

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, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement
(please include name of state where issuer is located):

\$22,980,000

The Economic Development Corporation of the Village of Chelsea (Michigan)

Revenue and Revenue Refunding Bonds, Series 1998

United Methodist Retirement Communities, Inc.

Provide nine-digit CUSIP* numbers if available, to which the information relates:

163347AW7

163347AX5

163347AY3

163347AZ0

163347BA4

163347BB2

163347BC0

163347BD8

163347BE6

163347BF3

163347BG1

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): _____

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: _____

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

Electronic (number of pages attached) 31 Paper (number of pages attached) _____

If information is also available on the Internet, give URL: www.firstriver.com

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12
(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: January – December 2005 (FY2005)

B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: January – December 2005 (FY2005)

C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security |
| 2. <input type="checkbox"/> Non-payment related defaults | 7. <input type="checkbox"/> Modifications to the rights of security holders |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties | 9. <input type="checkbox"/> Defeasances |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
| | 11. <input type="checkbox"/> Rating changes |

D. Notice of Failure to Provide Annual Financial Information as Required

E. Quarterly or Monthly Financial Information and Operating Data
(Financial information and operating data should not be filed with the MSRB.)

Period Covered: _____

F. Other Secondary Market Information (Specify): _____

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

Issuer Contact:

Name _____ Title _____
Employer _____
Address _____ City _____ State _____ Zip Code _____
Telephone _____ Fax _____
Email Address _____ Issuer Web Site Address _____

Dissemination Agent Contact, if any:

Name Shelley J. Aronson Title President
Employer First River Advisory L.L.C.
Address 2640 Overridge Drive City Ann Arbor State MI Zip Code 48104
Telephone (734) 761-3624 Fax (734) 761-3614
Email Address aronson@firstriver.com Relationship to Issuer Dissemination Agent

Obligor Contact, if any:

Name Mark G. Royce, CPA Title Director of Finance
Employer United Methodist Retirement Communities, Inc.
Address 809 West Middle Street City Chelsea State MI Zip Code 48118
Telephone (734) 433-1000, ext 418 Fax (734) 475-5820
Email Address mroyce@umrc.com Obligor Web Site Address www.umrc.com

Investor Relations Contact, if any:

Name _____ Title _____
Telephone _____ Email Address _____

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

OFFICER'S CERTIFICATE

DATED: May 10, 2006

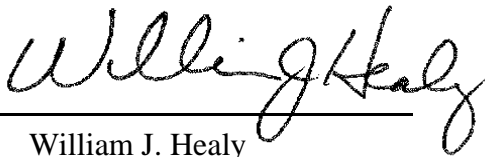
This Officer's Certificate is delivered pursuant to Section 5.6(b)(i) of the Loan Agreement between United Methodist Retirement Communities, Inc. (the Corporation) and The Economic Development Corporation of the Village of Chelsea (the Issuer), dated as of April 1, 1998. All capitalized terms used herein 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, 2005, 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 the President and Chief Executive Officer 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 FY2005 of 1.72, as calculated in the following manner:

***Debt Service Coverage Ratio Calculation
for the Fiscal Year Ended December 31, 2005***

Increase in Unrestricted Net Assets		(362,838)
Plus:	Unrealized Losses on Investments	672,803
Plus:	Extraordinary Items	0
Plus:	Interest	818,554
Plus:	Depreciation	2,245,887
Net Income Available for Debt Service		3,374,406
Debt Service Requirements for FY2005		1,961,430
Debt Service Coverage Ratio		1.72



by: William J. Healy
President and Chief Executive Officer

UNITED METHODIST RETIREMENT COMMUNITIES, INC.

ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005 (FY2005)

Unless otherwise noted, all data apply to the Fiscal Year Ended December 31, 2005, or are accurate as of December 31, 2005, 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>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
ILF	CRC	98.2%	96.5%	97.2%	97.0%	97.4%
	BT	N/A	N/A	N/A	N/A	N/A
ALF	CRC	95.4%	86.8%	92.8%	87.8%	87.5%
	BT	N/A	N/A	N/A	N/A	N/A
RDF	CRC	98.1%	98.4%	96.1%	96.3%	89.3%
	BT	N/A	N/A	N/A	N/A	N/A
SNF	CRC	89.7%	89.9%	89.8%	90.6%	87.6%
	BT	82.2%	80.3%	92.3%	87.4%	79.9%

Note: Shaded cells relate to discontinued operations at BT.

