

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) 38 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 2007 (FY2007)

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

Fiscal Period Covered: January – December 2007 (FY2007)

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 Override 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, C.P.A. Title Chief Financial Officer
Employer United Methodist Retirement Communities, Inc.
Address 805 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 1, 2008

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 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, 2007, 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.
3. The Corporation has complied with Section 501(a)(ii) of the Loan Agreement by having recorded a Debt Service Coverage Ratio for FY2007 of 3.51, as calculated in the following manner:

<i>Debt Service Coverage Ratio Calculation for the Fiscal Year Ended December 31, 2007</i>		
Increase in Unrestricted Net Assets		1,444,084
Minus:	Unrealized Gains on Investments	(233,985)
Plus:	Extraordinary Items	0
Plus:	Interest	711,850
Plus:	Depreciation	2,429,987
Net Income Available for Debt Service		4,351,936
Debt Service Requirements for FY2007		1,238,585
Debt Service Coverage Ratio		3.51



by: John J. Thorhauer
President and Chief Executive Officer

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

ANNOUNCEMENT

DATED: MAY 1, 2008

The Corporation has commenced the development of the Cedars of Dexter project. The Cedars of Dexter will consist of 60 single-story homes together with a clubhouse located in the Village of Dexter, Michigan. The Corporation's analyses indicate that sufficient demand exists for the homes, and that the Cedars of Dexter will exhibit positive net income and strong cash flows once initial fill-up has been achieved.

The Cedars of Dexter will be an "entry-fee" community, with residents executing life leases for their homes with the Corporation. Entry fees of approximately \$300,000 will be 50 percent to 90 percent refundable, depending on certain circumstances. Priority for admission to assisted living and other facilities at CRC will be given to Cedars of Dexter's residents. As of March 31, 2008, the Corporation has accepted reservation deposits (\$1,000 each) for nearly half of the 60 homes.

Total development cost of the project is estimated at \$18 to \$20 million. As of December 31, 2007, approximately \$1.5 million had been expended on acquiring and improving the land and on other capital costs. The Corporation's Board of Trustees has authorized the expenditure of another \$3 million through FY2008 for roadways, utilities and other site improvements, and for the construction of model homes at the site. The Corporation has arranged a \$3 million unsecured line of credit from a bank for this purpose. As of March 31, 2008, the Corporation has drawn \$200,000 from this line of credit. The Corporation plans to repay the line of credit with the proceeds of permanent financing later in FY2008 or in early FY2009. Such permanent financing is likely to take the form of debt secured on a parity with the Series 1998 Bonds. No commitments for permanent financing have yet been obtained.

UNITED METHODIST RETIREMENT COMMUNITIES, INC.

ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007 (FY2007)

Unless otherwise noted, all data apply to the Fiscal Year Ended December 31, 2007, or are accurate as of December 31, 2007, 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>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
ILF	CRC	94.1%	98.7%	98.2%	96.5%	97.2%
	BT	N/A	N/A	N/A	N/A	N/A
ALF	CRC	96.4%	96.6%	95.4%	86.8%	92.8%
	BT	N/A	N/A	N/A	N/A	N/A
RDF	CRC	97.9%	94.5%	98.1%	98.4%	96.1%
	BT	N/A	N/A	N/A	N/A	N/A
SNF	CRC	83.0%	88.7%	89.7%	89.9%	89.8%
	BT	92.1%	90.5%	82.2%	80.3%	92.3%

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, 2007
Page 2

<i>Waiting Lists, Active Prospective Residents Only</i>						
<i>(CRC Only)</i>						
<i>[OS Page 12]</i>						
		<i>At December 31</i>				
		<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
ILF	Units	131	129	129	132	100
	Waiting List	43	72	149	68	30
ALF	Units	52	82	82	81	120
	Waiting List	7	25	13	28	23
RDF	Beds	104	76	72	72	72
	Waiting List	2	15	23	16	5
SNF	Beds	85	85	85	85	85
	Waiting List	0	2	2	0	3

<i>ILF Turnover Rates</i>					
<i>(CRC Only)</i>					
<i>[OS Page A-13]</i>					
	<i>Fiscal Years Ended December 31</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
ILF Units	131	129	129	132	100
Reoccupied ILF Units	27	26	28	22	8
Turnover Rate (Annualized)	21%	20%	22%	17%	8%

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
United Methodist Retirement Communities, Inc.
Fiscal Year Ended December 31, 2007
Page 3

FINANCIAL INFORMATION

<i>Medicaid SNF Reimbursement Rates, FY2008</i> <i>[OS Page A-22]</i>		
	<i>CRC</i>	<i>BT</i>
Variable Cost Component	\$154.70	\$150.01
Plant Cost Component	8.76	8.82
Continuous Quality Improvement Incentive	0.00	0.00
Wage Pass-through Add-on	0.00	0.00
OBRA Training & Testing Add-on	0.00	0.00
Medicaid Reimbursement Rate	\$163.46	\$158.83

<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>
2008	\$154.70	4.8%
2007	\$147.68	4.5%
2006	\$141.28	5.2%
2005	\$134.36	3.5%
2004	\$129.83	5.9%

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
United Methodist Retirement Communities, Inc.
Fiscal Year Ended December 31, 2007
Page 4

