increase in Unrestricted Net Assets		2,641,899
Less:	Unrealized Gains on Investments	(1,705,997)
Plus:	Extraordinary Items	465,535
Plus:	Interest	409,471
Plus:	Depreciation	1,181,297
Net Income Available for Debt Service		2,992,205
Debt Service Requirement		1,295,231
Debt Service Coverage Ratio		2.31

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by: Donald C. House, Jr.  
Senior Vice President and Chief Financial Officer

**UNITED METHODIST RETIREMENT COMMUNITIES, INC.  
809 WEST MIDDLE STREET  
CHELSEA, MI 48118**

**OFFICER'S CERTIFICATE**

**DATED:** April 30, 1999

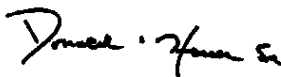
This Officer's Certificate is delivered pursuant to Section 5.6(b)(iii) of the Loan Agreement between United Methodist Retirement Communities, Inc. (the Corporation) and The Economic Development Corporation of the Village of Chelsea (the Issuer), dated as of April 1, 1998. All capitalized terms used herein are as defined in the Loan Agreement or in the Trust Indenture between the Issuer and U.S. Bank Trust National Association, as Trustee, dated as of April 1, 1998.

The Series 1998 Improvement Project is estimated to be 42 percent complete. Development of the Series 1998 Improvement Project has not suffered any delays since those which occurred in January 1999, as reported in the Officer's Certificate dated February 5, 1999. The projected completion date of November 9, 1999 will precede the date through which interest has been capitalized on the Series 1998 Bonds.

The Series 1998 Improvement Project is now approximately 99 percent "bought out." The remaining budget exceeds the expected cost of the trade contracts which have not yet been let. To date, there have been expenditures of \$71,153 from the contingency fund attributable to the following purposes:

1. weather-related expenses which occurred in January 1999, as reported in the Officer's Certificate dated February 5, 1999;
2. additional weather-related expenses which occurred in February 1999; and
3. a modest scope change to complete the interior design of the "Town Center" area of the facility.

However, another \$449,126 in the contingency fund, plus \$4,311 of buyout savings, remains available to fund other unforeseen field conditions and scope changes. One known expense to be funded from such amounts is the cost to pump water from the utilities trench as the lines and conduits are installed.



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by: Donald C. House, Jr.  
Senior Vice President and Chief Financial Officer

# UNITED METHODIST RETIREMENT COMMUNITIES, INC.

## ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998 (FY1998)

Unless otherwise noted, all data apply to the Fiscal Year Ended December 31, 1998, or are accurate as of December 31, 1998, as appropriate. OS pages refer to the Official Statement relating to the Securities, dated April 8, 1998. The source of all data is the Corporation's records.

### SERVICE VOLUMES AND UTILIZATION

<i>Occupancy Rates</i> <i>[OS Page A-11]</i>							
<i>Facility / Location</i>		<i>Fiscal Years Ended December 31</i>					
		<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>	<i>1993</i>
ILF	CRC	98.9%	99.2%	99.2%	98.8%	99.0%	97.7%
	BT	N/A	N/A	51.9%	54.1%	63.0%	61.9%
ALF	CRC	95.4%	95.9%	92.6%	97.1%	99.7%	97.4%
	BT	N/A	N/A	81.5%	88.8%	94.8%	82.1%
RDF	CRC	98.2%	97.4%	97.5%	98.6%	98.9%	97.5%
	BT	N/A	N/A	64.3%	82.9%	86.7%	75.7%
SNF	CRC	98.9%	99.2%	98.9%	99.0%	99.6%	99.5%
	BT	98.1%	98.1%	97.7%	98.1%	98.9%	97.4%

Note: Shaded cells relate to discontinued operations at BT.

<i>Waiting Lists, Active Prospective Residents Only</i> <i>(CRC Only)</i> <i>[OS Page 12]</i>						
		<i>At December 31</i>				
		<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>
ILF	Units	100	100	100	100	100
	Waiting List	71	59	41	47	48
ALF	Units	92	92	92	92	92
	Waiting List	21	23	18	25	46
RDF	Beds	28	28	28	28	28
	Waiting List	11	5	3	15	10
SNF	Beds	110	110	110	110	110
	Waiting List	15	25	16	25	16

Comparable data for years prior to 1994 are not available.

MUNICIPAL SECONDARY MARKET DISCLOSURE  
 The Economic Development Corporation of the Village of Chelsea /  
 United Methodist Retirement Communities, Inc.  
 Fiscal Year Ended December 31, 1998  
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<i>ILF Turnover Rates (CRC Only) [OS Page A-13]</i>						
	<i>Fiscal Years Ended December 31</i>					
	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>	<i>1993</i>
ILF Units	100	100	100	100	100	100
Reoccupied ILF Units	19	13	22	21	13	19
Turnover Rate (Annualized)	19%	13%	22%	21%	13%	19%

**FINANCIAL INFORMATION**

<i>Medicaid SNF Reimbursement Rates, 1999 [OS Page A-22]</i>		
	<i>CRC</i>	<i>BT</i>
Variable Cost Component	\$96.19	\$95.59
Plant Cost Component	8.95	5.17
Continuous Quality Improvement Incentive	3.11	3.09
Wage Pass-through Add-on	4.79	5.15
OBRA Training & Testing Add-on	0.80	0.00
Medicaid Reimbursement Rate	\$113.84	\$109.00