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
United Methodist Retirement Communities, Inc.
Fiscal Year Ended December 31, 2005
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<i>Waiting Lists, Active Prospective Residents Only</i>						
<i>(CRC Only)</i>						
<i>[OS Page 12]</i>						
		<i>At December 31</i>				
		<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
ILF	Units	129	132	100	100	100
	Waiting List	149	68	30	24	22
ALF	Units	82	81	120	120	120
	Waiting List	13	28	23	6	12
RDF	Beds	72	72	72	72	72
	Waiting List	23	16	5	15	8
SNF	Beds	85	85	85	85	85
	Waiting List	2	0	3	2	2

<i>ILF Turnover Rates</i>					
<i>(CRC Only)</i>					
<i>[OS Page A-13]</i>					
	<i>Fiscal Years Ended December 31</i>				
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
ILF Units	129	132	100	100	100
Reoccupied ILF Units	28	22	8	21	16
Turnover Rate (Annualized)	22%	17%	8%	21%	16%

MUNICIPAL SECONDARY MARKET DISCLOSURE
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FINANCIAL INFORMATION

<i>Medicaid SNF Reimbursement Rates, FY2006</i> <i>[OS Page A-22]</i>		
	<i>CRC</i>	<i>BT</i>
Variable Cost Component	\$141.28	\$141.28
Plant Cost Component	13.38	6.42
Continuous Quality Improvement Incentive	0.00	0.00
Wage Pass-through Add-on	0.00	0.00
OBRA Training & Testing Add-on	0.37	0.00
Medicaid Reimbursement Rate	\$155.03	\$147.70

<i>Variable Cost Component Limits</i> <i>[OS Page A-22]</i>		
<i>Fiscal Year</i>	<i>Limit</i>	<i>Percent Increase over Previous Year</i>
2006	\$141.28	5.2%
2005	\$134.36	3.5%
2004	\$129.83	5.9%
2003	\$122.56	2.0%
2002	\$120.12	0.6%

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
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<i>SNF Revenue Basis, 2006</i> <i>[OS Page A-23]</i>		
	<i>CRC</i>	<i>BT</i>
Charge for Semi-Private Room	\$201.00	\$190.00
Medicaid Reimbursement Rate	\$155.03	\$147.70
Discount from Semi-Private Room Charge	22.9%	22.3%

<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>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
<i>CRC</i>	Medicare	39.6%	31.3%	29.2%	19.1%	15.8%
	Medicaid	35.1%	34.8%	25.8%	27.1%	27.8%
	Commercial	3.3%	2.9%	1.9%	2.2%	1.4%
	Private	22.0%	31.0%	43.1%	51.6%	55.0%
<i>BT</i>	Medicare	31.3%	28.3%	26.1%	28.8%	24.1%
	Medicaid	59.5%	63.4%	58.7%	60.8%	64.5%
	Commercial	1.7%	1.5%	6.6%	4.5%	2.1%
	Private	7.5%	6.8%	8.6%	5.9%	9.3%
<i>Composite</i>	Medicare	34.9%	29.6%	27.3%	24.8%	20.5%
	Medicaid	49.0%	50.9%	45.6%	46.8%	48.8%
	Commercial	2.4%	2.2%	4.7%	3.5%	1.8%
	Private	13.7%	17.3%	22.4%	24.9%	28.9%

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
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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>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Cash, Cash Equivalents and Investments	15,042	16,187	18,892	17,794	17,774
Contributions Receivable	244	273	154	585	709
Net Accounts Receivable	2,720	2,635	2,758	2,254	2,349
Other Current Assets	<u>1,090</u>	<u>1,014</u>	<u>950</u>	<u>909</u>	<u>784</u>
Total Current Assets	19,097	20,109	22,754	21,542	21,616
Non-Current Investments	2,549	1,403	1,318	1,085	838
Contributions Receivable	456	131	314	89	328
Van Dusen Endowment Fund	2,614	2,462	2,259	1,867	2,213
Net Property and Equipment	34,438	35,688	33,420	32,196	33,058
Other Assets	<u>2,699</u>	<u>2,724</u>	<u>2,733</u>	<u>2,963</u>	<u>2,882</u>
Total	61,853	62,517	62,798	59,742	60,935
Current Liabilities	4,610	4,697	4,572	3,454	3,516
Long-Term Obligations	15,375	16,460	17,495	18,485	19,430
Other Liabilities	394	447	390	395	1,025
Unrestricted Net Assets	36,348	36,711	36,494	33,748	33,549
Restricted Net Assets	<u>5,125</u>	<u>4,202</u>	<u>3,847</u>	<u>3,660</u>	<u>3,415</u>
Total	61,853	62,517	62,798	59,742	60,935

