Smith VILLAGE

SENT VIA EMAIL AND UPS NEXT DAY DELIVERY

April 30, 2020

Ms. Courtney Avery, Administrator
Health Facilities and Services Review Board
Illinois Department of Public Health
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

Re: Project No. 19-004, Smith Village

Dear Ms. Avery:

Smith Village is requesting the Board's approval for a Permit Alteration to increase the amount of funds being borrowed to fund the project. This is our first request for a Permit Alteration.

Summary of Project

On April 30, 2019 the Illinois Health Facilities and Services Review Board granted a permit to Smith Village for the major modernization of existing space, resulting in a 78-bed general long-term care unit (a reduction of 22 GLTC beds) in 70,852 gsf. The Project as approved had a total cost of $23,874,680. The Board approved the permit application which described the project being funded with $4,187,668 in Cash and Securities and $19,687,012 coming from financing. This request seeks a permit alteration to change the method and sources of funds of the Project to 99% debt through bond financing. The total project cost will not change.

The Smith Village team applied for and received very favorable financing with the Illinois Finance Authority for the continued operations of their facilities and this project in particular. The Illinois Finance Authority issued Variable Rate Bonds Series 2019A which were directly purchased by First Midwest Bank. The loan proceeds will be a construction draw down used to finance the project as approved.

Simultaneously, the Illinois Finance Authority issued Variable Rate Bonds Series 2019B which were directly purchased by Huntington Bank and Variable Rate Bonds Series 2019C which were directly purchased by First Midwest Bank (lender on file with this project as approved). The loan proceeds from the Series 2019B and Series 2019C Bonds were used to refund the existing Series 2016 Bonds and provide funds to cover the Series 2016 swap terminations and pay the cost of issuance.

At this time Smith Village has not used nor is Smith Village compelled to use all of the funds from the bonds issued by the Illinois Finance Authority for this project. However, as described below the terms of the bonds issued provide Smith Village with several financial advantages and upon Board approval, they would seek to avail themselves of these benefits.

The project is currently on schedule and is proceeding according to the terms identified in the approved permit. The GMP contract for the building construction has been signed, the building permit was received on December 5, 2019 and the foundation permit for the new addition was received on April 13, 2020. The new roof on the existing building and the relocation of the trash corral has been completed. Construction on the modernization of the existing building began in December 2019 but had to be suspended on March 20, 2020 when the building was closed to all outsiders because of the coronavirus pandemic. As of March 31, 2020, the construction is 7% complete.

Detail and Reason for Change

The 77 IAC Section 1125.800 Financial and Economic Feasibility Review criteria require the Applicant to document the "Reasonableness of Financing Arrangements" and the "Conditions of Debt Financing", that borrowing is less costly than the liquidation of existing investments and that the selected form of debt financing for the project will be at the lowest net cost available. Consistent with our representations made before the Board when our application was approved, Smith Village took this project to market and found that the conventional financing was not the least expensive (lowest) form of debt financing for the project. Bond financing of this project had three noticeable differences, lower closing costs, lower interest rate (from 4.5% down to 3.1%) and funds could incrementally be used instead of having the total funds dispersed and having to pay 100% interest from day one.

This Applicant is committed to proceeding expeditiously with the project and to reduce, wherever possible, the project costs. However, it is premature to remove potential costs savings as the project is still early in its construction.

Alteration improves findings related to the financial review criteria

The proposed change in financing and funding of the project effects the Availability of Funds and Financial Viability criteria. The original State Board Report made a finding on Availability of Funds review criteria citing that the bank letter did not constitute an agreement to lend; with the issuance of bonds, this item is now in compliance. As for the financial ratios, there is no change from when the application was originally reviewed by staff; there are viability ratios that are both in or out of compliance. Documentation of the above includes an updated Project Costs and Sources of Funds schedule (Appendix A, Page 29), appended as **EXHIBIT I.** EXHIBIT II provides the revised application pages (25 and 26) updating the Availability of Funds. Documentation of the debt financing, i.e., proof of bond financing is appended as **EXHIBIT III.** Appended as **EXHIBIT** IV are the updated financial statements that illustrate the revised terms of financing keeping the project cost constant. Finally, appended as **EXHIBIT V** are the revised financial viability ratios (page 26) and required worksheets documenting the ratio calculations (page 279). A further explanation of the viability ratios is provided below:

Viability Ratios:

The viability ratio methodology/calculations as provided in **EXHIBIT V** illustrate that they are virtually unchanged from those as originally filed. The ratios in compliance include the Debt Service Coverage Ratio, Days Cash on Hand and Cushion Ratios for all years. The ratios not in compliance are the Current Ratio, the Net Margin Percentage and Percent Debt to Total Capitalization ratios for all years. As indicated, not only are the ratios similar, the findings for the ratios remain the same.

Current Ratio: This ratio appears to be out of compliance due to generally accepted accounting principles (GAAP) in which campus entrances fees (around $24 million) are carried on the books as a liability. This is unique to CCRC's who require entrance fees and offer "life care contracts". After the stay of the resident, the funds will convert to assets or partially returned to resident. The ratio also does not take into effect the $10 million in the investment account. As this negative is completely the result of required accounting principles and should not be counted against this project's consideration.