<i>Variable Cost Component Limits [OS Page A-22]</i>		
<i>Year</i>	<i>Limit</i>	<i>Percent Increase over Previous Year</i>
1999	\$96.19	3.6%
1998	\$92.83	9.4%
1997	\$84.83	6.4%
1996	\$79.71	7.7%
1995	\$73.98	7.7%
1994	\$68.69	6.7%
1993	\$64.35	

MUNICIPAL SECONDARY MARKET DISCLOSURE  
 The Economic Development Corporation of the Village of Chelsea /  
 United Methodist Retirement Communities, Inc.  
 Fiscal Year Ended December 31, 1998  
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<i>SNF Revenue Basis, 1999</i> <i>[OS Page A-23]</i>		
	<i>CRC</i>	<i>BT</i>
Charge for Semi-Private Room	\$126.00	\$117.00
Medicaid Reimbursement Rate	\$113.84	\$109.00
Discount from Semi-Private Room Charge	9.7%	6.8%

<i>SNF Payor Mix</i> <i>(expressed as percentages of resident-days)</i> <i>[OS Page A-24]</i>							
		<i>Fiscal Years Ended December 31</i>					
		<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>	<i>1993</i>
<i>CRC</i>	Medicare	3.6%	4.0%	6.7%	5.6%	3.5%	5.6%
	Medicaid	25.5%	26.5%	30.8%	28.8%	34.1%	34.3%
	Commercial	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Private	70.9%	69.5%	62.5%	65.6%	62.4%	60.2%
<i>BT</i>	Medicare	11.8%	10.2%	10.6%	12.6%	11.5%	9.7%
	Medicaid	71.5%	72.3%	67.4%	65.5%	66.6%	66.6%
	Commercial	0.8%	0.8%	0.1%	1.1%	1.4%	0.7%
	Private	15.9%	16.7%	21.9%	20.8%	20.6%	22.9%
<i>Composite</i>	Medicare	7.9%	7.2%	8.7%	9.3%	7.7%	7.7%
	Medicaid	49.8%	50.6%	50.1%	48.2%	51.2%	51.3%
	Commercial	0.4%	0.4%	0.1%	0.6%	0.7%	0.4%
	Private	41.9%	41.4%	41.1%	41.9%	40.3%	40.6%

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**The Economic Development Corporation of the Village of Chelsea /**  
**United Methodist Retirement Communities, Inc.**  
**Fiscal Year Ended December 31, 1998**  
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<i>Balance Sheet Summary</i>						
<i>(\$000s omitted)</i>						
<i>[OS Page A-26]</i>						
	<i>As of December 31</i>					
	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>	<i>1993*</i>
Cash, Cash Equivalents and Investments	17,390	14,949	13,021	7,840	7,938	7,780
Net Accounts Receivable	1,636	996	676	947	680	874
Other Current Assets	<u>352</u>	<u>435</u>	<u>486</u>	<u>658</u>	<u>279</u>	<u>295</u>
Total Current Assets	19,378	16,381	14,184	9,445	8,897	8,949
Non-Current Investments	559	433	458	321	263	0
Van Dusen Endowment Fund	2,522	2,374	1,204	578	217	170
Net Property and Equipment	24,259	21,374	21,614	21,868	22,538	23,356
Other Assets	<u>14,905</u>	<u>972</u>	<u>1,033</u>	<u>629</u>	<u>250</u>	<u>323</u>
Total	61,623	41,534	38,492	32,841	32,165	32,798
Current Liabilities	2,643	2,019	2,185	1,694	1,675	1,881
Long-Term Obligations	21,880	7,090	7,850	8,580	9,285	9,960
Other Liabilities	442	149	131	100	156	239
Unrestricted Net Assets	32,285	29,643	26,648	21,374	20,673	20,548
Restricted Net Assets	<u>4,372</u>	<u>2,633</u>	<u>1,677</u>	<u>1,093</u>	<u>376</u>	<u>170</u>
Total	61,623	41,534	38,492	32,841	32,165	32,798

\* Figures in this column reflect accounting principles in effect prior to the implementation of SFAS Nos. 116 and 117

MUNICIPAL SECONDARY MARKET DISCLOSURE  
The Economic Development Corporation of the Village of Chelsea /  
United Methodist Retirement Communities, Inc.  
Fiscal Year Ended December 31, 1998  
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<i>Summary of Statements of Activities</i> <i>(\$00s omitted)</i> <i>[OS Page A-27]</i>		
	<i>Fiscal Years Ended</i> <i>December 31</i>	
	<i>1998</i>	<i>1997</i>
Net Resident Revenue	15,173	14,455
Other Operating Revenue	<u>2,059</u>	<u>1,989</u>
Total Operating Revenue	17,232	16,444
Depreciation Expense	1,181	1,176
Interest Expense	409	546
Other Operating Expenses	<u>15,639</u>	<u>14,918</u>
Total Operating Expenses	17,230	16,640
Operating Income - Before Other Operating Activities	2	(195)
Other Operating Activities	<u>1,791</u>	<u>1,688</u>
Operating Income	1,793	1,493
Extraordinary Items	(466)	0
Unrealized Gain (Loss) on Investments	<u>1,706</u>	<u>1,364</u>
Other Changes in Unrestricted Net Assets	<u>(391)</u>	<u>139</u>
Increase (Decrease) in Unrestricted Net Assets	2,642	2,995
Increase (Decrease) in Temporarily Restricted Net Assets	1,591	(193)
Increase (Decrease) in Permanently Restricted Net Assets	<u>149</u>	<u>1,148</u>
Increase (Decrease) in Net Assets	<u>4,382</u>	<u>3,950</u>
FYs 1993 through 1996 have been eliminated due to a change in the presentation of the audited financial statements relating to FY1998.		