<i>SNF Revenue Basis, FY2008</i> <i>[OS Page A-23]</i>		
	<i>CRC</i>	<i>BT</i>
Charge for Semi-Private Room	\$213.00	\$206.00
Medicaid Reimbursement Rate	\$163.46	\$158.83
Discount from Semi-Private Room Charge	23.3%	22.9%

<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>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
<i>CRC</i>	Medicare	45.2%	41.1%	39.6%	31.3%	29.2%
	Medicaid	15.8%	26.9%	35.1%	34.8%	25.8%
	Commercial	2.9%	1.7%	3.3%	2.9%	1.9%
	Private	36.1%	30.3%	22.0%	31.0%	43.1%
<i>BT</i>	Medicare	42.6%	39.5%	31.3%	28.3%	26.1%
	Medicaid	49.2%	51.5%	59.5%	63.4%	58.7%
	Commercial	3.6%	3.2%	1.7%	1.5%	6.6%
	Private	4.6%	5.8%	7.5%	6.8%	8.6%
<i>Composite</i>	Medicare	43.6%	40.2%	34.9%	29.6%	27.3%
	Medicaid	36.4%	41.7%	49.0%	50.9%	45.6%
	Commercial	3.4%	2.6%	2.4%	2.2%	4.7%
	Private	16.6%	15.5%	13.7%	17.3%	22.4%

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
United Methodist Retirement Communities, Inc.

Fiscal Year Ended December 31, 2007

Page 5

<i>Balance Sheet Summary</i>					
<i>(\$000s omitted)</i>					
<i>[OS Page A-26]</i>					
	<i>As of December 31</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Cash, Cash Equivalents and Investments	2,382	3,640	15,042	16,187	18,892
Contributions Receivable	210	1,534	244	273	154
Net Accounts Receivable	2,883	3,078	2,720	2,635	2,758
Other Current Assets	<u>1,031</u>	<u>1,009</u>	<u>1,090</u>	<u>1,014</u>	<u>950</u>
Total Current Assets	6,506	9,261	19,097	20,109	22,754
Liquid Investments	16,877	14,868	2,549	1,403	1,318
Contributions Receivable	893	877	456	131	314
Van Dusen Endowment Fund	3,067	2,889	2,614	2,462	2,259
Net Property and Equipment	35,781	34,751	34,438	35,688	33,420
Other Assets	<u>2,979</u>	<u>2,963</u>	<u>2,699</u>	<u>2,724</u>	<u>2,733</u>
Total	66,103	65,609	61,853	62,517	62,798
Current Liabilities	3,555	4,303	4,610	4,697	4,572
Long-Term Obligations	14,525	14,960	15,375	16,460	17,495
Other Liabilities	321	316	394	447	390
Unrestricted Net Assets	41,690	40,246	36,348	36,711	36,494
Restricted Net Assets	<u>6,012</u>	<u>5,783</u>	<u>5,125</u>	<u>4,202</u>	<u>3,847</u>
Total	66,103	65,609	61,853	62,517	62,798

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
United Methodist Retirement Communities, Inc.

Fiscal Year Ended December 31, 2007

Page 6

<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>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Net Resident Revenue	33,690	32,375	29,516	27,728	26,248
Other Operating Revenue	<u>236</u>	<u>237</u>	<u>271</u>	<u>323</u>	<u>253</u>
Total Operating Revenue	33,925	32,613	29,787	28,051	26,501
Depreciation Expense	2,430	2,286	2,246	2,070	1,712
Interest Expense	712	684	819	883	931
Other Operating Expenses	<u>31,312</u>	<u>30,592</u>	<u>27,883</u>	<u>26,216</u>	<u>24,721</u>
Total Operating Expenses	34,454	33,562	30,948	29,169	27,364
Operating Income (Loss) – Before Other Operating Activities	(529)	(949)	(1,161)	(1,118)	(863)
Other Operating Activities	<u>1,420</u>	<u>3,884</u>	<u>1,335</u>	<u>646</u>	<u>957</u>
Operating Income (Loss)	891	2,934	174	(472)	94
Extraordinary Items	0	(835)	0	0	0
Unrealized Gain (Loss) on Investments	51	574	(673)	553	2,040
Other Changes in Unrestricted Net Assets	<u>502</u>	<u>253</u>	<u>136</u>	<u>135</u>	<u>612</u>
Increase (Decrease) in Unrestricted Net Assets	1,444	2,926	(363)	216	2,746
Increase (Decrease) in Temporarily Restricted Net Assets	(96)	2	508	67	(347)
Increase (Decrease) in Permanently Restricted Net Assets	<u>324</u>	<u>656</u>	<u>414</u>	<u>289</u>	<u>533</u>
Increase (Decrease) in Net Assets	<u>1,673</u>	<u>3,584</u>	<u>560</u>	<u>572</u>	<u>2,932</u>

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
United Methodist Retirement Communities, Inc.
Fiscal Year Ended December 31, 2007
Page 7