Net Margin Percentage: This can be attributed to the fact that the Applicant, Smith Village, is a CCRC and not just a nursing provider, but includes Independent and Assisted Living levels of care in distinct yet connected structures. It is not possible to separate out every ratio but when the net margin for the nursing unit only is calculated, the ratio exceeds the standard in all historical years and in the projected year. This ratio is provided in the ratio worksheet appended as **EXHIBIT V** and equates to *14.9* percent compared to the State Standard of 2.5%. Therefore, this item should be considered in compliance.

Percentage Debt to Total Capitalization: This item is also reflective of the financials of a CCRC corporate entity that includes each level of care under its umbrella. This ratio is also subject to the same GAAP requirements that count entrance fees collected as a liability instead of an asset. Therefore, the roughly $24 million in entrance fees that the Applicant is holding makes it appear that there are negative net assets which then makes this ratio out of compliance with the State's standards for this item. As this negative is the result of required accounting principles it should not be counted against the consideration of this project.

Thank you and your staff for your consideration on this matter. Should there be any questions, or should additional information be needed, please do not hesitate to contact me

Sincerely,

Raymond J Marneris
Chief Financial Officer

ENCLOSURES

CC: Michael Constantino, Chief Project Review
John Kniery, Health Care Consultant
Juan Morado, Jr., Legal Counsel, Benesch

APPENDIX A

REVISED April 26, 2020

Project Costs and Sources of Funds

Complete the following table listing all costs associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs	$ 162,488	$ 173,512	$ 336,000
Site Survey and Soil Investigation	$ 72,539	$ 77,461	$ 150,000
Site Preparation	$ 341,902	$ 365,098	$ 707,000
Off Site Work			
New Construction Contracts	$ 1,179,675	$ 1,259,711	$ 2,439,386
Modernization Contracts	$ 6,097,652	$ 6,511,348	$ 12,609,000
Contingencies - NCC	$ 117,968	$ 125,971	$ 243,939
Contingencies - MC	$ 914,648	$ 976,702	$ 1,891,350
Architectural/Engineering Fees - NCC	$ 134,282	$ 143,393	$ 277,675
Architectural/Engineering Fees - MC	$ 616,663	$ 658,501	$ 1,275,164
Consulting and Other Fees	$ 640,038	$ 683,462	$ 1,323,500
Movable or Other Equipment	$ 721,860	$ 770,835	$ 1,492,695
Bond Issuance Expense (project related)	$ 142,808	$ 152,497	$ 295,305
Net Interest Expense During Construction	$ 403,157	$ 430,509	$ 833,666
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	$ 11,545,680	$ 12,329,000	$ 23,874,680
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	**$133,340**	**$133,340**	**$266,680**
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	**$11,412,340**	**$12,195,660**	**$23,608,000**
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	**$11,545,680**	**$12,329,000**	**$23,874,680**

EXHIBIT I

SECTION V – FINANCIAL AND ECONOMIC FEASIBILITY REVIEW

Criterion 1125.800 Estimated Total Project Cost

The following Sections DO NOT need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- **Availability of Funds – Review Criteria**
- **Financial Viability – Review Criteria**
- **Economic Feasibility – Review Criteria, subsection (a)**

Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable: **Indicate the dollar amount to be provided from the following sources:**

$266,680	a.	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_______	b.	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_______	c.	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
$23,608,000	d.	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1. For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2. For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3. For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4. For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5. For any option to lease, a copy of the option, including all terms and conditions.

______	e.	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
______	f.	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
______	g.	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
$23,874,680	**TOTAL FUNDS AVAILABLE**	

APPEND DOCUMENTATION AS ATTACHMENT-27, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Financial Viability

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. **"A" Bond rating or better**
2. **All of the projects capital expenditures are completely funded through internal sources**
3. **The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent**
4. **The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.**

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT-28, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

1. The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

Provide Data for Projects Classified as:	**Category A or Category B (last three years)**			**Category B (Projected)**
Enter Historical and/or Projected Years:	2017	2018	2019	2024
Current Ratio	0.4	0.5	0.4	0.7
Net Margin Percentage	4.1	4.6	-2.0	1.2
Percent Debt to Total Capitalization	104.2	102.3	104.0	91.0
Projected Debt Service Coverage	1.8	1.9	2.0	1.7
Days Cash on Hand	207.3	220.8	214	234
Cushion Ratio	5.2	6.1	5.9	4.7

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and

[THIS DIRECT NOTE OBLIGATION HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED]

WASHINGTON AND JANE SMITH COMMUNITY – BEVERLY

DIRECT NOTE OBLIGATION, SERIES 2019A-1

No. R-1 $23,608,000

WASHINGTON AND JANE SMITH COMMUNITY – BEVERLY, an Illinois not for profit corporation (the *"Corporation"*), for value received, hereby promises to pay to the ILLINOIS FINANCE AUTHORITY (the *"Issuer"*), or registered assigns, the principal sum of TWENTY-THREE MILLION SIX HUNDRED EIGHT THOUSAND AND 00/100 DOLLARS and interest thereon such that the holder hereof receives timely payment of amounts sufficient to pay the principal of, premium, if any, and interest on the Series 2019A Bonds hereinafter described.