MUNICIPAL SECONDARY MARKET DISCLOSURE  
The Economic Development Corporation of the Village of Chelsea /  
United Methodist Retirement Communities, Inc.  
Fiscal Year Ended December 31, 1998  
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<i>Summary of Statements of Activities, by Operating Unit, 1998, 1997 and 1996</i>									
<i>(\$000s omitted)</i>									
<i>[OS Page A-28]</i>									
	<i>Fiscal Years Ended December 31</i>								
	<i>1998</i>			<i>1997</i>			<i>1996</i>		
	<i>CRC</i>	<i>BT</i>	<i>Huron Woods</i>	<i>CRC</i>	<i>BT</i>	<i>Huron Woods</i>	<i>CRC</i>	<i>BT</i>	<i>Huron Woods</i>
Net Resident Revenue	9,893	5,280	0	9,465	4,990	0	9,030	5,601	0
Other Operating Revenue	<u>158</u>	<u>330</u>	<u>1,571</u>	<u>151</u>	<u>385</u>	<u>1,453</u>	<u>146</u>	<u>461</u>	<u>606</u>
Total Operating Revenue	10,050	5,610	1,571	9,616	5,375	1,453	9,176	6,062	606
Depreciation Expense – Health Care Services	732	392	0	768	408	0	749	401	0
Interest Expense	409	0	0	546	0	0	586	0	0
Other Operating Expenses	<u>8,244</u>	<u>5,856</u>	<u>1,597</u>	<u>7,989</u>	<u>5,457</u>	<u>1,472</u>	<u>7,890</u>	<u>6,541</u>	<u>595</u>
Total Operating Expenses	9,385	6,248	1,597	9,303	5,865	1,472	9,225	6,942	595
Operating Income - Before Other Operating Activities	665	(638)	(26)	313	(490)	(19)	(49)	(880)	11
Other Changes in Unrestricted Net Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>23</u>	<u>0</u>	<u>0</u>	<u>(10)</u>	<u>0</u>	<u>0</u>
Operating Income	665	(638)	(26)	336	(490)	(19)	(59)	(880)	11

MUNICIPAL SECONDARY MARKET DISCLOSURE  
The Economic Development Corporation of the Village of Chelsea /  
United Methodist Retirement Communities, Inc.  
Fiscal Year Ended December 31, 1998  
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<i>Debt Service Coverage Ratio Calculations</i> <i>(\$000s omitted, except for Debt Service Coverage Ratios)</i> <i>[OS Page A-29]</i>		
	<i>Fiscal Years Ended December 31</i>	
	<i>1998</i>	<i>1997</i>
Increase (Decrease) in Unrestricted Net Assets	2,642	2,995
Less: Unrealized Gains on Investments	(1,706)	(1,364)
Plus: Extraordinary Items	466	0
Plus: Depreciation	1,181	1,176
Plus: Interest	<u>409</u>	<u>546</u>
Net Income Available for Debt Service	2,992	3,353
Debt Service Requirements relating to FY1998	1,295	1,295
Debt Service Coverage Ratio	2.31	2.59
<p>Rows entitled, "Maximum Annual Debt Service Requirements on the Prior Bonds" and "Historical Debt Service Coverage Ratios" are no longer meaningful now that UMRC's indebtedness relating to the Prior Bonds has been extinguished, and has been eliminated from this table. FYs 1993 through 1996 have been eliminated due to a change in the presentation of the audited financial statements relating to FY1998.</p>		

**MUNICIPAL SECONDARY MARKET DISCLOSURE**  
**The Economic Development Corporation of the Village of Chelsea /**  
**United Methodist Retirement Communities, Inc.**  
**Fiscal Year Ended December 31, 1998**  
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<i>Investment Characteristics</i> [OS Page A-31]				
	<i>Heritage Fund</i>	<i>Heritage Fund</i>	<i>Heritage Fund</i>	<i>UMRC Endowment</i>
Purpose	Support operating deficits and fund major capital projects	Support operating deficits and fund major capital projects	Support operating deficits and fund major capital projects	Fund benevolent care of residents
Approximate Market Value at December 31, 1997	\$10,780,000	\$2,476,000	\$0	\$115,000
Approximate Market Value at December 31, 1998*	\$12,312,333	\$3,144,656	\$535,658	\$105,171
Change in Approximate Market Value	14.2%	27.0%	N/A	(8.5)%
Investment Objective	Total Return	Total Return	Total Return	Total Return
Investment Advisor	Wilson Kemp & Co.	Estabrook Capital Management**	PaineWebber	Comerica Bank
Tenure of Investment Advisor (years)	16	6 months	1	9
Asset Allocation (equities / fixed-income / cash equivalents) at December 31, 1998	72 / 17 / 11	97 / 0 / 3	0 / 100 / 0	75 / 25 / 0
Average Life of Fixed-Income Investments (years) at December 31, 1998	4.9	N/A	3.7	N/A
* Reflects the net result of certain asset transfers among the accounts over the year				
** Estabrook Capital Management replaced Excalibur Management Corporation as of July 1, 1998				

<i>Investment Performance</i> [OS Page A-32]					
	<i>Measured as of</i>	<i>December 31, 1998</i>		<i>December 31, 1997</i>	
<i>Time Frame</i>	<i>Performance by</i>	<i>Wilson Kemp</i>	<i>Estabrook</i>	<i>Wilson Kemp</i>	<i>Excalibur</i>
Last Quarter	Fund	15.4%	21.0%	2.9%	1.4%
	Benchmark	12.7%	21.3%	2.9%	2.7%
Last Year	Fund	23.5%	N/A	23.2%	20.7%
	Benchmark	20.5%		23.2%	25.3%
Last 2 Years	Fund	23.5%	N/A	18.5%	19.0%
	Benchmark	21.5%		19.0%	19.0%
The Benchmark employed by UMRC's Investment Subcommittee consist of the composite return of: P the Standard & Poor's 500 Stock Index, weighted 70 percent; and P the Lehman Brothers Government/Corporate Intermediate Bond Index, weighted 30 percent.					

