ECUMEN AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2017 AND 2016

ECUMEN AND SUBSIDIARIES
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YEARS ENDED DECEMBER 31, 2017 AND 2016

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Ecumen and Subsidiaries
Shoreview, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ecumen and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of unrestricted activities, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Ecumen and Subsidiaries

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ecumen and Subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The management's discussion and analysis on pages 3-8, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 2, 2018

Executive Overview

Ecumen (the Organization), headquartered in Shoreview, Minnesota, is one of the largest senior living providers of senior housing and services in Minnesota and surrounding states. Ecumen is a 501(c)(3) organization affiliated with the Evangelical Lutheran Church in America (ELCA).

The Organization's mission is to create home for older adults wherever they choose to live. The Organization is constantly evaluating how to use its resources to grow and best serve the senior market and fulfill its nonprofit mission. Since 2003, Ecumen has been diversifying its portfolio – especially adding more independent living options and at-home services. Customer demand for independent living has been growing rapidly as the current wave of Baby Boomers retires, while overall demand for nursing home care is declining. Increasingly, seniors want to live in their own homes as long as possible, and Ecumen is being responsive to this shift in consumer attitude. As Ecumen continues to diversify, it will continue to operate nursing homes and assisted living and memory care communities, but the mix of business is changing based on the markets in which we operate. As a result of these initiatives, the Organization added approximately 1,300 units of market rate assisted and independent living offerings and reduced its nursing home beds by 962 units since 2003. As of December 31, 2017, the Organization now has 1,687 stabilized market rate housing units with another 134 units that have not yet reached stabilization, and 342 skilled nursing home beds, of which approximately one-third are transitional care or premium pay beds.

The Organization sold a nursing home and market rate housing project in Chisago City, Minnesota and a nursing home and market rate housing project in Alexandria, Minnesota in December 2017. Proceeds from the sale were used to reduce debt and will allow Ecumen to strategically reinvest in the remainder of its portfolio and support diversification to meet changing customer needs. These sales resulted in a reduction of 184 nursing home beds and 61 market rate housing units.

The Organization sold a nursing home and four market rate housing projects in 2016. These projects were located in rural Southern Minnesota and struggled to maintain occupancy and attract and retain staff. These sales resulted in the reduction of 90 nursing home beds and 71 market rate housing units.

The Organization completed financing and began pre-sales and construction in 2015 on Abiitan Mill City, a new senior living community in downtown Minneapolis. This $42 million, 134-unit community opened in December 2016. The Smith & Porter Restaurant, a full service restaurant and bar located in Abiitan Mill City, opened in January 2017 and serves Abiitan Mill City residents and is also open to the public.

The Organization also began developing cooperative senior housing in 2015 under the Zvago brand name and has several projects in various stages of planning and development. The cooperative projects will be managed by Ecumen and will provide exposure to a younger demographic. The cooperatives will also serve as a valuable referral source to Ecumen's housing with services communities should a higher level of care be needed. The Organization opened its first 54 unit cooperative project located in Glen Lake, Minnesota in April 2017. Zvago Glen Lake is included in Ecumen's 2016 consolidated financial statements and is excluded from Ecumen's 2017 consolidated financial statements beginning in April 2017 when control transferred to the resident member owners upon opening. The Organization began pre-sales on two additional cooperative projects in 2016, located in St. Anthony and Apple Valley, Minnesota. These projects are comprised of 49 and 58 units, respectively.

Executive Overview (Continued)

Financing and construction for these two projects is projected to begin in 2018 and are expected to open in 2019. These two cooperative projects are included in Ecumen's 2016 and 2017 consolidated financial statements and will continue to be included until such time as project construction is complete and substantially all membership units are sold. At that time, ownership of the cooperative will be transitioned to the resident member owners and removed from Ecumen's consolidated financial statements.

Following is a summary of the change in revenue and unit mix from 2003 to 2017:

	Revenue Mix		Unit Mix	
	2017	2003	2017	2003
Nursing Homes	40 %	76 %	13 %	57 %
Market Rate Housing	48	10	67	21
Subsidized Housing	3	3	20	22
Community Based Services	6	8	-	-
Management and Consulting	3	3	-	-
Totals	100 %	100 %	100 %	100 %

Community based services, primarily hospice, and technology will play a much greater role in helping enhance our customers' independence by providing them with new and improved choices. The Organization is working aggressively to expand its private pay and Medicare based home care and hospice services. Our objective is to deliver these services in every geographic market where we have a campus or senior housing presence. We opened a Twin Cities hospice agency in February 2016 and expanded into the North Branch, Minnesota market in 2017. We are also exploring various partnering opportunities with unrelated organizations to deliver health care services and pilot and implement several health care related technologies that help improve the quality of life for the seniors we serve.

The Organization provides a full range of third-party development and operational management services and has greatly expanded its work in 2016 and 2017 with third-party partners who want to develop and operate senior housing communities. The Organization has several development projects underway throughout the upper Midwest which will generate additional development revenue and add one community with over 150 additional housing units to the existing managed portfolio, which currently consists of 14 senior housing communities totaling 1,064 housing units and 6 skilled nursing communities totaling 335 skilled nursing home beds.

Summary of Financial Results

The following table summarizes our operating revenue, operating EBITDA, and our excess (deficit) of revenue over expense for 2017 and 2016:

	$ in 000's	
	2017	2016
Operating Revenue	$ 161,926	$ 163,459
Operating EBITDA - Before Startups	$ 20,983	$ 21,843
Operating EBITDA - Startups *	(2,121)	(1,569)
Total Operating EBITDA	$ 18,862	$ 20,274
Operating Income (Loss) - Before Startups	$ (699)	$ (558)
Operating Income (Loss) - Startups *	(5,379)	(1,726)
Total Operating Income (Loss)	(6,078)	(2,284)
Other Income and Expense - Before Startups	$ 12,267	$ 2,716
Other Income and Expense - Startups	867	58
Total Other Income and Expense	13,134	2,774
Excess (Deficit) of Revenue over Expense	$ 7,056	$ 490

** Startups represent Abiitan Mill City, Smith & Porter Restaurant, Hospice and Zvago Co-Ops*

Revenue decreased by $1.5 million or 0.9% in 2017, to $161.9 million. Skilled nursing homes contributed $3.8 million of the revenue decrease primarily as a result of the sale of the nursing home in Litchfield, Minnesota in July 2016 and occupancy challenges at the Chisago City nursing home, that was sold in December 2017. Market rate housing revenue increased $2.4 million primarily due to the opening of Abiitan Mill City.

Operating EBITDA (defined as operating income (loss) excluding interest expense, depreciation, and amortization) before startups decreased by $0.9 million in 2017. The Organizations startup EBITDA loss was due primarily to increased operating expense associated with opening Abiitan Mill City including the opening of the Smith & Porter restaurant, and pre-opening marketing and organizational costs at our Zvago cooperative projects.

The Organization reported an operating loss before startups of $0.7 million in 2017 compared to a loss of $0.6 million in 2016. Nonoperating income increased by $10.4 million in 2017 primarily due to an $8.8 million gain on the sale of the properties located in Chisago City and Alexandria, Minnesota and a $2.3 million increase in investment income versus 2016.

Summary of Financial Results (Continued)

The Organization generated cash flow from operating activities of $8.1 million in 2017 compared to an operating cash flow of $12.5 million in 2016. The decrease in operating cash flow was primarily the result of increased startup losses related to the opening of Abiitan Mill City and the Smith & Porter restaurant. Unrestricted cash and investments increased from $42.1 million at December 31, 2016 to $53.3 million at December 31, 2017, primarily due to proceeds from the sale of the Alexandria, Minnesota property. The increased startup losses related to Abiitan Mill City and Smith & Porter restaurant contributed to a decline in our 2017 debt service coverage ratio to 1.13 compared with 1.34 in 2016.

Total Revenue

Total Revenue from continuing operations in 2017 decreased to $161.9 million, or 0.9%, from 2016. The following table summarizes total revenue by segment:

	$ in 000's		
	2017	2016	% Change
Nursing Homes	$ 64,475	$ 68,293	-5.6%
Market Rate Housing	77,201	74,843	3.2%
Subsidized Housing	4,304	4,179	3.0%
Community Based Services	10,508	9,955	5.6%
Management and Consulting	5,438	6,189	-12.1%
Total Operating Revenue	$ 161,926	$ 163,459	-0.9%

Nursing home revenue decreased from $68.3 million in 2016 to $64.5 million in 2017, a decrease of 5.6%. The decrease is primarily due to the sale of a nursing home in Litchfield, Minnesota in July 2016. Average nursing home occupancy was 89.7% down 1.3% from 2016 occupancy of 91.0%.

Market rate housing revenue increased by 3.2% from $74.8 million in 2016 to $77.2 million in 2017. The improvement was primarily due to revenue generated from the startup of Abiitan Mill City. Average occupancy, excluding the Abiitan Mill City startup, was 94.0% compared to 94.2% in 2016. The Organization sold four market rate housing sites, located in rural Southern Minnesota, in mid-July 2016 which reduced revenue by $1.4 million, partially offsetting the impact of general rate increases.