<i>Summary of Statements of Activities, by Operating Unit, 2007, 2006 and 2005</i>						
<i>(\$000s omitted)</i>						
<i>[OS Page A-28]</i>						
	<i>Fiscal Years Ended December 31</i>					
	<i>2007</i>		<i>2006</i>		<i>2005</i>	
	<i>CRC</i>	<i>BT</i>	<i>CRC</i>	<i>BT</i>	<i>CRC</i>	<i>BT</i>
Net Resident Revenue	22,111	11,578	21,472	10,903	20,589	8,927
Other Operating Revenue	<u>231</u>	<u>5</u>	<u>234</u>	<u>3</u>	<u>189</u>	<u>82</u>
Total Operating Revenue	22,342	11,583	21,706	10,907	20,778	9,009
Depreciation Expense – Health Care Services	1,926	457	1,878	408	1,814	384
Interest Expense	712	0	684	0	699	0
Other Operating Expenses	<u>19,343</u>	<u>12,016</u>	<u>19,315</u>	<u>11,277</u>	<u>18,198</u>	<u>9,853</u>
Total Operating Expenses	21,980	12,474	21,876	11,686	20,711	10,237
Operating Income - Before Other Operating Activities	362	(891)	(170)	(779)	67	(1,228)
Note: UMRC's management of Huron Woods was discontinued prior to FY2005.						

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
United Methodist Retirement Communities, Inc.
Fiscal Year Ended December 31, 2007
Page 8

<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>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Increase (Decrease) in Unrestricted Net Assets	1,444	2,857	(363)	216	2,747
Less: Unrealized Gains on Investments	(234)	(574)	 	(551)	(2,040)
Plus: Unrealized Losses on Investments	 	 	673	 	
Plus: Extraordinary Items	0	835	0	0	0
Plus: Depreciation	2,430	2,286	2,246	2,070	1,712
Plus: Interest	<u>712</u>	<u>684</u>	<u>819</u>	<u>883</u>	<u>931</u>
Net Income Available for Debt Service	4,352	6,088	3,375	2,618	3,350
Debt Service Requirements relating to Series 1998 Bonds	1,239	1,962	1,961	1,963	1,961
Debt Service Coverage Ratio	3.51	3.10	1.72	1.33	1.71
<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, 2007</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%	10.0% to 20.0%	20.0% to 40.0%	0.0% to 10.0%	N/A	
Market Value	\$5,467	\$1,978	\$2,094	\$2,588	\$5,069	\$834	\$8	\$18,038
Actual Allocation	30.3%	11.0%	11.6%	14.3%	28.1%	4.6%	0.1%	

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
United Methodist Retirement Communities, Inc.
Fiscal Year Ended December 31, 2007
Page 9

<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	(0.2)%	8.5%	8.6%	10.8%	4.6%	8.8%	6/95
	Benchmark 1	(1.4)%	5.8%	8.4%	11.9%	5.8%	9.8%	
Large-Cap Equity	Manager	(1.6)%	7.2%	7.4%	9.8%	3.0%	9.9%	6/95
	Benchmark 2	(3.3)%	5.5%	8.6%	12.8%	3.3%	10.1%	
Mid-Cap Equity	Growth Fund	(1.8)%	12.6%	8.5%	N/A	N/A	8.5%	12/04
	Benchmark 3	(3.5)%	5.6%	11.1%	N/A	N/A	11.1%	
	Benchmark 4	(1.7)%	11.4%	11.4%	N/A	N/A	11.4%	
Mid-Cap Equity	Value Mgr.	(11.6)%	(8.8)%	6.8%	13.4%	N/A	11.8%	8/02
	Benchmark 5	(3.5)%	(5.6)%	11.1%	18.2%	N/A	16.5%	
	Benchmark 6	(6.0)%	(1.4)%	10.1%	17.9%	N/A	15.9%	
Small-Cap Equity	Growth Fund	2.2%	13.6%	10.0%	N/A	N/A	18.2%	2/03
	Benchmark 7	(4.6)%	(1.6)%	6.8%	N/A	N/A	18.3%	
	Benchmark 8	(2.1)%	7.0%	8.1%	N/A	N/A	18.4%	
Small-Cap Equity	Value Fund	(4.6)%	(3.0)%	5.0%	15.1%	N/A	12.3%	8/02
	Benchmark 9	(4.6)%	(1.6)%	6.8%	16.2%	N/A	14.8%	
	Benchmark 10	(7.3)%	(9.8)%	5.3%	15.8%	N/A	14.2%	
Int'l Equity	Fund 1	2.8%	19.7%	20.5%	21.6%	N/A	18.2%	8/02
	Benchmark 11	(1.8)%	11.2%	16.8%	21.6%	N/A	19.0%	
Int'l Equity	Fund 2	1.1%	21.7%	15.0%	N/A	N/A	25.7%	6/04
	Benchmark 11	(1.8)%	11.2%	16.8%	N/A	N/A	19.0%	
Int'l Equity	Fund 3	3.6%	N/A	N/A	N/A	N/A	13.3%	8/07
	Benchmark 12	3.6%	N/A	N/A	N/A	N/A	15.1%	

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
United Methodist Retirement Communities, Inc.
Fiscal Year Ended December 31, 2007
Page 10

<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>
Fixed Income	Fund 1	3.9%	9.0%	5.2%	5.3%	N/A	5.6%	8/02
	Benchmark 13	3.0%	7.0%	4.6%	4.4%	N/A	4.8%	
Fixed Income	Fund 2	0.3%	N/A	N/A	N/A	N/A	2.3%	8/07
	Benchmark 14	(0.1)%	N/A	N/A	N/A	N/A	2.8%	

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 /
United Methodist Retirement Communities, Inc.
Fiscal Year Ended December 31, 2007
Page 11