This Series 2019A-1 Obligation (as hereinafter described) shall bear interest from time to time in an amount equal to the interest accruing on and payable with respect to the $23,608,000 Maximum Principal Amount Illinois Finance Authority Variable Rate Revenue Bonds, Series 2019A (Smith Village Project) of the Authority (the *"Series 2019A Bonds"*) issued under and pursuant to the Bond Trust Indenture dated as of October 1, 2019 (the *"Series 2019A Bond Indenture"*) between the Issuer and UMB Bank, National Association, as bond trustee (the *"Series 2019A Bond Trustee"*).

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Certain capitalized words not defined herein shall have the meanings ascribed to them in the hereinafter defined Master Indenture.

The principal of and interest on this Series 2019A-1 Obligation (as hereinafter defined) and the premium, if any, payable upon redemption, are payable at the designated corporate trust office of the Series 2019A Bond Trustee, currently in New York, New York, for the Series 2019A Bonds, by check or draft hand delivered to the Series 2019A Bond Trustee or by wire transfer, in either case delivered on the date such payment is due.

This Series 2019A-1 Obligation is issued in the principal amount of $23,608,000 and is designated as "Washington and Jane Smith Community – Beverly Direct Note Obligation, Series 2019A-1" (the *"Series 2019A-1 Obligation"* and, together with all other Obligations issued under the Master Indenture hereinafter defined, the *"Obligations"*) and is issued under and secured by and entitled to the security of a Master Trust Indenture dated as of October 1, 2019 (the *"Master Indenture"*), between the Corporation, as the sole member of the obligated group created thereunder, and UMB Bank, National Association, as master trustee (the *"Master*

Trustee"), as the same may be amended and supplemented from time to time. Pursuant to the Master Indenture, each Member (as defined in the Master Indenture) of the Obligated Group and each future Member of the Obligated Group are jointly and severally liable on all Obligations (including this Series 2019A-1 Obligation) issued under the Master Indenture. It is provided in the Master Indenture that the Corporation and any future Members of the Obligated Group may hereafter issue Additional Obligations (as defined in the Master Indenture) from time to time, and if issued, such Additional Obligations will rank *pari passu* with this Series 2019A-1 Obligation and all other Obligations theretofore or thereafter issued under the Master Indenture, except as otherwise provided in the Master Indenture. Reference is made to the Master Indenture and to all indentures supplemental thereto for the provisions, among others, with respect to the nature and extent of the security for the Obligations, the rights, duties and obligations of the Corporation, any future Members of the Obligated Group and the Master Trustee and the rights of the holders of the Obligations, and to all the provisions of which the holder hereof by the acceptance of this Series 2019A-1 Obligation assents.

This Series 2019A-1 Obligation is issued to evidence the loan made by the Issuer to the Corporation pursuant to the Loan Agreement dated as of [illegible] 1, 2019 (the "*Series 2019A Loan Agreement*") between the Issuer and the Corporation with respect to the Series 2019A Bonds. Reference is made to the Series 2019A Loan Agreement for its provisions, including the provisions for the payment of principal and interest on this Series 2019A-1 Obligation, to which the holder hereof, by acceptance of this Series 2019A-1 Obligation, assents.

This Series 2019A-1 Obligation is transferable by the registered holder hereof in person or by duly authorized attorney at the designated corporate trust office of the Master Trustee, currently in New York, New York, but only in the manner, subject to the limitations and upon payment of the charges provided in the Master Indenture, and upon surrender and cancellation of this Series 2019A-1 Obligation. Upon such transfer a new registered Series 2019A-1 Obligation or Series 2019A-1 Obligations without coupons of the same series and maturity and of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Master Trustee may deem and treat the registered holder hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and premium, if any, hereon and interest due hereon and for all other purposes and the Master Trustee shall not be affected by any notice to the contrary.

This Series 2019A-1 Obligation is issuable as a single fully registered Obligation without coupons in the principal amount of $23,608,000. This Series 2019A-1 Obligation may not be exchanged for a coupon Obligation.

This Series 2019A-1 Obligation is prepayable at any time to the extent of proceeds received from insurance and condemnation or sale consummated under threat of condemnation under certain conditions, in whole or in part and if in part, by maturities designated by the Corporation, without premium, as provided in the Master Indenture.

This Series 2019A-1 Obligation may also be prepaid in whole or in part by paying the amount necessary to provide for the payment, prepayment, redemption, refunding or advance

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refunding of the Series 2019A Bonds or any portion of such Series 2019A Bonds in the manner provided in the Series 2019A Bond Indenture.