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
United Methodist Retirement Communities, Inc.
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<i>Summary of Statements of Activities</i> (<i>\$000s omitted</i>) (<i>OS Page A-27</i>)					
	<i>Fiscal Years Ended December 31</i>				
	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Net Resident Revenue	29,516	27,728	26,248	24,221	20,845
Other Operating Revenue	<u>271</u>	<u>323</u>	<u>253</u>	<u>222</u>	<u>209</u>
Total Operating Revenue	29,787	28,051	26,501	24,443	21,054
Depreciation Expense	2,246	2,070	1,712	1,637	1,761
Interest Expense	819	883	931	967	993
Other Operating Expenses	<u>27,883</u>	<u>26,216</u>	<u>24,721</u>	<u>21,575</u>	<u>20,329</u>
Total Operating Expenses	30,948	29,169	27,364	24,179	23,083
Operating Income - Before Other Operating Activities	(1,161)	(1,118)	(863)	264	(2,029)
Other Operating Activities	<u>1,335</u>	<u>646</u>	<u>957</u>	<u>596</u>	<u>1,466</u>
Operating Income (Loss)	174	(472)	94	861	(563)
Extraordinary Items	0	0	0	0	0
Unrealized Gain (Loss) on Investments	(673)	553	2,040	(1,623)	(1,914)
Other Changes in Unrestricted Net Assets	<u>136</u>	<u>135</u>	<u>612</u>	<u>961</u>	<u>397</u>
Increase (Decrease) in Unrestricted Net Assets	(363)	216	2,746	199	(2,080)
Increase (Decrease) in Temporarily Restricted Net Assets	508	67	(347)	302	480
Increase (Decrease) in Permanently Restricted Net Assets	<u>414</u>	<u>289</u>	<u>533</u>	<u>(57)</u>	<u>(199)</u>
Increase (Decrease) in Net Assets	<u>560</u>	<u>572</u>	<u>2,932</u>	<u>444</u>	<u>(1,799)</u>

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
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<i>Summary of Statements of Activities, by Operating Unit, 2005, 2004 and 2003</i>						
<i>(\$000s omitted)</i>						
<i>[OS Page A-28]</i>						
	<i>Fiscal Years Ended December 31</i>					
	<i>2005</i>		<i>2004</i>		<i>2003</i>	
	<i>CRC</i>	<i>BT</i>	<i>CRC</i>	<i>BT</i>	<i>CRC</i>	<i>BT</i>
Net Resident Revenue	20,589	8,927	19,123	8,605	17,682	8,566
Other Operating Revenue	<u>189</u>	<u>82</u>	<u>182</u>	<u>141</u>	<u>70</u>	<u>183</u>
Total Operating Revenue	20,778	9,009	19,305	8,746	17,752	8,749
Depreciation Expense – Health Care Services	1,814	384	1,643	374	1,366	346
Interest Expense	699	0	883	0	931	0
Other Operating Expenses	<u>18,198</u>	<u>9,853</u>	<u>16,696</u>	<u>9,573</u>	<u>15,192</u>	<u>9,529</u>
Total Operating Expenses	20,711	10,237	19,222	9,947	17,489	9,875
Operating Income - Before Other Operating Activities	67	(1,228)	83	(1,201)	263	(1,126)
Note: UMRC's management of Huron Woods was discontinued prior to FY2002.						

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
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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>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>
Increase (Decrease) in Unrestricted Net Assets	(363)	216	2,747	199	(2,080)
Less: Unrealized Gains on Investments	 	(551)	(2,040)	 	
Plus: Unrealized Losses on Investments	673	 	 	1,623	1,914
Plus: Extraordinary Items	0	0	0	0	0
Plus: Depreciation	2,246	2,070	1,712	1,637	1,761
Plus: Interest	<u>819</u>	<u>883</u>	<u>931</u>	<u>967</u>	<u>993</u>
Net Income Available for Debt Service	3,375	2,618	3,350	4,426	2,588
Debt Service Requirements relating to Series 1998 Bonds	1,961	1,963	1,961	1,962	1,965
Debt Service Coverage Ratio	1.72	1.33	1.71	2.26	1.32
<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.</p>					