MUNICIPAL SECONDARY MARKET DISCLOSURE  
The Economic Development Corporation of the Village of Chelsea /  
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Fiscal Year Ended December 31, 1998  
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<i>Results of Annual Giving Campaign (\$000s omitted) [OS Page A-32]</i>	
<i>Year</i>	<i>Proceeds</i>
1998	355
1997	262
1996	222
1995	364
1994	308
1993	331

MUNICIPAL SECONDARY MARKET DISCLOSURE  
The Economic Development Corporation of the Village of Chelsea /  
United Methodist Retirement Communities, Inc.  
Fiscal Year Ended December 31, 1998  
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<i>Estimated Debt Service Requirements on the SMOC Bonds (\$000s omitted) [OS Page A-35]</i>			
<i>Year Ending June 1</i>	<i>Redemption Requirements</i>	<i>Interest, at 5.00% per annum</i>	<i>Debt Service Requirements</i>
1999	0	707	707
2000	140	707	847
2001	150	700	850
2002	340	693	1,033
2003	365	676	1,041
2004	385	657	1,042
2005	415	638	1,053
2006	445	617	1,062
2007	475	595	1,070
2008	505	571	1,076
2009	545	546	1,091
2010	580	519	1,099
2011	625	490	1,115
2012	665	459	1,124
2013	710	425	1,135
2014	760	390	1,150
2015	815	352	1,167
2016	870	311	1,181
2017	930	268	1,198
2018	995	221	1,216
2019	1,065	171	1,236
2020	1,140	118	1,258
2021	1,220	61	1,281

**United Methodist Retirement  
Communities, Inc.**  
(a nonprofit organization)

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**Financial Report  
with Additional Information  
December 31, 1998**

# **United Methodist Retirement Communities, Inc.**

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## Independent Auditor's Report

To the Board of Trustees  
United Methodist Retirement Communities, Inc.

We have audited the accompanying balance sheet of United Methodist Retirement Communities, Inc. (a nonprofit organization) as of December 31, 1998 and 1997 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Methodist Retirement Communities, Inc. as of December 31, 1998 and 1997 and the results of its operations, changes in its net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

*Plante & Moran, LLP*

April 2, 1999



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**Balance Sheet**

December 31

19981997**Liabilities and Net Assets****Current Liabilities**

Current portion of long-term debt (Note 7)	\$ 650,000	\$ 760,000
Accounts payable	1,027,214	275,059
Accrued and other liabilities	922,473	952,664
Liability under split-interest agreements (Note 8)	<u>43,494</u>	<u>31,674</u>

Total current liabilities 2,643,181 2,019,397

**Loss from Affiliate in Excess of Investment** (Note 5) 242,242 -

**Long-term Debt** - Net of current portion (Note 7) 21,880,000 7,090,000

**Liability Under Split-interest Agreements** (Note 8) 199,468 148,638

Total liabilities 24,964,891 9,258,035

**Net Assets**

Unrestricted:		
Board-designated	16,730,450	14,325,718
Undesignated	15,555,015	15,317,848
Restricted (Note 9):		
Temporarily restricted	1,754,485	163,515
Permanently restricted	<u>2,617,915</u>	<u>2,469,112</u>

Total net assets 36,657,865 32,276,193

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Total liabilities and net assets \$ 61,622,756 \$ 41,534,228

# United Methodist Retirement Communities, Inc.

## Statement of Activities and Changes in Net Assets

	Year Ended December 31	
	1998	1997
<b>Changes in Unrestricted Net Assets</b>		
Operating revenue:		
Net resident revenue (Note 10)	\$ 15,172,802	\$ 14,455,157
Other	2,059,035	1,989,152
Total operating revenue	17,231,837	16,444,309
Operating expenses:		
Health care services:		
Salaries and wages	9,633,676	9,048,944
Payroll taxes	704,151	739,784
Food	943,437	959,486
Medical care	485,589	438,670
Utilities	555,046	613,422
Repair and maintenance	575,956	484,571
Supplies	339,851	325,886
Insurance	848,974	1,030,501
Laundry and housekeeping services	65,083	47,268
Real estate taxes	167,295	173,142
Bad debts	155,737	10,308
Miscellaneous	378,257	322,486
Depreciation	1,123,913	1,124,845
Interest expense	409,471	545,520
General and administrative - Executive office expenses	843,656	774,776
Total operating expenses	17,230,092	16,639,609
<b>Operating Income (Loss) - Before other operating activities</b>	1,745	(195,300)
<b>Other Operating Activities</b>		
Contributions (Note 11)	566,506	498,235
Fund-raising - Promotion and development	(260,683)	(233,726)
Investment income	493,518	439,425
Gain on sale of investments	991,477	983,874
Total other operating activities	1,790,818	1,687,808
<b>Operating Income</b>	1,792,563	1,492,508
<b>Other Changes in Unrestricted Net Assets</b>		
Change in obligation to provide future services	11,084	22,398
Loss on investment in affiliate (Note 5)	(712,579)	(229,663)
Unrealized gain on investments	1,705,997	1,364,061
Other losses	(165,075)	-
Net assets released from restrictions for capital improvements	9,909	345,878
Total other changes in unrestricted net assets	849,336	1,502,674
<b>Increase in Unrestricted Net Assets</b>	2,641,899	2,995,182
<b>Changes in Temporarily Restricted Net Assets</b>		
Net assets released from restrictions for capital improvements	(9,909)	(345,878)
Contributions	1,584,167	80,204
Change in value of split-interest agreements	16,712	73,003
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	1,590,970	(192,671)
<b>Changes in Permanently Restricted Net Assets</b>		
Contributions	4,675	885,616
Unrealized gain on investments	143,522	250,723
Gain on sale of investments	606	11,487
<b>Increase in Permanently Restricted Net Assets</b>	148,803	1,147,826
<b>Increase in Net Assets</b>	4,381,672	3,950,337
<b>Net Assets - Beginning of year</b>	32,276,193	28,325,856
<b>Net Assets - End of year</b>	\$ 36,657,865	\$ 32,276,193