<i>Investment Benchmarks</i> <i>[new]</i>		
<i>Benchmark</i>		
1	S&P 500 Index	30.0%
	S&P MidCap 400 Index	12.5%
	Russell 2000 Index	12.5%
	MSCI EAFE Index	15.0%
	Lehman Brothers Aggregate Bond Index	30.0%
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	MSCI Emerging Markets Free Index	
13	Lehman Brothers Aggregate Bond Index	
14	CSFB Leveraged Loan Index	

MUNICIPAL SECONDARY MARKET DISCLOSURE
The Economic Development Corporation of the Village of Chelsea /
United Methodist Retirement Communities, Inc.
Fiscal Year Ended December 31, 2007
Page 12

<i>Results of Annual Giving Campaign</i> <i>(\$000s omitted)</i> <i>[OS Page A-32]</i>	
<i>Fiscal Year</i>	<i>Proceeds</i>
2007	343
2006	339
2005	273
2004	230
2003	430

<i>Estimated Debt Service Requirements on the SMOC Bonds</i> <i>(\$000s omitted)</i> <i>[OS Page A-35]</i>
--

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, 2007**

United Methodist Retirement Communities, Inc. and Subsidiary

Contents

Report Letter	1
Consolidated Financial Statements	
Balance Sheet	2
Statement of Activities	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-17
Additional Information	18
Report Letter	19
Consolidating Balance Sheet	20
Consolidating Statement of Operating Activities	21



Plante & Moran, PLLC
27400 Northwestern Highway
PO Box 8007
Southfield, MI 48034-0807
e. 248.352.2000
f. 248.352.0018
p. enterprisecpa.com

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, 2007 and 2006 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, 2007 and 2006 and the consolidated results of their activities, changes in net assets, and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 12 to the consolidated financial statements, the Organization adopted the provisions of Emerging Issues Tax Force (EITF) 04-5, *Determining whether a General Partner, or the General Partner as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*, as of January 1, 2006.

Plante & Moran, PLLC

April 10, 2008

United Methodist Retirement Communities, Inc. and Subsidiary

Consolidated Balance Sheet

	December 31, 2007	December 31, 2006
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,505,060	\$ 1,890,309
Investments (Note 3)	1,148,570	2,025,231
Accounts receivable - Less allowance for doubtful accounts of \$568,404 and \$522,000 in 2007 and 2006, respectively (Note 2)	2,882,857	3,078,209
Contributions receivable (Note 4)	209,898	1,533,915
Assets limited as to use (Note 8)	976,646	866,362
Prepaid expenses and other current assets	582,805	639,954
Total current assets	7,305,836	10,033,980
Assets Limited as to Use - Net of current portion (Note 8)	1,864,746	1,864,290
Property and Equipment - Net (Note 5)	40,905,654	40,249,426
Beneficial Interest in Perpetual Trust	244,341	387,791
Other		
Investments (Note 3)	16,877,318	14,867,824
Contributions receivable - Net of current portion (Note 4)	892,770	877,207
Investment in joint venture (Note 1)	396,747	213,963
Beneficial interest in Van Dusen endowment (Note 6)	3,067,361	2,889,341
Bond issue costs	473,220	496,980
Total assets	<u>\$ 72,027,993</u>	<u>\$ 71,880,802</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,267,115	\$ 1,528,271
Current portion of long-term debt (Note 8)	555,016	529,174
Due to third-party payors	89,702	141,876
Liability accrued under split-interest agreements (Note 7)	57,413	52,723
Accrued liabilities and other	1,853,739	2,303,519
Total current liabilities	3,822,985	4,555,563
Long-term Debt - Net of current portion (Note 8)	21,465,740	22,020,757
Liability Under Split-interest Agreements (Note 7)	320,731	316,371
Net Assets		
Unrestricted:		
Controlling interest	41,690,457	40,246,373
Noncontrolling interest	(1,283,969)	(1,041,541)
Temporarily restricted (Note 9)	1,251,437	1,347,102
Permanently restricted (Note 9)	4,760,612	4,436,177
Total net assets	46,418,537	44,988,111
Total liabilities and net assets	<u>\$ 72,027,993</u>	<u>\$ 71,880,802</u>

United Methodist Retirement Communities, Inc. and Subsidiary

Consolidated Statement of Activities

	Year Ended	
	December 31 2007	December 31 2006
Operating Revenue		
Net service revenue	\$ 33,689,563	\$ 32,375,480
Rental revenue	961,883	966,513
Other	288,758	306,585
Net assets released from restrictions	501,823	253,305
Total operating revenue	35,442,027	33,901,883
Operating Expenses		
Healthcare	33,762,086	32,585,741
General and administrative - Executive office expenses	1,780,752	2,033,465
Total operating expenses	35,542,838	34,619,206
Operating Loss - Before other operating activities	(100,811)	(717,323)
Other Operating Activities		
Investment income	1,170,455	990,959
Contributions	709,619	2,733,182
Gain on sale of investments	9,794	431,411
Development expenses - Dexter project	(256,172)	-
Income from investment in joint venture	182,784	213,963
Equity distributions from noncontrolling interest	(130,428)	(100,058)
Fund-raising - Promotion and development expenses	(434,786)	(433,919)
Total other operating activities	1,251,266	3,835,538
Operating Income	1,150,455	3,118,215
Changes in Unrealized Gain on Investments	51,201	573,839
Increase in Net Assets Before Change in Accounting Principle	1,201,656	3,692,054
Cumulative Effect of Change in Accounting Principle (Note 12)	-	(835,026)
Consolidated Increase in Unrestricted Net Assets	1,201,656	2,857,028
Less Consolidated Increase in Unrestricted Net Assets Attributable to Noncontrolling Interest in Subsidiary	(242,428)	(1,041,541)
Consolidated Net Income Attributable to Controlling Interest	\$ 1,444,084	\$ 3,898,569