<i>Heritage Foundation Investments</i>								
<i>At December 31, 2005</i>								
<i>(000s omitted from Market Values)</i>								
<i>[replaces table on OS Page A-31]</i>								
	<i>Large-Cap Equity</i>	<i>Mid-Cap Equity</i>	<i>Small-Cap Equity</i>	<i>Int'l Equity</i>	<i>Fixed Income</i>	<i>Cash</i>	<i>Donated Equities</i>	<i>Market Value</i>
Target Allocation Range	25.0% to 45.0%	7.5% to 17.5%	7.5% to 17.5%	0.0% to 15.0%	25.0% to 40.0%	0.0% to 10.0%	N/A	
Market Value	\$5,580	\$1,951	\$1,917	\$1,746	\$4,418	\$17	\$0	\$15,629
Actual Allocation	35.7%	12.5%	12.3%	11.2%	28.3%	0.1%	0.0%	

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
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<i>Investment Performance</i> <i>[replaces table on OS Page A-32]</i>								
				<i>Annualized</i>				
	<i>Performance by</i>	<i>Quarter</i>	<i>1 Year</i>	<i>3 Year</i>	<i>5 Year</i>	<i>7 Year</i>	<i>Since Inception</i>	<i>Incep'n Date</i>
Composite	Composite	1.4%	3.9%	10.7%	2.2%	2.9%	8.3%	6/95
	Benchmark 1	1.8%	6.1%	13.4%	4.3%	4.6%	9.8%	
Large-Cap Equity	Manager	(0.3)%	(1.5)%	8.3%	(0.5)%	1.2%	9.5%	6/95
	Benchmark 2	2.1%	4.9%	14.4%	0.5%	1.8%	10.0%	
Mid-Cap Equity	Growth Fund	8.6%	13.0%	N/A	N/A	N/A	13.0%	12/04
	Benchmark 3	2.3%	12.7%	N/A	N/A	N/A	12.7%	
	Benchmark 4	3.4%	12.1%	N/A	N/A	N/A	12.1%	
Mid-Cap Equity	Value Manager	2.5%	6.3%	17.9%	N/A	N/A	14.8%	8/02
	Benchmark 5	2.3%	12.7%	23.8%	N/A	N/A	20.4%	
	Benchmark 6	1.3%	12.6%	24.4%	N/A	N/A	20.3%	
Small-Cap Equity	Growth Fund	0.9%	5.6%	N/A	N/A	N/A	22.6%	2/03
	Benchmark 7	1.1%	4.6%	N/A	N/A	N/A	26.2%	
	Benchmark 8	1.6%	4.2%	N/A	N/A	N/A	24.7%	
Small-Cap Equity	Value Fund	0.6%	3.2%	21.6%	N/A	N/A	16.3%	8/02
	Benchmark 9	1.1%	4.6%	22.1%	N/A	N/A	19.2%	
	Benchmark 10	0.7%	4.7%	23.2%	N/A	N/A	19.7%	
Int'l Equity	Fund 1	5.5%	16.2%	20.9%	N/A	N/A	15.6%	8/02
	Benchmark 11	4.1%	14.0%	24.2%	N/A	N/A	19.7%	
Int'l Equity	Fund 2	5.7%	21.0%	N/A	N/A	N/A	23.9%	6/04
	Benchmark 11	4.1%	14.0%	N/A	N/A	N/A	19.9%	
Fixed Income	Fund	0.5%	2.8%	4.5%	N/A	N/A	5.1%	8/02
	Benchmark 12	0.6%	2.4%	3.6%	N/A	N/A	4.2%	

Manager refers to an investment manager; Fund refers to a mutual fund

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
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<i>Investment Benchmarks</i> <i>[new]</i>		
<i>Benchmark</i>		
	S&P 500 Index	35.0%
	S&P MidCap 400 Index	12.5%
	Russell 2000 Index	12.5%
	MSCI EAFE Index	5.0%
1	Lehman Brothers Aggregate Bond Index	35.0%
2	S&P 500 Index	
3	S&P MidCap 400 Index	
4	Russell MidCap Growth Index	
5	S&P MidCap 400 Index	
6	Russell MidCap Value Index	
7	Russell 2000 Index	
8	Russell 2000 Growth Index	
9	Russell 2000 Index	
10	Russell 2000 Value Index	
11	MSCI EAFE Index	
12	Lehman Brothers Aggregate Bond Index	

<i>Results of Annual Giving Campaign</i> <i>(\$000s omitted)</i> <i>[OS Page A-32]</i>	
<i>Fiscal Year</i>	<i>Proceeds</i>
2005	273
2004	230
2003	430
2002	230
2001	386

<i>Estimated Debt Service Requirements on the SMOC Bonds</i> <i>(\$000s omitted)</i> <i>[OS Page A-35]</i>
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The Corporation's partial guarantee of obligations under the bank letter of credit reimbursement agreement relating to the SMOC Bonds was released during FY2002. This table will no longer be presented, unless such guarantee were to be restored.