Community Based Service revenue increased by 5.6% to $10.5 million in 2017 primarily as a result of expansion of Ecumen's Hospice program in the Twin Cities and North Branch, Minnesota.

Management and Consulting revenue decreased from $6.2 million in 2016 to $5.4 million in 2017, a decrease of 12.1%. The decrease is due to the timing of recognition of our development fee related to the Zvago cooperative projects.

Operating Income (Loss)

The Organization reported an operating loss of $6.1 million in 2017 compared to a $2.3 million operating loss in 2016. The following table summarizes income (loss) from operations by segment:

	$ in 000's	
	2017	2016
Nursing Homes	$ 1,379	$ 1,816
Market Rate Housing	4,629	4,267
Subsidized Housing	(523)	(881)
Community Based Services	31	(655)
Corporate Services (Net of Management and Consulting Revenue)	(6,215)	(5,105)
Total Operating Income (Loss) - Before Startups	(699)	(558)
Startups*	(5,379)	(1,726)
Total Operating Income (Loss)	$ (6,078)	$ (2,284)

** Startups represent Abiitan Mill City, Smith & Porter Restaurant, Hospice and Zvago Co-Ops*

Skilled nursing reported operating income of $1.4 million in 2017 compared to operating income of $1.8 million in 2016, a decrease of $0.4 million. The decrease was primarily related to an increase in nursing expenses during the first half of the 2017.

Market rate housing reported operating income of $4.6 million in 2017 compared to $4.3 million in 2016, an increase of $0.3 million, primarily as a result of the sale of four market rate housing sites in mid-2016.

Community Based Services reported operating income of $31,000 in 2017 compared to an operating loss of $0.7 million in 2016. The majority of the improvement was the result of exiting the Twin City metro home care agency in mid-2016 as we were not able to attain our Medicare growth objectives, and the growth of hospice in the Twin Cities and North Branch Minnesota.

Financial Condition – Liquidity and Capital Resources

The Organization's strategic growth and redevelopment has been financed primarily through accessing the tax-exempt bond market, HUD sourced financings and private bank placements. The equity required to finance new projects or acquisitions is typically sourced from operating cash flow or through fundraising efforts. The Organization used cash from operations to fund capital improvements of $3.8 million and $7.2 million in 2017 and 2016, respectively. The Organization refinanced approximately $10.4 million and $16.2 million of its outstanding debt in 2017 and 2016, respectively, which has contributed to improved liquidity and a reduction of $0.2 million in interest cost compared to 2016. The Organization recognized a $0.9 million and $0.5 million loss on debt refinancing in 2017 and 2016, respectively, related primarily to the write-off of prior debt issuance costs as a result of these refinancing transactions. At December 31, 2017, approximately 77% of our outstanding debt was financed through long term fixed rate debt, 17% is fixed subject to interest rate resets, and 6% of our debt is subject to floating rates. Our average interest rate on average debt was approximately 4.3% in 2017 and 3.7% in 2016.

The Organization sold two skilled nursing homes and two market rate housing properties in 2017. Proceeds from the sale contributed to the $11.2 million increase in unrestricted cash and investments. Proceeds of $9.3 million are included in Assets Limited as to Use and will be used within two years of the sale date to fund debt service and capital expenditures. Additionally, $5.5 million of proceeds were used to pay outstanding debt on the sold properties.

Following are some of the key financial numbers and ratios from the Organization's continuing operations for 2017 and 2016:

At December 31, $ in 000's	2017	2016
Unrestricted Cash and Investments	$ 53,286	$ 42,112
Total Indebtedness	$ 249,325	$ 271,512
Net Assets	$ 41,853	$ 33,841
Key Ratios:		
Days Cash on Hand	126	101
Cash and Investments as a % of Debt	21%	16%
Debt Service Coverage Ratio	1.13	1.34

Ecumen's financial statements are designed to present users with a general overview of the Organization's finances and to demonstrate the Organization's accountability. If you have any questions about the report or need additional information, please contact the finance department at Ecumen, 3530 Lexington Avenue, Shoreview, Minnesota 55126.

ECUMEN AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 18,205,056	$ 9,213,410
Current Portion of Assets Limited as to Use	19,924,024	7,164,715
Accounts Receivable, Net	12,415,240	14,350,427
Other Current Assets	1,341,087	1,266,816
Total Current Assets	51,885,407	31,995,368
ASSETS LIMITED AS TO USE	32,814,669	21,292,109
Less: Current Portion of Assets Limited as to Use	(19,924,024)	(7,164,715)
Noncurrent Assets Limited as to Use	12,890,645	14,127,394
PROPERTY AND EQUIPMENT, NET	223,696,034	258,393,549
OTHER ASSETS		
Investments	33,292,418	30,841,010
Investment in Perpetual Trusts	2,724,422	2,450,462
Notes Receivable, Net	1,163,761	174,522
Total Other Assets	37,180,601	33,465,994
Total Assets	$ 325,652,687	$ 337,982,305
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt and Capital Leases	$ 12,347,126	$ 9,660,302
Accrued Interest	2,126,415	2,335,636
Other Current Liabilities	19,987,180	24,367,655
Total Current Liabilities	34,460,721	36,363,593
OTHER LIABILITIES		
Long-Term Debt, Less Current Maturities	241,054,767	264,944,333
Capital Leases, Less Current Maturities	1,205,000	1,485,000
Other Liabilities	7,078,730	1,348,289
Total Other Liabilities	249,338,497	267,777,622
Total Liabilities	283,799,218	304,141,215
NET ASSETS		
Unrestricted:		
Unrestricted	33,858,121	26,553,149
Noncontrolling Interest	-	(60,705)
Total Unrestricted	33,858,121	26,492,444
Temporarily Restricted	4,234,387	3,860,590
Permanently Restricted	3,760,961	3,488,056
Total Net Assets	41,853,469	33,841,090
Total Liabilities and Net Assets	$ 325,652,687	$ 337,982,305

See accompanying Notes to Consolidated Financial Statements.

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF UNRESTRICTED ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		2016	
	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUE				
Resident Service Revenue	$ 153,797,922	95.0 %	$ 153,643,926	94.0 %
Other Operating Revenue	8,128,422	5.0	9,815,474	6.0
Total Revenue	161,926,344	100.0	163,459,400	100.0
OPERATING EXPENSE				
Other Operating Expenses	143,063,826	88.4	143,185,598	87.6
Depreciation	13,650,448	8.4	12,522,013	7.7
Interest and Amortization	11,289,572	7.0	10,036,202	6.1
Total Operating Expense	168,003,846	103.8	165,743,813	101.4
OPERATING LOSS	(6,077,502)	(3.8)	(2,284,413)	(1.4)
OTHER INCOME AND EXPENSE				
Net Fundraising Income	306,591		609,795	
Investment Income	4,452,467		2,104,093	
Loss on Debt Refinancing	(915,410)		(498,840)	
Other Expense	(8,880)		(11,179)	
Gain on Sale of Property	9,298,495		570,042	
Total Other Income and Expense	13,133,263		2,773,911	
EXCESS OF REVENUE OVER EXPENSE	7,055,761		489,498	
Net Assets Released from Restrictions - Purchase of Property and Equipment	309,916		367,906	
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 7,365,677		$ 857,404	

See accompanying Notes to Consolidated Financial Statements.

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - December 31, 2015	$ 25,635,040	$ 3,942,077	$ 3,411,543	$ 32,988,660
Excess of Revenue over Expense	489,498	-	-	489,498
Gifts and Grants	-	1,810,259	48,799	1,859,058
Change in Investments in Perpetual Trusts	-	-	27,714	27,714
Net Assets Released from Restrictions - Operations	-	(1,523,840)	-	(1,523,840)
Net Assets Released from Restrictions - Purchase of Property and Equipment	367,906	(367,906)	-	-
CHANGE IN NET ASSETS	857,404	(81,487)	76,513	852,430
Net Assets - December 31, 2016	26,492,444	3,860,590	3,488,056	33,841,090
Excess of Revenue over Expense	7,055,761	-	-	7,055,761
Gifts and Grants	-	1,355,320	-	1,355,320
Change in Investments in Perpetual Trusts	-	-	273,961	273,961
Net Assets Released from Restrictions - Operations	-	(671,607)	(1,056)	(672,663)
Net Assets Released from Restrictions - Purchase of Property and Equipment	309,916	(309,916)	-	-
Loss from Discontinued Operations	-	-	-	-
CHANGE IN NET ASSETS	7,365,677	373,797	272,905	8,012,379
Net Assets - December 31, 2017	$ 33,858,121	$ 4,234,387	$ 3,760,961	$ 41,853,469

See accompanying Notes to Consolidated Financial Statements.