United Methodist Retirement Communities, Inc. and Subsidiary

Consolidated Statement of Changes in Net Assets

	Year Ended	
	December 31 2007	December 31 2006
Unrestricted Net Assets		
Increase in net assets attributable to controlling interests	\$ 1,444,084	\$ 3,898,569
Decrease in net assets attributable to noncontrolling interests	(242,428)	(1,041,541)
Increase in Unrestricted Net Assets	1,201,656	2,857,028
Temporarily Restricted Net Assets		
Contributions	427,024	193,152
Change in value of split-interest agreement	(20,866)	62,048
Net assets released from restriction	(501,823)	(253,305)
(Decrease) Increase in Temporarily Restricted Net Assets	(95,665)	1,895
Permanently Restricted Net Assets		
Contributions	55,000	245,000
Change in value of beneficial interest in VanDusen endowment	178,020	275,841
Change in value of beneficial interest in perpetual trust	91,415	135,113
Increase in Permanently Restricted Net Assets	324,435	655,954
Increase in Net Assets	1,430,426	3,514,877
Net Assets - Beginning of year	44,988,111	41,473,234
Net Assets - End of year	\$ 46,418,537	\$ 44,988,111

United Methodist Retirement Communities, Inc. and Subsidiary

Consolidated Statement of Cash Flows

	Year Ended	
	December 31, 2007	December 31, 2006
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,430,426	\$ 3,514,877
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	2,809,771	2,674,104
Amortization of bond issue costs	23,760	23,760
Realized and unrealized gains and losses on investments	(60,995)	(1,005,250)
Contributions restricted for long-term purposes	(482,025)	(438,152)
Cumulative effect in change in accounting principle	-	835,026
Distributions to partners	130,428	100,058
Bad debt expense	275,955	231,194
Change in value of split-interest agreements	(20,866)	62,048
Change in value of beneficial interest in perpetual trust	(178,020)	(275,841)
Equity in the losses of joint venture	(182,784)	(213,963)
Changes in assets and liabilities that (used) provided cash:		
Accounts receivable	(80,603)	(589,087)
Contribution receivable	1,308,454	(1,772,847)
Prepaid expenses and other current assets	57,149	79,994
Accounts payable	(261,156)	189,426
Accrued and other liabilities	(449,780)	69,814
Due to third party	(52,174)	21,729
Liability under split-interest agreement	29,916	(94,783)
Net cash provided by operating activities	4,297,456	3,412,107
Cash Flows from Investing Activities		
Property and equipment	(3,465,999)	(2,624,048)
Purchase of investments	(2,294,290)	(1,640,898)
Proceeds from sale of investments	1,222,452	1,736,434
Change in assets limited as to use	32,710	(20,081)
Net cash used in investing activities	(4,505,127)	(2,548,593)
Cash Flows from Financing Activities		
Principal payment on long-term debt	(529,175)	(1,193,618)
Principal from restricted contributions	482,025	438,152
Distributions to partners	(130,428)	(100,058)
Net cash used in financing activities	(177,578)	(855,524)
Net (Decrease) Increase in Cash and Cash Equivalents	(385,249)	7,990
Cash and Cash Equivalents - Beginning of year	1,890,309	1,882,319
Cash and Cash Equivalents - End of year	<u>\$ 1,505,060</u>	<u>\$ 1,890,309</u>
Supplemental Cash Flow Information - Cash paid for interest	<u>\$ 1,030,204</u>	<u>\$ 1,051,839</u>

**Notes to Consolidated Financial Statements
December 31, 2007 and 2006**

Note 1 - Nature of Business and Significant Accounting Policies

United Methodist Retirement Communities, Inc. (UMRC) is a Michigan nonprofit organization. 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.

The Organization is also the operating member and 1 percent owner 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. Sylvan Pines is consolidated in its entirety as disclosed in Note 12.

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 accounted for under the equity method, with a value of \$396,747 and \$213,963 at December 31, 2007 and 2006, respectively.

Principle of Consolidation - The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. All material intercompany accounts and transactions have been eliminated.

Cash Equivalents - 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.

**Notes to Consolidated Financial Statements
December 31, 2007 and 2006**

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

Investments - Investments in equity and debt securities are measured at fair value in the consolidated balance sheet. Fair value is based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in income from operations unless the income or loss is restricted by donor or law. Unrealized gains or losses on investments are excluded from income from operations.

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

Costs of maintenance and repairs are charged to expense when incurred.

Bond Issue Costs - Bond issue costs are 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. Amortization expense was \$23,760 for the years ended December 31, 2007 and 2006. Accumulated amortization was \$332,196 and \$308,436 at December 31, 2007 and 2006, respectively.

Operating Income - The consolidated statement of activities includes operating income. Changes in unrestricted net assets which are excluded from operating income, 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 purposes of acquiring such assets).