In the event this Series 2019A-1 Obligation is prepaid as aforesaid (other than with respect to the monthly optional redemptions required by the Series 2019A Additional Covenants Agreement), notice thereof identifying the portion of this Series 2019A-1 Obligation to be prepaid will be given by mailing a copy of the redemption notice by first class mail, postage prepaid, to the registered owner or owners hereof, at their addresses shown on the registration books, at the time notice of redemption of the Series 2019A Bonds is required to be given under the Series 2019A Bond Indenture. This Series 2019A-1 Obligation or the portion hereof so called for prepayment will cease to bear interest on the specified prepayment date, *provided* funds for its prepayment are on deposit at the place of payment at that time, and this Series 2019A-1 Obligation or such portion shall no longer be protected by the Master Indenture and shall not be deemed to be outstanding under the provisions of the Master Indenture.

The Members may pay or provide for the payment of the entire indebtedness on this Series 2019A-1 Obligation or any portion of this Series 2019A-1 Obligation by depositing Escrow Obligations (as defined in the Master Indenture) in an amount, together with the income or increment to accrue thereon, but without consideration of any reinvestment thereof, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on this Series 2019A-1 Obligation or a portion of this Series 2019A-1 Obligation at or before its maturity date. Upon such deposit, this Series 2019A-1 Obligation or portion of this Series 2019A-1 Obligation shall cease to be entitled to any lien, benefit or security under the Master Indenture. The Members shall remain the obligors on this Series 2019A-1 Obligation but the holders thereof shall be entitled to payment (to the exclusion of all other Obligation Holders) solely out of funds received from such Escrow Obligations. Other Obligations are also subject to advance defeasance, and the Members may pay or provide for the payment of all or a part of the indebtedness on all Obligations of a particular series as described in the Master Indenture. The foregoing notwithstanding, this Series 2019A-1 Obligation shall not be deemed paid and shall continue to be entitled to the lien, benefit and security of the Master Indenture unless and until the Series 2019A Bonds cease to be entitled to any lien, benefit or security under the Series 2019A Bond Indenture pursuant to the provisions thereof.

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The holder of this Series 2019A-1 Obligation shall have no right to enforce the provisions of the Master Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Master Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Master Indenture.

This Series 2019A-1 Obligation is an Accelerable Instrument (as defined in the Master Indenture) and, subject to the terms of the Master Indenture, the holder hereof has the right under the Master Indenture to request an acceleration of this Series 2019A-1 Obligation upon the occurrence of an event of default described in Section 502 of the Master Indenture.

In certain events (including without limitation the occurrence of an "event of default" as defined in the Master Indenture), on the conditions, in the manner and with the effect set forth in the Master Indenture, the outstanding principal of this Series 2019A-1 Obligation may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon. Modifications or alterations of the Master Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Master Indenture.

It is hereby certified that all conditions, acts and things required to exist, happen and be performed under the Master Indenture precedent to and in the issuance of this Series 2019A-1 Obligation, exist, have happened and have been performed, and that the issuance, authentication and delivery of this Series 2019A-1 Obligation have been duly authorized by resolution of the Corporation duly adopted.

No recourse shall be had for the payment of the principal of or premium or interest on this Series 2019A-1 Obligation or for any claim based thereon or upon any obligation, covenant or agreement in this Master Indenture contained against any past, present or future officer, director, employee, member or agent of any Member, or of any successor Person, as such, either directly or through any Member or any successor Person, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, directors, employees, members or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of the Master Indenture and the issuance of this Series 2019A-1 Obligation.

The Corporation, on behalf of itself and any future Members, hereby waives presentment for payment, demand, protest, notice of protest, notice of dishonor and all defenses on the grounds of extension of time of payment for the payment hereof which may be given (other than in writing) by the Master Trustee to the Members.

This Series 2019A-1 Obligation shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Master Indenture until the certificate of authentication hereon shall have been duly executed by the Master Trustee.

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EXHIBIT III

IN WITNESS WHEREOF, WASHINGTON AND JANE SMITH COMMUNITY-BEVERLY has caused this Series 2019A-1 Obligation to be executed in its name and on its behalf by the manual signature of President and Chief Executive Officer and the same to be attested by the manual signature of its Secretary, all as of the 25th day of October, 2019.

WASHINGTON AND JANE SMITH
COMMUNITY-BEVERLY

By: [signature]
President and Chief Executive Officer

ATTEST:

By: Coleen Barkmeier
Secretary

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EXHIBIT III

CERTIFICATE OF AUTHENTICATION

This Series 2019A-1 Obligation is one of the Obligations described in the within-mentioned Master Indenture.