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets from Continuing Operations	$ 8,012,379	$ 852,430
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	13,650,448	12,522,013
Amortization	314,495	363,744
Environmental Expense	8,880	11,180
Loss on Debt Refinancing	915,410	498,840
Net Gain on Sale of Assets	(9,298,495)	(570,042)
Actuarial Adjustment for Gift Annuities	23,326	26,878
Provision for Bad Debts	(605,716)	(735,627)
Net Unrealized Gain on Investments	(3,262,207)	(1,199,666)
Contributions and Investment Income Received Restricted for Long-Term Investment	(1,355,320)	(1,859,057)
Change in Current Assets and Liabilities:		
Accounts and Notes Receivable	2,664,366	(2,246,077)
Other Current Assets	(1,187,132)	139,675
Other Current Liabilities	(1,748,339)	4,699,060
Net Cash Provided by Operating Activities	8,132,095	12,503,351
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(3,795,825)	(7,160,828)
Proceeds from Sale of Property and Equipment	8,306,101	-
Notes Receivable	10,761	472,145
Purchase of Investments	(1,057,056)	(1,039,892)
Proceeds from Sale of Investments	2,284,417	1,039,548
Decrease in Assets Under Escrow Agreement	300,000	-
Decrease (Increase) in Assets Under Bond and Mortgage Agreements	(1,940,823)	1,361,170
Decrease (Increase) in HUD Mortgage Reserve and Escrow Funds	(81,514)	(125,740)
Net Cash Provided (Used) by Investing Activities	4,026,061	(5,453,597)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments of Long-Term Debt	(4,284,483)	(6,607,179)
Payment of Financing Costs	(30,303)	(82,956)
Payments to Annuitants	(42,405)	(14,489)
Proceeds from Entrance Fee and Member Share Deposits	46,400	-
Payment of Refunds of Entrance Fee and Member Share Deposits	(211,039)	-
Contributions and Investment Income Received Restricted for Long-Term Investment	1,355,320	1,859,057
Net Cash Used by Financing Activities	(3,166,510)	(4,845,567)
INCREASE IN CASH AND CASH EQUIVALENTS	8,991,646	2,204,187
Cash and Cash Equivalents - Beginning of Year	9,213,410	7,009,223
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 18,205,056	$ 9,213,410

See accompanying Notes to Consolidated Financial Statements.

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments for Interest	$ 11,086,348	$ 9,691,836
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	$ 10,500,000	$ 17,288,252
Purchase of Property and Equipment	-	(1,375,387)
Debt Repayment	(10,235,000)	(16,243,750)
Funds Used (Deposited into) Assets Held Under Bond Indenture Agreement, Net	885,000	1,200,102
Payment of Financing and Related Costs	(1,150,000)	(869,217)
Net Proceeds from Issuance of Long-Term Debt	$ -	$ -
Construction in Progress Included in Accounts Payable	$ -	$ 1,920,450

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Ecumen

Ecumen is a Minnesota nonprofit corporation organized primarily to own, operate, manage, and support senior living and health care communities. Housing and services for seniors are provided at Ecumen communities through a continuum of care including various levels of residential living and skilled nursing as well as other community-based programs and services including home health care and outpatient therapies. Ecumen currently operates primarily in Minnesota, but also has operations in surrounding states.

Ecumen operates through a number of wholly owned nonprofit subsidiaries and Limited Liability Companies (LLCs) and is the sole owner of Ecumen Services, Inc., a for-profit subsidiary which provides management, development and consulting services to unrelated owners and sponsors of senior housing, skilled nursing, and other senior service organizations. Ecumen is also the sole member of the Ecumen Foundation, and is the general and limited partner of NBSH Limited Partnership dba: Uptown Maple Commons, which are further described below.

As of December 31, 2017, Ecumen and its affiliates owned or leased 42 health care and other facilities; including 11 U.S. Department of Housing and Urban Development subsidized housing projects. An additional 20 health care and other facilities were managed for unrelated third-party owners.

Ecumen's Board of Trustees is elected by six Minnesota synods of the Evangelical Lutheran Church in America (ELCA).

Ecumen Foundation

Ecumen Foundation, and its two subsidiary foundations (the Foundation), are Minnesota nonprofit corporations organized to serve the needs of Ecumen for charitable fund investment, management and administration. The Foundation has been designated by Ecumen as the entity to receive, invest, manage, and administer charitable gifts given to any Ecumen organization.

NBSH Limited Partnership dba: Uptown Maple Commons

NBSH Limited Partnership dba: Uptown Maple Commons (the Partnership), was formed October 28, 1999 as a limited partnership for the purpose of owning and operating a 32-unit affordable rental housing project in North Branch, Minnesota for seniors and the disabled. Prior to 2017, Ecumen and North Branch Affordable Housing, Inc., a wholly owned subsidiary of Ecumen, were the general partners of the Partnership and held 0.1% of the Partnership interest. During 2017, US Bancorp Community Development assigned it's 99.99% limited partnership interest to North Branch Affordable Housing, Inc. The accompanying consolidated financial statements reflect this change in ownership interest.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The accompanying consolidated financial statements include all the accounts of Ecumen, each of its respective wholly owned subsidiaries and the Partnership. All material intercompany balances and transactions have been eliminated in the consolidated financial statements. The consolidated organizations are commonly referred to as the Organization in the consolidated financial statements and comprise the business.

Income Taxes

With the exception of Ecumen Services, Inc., a wholly owned subsidiary of Ecumen and the Partnership, the Organization has been granted exempt status relative to federal and Minnesota corporate income taxes under Section 501(c)(3) of the federal Internal Revenue Code and applicable state codes.

Income or loss from activities considered unrelated to Ecumen's tax exempt purpose is recorded in the accounts of Ecumen Services, Inc. Income taxes for Ecumen Services, Inc. are recorded at the prevailing statutory rates and are included in operating expense. There were no income taxes payable at December 31, 2017 or December 31, 2016.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status.

Use of Estimates

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

Basis of Presentation

Contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the Board of Trustees has discretionary control. Designated amounts represent those amounts that the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions that will be satisfied by actions of the Organization or passage of time. Income earned, including capital appreciation, is recognized during the period earned.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Permanently Restricted – Those resources subject to donor imposed restrictions that they be maintained permanently by the Organization. The donors of these resources permitted the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise 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 is satisfied, net assets are released and reported as an increase in unrestricted net assets. Income earned on temporary or permanently restricted support, including realized capital appreciation is recognized in the period earned. Donor-restricted contributions whose restrictions are met within the same reporting period as received are recorded as unrestricted contributions.

Resident Service Revenue

Resident service revenue includes rent, room charges and ancillary services to residents of the licensed nursing facilities, senior housing apartments and related services and is recorded at established billing rates net of contractual adjustments resulting from agreements with third-party payors, if applicable.

Provisions for estimated third-party settlements are provided in the period the related services are rendered. Differences between the amounts accrued and the subsequent settlements are recorded into operations in the year of settlement.

Excess of Revenue over Expense

The consolidated statements of unrestricted activities includes a line entitled the “excess of revenue over expense” which is the performance indicator for the Organization. Changes in unrestricted net assets which are excluded from excess of revenue over expense, consistent with industry practice, include 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).

The excess of revenue over expense is influenced by the startup of new projects. For each of the years ended December 31, 2017 and 2016, the Organization has been in various stages of redeveloping existing properties, and developing, constructing and opening new senior living projects. The Organization expenses all of the marketing and other pre-opening costs during the development and stabilization of these projects. Once the project is open for occupancy, the interest cost and depreciation is also expensed, even though the project is not fully occupied. The Organization incurred expense in excess of revenue of approximately $4.4 million and $1.7 million for these projects in 2017 and 2016, respectively.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Third-Party Reimbursement Agreements

Medicaid

The licensed nursing facilities participate in the Medicaid program that is administered by the Minnesota Department of Human Services (DHS). Medicaid and private paying residents are classified into one of 48 Resource Utilization Groups (RUG) for purposes of establishing payment rates.

Effective January 1, 2016, nursing facilities are paid under the Value Based Nursing Facility Reimbursement System (VBR) as approved during the 2015 Minnesota State Legislative Session. Under the VBR system, care related costs will be reimbursed at actual cost subject to certain limitations. Other operating costs will be reimbursed using a pricing model, which results in the rates of these costs being the same for all nursing facilities in the state. Certain other costs, such as qualifying employer health insurance costs, will be reimbursed at an external fixed payment rate and will be cost based with no limitations.

The change to the VBR system also includes a hold harmless provision which protects nursing home facilities from being paid at rates lower than those in effect December 31, 2015. Nursing facilities will also be protected from significant decreases in rates in a single year related to care related costs.

By Minnesota Statute, a nursing facility may not charge private paying residents in multiple occupancy rooms per diem rates in excess of the approved Medicaid rates for similar services.

For the years ended December 31, 2017 and 2016, the percentage of resident days covered under the Medicaid program at the Organization's skilled nursing communities was 39.4% and 41.3%, respectively.

Medicare

The Organization owns licensed nursing facilities that participate in the Medicare program. The home health and hospice agencies operated by the Organization also participate in the Medicare program.

By Minnesota Statute, a skilled nursing facility which participates in the Medicaid program must also participate in the Medicare program. This program is administered by the United States Centers for Medicare and Medicaid Services (CMS).