**Notes to Consolidated Financial Statements
December 31, 2007 and 2006**

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

Net Service Revenue - Net revenue from services is reported at the estimated amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The payor mix (percentage) of net patient service revenue is as follows:

	<u>Percent</u>	
	<u>2007</u>	<u>2006</u>
Private	50	51
Medicaid	14	15
Medicare	36	34

The Medicare payment methodology is based on clinical assessments that are subject to review and final approval. Any adjustment resulting from this final review and approval will be recorded in the period in which the adjustment was made.

The Medicaid payment is a cost-based reimbursement system that also includes a Quality Assurance Supplement (QAS). The QAS is a reimbursement based on Medicaid occupancy and is related to the provider bed tax assessed to nursing homes.

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. The Organization provided benevolent care totaling approximately \$676,000 and \$371,000 for the years ended December 31, 2007 and 2006, respectively.

**Notes to Consolidated Financial Statements
December 31, 2007 and 2006**

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

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.

Board-designated Net Assets - Board-designated net assets are intended to be used to protect the long-term interests of the Organization. Board-designated net assets totaled \$15,994,010 and \$16,274,457 as of December 31, 2007 and 2006, respectively, and are included in unrestricted net assets in the consolidated balance sheet.

Collective Bargaining Agreement - Certain employees of Chelsea Retirement Community are subject to a three-year collective bargaining agreement that expires on April 30, 2009. Licensed practical nurses at Chelsea Retirement Community are subject to a separate collective bargaining agreement which expires October 31, 2008. In addition, certain employees at Boulevard Temple are subject to a collective bargaining agreement which expires April 30, 2010. These employees comprise approximately 65 percent of the employees of the Organization for 2007 and 2006.

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.

Income Taxes - 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. Sylvan Pines is a limited liability company which does not pay federal income taxes at the entity level under the Internal Revenue Code. Accordingly, there is no provision for income taxes included in the consolidated financial statements.

United Methodist Retirement
Communities, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2007 and 2006**

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

Statement of Cash Flows - The 2006 consolidated statement of cash flows has been adjusted to include the cumulative beginning balance sheet of Sylvan Pines (see Note 12), including the following:

Assets:	
Cash	\$ 274,532
Escrows	471,454
Property, plant, and equipment	<u>5,861,209</u>
Total assets	<u>\$ 6,607,195</u>
Liabilities and deficiency in net assets:	
Current liabilities	\$ 158,672
Mortgage payable	7,283,549
Deficiency in net assets	<u>(835,026)</u>
Total liabilities and deficiency in net assets	<u>\$ 6,607,195</u>

Note 2 - Accounts Receivable

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 is as follows:

	Percent	
	<u>2007</u>	<u>2006</u>
Medicaid	26	26
Medicare	41	42
Patients and other third-party payors	<u>33</u>	<u>32</u>
Total	<u>100</u>	<u>100</u>

United Methodist Retirement
Communities, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2007 and 2006**

Note 3 - Investments

The Organization's investments consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 964,598	\$ 574,758
Bonds	5,296,684	4,546,273
Stocks	<u>11,764,606</u>	<u>11,772,024</u>
Total investments	18,025,888	16,893,055
Less short-term portion of investments	<u>1,148,570</u>	<u>2,025,231</u>
Total long-term investments	<u>\$ 16,877,318</u>	<u>\$ 14,867,824</u>

Investments include endowment assets totaling \$1,448,910 and \$1,159,045 at December 31, 2007 and 2006, respectively. The corpus on these assets is to be held in perpetuity, with the income expendable to support the continuing care of residents. Included in this are split-interest agreements, which are further described in Note 7.

Note 4 - Contributions Receivable

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

	<u>2007</u>	<u>2006</u>
Contributions receivable:		
Due in less than one year	\$ 209,898	\$ 1,533,915
Due in one to five years	277,995	70,822
Due in more than five years	<u>868,782</u>	<u>1,081,316</u>
Total contributions receivable	1,356,675	2,686,053
Unamortized discount	(249,791)	(270,715)
Less allowance for uncollectible amounts	<u>(4,216)</u>	<u>(4,216)</u>
Subtotal	(254,007)	(274,931)
Less current portion	<u>(209,898)</u>	<u>(1,533,915)</u>
Long-term portion	<u>\$ 892,770</u>	<u>\$ 877,207</u>

United Methodist Retirement
Communities, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2007 and 2006**

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2007	2006
Land	\$ 2,588,979	\$ 1,903,235
Land improvements	4,007,396	4,025,995
Buildings	46,834,909	46,066,669
Building improvements	9,879,363	10,561,703
Transportation equipment	218,623	220,747
Furniture, fixtures, and equipment	13,222,000	13,086,801
Construction in progress	<u>866,141</u>	<u>742,091</u>
Total cost	77,617,411	76,607,241
Accumulated depreciation	<u>36,711,757</u>	<u>36,357,815</u>
Net carrying amount	<u>\$ 40,905,654</u>	<u>\$ 40,249,426</u>

Depreciation expense on property and equipment totaled \$2,809,771 and \$2,674,104 at December 31, 2007 and 2006, 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 \$3,067,361 and \$2,889,341 at December 31, 2007 and 2006, respectively.

Note 7 - Split-interest Agreements

The Organization is a beneficiary of various split-interest agreements which are included in long-term investments. 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.