UMB Bank, National Association, as Master Trustee

By: ______________________________
Senior Vice President

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EXHIBIT III

Smith Village
Projected Statements of Financial Position
For the Fiscal Year Ending June 30
(in thousands of dollars)

	Historical 2016	Historical 2017	Historical 2018	Historical 2019	Forecasted 2020	Forecasted 2021	Forecasted 2022	Forecasted 2023	Forecasted 2024
Assets									
Current assets:									
Cash and cash equivalents	1,770	1,768	2,535	1,611	1,812	1,793	1,843	1,861	1,917
Assets limited as to use	1,148		-	-	-	-	-	-	-
Resident accounts receivable, net of allowance of doubtful accounts	1,283	2,042	1,651	1,657	1,540	1,655	1,690	1,711	1,760
Entrance fees receivable	188	627	941	846					
Prepaid expenses	55	101	118	121	76	76	78	79	81
Total Current Assets	4,444	4,538	5,245	4,235	3,428	3,524	3,611	3,651	3,758
Assets Limited as to Use:									
Bond funds held by trustee for Working Capital			-	-	-	-	-	-	-
Project Fund			-	-	-	-	-	-	-
Funded interest account			-	-	85	459	1,106	-	-
Debt Service Reserve Fund	5,263		-	-	-	-	-	-	-
Less: Current portion of assets limited as to use	(1,147)		-	-	-	-	-	-	-
Total Assets Limited as to Use	4,116	-	-	-	85	459	1,106	-	-
Property and equipment, net	51,395	50,099	48,680	49,343	56,965	66,991	74,245	74,195	72,049
Other Assets:									
Long-term investments	8,013	8,595	9,170	10,190	10,598	11,022	11,462	11,921	12,398
Deposits	3	3	3	3	3	3	3	3	3
Other assets	73	114	128	-	-	-	-	-	-
Fair value of interest rate swap		652	1,434	-	-	-	-	-	-
Cost of acquiring initial Continuing-Care Contracts,			-						
Net of Accumulated Amortization	333		-	-	-	-	-	-	-
Total Other Assets	8,422	9,364	10,735	10,193	10,601	11,025	11,465	11,924	12,401
Total Assets	68,377	64,001	64,660	63,771	71,079	81,999	90,427	89,770	88,208

	Historical 2016	Historical 2017	Historical 2018	Historical 2019	Forecasted 2020	Forecasted 2021	Forecasted 2022	Forecasted 2023	Forecasted 2024
Liabilities and Net Assets									
Current Liabilities:									
Current portion of long-term debt	885	916	941	968	643	659	1,063	1,295	1,331
Current portion of Capital Lease	4	5	5	-	-	-	-	-	-
Accounts payable	476	722	946	1,005	645	638	656	663	682
Accounts payable - entrance fees	1,519	1,408	534	1,187	1,187	1,187	1,187	1,187	1,187
Accrued salaries	485	298	331	335	464	460	473	477	491
Accrued interest	262		-	-	-	-	-	-	-
Resident trust liability	73	114	128	128	128	128	128	128	128
Resident credit balances	274	307	300	290	290	290	290	290	290
Deferred revenue from nonrefundable Continuing-Care Contracts	315	335	354	453	453	453	453	453	453
Refundable reservation deposits	772	848	866	802	802	802	802	802	802
Other accrued liabilities	2	8	1	53	53	53	53	53	53
Due to Affiliates	5,536	5,855	5,389	6,155	-	-	-	-	-
Total Current Liabilities	10,603	10,816	9,795	11,376	4,665	4,670	5,105	5,348	5,417
Long-term Liabilities:									
Deferred management fees to affiliate	1,898		-	-	-	-			
Long-term existing debt - Series 2016 Bonds, net or current portion	33,879	30,391	29,896	28,833					
Long-term existing debt - Series 2019B&C Bonds, net or current portion					29,077	28,718	27,739	27,034	26,310
Long-term project debt - Series 2019A Bonds, net or current portion			-		7,535	15,974	23,301	22,711	22,104
Capital Lease, net of current portion	11	6	1	-	-	-	-	-	-
Refundable Continuing-Care Contracts	23,100	23,070	24,487	23,622	23,945	24,696	24,027	24,968	24,063
Refundable Continuing-Care Contracts - Related Party	732	732	732	732	732	732	732	732	732
Deferred revenue from nonrefundable Continuing-Care Contracts, Net of current portion	1,204	1,180	1,381	1,227	1,435	1,912	3,070	2,449	2,891
Deferred revenue from nonrefundable Continuing-Care Contracts - Related party	65	63	61	61	61	61	61	61	61
Bond issuance costs, net			(405)	(357)	(627)	(579)	(531)	(483)	(435)
Total Long-Term Liabilities	60,889	55,442	56,153	54,118	62,158	71,514	78,399	77,472	75,726
Total Liabilities	71,492	66,258	65,948	65,494	66,823	76,184	83,504	82,820	81,143
Net Deficit									
Unrestricted	(3,115)	(2,257)	(1,288)	(1,723)	4,256	5,815	6,923	6,950	7,065
Total Net Assets	(3,115)	(2,257)	(1,288)	(1,723)	4,256	5,815	6,923	6,950	7,065
Total Liabilities and Net Defect	68,377	64,001	64,660	63,771	71,079	81,999	90,427	89,770	88,208

EXHIBIT IV

EXHIBIT IV

Smith Village
Projected Statements of Activities and Changes in Net Assets (Deficit)
For the Fiscal Year Ending June 30
(in thousands of dollars)