The Organization is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however they do not contain a cost settlement.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Third-Party Reimbursement Agreements (Continued)

Medicare (Continued)

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual surveys. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance, which would have a negative impact on the revenues of the nursing facility.

The Organization's home health agencies are reimbursed a prospective amount based on the level of care required by each patient. This prospective amount is paid periodically over the episode of care, which spans a 60-day period, starting when the first billable visit is furnished to a Medicare beneficiary.

For the years ended December 31, 2017 and 2016, the percentage of resident days covered under the Medicare program at the Organization's skilled nursing communities was 24.7% and 22.3%, respectively.

Occupancy Percentages

For the years ended December 31, 2017 and 2016, occupancy percentages were as follows:

	December 31, 2017		December 31, 2016	
	Units	Occupancy	Units	Occupancy
Skilled Nursing	526	89.7 %	526	91.0 %
Market Rate Housing	1,828	88.8 %	1,828	94.2 %
Subsidized Housing	534	98.9 %	534	98.7 %
Total	2,888		2,888	

Cash and Cash Equivalents

The Organization considers all money market accounts and certificates of deposit with maturity dates of three months or less to be cash equivalents. Certificates of deposit are stated at cost, which approximates market value.

The Organization places its cash and investments with various financial institutions. At times such deposits may be in excess of FDIC insurance limits.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Notes Receivable

The Organization carries accounts receivable at the original charge for services rendered less an estimated allowance for doubtful accounts. An adjustment to the allowance for doubtful accounts is recorded quarterly based on historical collection experience and management's evaluation of receivables at the end of each quarter. Included in notes receivable are funds Ecumen advanced to an entity for which Ecumen is the management agent to cover deficiencies in operating cash flow. This note matures in April 2018. Also included in the notes receivable is a $1.0 million Note as part of a purchase agreement from the sale of two Ecumen campus properties in December 2017. This note matures in January 2021. Both of these notes are secured by guaranty agreements. Payments on these notes are current and no allowance was deemed necessary at December 31, 2017 and 2016. At December 31, 2017 and 2016, the amount due on these notes receivable was approximately $1.2 million. Accounts receivable are presented net of an allowance for doubtful accounts in the amount of approximately $1.0 million and $1.1 million at December 31, 2017 and 2016, respectively.

Assets Limited as to Use

Assets limited as to use include resident funds and deposits held in trust, assets held by trustees under bond and mortgage indenture agreements, assets held under HUD mortgage agreements, and assets reserved for workers' compensation claims. Assets limited as to use that are required for obligations classified as current liabilities are reported as current assets.

Under the various HUD regulatory agreements, the HUD entities are required to make deposits into restricted escrow and reserve for replacement accounts. HUD projects are required to deposit any surplus cash from operations into a residual receipts account. All disbursements from the reserve for replacement and residual receipts account require proper written approval from HUD.

Assets limited as to use are primarily invested in cash and cash equivalents, certificates of deposit and guaranteed investment contracts which are valued at cost on the consolidated balance sheets.

Property and Equipment

Property and equipment with an original cost at or above two thousand dollars are recorded at cost for purchased assets or fair market value at date of receipt for donated assets. Depreciation is computed using the straight-line method over the estimated useful lives of the asset.

Construction in progress costs are deferred until the projects are completed and placed into service at which time these costs are depreciated over the useful life of the asset.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Capitalization

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets, and depreciated over the estimated useful lives by the straight-line method of depreciation. Interest costs of $-0- and $1.9 million have been capitalized as a component of property cost for the years ended December 31, 2017 and 2016, respectively.

Investments

Investments are primarily invested in marketable equity securities, fixed income securities, mutual funds, and United States Treasury Bills. Investments are classified as trading securities and are carried at fair value with realized and unrealized gains and losses included in the excess of revenue over expense performance indicator.

Unrealized gains and losses on temporarily restricted and permanently restricted investments, other than perpetual trusts, are reported as temporarily restricted net assets. To the extent that unrealized losses related to permanently restricted investments exceed unrealized gains the amount of this excess will be reported in unrestricted net assets. The cost of securities sold is based on the specific identification method.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that change in the values of investments will occur in the near term and that such changes could be material.

Fair Value of Financial Instruments

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually results when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Refundable Entrance Fee Payable

Abiitan Mill City requires housing entry fees for admittance into the independent living units. The entrance fee deposit amounts vary depending on the unit being rented and are 100% refundable upon re-occupancy of the vacated unit. Refundable housing entry fees were $7.0 and $2.0 million at December 31, 2017 and 2016, respectively, and are included in other liabilities except for the estimated current portion of $.8 million which is reported in other current liabilities.

Charitable Gift Annuities Payable

The Organization has a gift annuity program whereby donors may contribute assets to the Organization in exchange for the right to receive a fixed dollar annual return during their lifetime. A portion of the transfer is considered to be a charitable contribution. The difference between the amount provided for the gift annuity and the present value of the liability for future payments is recognized in accordance with the donor's intentions at the date of the gift as specified by the donor. The Organization uses published mortality rate tables adopted by the United States Internal Revenue Service. The annuity liability is revalued annually based upon computed present values. Total charitable gift annuities payable was $0.4 million at both December 31, 2017 and 2016. The current portion of gift annuities payable as of December 31, 2017 and 2016 was approximately $50,000 and $51,000, respectively, and is included in Other Current Liabilities on the consolidated balance sheets.

Real Estate Taxes

The real estate owned by the Organization related to providing licensed skilled nursing care has been exempted from ad valorem property taxes by the state of Minnesota and its political subdivisions. Property used by the Organization for other purposes is not generally exempt from ad valorem property taxes.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Retirement Obligations

Asset retirement obligations represent obligations to dispose of assets that are legally required to be removed at a future date. They are recorded at the net present value using a risk-free interest rate and inflationary rate. Asset retirement obligations are recorded as Other Liabilities on the consolidated balance sheets.

Other Operating Revenue

Other operating revenue consists primarily of additional services that are provided to the residents and other members of the senior population primarily in the state of Minnesota and surrounding states, including North Dakota. These services include home delivered meals, outreach services, vending and other miscellaneous services.

Contributed Services

The Organizations receive a substantial amount of services donated by volunteers. No amounts have been reflected in the consolidated financial statements for those services.

Advertising Expenses

Advertising expenses approximated $1.1 million and $1.3 million for the years ended December 31, 2017 and 2016, respectively. Advertising costs are expensed when incurred.

Subsequent Events

In preparing these financial statements, the Organization has considered events and transactions that have occurred through April 2, 2018, the date the financial statements were available to be issued.

NOTE 2 ASSETS LIMITED AS TO USE

The Organization is required to hold funds in various accounts based upon terms in the indenture of trust of the various bond issuances. In addition, the organizations operated under HUD are required to deposit funds into the required escrow, reserve for replacement and residual receipt accounts. Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets. The Organization was required to maintain the following accounts:

Funds Held Under Bond and Mortgage Indenture Agreements

Bond Service Funds

Bond service funds have been established for the Organization to deposit monthly amounts necessary to pay semi-annual principal and interest on the bonds. The Organization sold a nursing home and market rate housing site located in Chisago City, Minnesota in December 2017. Sales proceeds in the amount of $3.2 million are included in bond service funds and were used to pay down debt at Abiitan Mill City in 2018.

NOTE 2 ASSETS LIMITED AS TO USE (CONTINUED)

Funds Held Under Bond and Mortgage Indenture Agreements (Continued)

Bond Reserve Funds

Bond reserve funds have been established to provide a reserve for payment of principal and interest on the bonds in the event the Organization's principal and interest payments are insufficient to meet debt service requirements.

Bond Repair and Replacement Funds

Bond repair and replacement funds have been established to provide for repair and replacement of property funded by revenue bonds.

Bond Construction Funds

Bond construction funds have been established to hold bond proceeds temporarily for capital project expenditures. At December 31, 2017, $6.0 million of sales proceeds related to the sale of the Chisago City, Minnesota property are included in bond construction funds and will be used for capital investment into Ecumen owned properties during 2018 and 2019.

Capital Interest Funds

Capital interest funds have been established to provide funds for interest costs during the construction and startup operations financed through a bond issuance.

Working Capital Funds

Working capital funds have been established to provide funds for operations during the startup operations financed through a bond issuance.

Funds Held Under Subsidized Housing Mortgage

Various escrow and reserve funds have been established under subsidized housing mortgage loan agreements. The funds accumulate in accordance with regulatory and loan agreements for payment of real estate taxes, insurance, building and equipment repairs and replacements, and surplus cash of the HUD projects. Withdrawals from the HUD mortgage escrow, reserve for replacement and residual receipts require HUD approval.

Workers' Compensation Reserve Funds

The provider of the Organization's workers' compensation policy requires funds to be held in escrow as collateral for future workers' compensation claims.

Letter of Credit Collateral

The Organization is required to maintain collateral related to a letter of credit held for the benefit of a component of the variable rate long-term debt.