**Notes to Consolidated Financial Statements
December 31, 2007 and 2006**

Note 8 - Long-term Debt

During 1998, the Organization issued \$22,980,000 (\$14,960,000 and \$15,375,000 due at December 31, 2007 and 2006, respectively) 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.

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. Interest expense for the years ended December 31, 2007 and 2006 were \$711,850 and \$728,569, respectively. The bonds have restrictive financial and other covenants.

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 Fund and the Bond Payment Fund is the payment of principal and interest, the purchase and retirement before maturity, or the redemption before maturity of the bonds. The Project Fund was used for the payment of project costs.

In 2001, Sylvan Pines entered into a loan totaling \$7,766,000 (\$7,060,756 and \$7,174,931 due at December 31, 2007 and 2006, respectively) with the Michigan State Housing Development Authority to support the development of Sylvan Pines. The loan carries a fixed rate of interest at 5 percent per annum, is secured by real property of Sylvan Pines, and is repayable in monthly installments of principal and interest of \$39,194 through November 2035. Interest expense for the year ended December 31, 2006 totaled \$355,678 and \$361,258 at December 31, 2007 and 2006, respectively. In accordance with the loan agreement, certain escrow revenues have been funded for real estate taxes, property insurance, replacement reserves, and operating assurance.

United Methodist Retirement
Communities, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2007 and 2006**

Note 8 - Long-term Debt (Continued)

The following is a summary of assets limited as to use supporting the Organization's debt:

	2007	2006
Debt Service Reserve Fund	\$ 1,864,746	\$ 1,864,290
Bond Payment Fund	440,802	362,345
Noncontrolling interest and escrows	<u>535,844</u>	<u>504,013</u>
Total assets limited as to use	2,841,392	2,730,648
Less assets limited as to use - Expected to be expended in 2007	<u>976,646</u>	<u>866,358</u>
Long-term assets limited as to use	<u>\$ 1,864,746</u>	<u>\$ 1,864,290</u>

Principal payments on long-term debt as of December 31, 2007 are due as follows:

2008	\$ 555,016
2009	586,156
2010	612,610
2011	649,395
2012	681,527
Thereafter	<u>18,936,052</u>
Subtotal	22,020,756
Less current portion	<u>(555,016)</u>
Total	<u>\$ 21,465,740</u>

United Methodist Retirement
Communities, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
December 31, 2007 and 2006**

Note 9 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Healthcare services:		
Contributions under split-interest agreement	\$ 478,561	\$ 473,244
Contributions restricted for future capital improvements	117,889	143,273
Contributions restricted for future charitable care	248,725	285,002
Contributions restricted for other future uses by donor	<u>406,262</u>	<u>445,583</u>
Total temporarily restricted net assets	<u>\$ 1,251,437</u>	<u>\$ 1,347,102</u>

Permanently restricted net assets at December 31, 2007 and 2006 are restricted by the following:

	<u>2007</u>	<u>2006</u>
Van Dusen Endowment	\$ 3,067,361	\$ 2,889,341
Beneficial interest in perpetual trusts	244,341	387,791
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>1,448,910</u>	<u>1,159,045</u>
Total permanently restricted net assets	<u>\$ 4,760,612</u>	<u>\$ 4,436,177</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. In addition, pursuant to the collective bargaining agreements, the Organization funds a union-sponsored pension fund based on employee hours worked. During 2007 and 2006, the Organization contributed \$179,269 and \$197,567, respectively, to the plans.

**Notes to Consolidated Financial Statements
December 31, 2007 and 2006**

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 \$198,000 and \$409,000 in 2007 and 2006, respectively. Accruals of approximately \$198,000 and \$380,000 were recorded for unsettled and incurred but not reported claims at December 31, 2007 and 2006, respectively.

Note 12 - Change in Accounting Principle

On June 29, 2005, the Financial Accounting Standards Board (FASB) reached consensus on Emerging Issues Task Force (EITF) 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Similar Rights*. Under EITF 04-5, the limited partnership (or similar entity, such as a limited liability company, with Sylvan Pines hereinafter referred to as the "LLC," is assumed to control that LLC regardless of the extent of the managing member's ownership interest in the entity. With this, EITF 04-5 provides a new framework for determining when a managing member should consolidate an LLC. The Organization adopted the provisions of EITF 04-5 as of January 1, 2006.

In general, EITF 04-5 requires an entity to be consolidated under the presumption of control unless the nonmanaging members have substantial kick-out rights, substantive participating rights, or buy-out rights. EITF 04-5 became effective for fiscal years after December 15, 2006.

In accordance with the transition provisions of EITF 04-5, the assets, liabilities, and noncontrolling interests of the newly consolidated entity were initially recorded at the amounts at which they would have been carried in the consolidated financial statements if EITF 04-5 had been effective at the origination of the LLC. The difference between the net amount added to the Organization's consolidated balance sheet and the amount of any previously recognized interest in the newly consolidated entity was a loss of \$835,026 and was recognized as a cumulative effect of a change in accounting principle as of January 1, 2006. The adoption of EITF 04-5 also resulted in an increase of total assets and total liabilities of \$6,282,901 and \$7,324,442, respectively, as of December 31, 2006.