United Methodist Retirement Communities, Inc. and Subsidiary

**Consolidated Financial Report
with Additional Information
December 31, 2005**

United Methodist Retirement Communities, Inc. and Subsidiary

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Independent Auditor's Report

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

We have audited the accompanying consolidated balance sheet of United Methodist Retirement Communities, Inc. and Subsidiary as of December 31, 2005 and 2004 and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Methodist Retirement Communities, Inc. and Subsidiary at December 31, 2005 and 2004 and the consolidated results of their activities, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Plante & Moran, PLLC

March 24, 2006

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United Methodist Retirement Communities, Inc. and Subsidiary

Consolidated Balance Sheet

	December 31, 2005	December 31, 2004
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,607,787	\$ 1,004,273
Investments (Note 3)	13,434,699	15,182,801
Accounts receivable - Less allowance for doubtful accounts of \$562,000 and \$550,000 in 2005 and 2004, respectively	2,720,316	2,634,770
Contributions receivable (Note 4)	244,432	272,758
Assets limited as to use (Note 7)	375,876	351,106
Prepaid expenses and other current assets	714,197	663,404
Total current assets	19,097,307	20,109,112
Assets Limited as to Use (Note 7)	1,810,882	1,811,446
Property and Equipment - Net (Note 5)	34,438,273	35,687,858
Beneficial Interest in Perpetual Trust (Note 9)	367,710	367,710
Other		
Investments (Note 3)	2,548,642	1,403,355
Contributions receivable - Net of current portion	455,891	131,123
Beneficial interest in Van Dusen endowment (Note 6)	2,613,500	2,462,161
Bond issue costs	520,740	544,500
Investment in joint ventures (Note 1)	-	-
Total assets	<u>\$ 61,852,945</u>	<u>\$ 62,517,265</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,331,095	\$ 1,282,474
Current portion of long-term debt (Note 7)	1,085,000	1,035,000
Due to third party	41,956	52,375
Liability accrued under split-interest agreements (Note 8)	69,398	69,998
Accrued liabilities and other	2,082,783	2,257,257
Total current liabilities	4,610,232	4,697,104
Long-term Debt - Net of current portion	15,375,000	16,460,000
Liability Under Split-interest Agreements (Note 8)	394,479	446,860
Net Assets		
Unrestricted	36,347,804	36,710,642
Temporarily restricted	1,345,207	836,896
Permanently restricted	3,780,223	3,365,763
Total net assets	41,473,234	40,913,301
Total liabilities and net assets	<u>\$ 61,852,945</u>	<u>\$ 62,517,265</u>

United Methodist Retirement Communities, Inc. and Subsidiary

Consolidated Statement of Activities

	Year Ended	
	December 31, 2005	December 31, 2004
Operating Revenue		
Net resident revenue	\$ 29,516,087	\$ 27,727,748
Other	271,167	323,414
Total operating revenue	29,787,254	28,051,162
Operating Expenses		
Health care services	29,628,499	28,037,857
General and administrative - Executive office expenses	1,319,623	1,131,241
Total operating expenses	30,948,122	29,169,098
Operating Loss - Before other operating activities	(1,160,868)	(1,117,936)
Other Operating Activities		
Investment income	727,332	493,625
Contributions	684,649	394,823
Gain on sale of investments	573,822	267,954
Other gains	36,084	35,369
Fund-raising - Promotion and development	(686,582)	(510,110)
Total other operating activities	1,335,305	681,661
Operating Income	174,437	(436,275)
Change in Unrealized Gains and Losses on Investments	(672,803)	552,551
Net Assets Released from Restriction for Capital Purchases	135,528	100,000
(Decrease) Increase in Unrestricted Net Assets	\$ (362,838)	\$ 216,276