Funds held Under Sale of Property Agreement

The Organization sold a skilled nursing site and four market rate housing sites in 2016. The Organization was required to maintain a Post-Closing Escrow fund under the sale of property agreement. The funds were available to address any misrepresentation, breach, indemnity and hold harmless from Seller to Buyer. The Funds were released in July 2017.

NOTE 2 ASSETS LIMITED AS TO USE (CONTINUED)

Resident Funds and Deposits

The Organization holds, in trust, funds advanced by residents to be used at each resident's direction. The funds held in trust are maintained in separate interest bearing accounts. The Organization also collects, as a condition of occupancy at its various senior housing communities, security deposits that are refundable upon leaving the community. Abiitan Mill City requires housing entry fees for admittance into the independent living units. The entrance fee deposit amounts vary depending on the unit being rented and are 100% refundable upon re-occupancy of the vacated unit. These funds were used to pay down $3.7 million of Abiitan Mill City Debt in 2018. Cooperative member share payments represent the owner's initial down payment on their perspective unit.

Assets limited as to use are invested in the following at December 31, 2017 and 2016:

	2017	2016
Cash and Cash Equivalents	$ 28,570,590	$ 15,380,098
Fixed Income	4,028,330	5,061,730
Certificates of Deposit	215,749	850,281
Total Assets Limited as to Use	$ 32,814,669	$ 21,292,109

The assets limited as to use are included as follows on the consolidated balance sheets at December 31, 2017 and 2016:

	2017	2016
Resident Funds:		
Residents' Funds and Deposits	$ 1,329,084	$ 713,386
Residents' Refundable Entry Fee Deposits	4,481,308	2,631,356
Cooperative Member Share Deposits	5,733,174	87,266
Subtotal	11,543,566	3,432,008
Funds Held Under Financing Agreements:		
Bond Service Funds	5,067,308	2,061,196
Bond Reserve Funds	2,556,845	3,259,728
Bond Repair and Replacement Funds	2,936,372	3,044,826
Bond Construction Funds	6,087,342	2,719,893
Capital Interest Fund	268,558	276,950
Working Capital Funds	799,816	2,329,881
Subtotal	17,716,241	13,692,474
Funds Held Under Subsidized Housing Mortgage:		
Mortgage Escrow Funds	51,109	51,009
Reserve for Replacement Funds	1,225,763	1,149,586
Residual Receipts Funds	307,644	464,526
Tax and Insurance Escrows	182,302	153,692
Subtotal	1,766,818	1,818,813
Worker's Compensation Reserve Funds	1,500,000	1,800,000
Letter of Credit Collateral - Investments	288,044	248,814
Escrow Held for Sale of Property	-	300,000
Total Assets Limited as to Use	$ 32,814,669	$ 21,292,109

NOTE 3 INVESTMENTS

The fair value of investments is estimated based upon quoted market prices for those or similar investments. Investment portfolios consisted of the following at December 31, 2017 and 2016:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Cash and Cash Equivalents	$ 486,753	$ 486,753	$ 1,254,755	$ 1,254,755
Fixed Income	9,010,573	8,806,426	8,947,807	8,388,965
Equity Securities	21,988,670	18,983,568	19,146,363	19,272,812
Mutual Funds	1,620,977	1,654,426	1,278,270	1,419,333
Investment in Joint Venture	185,445	185,445	213,815	261,484
Total	$ 33,292,418	$ 30,116,618	$ 30,841,010	$ 30,597,349

The Organization records other investments at the lower of cost or market under accounting principles generally accepted in the United States of America.

The total unrealized gain on trading securities held at December 31, 2017 was $3.2 million, compared to an unrealized gain of $0.2 million at December 31, 2016.

Investment income earned during the years ended December 31, 2017 and 2016 was from the following:

	2017	2016
Interest and Dividend Income	$ 775,708	$ 782,242
Net Realized Gain on Investments	414,552	122,185
Unrealized Gain on Investments	3,262,207	1,199,666
Total Investment Income	$ 4,452,467	$ 2,104,093

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment on the consolidated balance sheets consisted of the following at December 31, 2017 and 2016:

	2017	2016
Land and Improvements	$ 17,607,142	$ 19,433,543
Buildings and Improvements	304,354,556	331,273,104
Furniture and Equipment	27,898,257	30,911,753
Construction in Progress	1,794,557	10,954,925
Total	351,654,512	392,573,325
Less: Accumulated Depreciation	(127,958,478)	(134,179,776)
Total Property and Equipment	$ 223,696,034	$ 258,393,549

Depreciation expense for the years ended December 31, 2017 and 2016 was $13.7 million and $12.5 million, respectively

Construction in progress consisted of the following significant on-going projects:

NOTE 4 PROPERTY AND EQUIPMENT (CONTINUED)

Minneapolis

In 2016, the Organization completed a construction project for a 134 unit market rate housing building in Minneapolis, Minnesota called Abiitan Mill City. The site was placed into service in December 2016 at a total cost of approximately $34.6 million, the majority of which was financed through external debt and resident entrance deposits.

Glen Lake Cooperative

The Organization completed a cooperative project located in Glen Lake, Minnesota in April 2017. The cost of this 54-unit project was financed with external debt and member share payments. The ownership of the project transferred to its members in mid-2017 resulting the project being deconsolidated from the Organization's financial statements at that time. As of December 31, 2017 two membership units remain unsold. The Organization recognized a gain on disposal of $0.7 million during the year ended December 31, 2017 in conjunction with the deconsolidation.

St. Paul Cooperative

The Organization began pre-sales for its cooperative project located in St Paul, Minnesota in early 2016. The cost of this 49-unit project is expected to be $14.5 million and will be financed with external debt and member share payments. The land was purchased in late 2016 and will be financed as part of the initial endorsement of the project in first quarter 2018. The project will ultimately be owned by its members once substantially all membership units are sold. As of December 31, 2017, 44 priority reservation deposits have been received and are expected to be converted to subscription agreements by summer of 2018. The reservations deposits are reported in resident funds and deposits as an asset limited in use. Construction will begin upon initial endorsement of the financing and is expected to be completed in the spring of 2019, at which time financing will be finalized and ownership will pass to members. At December 31, 2017 and 2016, approximately $0.8 and $0.2 million, respectively, is included in construction in progress related to this project.

Apple Valley Cooperative

The Organization began pre-sales for its cooperative project located in Apple Valley, Minnesota in early 2016. The cost of this 58-unit project is expected to be $18.8 million and will be financed with external debt and member share payments. The project will ultimately be owned by its members once substantially all membership units are sold. As of December 31, 2017, 26 priority reservation deposits have been received. The conversion from priority reservation deposits to subscription agreements is expected to occur in mid-2018. The reservations deposits are reported in resident funds and deposits as an asset limited in use. Construction will begin upon initial endorsement of the financing and is expected to be completed in the spring of 2019, at which time financing will be finalized and ownership will pass to members. At December 31, 2017, approximately $0.2 million is included in construction in progress related to this project.

Other

The Organization has also incurred construction costs related to the planned development of new building projects, as well as planned renovations and remodeling of existing nursing facilities and senior housing projects.

NOTE 5 LONG-TERM DEBT

The Organization's long-term debt at December 31, 2017 and 2016 is summarized below:

Description	2017	2016
Fixed Rate Debt (1)	$ 111,805,000	$ 114,162,498
Fixed Rate HUD Debt (2)	71,991,384	73,163,101
Private Placement Reset Debt (3)	43,221,546	50,653,461
Variable Rate Debt (4)	14,707,995	17,675,000
Subsidized HUD Debt (5)	6,113,549	6,281,480
Flexible Subsidy Assistance Loan (6)	862,825	862,825
HUD Capital Advances (7)	9,931,202	9,931,202
Subtotal	258,633,501	272,729,567
Cooperative HUD Debt (8)	-	7,826,772
Total Long-Term Debt	258,633,501	280,556,339
Less: Current Maturities	12,067,126	9,395,302
Less: Unamortized Bond (Premium) Discount	24,344	(8,641)
Less: Unamortized Financing Costs	5,487,264	6,225,345
Long-Term Portion	$ 241,054,767	$ 264,944,333

(1) Fixed rate debt has interest rates ranging from 1.25% - 6.25%, with monthly and semi-annual principal and interest payments due through maturity from 2018 through 2050. During 2017, the Organization refinanced $5.3 million of loans on Ecumen Headquarters and The Seasons at Maplewood, Series 2010, and $5.1 million of loans on The Seasons at Apple Valley, Series 2010, lowering the interest rates from 6.22% and 6.67%, respectively, to a combined 4.47%. The reduced interest rates will result in annual cash flow savings of approximately $0.1 million. During 2016, the Organization refinanced $10.0 million of loans on CDL Homes, LLC Series 2007 and Series 2006, lowering the interest rates from 5.87% and 5.32%, respectively, to a combined 4.07%. During 2016, the Organization refinanced $5.9 million of fixed rate debt on Meadows of Worthington to private placement reset debt, lowering the interest rate from 5.32% to 3.04%. The reduced interest rates will result in annual cash flow savings of approximately $0.3 million. During 2016, the Organization paid off a $1.5 million term bond on Second Century Housing as a part of the sale of our market rate housing properties. For additional information on the sale refer to Note 9 Disposition of Property.