**Notes to Consolidated Financial Statements
December 31, 2007 and 2006**

Note 13 - Line of Credit

During 2007, the Organization entered into a \$500,000 line of credit with a financial institution for a one-year term. The line of credit is not collateralized, bears interest at one quarter percent below the bank's prime rate, with interest due monthly, and with any principle due at the end of the term. At December 31, 2007, there were no borrowings against the line of credit.

Additional Information



Plante & Moran, PLLC
27400 Northwestern Highway
PO Box 8007
Southfield, MI 48034-0807
e. 248.352.2000
f. 248.352.0018
p. enterpriselon.com

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, 2007 and 2006. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating balance sheet and consolidating statement of operating activities information is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities and is not a required part of the basic consolidated financial statements. The accompanying consolidating 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.

Plante & Moran, PLLC

April 10, 2008

United Methodist Retirement Communities, Inc. and Subsidiary

Consolidating Balance Sheet December 31, 2007

	United Methodist Re	Sylvan Pines Limited	Eliminations	Totals
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,233,445	\$ 271,615	\$ -	\$ 1,505,060
Investments	1,148,570	-	-	1,148,570
Accounts receivable - Less allowance for doubtful accounts	2,882,857	-	-	2,882,857
Contributions receivable	209,898	-	-	209,898
Assets limited as to use	440,802	535,844	-	976,646
Prepaid expenses and other current assets	590,631	4,108	(11,934)	582,805
Total current assets	6,506,203	811,567	(11,934)	7,305,836
Assets Limited as to Use - Net of current portion	1,864,746	-	-	1,864,746
Property and Equipment - Net	35,780,588	5,125,066	-	40,905,654
Beneficial Interest in Perpetual Trust	244,341	-	-	244,341
Other				
Investments	16,877,318	-	-	16,877,318
Contributions receivable - Net of current portion	892,770	-	-	892,770
Investment in joint venture	396,747	-	-	396,747
Beneficial interest in Van Dusen endowment	3,067,361	-	-	3,067,361
Bond issue costs	473,220	-	-	473,220
Total assets	<u>\$ 66,103,294</u>	<u>\$ 5,936,633</u>	<u>\$ (11,934)</u>	<u>\$ 72,027,993</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 1,246,052	\$ 21,063	\$ -	\$ 1,267,115
Current portion of long-term debt	435,000	120,016	-	555,016
Due to third-party payors	89,702	-	-	89,702
Liability accrued under split-interest agreements	57,413	-	-	57,413
Accrued liabilities and other	1,726,890	138,783	(11,934)	1,853,739
Total current liabilities	3,555,057	279,862	(11,934)	3,822,985
Long-term Debt - Net of current portion	14,525,000	6,940,740	-	21,465,740
Liability Under Split-interest Agreements	320,731	-	-	320,731
Net Assets				
Unrestricted	41,690,457	(1,283,969)	-	40,406,488
Temporarily restricted	1,251,437	-	-	1,251,437
Permanently restricted	4,760,612	-	-	4,760,612
Total net assets	47,702,506	(1,283,969)	-	46,418,537
Total liabilities and net assets	<u>\$ 66,103,294</u>	<u>\$ 5,936,633</u>	<u>\$ (11,934)</u>	<u>\$ 72,027,993</u>

United Methodist Retirement Communities, Inc. and Subsidiary

Consolidating Statement of Operating Activities Year Ended December 31, 2007

	Chelsea Retirem	Boulevard Temple	Sylvan Pines Limi	Eliminations	Totals
Operating Revenue					
Net service revenue	\$ 22,111,432	\$ 11,578,131	\$ -	\$ -	\$ 33,689,563
Rental revenue	-	-	961,883	-	961,883
Other	230,958	4,772	53,028	-	288,758
Net assets released from restrictions used in operations	<u>501,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>501,823</u>
Total operating revenue	22,844,213	11,582,903	1,014,911	-	35,442,027
Operating Expenses					
Salaries, wages, and purchased labor	11,329,305	7,043,623	100,170	-	18,473,098
Employee benefits	2,127,247	940,703	14,465	-	3,082,415
Food	790,297	228,638	-	-	1,018,935
Medical care	806,516	1,102,711	-	-	1,909,227
Management fee	-	-	38,220	(38,220)	-
Repairs and maintenance	578,012	409,918	72,651	-	1,060,581
Laundry and housekeeping	13,179	16,987	-	-	30,166
Utilities	958,253	499,308	80,709	-	1,538,270
Supplies	541,641	139,319	-	-	680,960
Depreciation	1,925,716	457,422	379,784	-	2,762,922
Interest	696,225	-	355,678	-	1,051,903
Real estate taxes	118,215	-	35,472	-	153,687
Provider tax	302,696	467,960	-	-	770,656
Bad debts	75,697	200,258	-	-	275,955
Miscellaneous	527,556	375,993	49,762	-	953,311
General and administrative - Executive office expense	<u>1,189,916</u>	<u>590,836</u>	<u>-</u>	<u>-</u>	<u>1,780,752</u>
Total operating expenses	<u>21,980,471</u>	<u>12,473,676</u>	<u>1,126,911</u>	<u>(38,220)</u>	<u>35,542,838</u>
Operating Income (Loss)	<u>\$ 863,742</u>	<u>\$ (890,773)</u>	<u>\$ (112,000)</u>	<u>\$ 38,220</u>	<u>\$ (100,811)</u>