United Methodist Retirement Communities, Inc. and Subsidiary

Consolidated Statement of Changes in Net Assets

	Year Ended	
	December 31, 2005	December 31, 2004
Unrestricted Net Assets		
Operating income (loss)	\$ 174,437	\$ (436,275)
Change in unrealized gain (loss) on investments	(672,803)	552,551
Net assets released from restriction	135,528	100,000
(Decrease) Increase in Unrestricted Net Assets	(362,838)	216,276
Temporarily Restricted Net Assets		
Restricted contributions	658,082	214,037
Change in value of split-interest agreements	(14,243)	(47,499)
Net assets released from restriction	(135,528)	(100,000)
Increase in Temporarily Restricted Net Assets	508,311	66,538
Permanently Restricted Net Assets		
Contributions	249,350	-
Gain on beneficial interest in Van Dusen endowment	151,339	274,885
Gain on beneficial interest in perpetual trusts	13,771	14,783
Increase in Permanently Restricted Net Assets	414,460	289,668
Increase in Net Assets	559,933	572,482
Net Assets - Beginning of year	40,913,301	40,340,819
Net Assets - End of year	\$ 41,473,234	\$ 40,913,301

United Methodist Retirement Communities, Inc. and Subsidiary

Consolidated Statement of Cash Flows

	Year Ended	
	December 31, 2005	December 31, 2004
Cash Flows from Operating Activities		
Increase in net assets	\$ 559,933	\$ 572,482
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	2,245,887	2,070,675
Amortization of bond issue costs	23,760	23,760
Realized and unrealized gains and losses on investments	98,981	(1,110,173)
Contributions restricted for long-term purposes	(983,691)	(214,037)
Gain on the sale of property and equipment	-	4,259
Bad debt expense	305,285	573,313
Change in value of split-interest agreements	14,243	47,499
Change in value of beneficial interest in perpetual trusts	(151,339)	(14,783)
Changes in assets and liabilities which provided (used) cash:		
Accounts receivable	(390,831)	(450,026)
Contributions receivable	(296,442)	64,086
Prepaid expenses and other current assets	(50,793)	(56,371)
Accounts payable	48,584	48,802
Accrued and other liabilities	(174,437)	137,341
Due to third party	(10,419)	(102,378)
Liability under split-interest agreements	(67,224)	5,999
Net cash provided by operating activities	1,171,497	1,600,448
Cash Flows from Investing Activities		
Purchase of property and equipment	(996,302)	(4,342,799)
Proceeds from sale of property and equipment	-	71,572
Purchase of investments	(2,037,634)	(1,815,838)
Proceeds from sale of investments	2,541,468	1,727,003
Change in assets limited as to use	(24,206)	(7,646)
Net cash used in investing activities	(516,674)	(4,367,708)
Cash Flows from Financing Activities		
Principal payment on long-term debt	(1,035,000)	(990,000)
Proceeds from restricted contributions	983,691	214,037
Net cash used in financing activities	(51,309)	(775,963)
Net Increase (Decrease) in Cash and Cash Equivalents	603,514	(3,543,223)
Cash and Cash Equivalents - Beginning of year	1,004,273	4,547,496
Cash and Cash Equivalents - End of year	\$ 1,607,787	\$ 1,004,273
Supplemental Cash Flow Information - Cash paid for interest	\$ 800,794	\$ 972,960

United Methodist Retirement Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements December 31, 2005 and 2004

Note I - Nature of Business and Significant Accounting Policies

United Methodist Retirement Communities, Inc. and Subsidiary (UMRC) are Michigan nonprofit organizations. UMRC, governed by a board of trustees, provides housing, health care, and other related services to residents through the operation of a continuing care retirement community in Chelsea, Michigan and a skilled nursing facility in Detroit, Michigan. Revenue for these services is primarily paid by individuals and third-party payors.

During 1998, UMRC formed the UMRC Heritage Foundation (the "Foundation"). The primary purpose of the Foundation is the management, stewardship, and allocation of funds; development and implementation of long- and short-term fund development plans; donor communication; and the recognition of certain activities and programs. UMRC and the Foundation (collectively, the "Organization") are related through common board control; as a result, the activities of the two are consolidated and all intercompany activity has been eliminated.

UMRC is a 50 percent sponsor in Silver Maples of Chelsea (SMOC), a not-for-profit retirement facility which provides independent and assisted-living housing and services to residents in Chelsea, Michigan. The Organization's investment in SMOC is zero at December 31, 2005 and 2004. The Organization is also the operating member of Sylvan Pines Limited Dividend Housing Association LLC (Sylvan Pines), an entity established to provide affordable housing to the elderly under the Low-income Housing Tax Credit Program. During the years ended December 31, 2005 and 2004, the Organization received management fees of \$36,084 and \$35,378, respectively, from Sylvan Pines.

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable - The Organization's accounts receivable are comprised of net invoice amounts due from residents. An allowance for doubtful accounts is established on an aggregate basis, computed using loss rate factors based on historical loss experience and adjusted for economic conditions and other trends affecting the Organization's ability to collect outstanding amounts. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

United Methodist Retirement Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements December 31, 2005 and 2004

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

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 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. Conditional promises to give are not included as support until the conditions are substantially met.