(2) Fixed Rate HUD Debt has fixed interest rates that range from 2.94% - 3.54%, with monthly and semi-annual principal and interest payments due through maturity from 2047 through 2053.

NOTE 5 LONG-TERM DEBT (CONTINUED)

(3) Private placement reset debt has interest rates ranging from 1.0% - 4.9%, with monthly principal and interest due through maturity from 2032 through 2038. These debt obligation interest rates typically reset every five years based upon the terms of the loan agreements. During 2017, the Organization paid off $5.5 million in private placement reset debt on Ecumen Properties, Inc., as a part of the sale of a nursing home and assisted living community in Alexandria, Minnesota. For additional information on the sale, refer to Note 9 Disposition of Property. During 2017 the Organization modified the Notes on Uptown Maple Commons to reduce the interest rates from 8.1% and 7.1% to 4.9%. The reduced interest rates will not result in annual cash flow savings, but will allow faster repayment which will reduce the term of the Notes. During 2016, the Organization paid off $2.5 million in private placement reset debt on Ecumen Properties, Inc., as a part of the sale of a nursing home located in Litchfield, Minnesota. For additional information on the sale refer to Note 9 Disposition of Property.

(4) Variable rate debt has a variable interest rate that is determined by the issuer on a weekly or monthly basis, and is indexed to a current short-term market rate. Monthly principal and interest payments are due through maturity from 2019 through 2036. The interest rate for the year ended December 31, 2017 ranged from 0.57% - 4.12%. Included in the variable rate debt is an $8.5 million taxable revenue note entered into in 2015 that matures in 2020. The balance on this note as of December 31, 2017 was $5.9 million. The Organization paid this note in full in January 2018. Also included in the variable rate debt is $6.6 million and $6.8 million of bonds at December 31, 2017 and 2016, respectively, for which the Organization has entered into a reimbursement agreement with Fannie Mae, which has a direct pay irrevocable transferable credit enhancement instrument (“credit enhancement”) for the face amount of the bonds. This credit enhancement term extends until 2036. Also included in variable rate debt is $2.2 million and $2.4 million of variable rate demand bonds at December 31, 2017 and 2016, respectively. By definition, a variable rate demand bond is a long-term tax-exempt bond, the interest of which is indexed to a current short-term market. There is an irrevocable letter of credit for the face amount of the bonds that is renewed annually in June, and currently expires in June 2018. Based upon the terms of the reimbursement agreement for the letter of credit, 25% of a draw upon the letter of credit will need to be repaid within two days of the draw, with the remaining balance due in monthly installments based on a 20-year amortization. Also included in variable rate debt is less than $0.1 million of a revolving line of credit at December 31, 2017. During 2017, the Organization entered into a $4.0 million revolving line of credit with a two year term and an interest rate indexed to a current short-term market rate, with a 3% floor and 5% cap.

(5) Subsidized HUD Debt has fixed interest rates ranging from 3.0% - 3.67%, with monthly principal and interest payments due through maturity from 2018 through 2044.

NOTE 5 LONG-TERM DEBT (CONTINUED)

(6) The Flexible Subsidy Assistance loan is an agreement with HUD for funds for repairs, replacements, and improvements of a HUD senior apartment facility. The loan agreement calls for a loan of up to $862,825. The loan carries an annual interest rate of 1%. Principal and interest payments are not due until, or if, the current mortgages mature or are paid off or the facility is sold, foreclosed upon or disposed of.

(7) Four of the HUD senior apartments were participants in a capital advance program with the Department of Housing and Urban Development. Under this program, the capital advances bear no interest and repayment is not required so long as the housing remains available for very low-income, elderly persons, for a period of at least 40 years. Noncompliance would result in HUD billing the facilities for the entire capital advances plus interest at rates varying from 5.375% to 7.0%.

(8) Cooperative HUD Debt in 2016 consists of one HUD subsidized multifamily loan for the Zvago Cooperative at Glen Lake. The interest rate is 3.93% and the loan matures in 2057. During 2016, $7.8 million was drawn for construction out of a $14.8 million mortgage. In 2017, the ownership interest in the Cooperative and all corresponding assets, liabilities and equity transferred to the Cooperative shareholders. For additional information on the Glen Lake Cooperative project refer to Note 4 Property and Equipment.

Substantially all of the Organization's property, equipment, and assets, plus the assignment of rents and income contracts, is pledged as collateral for the above. The Organization is also subject to various covenants under many of the bond, loan, and mortgage agreements.

Interest expense during the years ended December 31, 2017 and 2016 was $10.9 million and $10.0 million, respectively.

Scheduled principal payments on long-term debt are as follows:

Year Ending December 31,	Amount
2018	$ 12,067,126
2019	6,158,134
2020	6,350,505
2021	6,563,626
2022	6,867,283
Later Years	220,626,827
Total	$ 258,633,501

Under the terms of the bond indentures, the Organization is required to maintain certain deposits with respective trustees that are recorded as Assets Limited as to Use on the consolidated balance sheets.

Unamortized Financing Costs

Costs incurred in connection with the issuance of long-term debt are capitalized and amortized over the term of the related indebtedness. Unamortized financing costs at December 31, 2017 and 2016 were $5.5 million and $6.2 million, respectively. Amortization expense for the years ended December 31, 2017 and 2016 was $0.3 million and $0.4 million, respectively.

NOTE 6 LEASES

Capital Leases

The Organization entered into a capital lease agreement with the Litchfield Economic Authority for a building and equipment which houses the Emmaus Place Community. The building and equipment and the capital lease obligation are recorded on the consolidated financial statements. The term of the lease is from October 31, 1997 to February 1, 2022, bears interest at 5.5% with monthly payments from $16,000 to $19,000.

In February 2011, the Organization entered into an agreement with the City of Litchfield to issue new City of Litchfield General Obligation (GO) bonds and amend the existing capital lease agreement with the Litchfield Economic Authority for the purpose of refinancing the existing GO bonds, providing funds for converting 14 assisted living units into 11 memory care units at Bethany Assisted Living and funding improvements at Emmaus Place. The new capital lease agreement includes both Emmaus Place and Bethany Assisted Living. The final maturity on the bonds and capital lease agreements will remain February 1, 2022, when ownership reverts back to the Organization. The new lease agreement bears interest between 2.0% and 3.4% with monthly payments from $26,000 to $28,000.

In addition, the Organization has other minor capital leases for copiers and other equipment.

The estimated future minimum lease payments on all capital leases are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	$ 280,000	$ 44,315	$ 324,315
2019	290,000	37,315	327,315
2020	290,000	29,340	319,340
2021	305,000	20,640	325,640
2022	320,000	10,880	330,880
Later Years	-	-	-
Total	$ 1,485,000	$ 142,490	$ 1,627,490

Depreciation expense on capital leases amounted to $0.2 million in both of the years ended December 31, 20177 and 2016. At December 31, 2016, the cost of equipment and accumulated depreciation was $4.4 million and $2.7 million, respectively, relating to leased assets. At December 31, 2016, the cost of equipment and accumulated depreciation was $4.4 million and $2.5 million, respectively, relating to leased assets.

NOTE 7 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of December 31, 2017 and 2016:

	Level 1	Level 2	Level 3	2017 Total
Assets:				
Investments:				
Fixed Income	$ -	$ 9,010,573	$ -	$ 9,010,573
Equity Securities	21,988,670	-	-	21,988,670
Mutual Funds	-	1,620,977	-	1,620,977
Assets Limited as to Use:				
Fixed Income	-	4,028,330	-	4,028,330
Beneficial Interest in Perpetual Trusts	-	-	2,724,423	2,724,423
Total Assets	$ 21,988,670	$ 14,659,880	$ 2,724,423	$ 39,372,973

	Level 1	Level 2	Level 3	2016 Total
Assets:				
Investments:				
Fixed Income	$ -	$ 8,947,807	$ -	$ 8,947,807
Equity Securities	19,146,363	-	-	19,146,363
Mutual Funds	-	1,278,269	-	1,278,269
Assets Limited as to Use:				
Fixed Income	-	5,061,730	-	5,061,730
Beneficial Interest in Perpetual Trusts	-	-	2,450,462	2,450,462
Total Assets	$ 19,146,363	$ 15,287,806	$ 2,450,462	$ 36,884,631

The following table presents changes in assets measured at fair value using Level 3 inputs on a recurring basis for the years ended December 31, 2017 and 2016:

	Beneficial Interest - Perpetual Trusts
Balance at January 1, 2017	$ 2,450,462
Total Gains (Realized or Unrealized) for the Year Included in:	
Interest and Dividend Income	63,787
Unrealized Gains	346,135
Purchases, Sales, Issuances and Settlements, Net	(135,961)
Balance at December 31, 2017	$ 2,724,423

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

	Beneficial Interest - Perpetual Trusts
Balance at January 1, 2016	$ 2,422,748
Total Gains (Realized or Unrealized) for the Year Included in:	
Interest and Dividend Income	196,376
Unrealized Loss	107,346
Purchases, Sales, Issuances and Settlements, Net	(276,008)
Balance at December 31, 2016	$ 2,450,462

Trading Securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Securities valued using Level 2 inputs include private collateralized mortgage obligations, municipal bonds, mutual funds, and corporate debt securities.