See Notes to Financial Statements.

# United Methodist Retirement Communities, Inc.

## Statement of Cash Flows

	Year Ended December 31	
	1998	1997
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 4,381,672	\$ 3,950,337
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Change in value of split-interest agreements	(16,712)	(73,003)
Change in obligation to provide future services	(11,084)	(22,398)
Depreciation	1,181,297	1,175,983
Amortization of bond issue costs	34,600	21,300
Gains on investments	(2,841,602)	(2,610,145)
Bad debt expense	155,737	10,308
Loss on sale of property and equipment	-	3,688
Loss from investment in affiliate	712,579	229,663
Gains and contributions restricted for long-term investment	(1,732,970)	(1,147,826)
Loss on defeasance of bonds	165,075	-
(Increase) decrease in assets:		
Accounts receivable	(725,868)	(330,095)
Contributions receivable	(1,435,899)	103,652
Prepaid expenses and other current assets	14,366	(53,225)
Increase (decrease) in liabilities:		
Accounts payable	752,155	(263,709)
Accrued and other liabilities	(19,107)	101,287
Liability under split-interest agreements	79,362	79,996
Net cash provided by operating activities	693,601	1,175,813
<b>Cash Flows from Investing Activities</b>		
Additions to property and equipment	(4,065,744)	(943,471)
Proceeds from sale of property and equipment	-	3,300
Assets limited to use - Bond proceeds	(12,659,094)	-
Investment in Van Dusen Endowment	(148,084)	(1,170,181)
Purchase of investments	(2,122,961)	(734,718)
Proceeds from sale of investments	2,416,312	2,037,124
Net repayments (advances) under loan receivable to affiliate	190,000	(190,000)
Net cash used in investing activities	(16,389,571)	(997,946)
<b>Cash Flows from Financing Activities</b>		
Proceeds from gains and contributions restricted for long-term investment	1,732,970	1,147,826
Defeasance of 1993 bonds	(7,371,000)	-
Increase in bond issue costs	(698,713)	-
Proceeds from issuance of bonds	22,980,000	-
Principal payments on long-term debt	(929,000)	(730,000)
Net cash provided by financing activities	15,714,257	417,826
<b>Net Increase in Cash and Cash Equivalents</b>	18,287	595,693
<b>Cash and Cash Equivalents - Beginning of year</b>	1,742,798	1,147,105
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,761,085</b>	<b>\$ 1,742,798</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	\$ 409,471	\$ 540,520

# United Methodist Retirement Communities, Inc.

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## Notes to Financial Statements December 31, 1998 and 1997

### Note 1 - Nature of Business and Significant Accounting Policies

United Methodist Retirement Communities, Inc. (the "Organization") is a Michigan nonprofit organization. The Organization, governed by a Board of 27 trustees, provides housing, health care and other related services to residents through the operation of two continuing care retirement communities in Chelsea and Detroit, Michigan and management of Huron Woods for St. Joseph Mercy Hospital of Ann Arbor. Revenue for these services is primarily paid by individuals and third-party payors.

During 1998, the Organization formed the UMRC Heritage Foundation (the "Foundation"), the primary purposes of which are management of funds, stewardship and allocation of funds, development and implementation of long- and short-term fund development plans and donor communication and recognition activities and programs. The Foundation had no activity during 1998. The Organization and the Foundation are related through common Board control; as a result, the activities of the two will be consolidated subsequent to 1998.

The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles outlined in the American Institute of Certified Public Accountants' audit and accounting guide, *Health Care Organizations*.