	Historical 2016	Historical 2017	Historical 2018	Historical 2019	Forecasted 2020	Forecasted 2021	Forecasted 2022	Forecasted 2023	Forecasted 2024
Changes in Unrestricted Net Assets									
Unrestricted Revenues, Gains and other support:									
Independent living services	4,290	4,413	4,716	5,135	5,242	5,335	5,495	5,660	5,830
Nursing care services	8,731	8,663	8,656	8,580	8,448	8,669	8,773	8,713	8,971
Assisted living services	4,269	4,373	4,176	4,591	4,351	5,009	5,159	5,314	5,474
Ancillary Services	2,099	2,585	2,867	2,705	2,158	2,567	2,594	2,556	2,588
Miscellaneous support services	387	407	439	473	427	463	473	480	494
Apartment Building	137	156	163	149	147	183	189	195	200
Contractual Allowances	(346)	(211)	(434)	(399)	(586)	(525)	(526)	(478)	(485)
Health Service Discounts	(198)	(269)	(271)	(443)	(240)	(259)	(265)	(269)	(278)
Net Resident Service Revenue	19,369	20,117	20,312	20,791	19,947	21,442	21,892	22,171	22,794
Continuing-Care Contracts Recognized	624	568	579	809	553	620	620	620	620
Contributions	721	251	231	707	681	729	743	758	773
Bond Funds Investment Income	175	88	-	-	-	-	-	-	-
Net Assets Released from Restrictions			-	-	-	-	-	-	-
Total Unrestricted Revenues, Gains, and Other Support	**20,889**	**21,024**	**21,122**	**22,307**	**21,181**	**22,791**	**23,255**	**23,549**	**24,187**
Operating Expenses:									
Nursing services	4,873	5,120	5,268	5,528	5,238	4,382	4,499	4,479	4,612
Smith Senior Living Service Fees	1,725	1,592	1,665	1,732	2,074	1,940	1,998	2,058	2,120
Dining services	3,205	3,335	3,263	3,448	3,557	3,724	3,833	3,911	4,028
Ancillary services	1,361	1,403	1,807	1,562	1,438	1,578	1,608	1,477	1,519
Administrative and general services	1,465	1,541	1,928	1,772	1,478	1,644	1,693	1,742	1,794
Environmental services	2,447	2,578	2,648	2,662	2,581	2,848	2,933	3,015	3,106
Support services	910	926	835	1,214	1,079	1,123	1,156	1,191	1,226
Marketing services	861	955	933	869	920	935	963	992	1,021
Depreciation	2,601	3,273	2,173	2,094	2,366	2,447	2,709	3,424	3,462
Amortization - marketing			-	-	-	-	-	-	-
Bond interest costs	2,109	1,113	1,010	1,065	940	911	1,055	1,533	1,484
Total Operating Expenses	**21,557**	**21,836**	**21,530**	**21,946**	**21,671**	**21,532**	**22,447**	**23,822**	**24,372**
						(21,671)			
Operating Income (Loss) Before Other Income	(668)	(812)	(408)	361	(490)	1,259	808	(273)	(185)
Loss on Refinance of Long-term Debt			-	-	-	-	-	-	-
Change in Fair Value of Swap		652	781	(1,347)	-	-	-	-	-
Investment Income (Loss)	12	1,018	596	551	354	300	300	300	300
Net Realized Gain on Assets Limited as to Use			-	-	-	-	-	-	-
Deficit on Net Revenue Over Expense	(656)	858	969	(435)	(136)	1,559	1,108	27	115
Contributions from Affiliate			-	-	6,115	-	-	-	-
Changes in Unrestricted Net Deficit	(656)	858	969	(435)	5,979	1,559	1,108	27	115
Changes in Temporarily Restricted Net Assets									
Net assets released from restriction			-	-	-	-	-	-	-
Change in Net Deficit	(656)	858	969	(435)	5,979	1,559	1,108	27	115
Net Deficit - beginning of year	(2,459)	(3,115)	(2,257)	(1,288)	(1,723)	4,256	5,815	6,923	6,950
Net Deficit - end of year	(3,115)	(2,257)	(1,288)	(1,723)	4,256	5,815	6,923	6,950	7,065

EXHIBIT IV

Smith Village
Projected Statements of Cash Flows
For the Fiscal Year Ending June 30
(in thousands of dollars)