Securities valued using Level 3 inputs include the Organization's beneficial interest in perpetual trusts which is valued based on the present value of future cash flows from the underlying investments. Gains and losses on the beneficial interest in perpetual trusts are shown as permanently restricted change in investments in perpetual trusts on the consolidated statement of changes in net assets. The significant unobservable input used in the fair value measurement of the beneficial interest in perpetual trust is their allocated portion of the underlying trust assets. Significant changes in this input could result in a significant change in the fair value measurement.

NOTE 8 CLASSIFICATION OF NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2017 and 2016:

	2017	2016
HUD Capital Grants	$ 1,526,423	$ 1,655,888
Capital Projects and Renovations	2,187,624	1,864,262
Residence Care and Other Services	520,340	340,440
Total	$ 4,234,387	$ 3,860,590

NOTE 8 CLASSIFICATION OF NET ASSETS (CONTINUED)

Net assets are released from donor restrictions by expending funds for the intended purpose, the passage of time, or by occurrence of other events as specified by donors. Net assets of $0.7 million and $1.5 million were released from restrictions for operating purposes for the years ended December 31, 2017 and 2016, respectively. Net assets of $0.3 and $0.4 million were released for the purchase of property and equipment for the years ended December 31, 2017 and 2016, respectively.

Permanently restricted net assets are comprised of the following at December 31, 2017 and 2016:

	2017	2016
Perpetual Trusts	$ 2,724,423	$ 2,450,462
Perpetual Endowment Funds Required to be Retained	1,036,538	1,037,594
Total	$ 3,760,961	$ 3,488,056

Perpetual Trusts

The Organization is the beneficiary of trust funds for which the assets are to be held in perpetuity per donor restriction. The current market value of the original trusts are shown as permanently restricted as they are not available for distribution. Investment income earned on the trust funds is recorded as unrestricted. The Organization is not the trustee for these perpetual trusts.

Permanent Endowments

The Organization's endowments, other than perpetual trusts, were established by donors for which income is expendable to pay for general operating expenses, special community programs, provide scholarships and continuing support of the Organization's ministry and vision, and is included in the investment accounts of the Organization. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including designated by the board of directors as to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The State of Minnesota's State Prudent Management of Institutional Funds Act (the Act) was effective August 1, 2008. The board of directors of the Organization has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization's perpetual trusts are not covered by the Act as the Organization is not the trustee of these trusts.

NOTE 8 CLASSIFICATION OF NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed in the Act. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Changes in endowment net assets for the years ended December 31, 2017 and 2016 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
Endowment Net Assets, January 1, 2017	$ 310,464	$ -	$ 1,037,594	$ 1,348,058
Investment Return:				
Investment Income	-	16,583	-	16,583
Net Appreciation (Realized and Unrealized)	160,843	144,260	-	305,103
Total Investment Return	160,843	160,843	-	321,686
Contributions	-	-		-
Appropriation of Endowment Assets for Expenditure	-	(160,843)	(1,056)	(161,899)
Endowment Net Assets, December 31, 2017	$ 471,307	$ -	$ 1,036,538	$ 1,507,845

NOTE 8 CLASSIFICATION OF NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Endowment Net Assets, January 1, 2016	$ 237,110	$ -	$ 988,795	$ 1,225,905
Investment Return:				
Investment Income	-	13,568	-	13,568
Net Appreciation (Realized and Unrealized)	73,354	59,786	-	133,140
Total Investment Return	73,354	73,354	-	146,708
Contributions	-	-	48,799	48,799
Appropriation of Endowment Assets for Expenditure	-	(73,354)	-	(73,354)
Endowment Net Assets, December 31, 2015	$ 310,464	$ -	$ 1,037,594	$ 1,348,058

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. No such deficiencies existed at December 31, 2017 or 2016.

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for their investment funds, including the permanent endowments that attempt to provide a total return (yield plus capital appreciation) necessary at least to preserve, and enhance the principal of the assets, and at the same time, provide a dependable and growing source of income for current requirements of any designated funds. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that provide a predictive and dependable source of income.

Strategies Employed for Achieving Results

To satisfy its capital appreciation and expected results, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equities, including mutual funds and fixed income investments to achieve its objectives within the risk constraints.

Spending Policy

The Organization has a policy, based upon the intent of the donor-restricted endowed assets, to spend the earnings from the endowment fund for general operating expenses, special community programs, provide scholarships and continuing support of the Organization’s ministry and vision.

NOTE 9 DISPOSITION OF PROPERTY

The Organization sold a skilled nursing home and market rate housing project located in Alexandria, Minnesota and a skilled nursing home and market rate housing project located in Chisago City, Minnesota on December 29, 2017 for $17.8 million, net of selling costs. Current and Long-term Debt at December 31, 2016 included $5.5 million in debt obligations related to the sold operations that were repaid from sale proceeds. Proceeds of $9.3 million are included in Assets Limited as to Use and will be used within two years of the sale date to fund debt service and capital expenditures with respect to other properties owned by affiliates of Ecumen.

Accounts receivable at December 31, 2016 includes $2.4 million related to the operations that were sold in December 2017. Accounts receivable at December 31, 2017 includes $2.3 million related to the sold operations.

The Organization sold five properties, a skilled nursing home located in Litchfield, Minnesota and four market rate housing properties located in rural Southern Minnesota, on July 14, 2016 for $5.3 million, net of selling costs. A Post-Closing Escrow account was established in the amount of $0.3 million to address any misrepresentation, breach, indemnity from the Organization to the buyer. This escrow is included in Assets Limited as to Use as of December 31, 2016 and was released from escrow in July 2017.

On July 31, 2016, the Organization completed the transfer of its Meeker Public Transit operations and net assets from the Organization to Central Community Transit. The operation, located in Litchfield, Minnesota, was comprised primarily of nine buses and a bus barn with assets totaling $1.0 million. The funding for these assets was provided by federal, state, and local grant funding. There were no proceeds received from this transfer of operations.

The following table presents the operating activity related to the disposed operations that is included in the consolidated statements of unrestricted activities for the years ended December 31, 2017 and 2016:

	2017	2016
Total Operating Revenues	$ 23,426,940	$ 28,190,730
Total Operating Expenses	(22,637,133)	(27,899,437)
Other Income	229,168	(55,982)
Gain on Sale of Assets	8,761,566	784,800
Excess (Deficit) of Revenue Over Expense	$ 9,780,541	$ 1,020,111

In addition, the Organization has incurred other minor disposals of property and equipment.

NOTE 10 RETIREMENT PLAN

The Organization provides defined contribution pension plans for its employees. Participation in the plans is available to employees upon meeting certain eligibility requirements. Contributions are based on defined or discretionary formulas. Contributions to the plans by the Organization were $2.1 million for both the years ended December 31, 2017 and 2016. Benefits payable upon retirement are determined by the amount contributed by the employee and by the Organization on the employee's behalf.

NOTE 11 MANAGEMENT FEES FROM UNRELATED PARTIES

The Organization manages a number of unrelated third-party owned projects that are not included in the accompanying consolidated financial statements. The Organization has entered into management agreements with the owners of these projects and has recognized management fee revenue of $2.6 million for both of the years ended December 31, 2017 and 2016 from these agreements.

Under certain limited circumstances, the Organization has agreed to advance funds or provide guarantees to cover operating shortfalls. Advances take the form of revolving lines of credit. As of December 31, 2017 and 2016, the Organization had advances or guarantees outstanding of $0.4 million and $0.5 million, respectively, of which $0.1 million is unsecured.

The staffing at certain of these managed projects are employees of the Organization. For the years ended December 31, 2017 and 2016, the Organization incurred payroll costs of approximately $2.8 million and $2.1 million, respectively, that was reimbursed by the managed project.

NOTE 12 FUNCTIONAL CLASSIFICATION OF EXPENSES

Functional classification of expenses for the years ended December 31, 2017 and 2016 consisted of the following:

	2017	2016
Program	$ 146,652,621	$ 143,947,677
Management and General Support	21,351,225	21,796,136
Total Expenses	$ 168,003,846	$ 165,743,813

Fundraising expenses of $0.6 million for both years ended December 31, 2017 and 2016 are included with net fundraising income on the consolidated statements of unrestricted activities. Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service are allocated based on the best estimates of management.

NOTE 13 INSURANCE AND EMPLOYEE BENEFITS

Workers' Compensation Insurance

The Organization purchases a Large Deductible Workers' Compensation policy. A $1.5 million escrow account provides collateral funding for the workers' compensation program. The Organization has estimated reserves and recorded liabilities for outstanding claims of approximately $0.8 million and $1.5 million as of December 31, 2017 and 2016, respectively, which is included in Other Current Liabilities and Other Liabilities on the consolidated balance sheets.