Significant accounting policies are as follows:

**Cash Equivalents** - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Contributions Receivable** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

# United Methodist Retirement Communities, Inc.

## Notes to Financial Statements December 31, 1998 and 1997

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Included in contributions receivable are the following unconditional promises to give:

	<u>1998</u>	<u>1997</u>
Capital campaign	\$ 1,983,027	\$ -
BT Capital improvements	<u>-</u>	<u>69,500</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	1,983,027	69,500
Unamortized discount	<u>(544,128)</u>	<u>-</u>
Unconditional promises to give before allowance for collectibles	1,438,899	69,500
Allowance for uncollectibles	<u>(3,000)</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 1,435,899</u>	<u>\$ 69,500</u>
Amounts due:		
Less than one year	\$ -	\$ 69,500
One to five years	1,783,027	-
More than five years	<u>200,000</u>	<u>-</u>
Total	<u>\$ 1,983,027</u>	<u>\$ 69,500</u>

**Property and Equipment** - Additions to property and equipment are recorded at cost and depreciation is provided using the straight-line method over the following asset lives:

Land improvements	10 years
Buildings and improvements	40 years
Furniture, fixtures and equipment	5-10 years

**Bond Issue Costs** - Bond issue costs include financing costs related to the issuance of Economic Development Corporation of the Village of Chelsea Limited Obligation Revenue Bonds and are being amortized over the term of the bond issue using the straight-line method. Accumulated amortization was \$120,003 and \$85,403 at December 31, 1998 and 1997, respectively. As discussed further in Note 7, the 1993 Series bonds were defeased in 1998; accordingly, the bond issue costs, net of accumulated amortization related to that bond issuance were written off in 1998.

# United Methodist Retirement Communities, Inc.

## Notes to Financial Statements December 31, 1998 and 1997

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Operating Activities** - Transactions deemed by management to be ongoing, major or central to the provision of housing, health care and other related services are reported as operating activities in the statement of activities and changes in net assets. Peripheral or incidental transactions are reported as other changes in unrestricted net assets.

**Net Resident Revenue** - Resident service revenue is recorded at established rates. Allowances are provided to reduce such revenue to the reimbursable cost expected to be received, including amounts receivable under contractual arrangements with Michigan Blue Cross, Medicare and Medicaid.

Medicaid reimburses the Organization for inpatient routine service costs on a per diem basis, prospectively determined. Medicare reimburses the Organization for routine operating costs, capital costs and ancillary costs related to long-term care. The makeup (in percentage) of net resident service revenue is as follows:

	1998	1997
Private	63	64
Medicaid	27	26
Medicare	10	10
Total	<u>100</u>	<u>100</u>

**Benevolent Care** - The Organization provides care to residents who meet certain criteria under its benevolent care policy at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as benevolent care, they are not reported as revenue. The estimated charges foregone in providing benevolent care are reflected in Note 10.

**Contributions** - The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions, which have restrictions that are met in the year of contribution, are recorded as unrestricted support.

# United Methodist Retirement Communities, Inc.

## Notes to Financial Statements December 31, 1998 and 1997

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Board-designated Net Assets** - These net assets are intended to be used to protect the long-term interests of the Organization.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Federal Income Taxes** - The Organization is exempt from federal income tax as provided for under Internal Revenue Code Section 501(c)(3).

**Reclassification** - Certain items in the 1997 financial statements have been reclassified to conform to the 1998 presentation. These reclassifications had no material effect on the financial statements.

### Note 2 - Concentrations of Credit Risk

The Organization operates facilities located in Chelsea and Detroit, Michigan. The Organization provides services without collateral to its patients, most of whom are local residents of these communities and are insured under third-party payor agreements. The percentage of receivables from patients and third-party payors at year end was as follows:

	<u>1998</u>	<u>1997</u>
Medicaid	55	53
Medicare	14	15
Patients and other third-party payors	<u>31</u>	<u>32</u>
Total	<u>100</u>	<u>100</u>

# United Methodist Retirement Communities, Inc.

## Notes to Financial Statements December 31, 1998 and 1997

### Note 3 - Investments

The Organization's investments, recorded at fair market value, consisted of the following at December 31:

	<u>1998</u>	<u>1997</u>
Cash and cash equivalents	\$ 1,428,528	\$ 342,683
Bonds	2,670,875	3,396,558
Stocks	<u>12,088,375</u>	<u>9,900,286</u>
Total investments	16,187,778	13,639,527
Less long-term investments related to endowment assets and split-interest agreements	<u>558,682</u>	<u>433,421</u>
Current investments	<u>\$ 15,629,096</u>	<u>\$ 13,206,106</u>

Investment income is net of investment fees of \$82,459 and \$118,074 for 1998 and 1997, respectively.

Endowment assets represent investments to be held in perpetuity, the income from which is expendable to support the continuing care of residents. Split-interest agreements are described in Note 8.

### Note 4 - Property and Equipment

The cost of property and equipment is summarized as follows:

	<u>1998</u>	<u>1997</u>
Land and land improvements	\$ 1,660,704	\$ 1,556,293
Buildings	26,282,449	26,282,449
Building improvements	7,381,554	7,249,344
Furniture, fixtures and equipment	5,067,055	4,755,527
Construction in progress	<u>3,883,288</u>	<u>365,693</u>
Total cost	44,275,050	40,209,306
Less accumulated depreciation	<u>20,016,117</u>	<u>18,834,820</u>
Net carrying amount	<u>\$ 24,258,933</u>	<u>\$ 21,374,486</u>

# United Methodist Retirement Communities, Inc.

## Notes to Financial Statements December 31, 1998 and 1997

### Note 4 - Property and Equipment (Continued)

Construction in progress consists of project costs incurred to date on the Harry A. and Margaret D. Towsley Village. Total estimated project costs approximate \$13 million. Completion of the project is anticipated for the fall of 1999.