	Historical 2016	Historical 2017	Historical 2018	Historical 2019	Forecasted 2020	Forecasted 2021	Forecasted 2022	Forecasted 2023	Forecasted 2024
Cash flows from operating activities:									
Change in Net Assets (Deficit)	(671)	858	969	(435)	5,979	1,559	1,108	27	115
Adjustments to reconcile Change in Net Assets (Deficit) to net cash provided by operating activities:									
Continuing-Care Contracts Recognized	(624)	(568)	(579)	(809)	(553)	(620)	(620)	(620)	(620)
Depreciation	2,547	2,317	2,173	2,094	2,366	2,447	2,709	3,424	3,462
Amortization marketing costs				-	-	-	-	-	-
Amortized interest expense	54	41	40	40	48	48	48	48	48
Provision for Bad Debts	138	120	10	-	-	-	-	-	-
Change in fair market value of interest rate swaps		(652)	(781)	-	-	-	-	-	-
Loss on refinance		914		-	-	-	-	-	-
Changes in Assets and Liabilities:									
Resident accounts receivables	-365	-1148	211	46	65	(115)	(35)	(21)	(49)
Entrance fee receivables	582	186		-	-	-	-	-	-
Prepaid expenses and other current assets	31	-46	-16	40	2	-	(2)	(1)	(2)
Accounts payable	-61	247	223	(286)	(15)	(7)	18	7	19
Accrued expenses and other current liabilities	-837	-410	18	144	(11)	(4)	13	4	14
Refundable reservation deposits	7	76	18	-	-	-	-	-	-
Deferred management fees to Affiliate	784	(1,898)	-	-	(6,115)	-	-	-	-
Net cash provided (used) by operating activities	1,585	37	2,286	834	1,766	3,308	3,239	2,868	2,987
Cash flows from investing activities:									
Change in Assets Limited as to Use	(352)	1,781		-	-	-	-		-
Purchase of property and equipment	(1,062)	(871)	(754)	(1,266)	(15,508)	(9,902)	(1,139)	(1,374)	(1,385)
Marketing costs -Project				-	-	-	-	-	-
Capitalized interest expense					(548)	(716)	(526)	-	-
Change in investments	(420)	(583)	(575)	(300)	(300)	(300)	(300)	(300)	(300)
Net cash provided (used) by investing activities	(1,834)	327	(1,329)	(1,566)	(16,356)	(10,918)	(1,965)	(1,674)	(1,685)
Cash flows from financing activities:									
Net advances from Affiliates	809	319	(466)						
Issuance of Series 2018 Bonds				-	14,803	7,733	-	-	-
Bond issuance costs				-		-	-	-	-
Proceeds from refundable and nonrefundable entrance fees	2,986	3,732	4,344	3,237	4,046	4,127	4,159	4,348	4,417
Refunds of entrance fees	(2,261)	(3,666)	(3,147)	(2,488)	(3,090)	(3,270)	(3,835)	(3,928)	(4,022)
Principal payments of Capital Lease Obligations	(4)	(4)	(5)						
Principal payments on existing debt Series 2016 Bonds	(840)	(747)	(916)	(941)	(968)	(999)	(1,030)	(1,061)	(1,090)
Principal payments on project debt Series 2018 Bonds				-	-	-	(518)	(535)	(551)
Net cash provided (used) by financing activities:	690	(366)	(190)	(192)	14,791	7,591	(1,224)	(1,176)	(1,246)
Net change in cash and cash equivalents	441	(2)	767	(924)	201	(19)	50	18	56
Cash and cash equivalents -beginning of year	1329	1,770	1,768	2,535	1,611	1,812	1,793	1,843	1,861
Cash and cash equivalents -end of year	1,770	1,768	2,535	1,611	1,812	1,793	1,843	1,861	1,917

Smith Village
Projected Financial Ratios
(in thousand of dollars)