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 \$284,676 and \$260,916 at December 31, 2005 and 2004, respectively.

Operating Income - The consolidated statement of activities includes operating income or loss, which includes transactions deemed by management to be ongoing, major, or central to the provision of housing, health care, and other related goods and services. Changes in unrestricted net assets which are excluded from operating income (loss), consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Net Resident Revenue - Resident service revenue is recorded at established rates. Allowances are provided to reduce such revenue to the amount of reimbursement expected to be received, including amounts receivable under contractual arrangements with Medicare and Medicaid. Medicaid reimburses the Organization for inpatient routine service costs on a per diem basis, prospectively determined.

United Methodist Retirement Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements December 31, 2005 and 2004

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

Medicare reimburses the Organization for services provided based on clinical assessments that are subject to review and final approval by Medicare. The Organization has established an allowance to offset future adjustments to Medicare claims. Any adjustment as a result of this final review and approval will be recorded against the allowance in the period in which the adjustment is made.

The makeup (in percentages) of net resident service revenue is as follows:

	2005	2004
Private	52 %	50 %
Medicaid	18 %	19 %
Medicare	30 %	31 %

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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.

Contributions - Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently 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 as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

United Methodist Retirement Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements December 31, 2005 and 2004

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

Board-designated Assets - These net assets are intended to be used to protect the long-term interests of the Organization. Board-designated net assets totaled \$13,804,326 and \$14,810,142 as of December 31, 2005 and 2004, respectively, and are included in unrestricted net assets in the consolidated balance sheet.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal Income Tax - The Internal Revenue Service has ruled that the Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Note 2 - Concentration of Credit Risk

The Organization operates facilities located in Chelsea, Michigan 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:

	2005	2004
Medicaid	26 %	37 %
Medicare	43 %	35 %
Patients and other third-party payors	31 %	28 %
Total	100 %	100 %

United Methodist Retirement Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements December 31, 2005 and 2004

Note 3 - Investments

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

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 1,521,243	\$ 239,933
Bonds	4,400,006	4,950,962
Stocks	10,027,528	11,360,697
Other	<u>34,564</u>	<u>34,564</u>
Total investments	15,983,341	16,586,156
Less long-term investments related to endowment assets and split-interest agreements	<u>2,548,642</u>	<u>1,403,355</u>
Total current investments	<u>\$ 13,434,699</u>	<u>\$ 15,182,801</u>

Investment income is net of investment fees of \$50,176 and \$85,081 for 2005 and 2004, 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 - Contributions Receivable

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

	<u>2005</u>	<u>2004</u>
Contributions receivable	\$ 942,869	\$ 630,879
Unamortized discount	(137,546)	(106,998)
Unconditional promises to give - Before allowance for uncollectibles	805,323	523,881
Less allowance for uncollectibles	<u>105,000</u>	<u>120,000</u>
Net unconditional promises to give	<u>\$ 700,323</u>	<u>\$ 403,881</u>
Amounts due:		
Less than one year	\$ 247,481	\$ 272,758
One to five years	416,490	58,121
More than five years	<u>278,398</u>	<u>300,000</u>
Total	<u>\$ 942,869</u>	<u>\$ 630,879</u>

United Methodist Retirement Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements December 31, 2005 and 2004

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2005	2004
Land	\$ 945,898	\$ 571,669
Land improvements	2,204,184	2,086,526
Buildings	40,596,253	40,596,253
Building improvements	10,157,798	10,125,089
Transportation equipment	220,747	220,747
Furniture, fixtures, and equipment	11,534,231	11,448,613
Total cost	65,659,111	65,048,897
Accumulated depreciation	31,220,838	29,361,039
Net carrying amount	\$ 34,438,273	\$ 35,687,858

Depreciation expense on property and equipment totaled \$2,245,887 and \$2,070,675 at December 31, 2005 and 2004, respectively.

Note 6 - Beneficial Interest in Van Dusen Endowment

The Organization has a beneficial interest in the net assets of the Van Dusen endowment held by the Community Foundation for Southeastern Michigan. All funds generated through this program are held and managed in commingled funds by the Community Foundation for Southeastern Michigan. Income from the funds is 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 in the amount of \$2,613,500 and \$2,462,161 at December 31, 2005 and 2004, respectively.

Note 7 - Long-term Debt

During 1998, the Organization issued \$22,980,000 of 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.