Depreciation expense consisted of the following:

	<u>1998</u>	<u>1997</u>
Health care services	\$ 1,123,913	\$ 1,124,845
General and administrative	<u>57,384</u>	<u>51,138</u>
Total depreciation expense	<u>\$ 1,181,297</u>	<u>\$ 1,175,983</u>

### Note 5 - Related Party Transactions - Affiliate

The Organization and Chelsea Community Center are equal sponsors in Silver Maples of Chelsea, a not-for-profit retirement facility in Chelsea, Michigan. The Organization recognized a loss from investment in affiliate of \$403,723 during 1998 and \$261,270 during 1997.

The following is a summary of financial position and results of operations of Silver Maples of Chelsea as of December 31, 1998 and 1997:

	<u>1998</u>	<u>1997</u>
Total liabilities	\$ 19,166,515	\$ 19,530,405
Total assets	<u>19,650,998</u>	<u>18,609,223</u>
Net assets (deficiency in assets)	<u>\$ (484,483)</u>	<u>\$ 921,182</u>
Decrease in net assets	\$ (807,446)	\$ (522,540)
Change in accounting principle	<u>(600,919)</u>	<u>-</u>
Decrease in net assets	<u>\$ (1,408,365)</u>	<u>\$ (522,540)</u>

The Organization has guaranteed one-half of the Limited Obligation Revenue Bonds, Series 1996, related to Silver Maples of Chelsea. As of December 31, 1998 and 1997, debt outstanding totaled \$14,140,000, of which the Organization is guarantor of \$7,070,000.

# **United Methodist Retirement Communities, Inc.**

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## **Notes to Financial Statements December 31, 1998 and 1997**

### **Note 5 - Related Party Transactions - Affiliate (Continued)**

At December 31, 1998 and 1997, the Organization had a long-term receivable of approximately \$125,000 and \$315,000, respectively, from Silver Maples of Chelsea.

At December 31, 1998, the Organization's share of losses from the joint venture exceeds the amount invested. As the Organization has guaranteed a portion of the joint venture's debt, the losses in excess of the amount invested are shown as a liability on the balance sheet.

Effective January 1, 1998, Silver Maples of Chelsea elected early application of Statement of Position 98-5, *Reporting on the Costs of Start-Up Activities*, to expense start-up activities and organization costs as incurred. The effect of adopting this statement was a one-time charge of \$600,919 in Silver Maples of Chelsea's statement of operations.

### **Note 6 - Van Dusen Endowment**

From May 1994 to March 1997, the Organization participated in an endowment campaign, the income from which will be used to help pay for benevolent care. The campaign allowed the Organization to take advantage of a Kresge Foundation initiative in partnership with the Community Foundation for Southeastern Michigan. When the established campaign goal of \$1,500,000 was reached in March 1997, the Kresge Foundation made a grant of one-third of the goal, totaling \$500,000. All funds generated through this program will be held and managed in commingled funds by the Community Foundation for Southeastern Michigan. Income from the funds will be paid annually to the Organization at a rate of 5 percent of the market value of the assets. An asset has been recorded for the present value of future cash flows related to this endowment.

### **Note 7 - Long-term Debt**

The Organization's long-term debt at December 31, 1997 consisted of Economic Development Corporation of the Village of Chelsea (EDC) 1993 13-year Term Limited Obligation Revenue Refunding Bonds. During 1998, the debt was defeased and, accordingly, all obligations associated with the debt have been removed from these financial statements.

During 1998, the Organization issued \$22,980,000 30-year Term Limited Obligation Revenue Refunding Bonds through the Economic Development Corporation of the Village of Chelsea (EDC). The bond proceeds were lent by the EDC to the Organization for the purpose of refinancing the EDC's November 1, 1993 Limited Obligation Revenue Bonds and for the construction of a dementia facility in Chelsea, Michigan.

# United Methodist Retirement Communities, Inc.

## Notes to Financial Statements December 31, 1998 and 1997

### Note 7 - Long-term Debt (Continued)

In accordance with the requirements of the Trust Indenture, the following trust funds have been established: Debt Service Reserve Fund, Bond Payment Fund and Project Fund. The purpose of the Debt Service Reserve and Bond Payment Funds are for the payment of principal and interest; or purchase and retirement before maturity; or the redemption before maturity of the bonds. The Project Funds are to be used for the payment of project costs.

Principal payments on the bonds are due annually through November 15, 2027, the maturity date of the bonds. Interest on the bonds is payable semiannually each November 15 and May 15 through the maturity date of the bonds. Principal payments and interest rates vary annually and range from \$450,000 to \$1,175,000 and 4.00 percent to 5.58 percent, respectively. Principal payments on the bonds for years subsequent to 1998 are as follows:

1999	\$ 650,000
2000	675,000
2001	870,000
2002	905,000
2003	945,000
2004 and thereafter	<u>18,485,000</u>
Total	<u>\$ 22,530,000</u>

Interest expense in 1998 is net of capitalized interest of approximately \$30,000.

### Note 8 - Split-interest Agreements

The Organization is a beneficiary of various split-interest agreements. Donors receive interest payments based on interest earned on amounts donated during their lifetimes. The present value of the estimated future payments to the donors, using a discount rate of 9 percent, has been recorded as a liability of the Organization.