	6/30/2016	6/30/2017	6/30/2018	6/30/2019	Start Up 6/30/2020	Target Year 6/30/2021	6/30/2022	6/30/2023	6/30/2024	State Standard
Current Ratio:										
Current Assets	$4,444	$4,539	$5,245	$4,235	$3,428	$3,524	$3,611	$3,651	$3,758	
Current Liabilities	$10,603	$10,817	$9,795	$11,376	$4,665	$4,670	$5,105	$5,348	$5,417	
Current Ratio	0.42	0.42	0.54	0.37	0.73	0.75	0.71	0.68	0.69	1.5
Net Margin Percentage:										
Net Income	-$655	$858	$969	-$435	$5,979	$1,559	$1,108	$27	$115	
Net Opertaing Revenue	$20,889	$21,024	$21,122	$22,307	$21,181	$22,791	$23,255	$23,549	$24,187	
Net Margin Percentage	-3.14	4.08	4.59	-1.95	28.23	6.84	4.76	0.11	0.48	2.5
Net Margin Percentage: Skilled Nursing Only										
Net Income	**$1,657**	**$1,866**	**$1,848**	**$1,310**	**$553**	**$1,821**	**$1,642**	**$1,677**	**$1,702**	
Net Opertaing Revenue	**$10,582**	**$11,068**	**$11,093**	**$10,558**	**$10,489**	**$10,725**	**$10,950**	**$11,180**	**$11,417**	
Net Margin Percentage	**15.66**	**16.86**	**16.66**	**12.41**	**5.27**	**16.98**	**15.00**	**15.00**	**14.91**	2.5
Percent Debt to Total Capitalization										
Long Term Debt	$60,889	$55,442	$56,153	$54,118	$62,158	$71,514	$78,399	$77,472	$75,726	
Long Term Debt plus Net Assets	$57,774	$53,185	$54,865	$52,395	$66,414	$77,329	$85,322	$84,422	$82,791	
Percent Debt to Total Capitalization	105%	104%	102%	103%	94%	92%	92%	92%	91%	<80%
Debt Service Coverage Ratio										
Net Income	-$655	$858	$969	-$435	$5,979	$1,559	$1,108	$27	$115	
Less Earned Entrance Fees	-$624	-$568	-$579	-$809	-$553	-$620	-$620	-$620	-$620	
Add										
Depreciation and Amortization	$2,601	$3,273	$2,173	$2,094	$2,366	$2,447	$2,709	$3,424	$3,462	
Entrance Fees Rec'd (Net of Refunds)	$725	$251	$1,197	$749	$956	$857	$324	$420	$395	
Interest on Funded Indebtedness	$2,108	$1,112	$1,010	$1,065	$940	$911	$1,055	$1,533	$1,484	
Deferred Management Fees	$745	$64	$0	$0	$0	$0	$0	$0	$0	
Change in Fair Value of Interest Rate Swap	$0	-$652	-$781	$1,347	$0	$0	$0	$0	$0	
Net unrealized (gain) loss on investments	$197	-$835	-$367	$0	$0	$0	$0	$0	$0	
Provision for Bad Debts	$138	$120	$10	-$1	$120	$120	$120	$120	$120	
Income Available for Debt Service	$5,235	$3,623	$3,632	$4,010	$9,808	$5,274	$4,696	$4,904	$4,956	
Historical Debt Service Requirement	$2,975	$1,976	$1,928	$2,006	$1,908	$1,910	$2,487	$3,013	$3,011	
Debt Service Coverage Ratio	1.76	1.83	1.88	2.00	5.14	2.76	1.89	1.63	1.65	>1.5
Days Cash on Hand										
Cash and Cash Equivalents	$1,770	$1,768	$2,535	$1,611	$1,812	$1,793	$1,843	$1,861	$1,917	
Long-Term Investments	$8,013	$8,595	$9,170	$10,190	$10,598	$11,022	$11,462	$11,921	$12,398	
Total Cash and Investments	$9,783	$10,363	$11,705	$11,801	$12,410	$12,815	$13,305	$13,782	$14,315	
Total Operating Expenses	$21,577	$21,836	$21,530	$21,946	$22,691	$21,532	$22,447	$23,822	$24,372	
Less Depreciation and Amortization	-$2,601	-$3,273	-$2,173	-$2,094	-$2,366	-$2,447	-$2,709	-$3,424	-$3,462	
Less Deferred Mgmt Fee	-$785	-$65	$0	$0	$0	$0	$0	$0	$0	
Less Charitable Care Contribution from SSL	-$516	$0	$0	-$492	-$492	-$492	-$492	-$492	-$492	
Less Provisions for Bad Debts	-$138	-$120	-$10	$1	-$120	-$120	-$120	-$120	-$120	
Total Cash Operating Expenses	$17,537	$18,378	$19,347	$19,361	$19,713	$18,473	$19,126	$19,786	$20,298	
Daily Cash Operating Expenses	48	50	53	53	54	51	52	54	55	
Days Cash on Hand	204	206	221	222	230	253	254	254	258	>45 Days
Cushion Ratio										
Total Unrestricted Cash	$1,770	$1,768	$2,535	$1,611	$1,812	$1,793	$1,843	$1,861	$1,917	
Investments	$8,013	$8,595	$9,170	$10,190	$10,598	$11,022	$11,462	$11,921	$12,398	
Total Unrestricted Cash & Investments	$9,783	$10,363	$11,705	$11,801	$12,410	$12,815	$13,305	$13,782	$14,315	
Interest Expense	$2,108	$1,112	$1,010	$1,065	$940	$911	$1,055	$1,533	$1,484	
Current Principal/Capital Lease Payments	$867	$864	$918	$941	$968	$999	$1,432	$1,480	$1,527	
Capitalized Interest Cost	$0	$0	$0	$0	$85	$374	$648	$0	$0	
Annual Debt Service	$2,975	$1,976	$1,928	$2,006	$1,993	$2,284	$3,135	$3,013	$3,011	
Cushion Ratio	3.29	5.24	6.07	5.88	6.23	5.61	4.24	4.57	4.75	3
Operating Ratio:										
Total Cash Operating Expenses	$17,537	$18,378	$19,347	$19,361	$19,713	$18,473	$19,126	$19,786	$20,298	
Total Operating Revenues	$20,889	$21,024	$21,122	$22,307	$21,181	$22,791	$23,255	$23,549	$24,187	
Less: Amortization of Entrance Fees	-$624	-$568	-$579	-$809	-$553	-$620	-$620	-$620	-$620	
Cash Operating Revenues	$20,265	$20,456	$20,543	$21,498	$20,628	$22,171	$22,635	$22,929	$23,567	
Operating Ratio	86.54%	89.84%	94.18%	90.06%	95.56%	83.32%	84.50%	86.29%	86.13%	