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

United Methodist Retirement Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements December 31, 2005 and 2004

Note 7 - Long-term Debt (Continued)

	<u>2005</u>	<u>2004</u>
Debt Service Reserve Fund	\$ 1,810,882	\$ 1,811,446
Bond Payment Fund	375,872	351,102
Project Fund	<u>4</u>	<u>4</u>
Total assets limited as to use	2,186,758	2,162,552
Less assets limited as to use - Expected to be expended in 2006	<u>375,876</u>	<u>351,106</u>
Long-term assets limited as to use	<u>\$ 1,810,882</u>	<u>\$ 1,811,446</u>

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. The bonds are collateralized by gross revenue and other certain assets of the Organization. Principal payments and interest rates vary annually and range from \$415,000 to \$1,175,000 and 4.80 percent to 5.58 percent, respectively. The bonds have restrictive financial and other covenants.

Principal payments are due as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2006	\$ 1,085,000
2007	415,000
2008	435,000
2009	460,000
2010	480,000
Thereafter	<u>13,585,000</u>
Total	<u>\$ 16,460,000</u>

Note 8 - Split-interest Agreements

The Organization is a beneficiary of various split-interest agreements. Donors receive interest payments, based on published rates at the date of donation, earned on amounts donated during their lifetimes. The present value of the estimated future payments to the donors has been recorded as a liability of the Organization.

United Methodist Retirement Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements December 31, 2005 and 2004

Note 9 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Assets under split-interest agreement	\$ 406,360	\$ 420,603
Contributions restricted for future capital improvements	117,255	213,193
Contributions restricted for future charitable care	339,411	203,100
Contributions restricted for other future uses by donor	<u>482,181</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 1,345,207</u>	<u>\$ 836,896</u>

Permanently restricted net assets at December 31, 2005 and 2004 are restricted to the following:

	<u>2005</u>	<u>2004</u>
Van Dusen Endowment	\$ 2,613,500	\$ 2,462,161
Beneficial interest in perpetual trusts	367,710	367,710
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>799,013</u>	<u>535,892</u>
Total permanently restricted	<u>\$ 3,780,223</u>	<u>\$ 3,365,763</u>

Note 10 - 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 2005 and 2004, the Organization contributed \$172,084 and \$163,949, respectively, to the plan.

United Methodist Retirement Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements December 31, 2005 and 2004

Note 11 - 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 \$300,000 per employee or per accident, and for aggregate claims in excess of \$1,000,000 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 \$387,000 and \$634,000 in 2005 and 2004, respectively. Accruals of approximately \$455,000 and \$645,000 were recorded for unsettled and incurred but not reported claims at December 31, 2005 and 2004, respectively.

Additional Information



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

We have audited the consolidated financial statements of United Methodist Retirement Communities, Inc. and Subsidiary as of December 31, 2005 and 2004. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating schedule of operating activities is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the operating results of the individual entities and is not a required part of the basic consolidated financial statements. The accompanying information has been subjected to the procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

/s/ Plante & Moran, PLLC

March 24, 2006

United Methodist Retirement Communities, Inc. and Subsidiary

Consolidating Schedule of Operating Activities Year Ended December 31, 2005

	Chelsea Retirement Community	Boulevard Temple Retirement Community	Totals
Operating Revenue			
Net resident revenue	\$ 20,589,263	\$ 8,926,824	\$ 29,516,087
Other	189,361	81,806	271,167
Total operating revenue	20,778,624	9,008,630	29,787,254
Operating Expenses			
Salaries, wages, and purchased labor	10,349,213	5,357,484	15,706,697
Payroll taxes	651,755	325,796	977,551
Food	794,698	193,135	987,833
Medical care	771,812	662,782	1,434,594
Utilities	866,842	466,515	1,333,357
Repairs and maintenance	497,246	429,348	926,594
Supplies	434,589	133,856	568,445
Insurance	1,865,069	813,011	2,678,080
Laundry and housekeeping	16,919	11,723	28,642
Provider tax	296,582	424,606	721,188
Bad debts	49,222	256,063	305,285
Miscellaneous	501,028	317,236	818,264
Depreciation	1,814,371	383,531	2,197,902
Interest expense	698,762	-	698,762
Real estate taxes	245,305	-	245,305
General and administrative - Executive office expense	857,660	461,963	1,319,623
Total operating expenses	20,711,073	10,237,049	30,948,122
Operating Income (Loss) - Before other operating activities	\$ 67,551	\$ (1,228,419)	\$ (1,160,868)