### Note 9 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	<u>1998</u>	<u>1997</u>
Assets under split-interest agreement (Note 8)	\$ 210,756	\$ 138,313
Contributions restricted for future capital improvements	<u>1,543,729</u>	<u>25,202</u>
Total temporarily restricted net assets	<u>\$ 1,754,485</u>	<u>\$ 163,515</u>

# United Methodist Retirement Communities, Inc.

## Notes to Financial Statements December 31, 1998 and 1997

### Note 9 - Temporarily and Permanently Restricted Net Assets (Continued)

Permanently restricted net assets consist of the following at December 31:

	<u>1998</u>	<u>1997</u>
Van Dusen Endowment (Note 6)	\$ 2,522,049	\$ 2,373,965
Endowment assets - Contributions from donors, the principal of which is restricted to be held in perpetuity with earnings used for the continuing care of residents	<u>95,866</u>	<u>95,147</u>
Total permanently restricted net assets	<u>\$ 2,617,915</u>	<u>\$ 2,469,112</u>

### Note 10 - Net Resident Revenue

Room and board revenue during 1998 and 1997 is comprised of the following:

	<u>1998</u>	<u>1997</u>
Gross charges	\$ 16,267,571	\$ 15,535,304
Deductions:		
Medicaid contractual allowance	491,717	495,851
Medicare contractual allowance	483,121	378,863
Supplemental Social Security income contractual allowances	9,780	15,524
Benevolent care allowances	104,639	128,481
Other	<u>5,512</u>	<u>61,428</u>
Total deductions	<u>1,094,769</u>	<u>1,080,147</u>
Net resident revenue	<u>\$ 15,172,802</u>	<u>\$ 14,455,157</u>

# United Methodist Retirement Communities, Inc.

## Notes to Financial Statements December 31, 1998 and 1997

### Note 11 - Contributions

Unrestricted contribution income is comprised of the following:

	<u>1998</u>	<u>1997</u>
Detroit Annual Conference benevolence	\$ 103,100	\$ 103,100
Contributions from individuals	355,162	262,369
Bequests	<u>108,244</u>	<u>132,766</u>
Total unrestricted contribution income	<u>\$ 566,506</u>	<u>\$ 498,235</u>

### Note 12 - Employee Savings Plan

The Organization offers a 403(b) tax-deferred savings plan to qualified employees. Employees are allowed to contribute annually to the plan up to 20 percent of their compensation. The Organization matches one-half of contributions for nonunion employees up to a maximum of 2.5 percent of the employees' compensation. The matching contribution vests upon receipt. During 1998 and 1997, the Organization contributed \$102,638 and \$71,683, respectively, to the plan.

### Note 13 - Workers' Compensation

The Organization is self-insured for a substantial portion of its workers' compensation claims. The Organization has obtained stop-loss insurance coverage for claims in excess of \$250,000 per employee or per accident, and for aggregate claims in excess of \$916,000 in a two-year period. The Organization's stop-loss coverage is limited to \$5,000,000 in aggregate for the same two-year period. Total workers' compensation expense approximated \$164,000 and \$170,000 in 1998 and 1997, respectively. A refund of claims paid in 1990 to 1992 of approximately \$212,000 was received in 1998 and recorded as an offset to workers' compensation expense. The result was negative workers' compensation expense for 1998 of approximately \$48,000. Accruals of approximately \$230,000 and \$194,000 were recorded for unsettled and incurred but not reported claims at December 31, 1998 and 1997, respectively.

## **Additional Information**

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To the Board of Trustees  
United Methodist Retirement Communities, Inc.

We have audited the financial statements of United Methodist Retirement Communities, Inc. (a nonprofit organization) for the years ended December 31, 1998 and 1997. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of operating income (loss) before other operating activities on page 16 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, LLP*

April 2, 1999

# United Methodist Retirement Communities, Inc.

## Schedule of Operating Income (Loss) Before Other Operating Activities

	Year Ended December 31				
	1998			1997	
	Chelsea Retirement Community	Boulevard Temple Retirement Community	Huron Woods	Total	Total
<b>Changes in Unrestricted Net Assets</b>					
Operating revenue:					
Net resident revenue	\$ 9,892,578	\$ 5,280,224	\$ -	\$ 15,172,802	\$ 14,455,157
Other	<u>157,609</u>	<u>330,022</u>	<u>1,571,404</u>	<u>2,059,035</u>	<u>1,989,152</u>
Total operating revenue	10,050,187	5,610,246	1,571,404	17,231,837	16,444,309
Operating expenses:					
Health care services:					
Salaries and wages	4,941,311	3,562,961	1,129,404	9,633,676	9,048,944
Payroll taxes	372,824	247,493	83,834	704,151	739,784
Food	432,193	424,185	87,059	943,437	959,486
Medical care	205,255	274,694	5,640	485,589	438,670
Utilities	346,103	208,647	296	555,046	613,422
Repair and maintenance	383,554	192,184	218	575,956	484,571
Supplies	194,039	129,058	16,754	339,851	325,886
Insurance	507,395	231,147	110,432	848,974	1,030,501
Laundry and housekeeping services	21,699	16,300	27,084	65,083	47,268
Real estate taxes	167,295	-	-	167,295	173,142
Bad debts	19,022	136,715	-	155,737	10,308
Miscellaneous	187,566	132,218	58,473	378,257	322,486
Depreciation	732,016	391,897	-	1,123,913	1,124,845
Interest expense	409,471	-	-	409,471	545,520
General and administrative - Executive office expense	<u>465,020</u>	<u>300,874</u>	<u>77,762</u>	<u>843,656</u>	<u>774,776</u>
Total operating expenses	9,384,763	6,248,373	1,596,956	17,230,092	16,639,609
<b>Operating Income (Loss) - Before other operating activities</b>	<b><u>\$ 665,424</u></b>	<b><u>\$ (638,127)</u></b>	<b><u>\$ (25,552)</u></b>	<b><u>\$ 1,745</u></b>	<b><u>\$ (195,300)</u></b>