The Organization's provision for outstanding losses, although supported by actuarial projections and other data, is ultimately based on management's expectations of future events. It is possible that these estimates could change as more detailed information concerning the losses is received and the effect of such changes could be material to the financial statements.

Employee Health and Dental Insurance

The Organization has a self-insured health and dental insurance plan and has contracted with an administrative service company to supervise and administer the programs. The Organization contracts separately to insure for excessive or unexpected claims through a stop-loss agreement. The stop-loss agreement covers medical claims in excess of $0.2 million per individual and $10.5 million in aggregate. Claims in excess of these amounts will be funded by the stop loss carrier. A liability of approximately $0.9 million was recorded in other current liabilities at both December 31, 2017 and 2016, related to claims incurred but not reported.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Government Regulations – Medicaid

The Minnesota Department of Human services reserves the right to perform audit examinations of the records of the long-term health care facilities. Any adjustments resulting from such an examination could retroactively adjust Medicaid revenue.

Government Regulations – Medicare

The Medicare intermediary has the authority to audit the licensed nursing facilities' records any time within a three-year period after the date Ecumen receives a final notice of program reimbursement for each cost reporting period. Any adjustments resulting from the audit process could retroactively adjust Medicare revenue.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The Organization is subject to asserted and unasserted claims encountered in the normal course of business. The Organization's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Organization's financial condition or results of operations.

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any violations of these laws and regulations.

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Ecumen and Subsidiaries
Shoreview, Minnesota

We have audited the consolidated financial statements of Ecumen and Subsidiaries as of and for the years ended December 31, 2017 and 2016, and our report thereon dated April 2, 2018, which expressed an unqualified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the December 31, 2017 and 2016 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the years ended December 31, 2017 and 2016, as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of Ecumen and Subsidiaries as of December 31, 2015, and the related consolidated statements of unrestricted activities, changes in net assets, and cash flows for the year ended December 31, 2015 (none of which is presented herein), and we expressed unmodified opinions on those consolidated financial statements. That audit was conducted for purposes of forming an opinion on the consolidated financial statements as a whole. The supplementary information for the year ended December 31, 2015 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the December 31, 2015 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of those consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information for the year ended December 31, 2015 is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 2, 2018

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF UNRESTRICTED ACTIVITIES – BY SEGMENT
YEARS ENDED DECEMBER 31, 2017, 2016, AND 2015
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	2017	2016	2015
OPERATING REVENUES BY SEGMENT			
Nursing Homes	$ 64,475,167	$ 68,293,692	$ 62,482,478
Market Rate Housing	77,201,057	74,843,344	73,278,404
Subsidized Housing	4,304,038	4,178,742	4,044,804
Community Based Services	10,507,950	9,954,821	8,261,038
Management and Consulting	5,438,132	6,188,801	4,142,971
Total Revenue	$ 161,926,344	$ 163,459,400	$ 152,209,695
OPERATING INCOME (LOSS) BY SEGMENT			
Nursing Homes	$ 1,378,976	$ 1,815,648	$ (2,463,864)
Market Rate Housing	602,081	3,416,269	4,784,696
Subsidized Housing	(522,889)	(880,501)	(416,875)
Community Based Services	93,660	(870,186)	(410,619)
Corporate Services (Net of Management and Consulting Revenue)	(7,629,330)	(5,765,643)	(3,588,009)
Income (Loss) from Operations	(6,077,502)	(2,284,413)	(2,094,671)
OTHER INCOME AND EXPENSE			
Net Fundraising Income (Expense)	306,591	609,795	(175,480)
Investment Income (Expense)	4,452,467	2,104,093	(657,684)
Loss on Debt Refinancing	(915,410)	(498,840)	(156,196)
Other Expense	(8,880)	(11,179)	(10,980)
Loss on Sale of Assets	9,298,495	570,042	(95,833)
Total Other Income and Expense	13,133,263	2,773,911	(1,096,173)
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	7,055,761	489,498	(3,190,844)
Net Assets Released from Restriction - Purchase of Property and Equipment	309,916	367,906	389,155
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS FROM CONTINUING OPERATIONS	7,365,677	857,404	(2,801,689)
Loss from Discontinued Operations	-	-	(204,099)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 7,365,677	$ 857,404	$ (3,005,788)

ECUMEN AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Combined Ecumen Operations Before Subsidized Housing	Ecumen Services	Ecumen Foundation	Eliminations
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 22,505,157	$ (5,525,354)	$ 883,995	$ -
Current Portion of Assets Limited as to Use	14,008,448	5,733,174	-	-
Accounts Receivable, Net	11,806,442	583,389	-	-
Other Current Assets	1,042,374	263,940	22,135	-
Total Current Assets	49,362,421	1,055,149	906,130	-
ASSETS LIMITED AS TO USE	25,038,187	5,733,174	-	-
Less: Current Portion of Assets Limited as to Use	(14,008,448)	(5,733,174)	-	-
Noncurrent Assets Limited as to Use	11,029,739	-	-	-
PROPERTY AND EQUIPMENT, NET	207,576,052	3,384,845	-	(33,055)
OTHER ASSETS				
Intercompany Receivables	12,759,130	-	-	(12,289,309)
Receivable from Foundation	5,414,088	-	-	
Investments	28,712,702	-	4,579,716	-
Investment in Perpetual Trusts	2,724,422	-	-	-
Notes Receivable, Net	1,163,761	-	-	-
Pledges Receivable, Net of Current Portion	-	-	-	-
Total Other Assets	50,774,103	-	4,579,716	(12,289,309)
Total Assets	$ 318,742,315	$ 4,439,994	$ 5,485,846	$ (12,322,364)
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt and Capital Leases	$ 12,129,071	$ -	$ -	$ -
Accrued Interest	1,817,254	-	-	-
Other Current Liabilities	13,750,422	5,806,107	11,140	-
Total Current Liabilities	27,696,747	5,806,107	11,140	-
OTHER LIABILITIES				
Long-Term Debt, Less Current Maturities	223,706,479	-	-	-
Capital Leases, Less Current Maturities	1,205,000	-	-	-
Intercompany Payables	9,658,893	2,630,416	-	(12,289,309)
Funds Held for Others	-	-	5,415,288	-
Other Liabilities	6,859,963	-	59,418	-
Total Other Liabilities	241,430,335	2,630,416	5,474,706	(12,289,309)
Total Liabilities	269,127,082	8,436,523	5,485,846	(12,289,309)
NET ASSETS				
Unrestricted	43,147,508	(3,996,529)	-	(33,055)
Temporarily Restricted	2,706,764	-	-	-
Permanently Restricted	3,760,961	-	-	-
Total Net Assets	49,615,233	(3,996,529)	-	(33,055)
Total Liabilities and Net Assets	$ 318,742,315	$ 4,439,994	$ 5,485,846	$ (12,322,364)

Ecumen Before Subsidized Housing	Subsidized Housing Combined	Eliminations	Total
$ 17,863,798	$ 341,258	$ -	$ 18,205,056
19,741,622	182,402	-	19,924,024
12,389,831	25,409	-	12,415,240
1,328,449	12,638	-	1,341,087
51,323,700	561,707	-	51,885,407
30,771,361	2,043,308	-	32,814,669
(19,741,622)	(182,402)	-	(19,924,024)
11,029,739	1,860,906	-	12,890,645
210,927,842	12,768,192	-	223,696,034
469,821	-	(469,821)	-
5,414,088	1,200	(5,415,288)	-
33,292,418	-	-	33,292,418
2,724,422	-	-	2,724,422
1,163,761	-	-	1,163,761
-	-	-	-
43,064,510	1,200	(5,885,109)	37,180,601
$ 316,345,791	$ 15,192,005	$ (5,885,109)	$ 325,652,687
$ 12,129,071	$ 218,055	$ -	$ 12,347,126
1,817,254	309,161	-	2,126,415
19,567,669	419,511	-	19,987,180
33,513,994	946,727	-	34,460,721
223,706,479	17,348,288	-	241,054,767
1,205,000	-	-	1,205,000
-	469,821	(469,821)	-
5,415,288	-	(5,415,288)	-
6,919,381	159,349	-	7,078,730
237,246,148	17,977,458	(5,885,109)	249,338,497
270,760,142	18,924,185	(5,885,109)	283,799,218
39,117,924	(5,259,803)	-	33,858,121
2,706,764	1,527,623	-	4,234,387
3,760,961	-	-	3,760,961
45,585,649	(3,732,180)	-	41,853,469
$ 316,345,791	$ 15,192,005	$ (5,885,109)	$ 325,652,687

ECUMEN AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF UNRESTRICTED NET ASSETS
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Combined Ecumen Operations Before Subsidized Housing	Ecumen Services	Eliminations
REVENUE			
Resident Service Revenue	$ 149,822,383	$ -	$ -
Other Operating Revenue	11,973,251	5,380,792	(9,554,120)
Total Revenue	161,795,634	5,380,792	(9,554,120)
OPERATING EXPENSE			
Operating Expense	142,460,852	6,743,175	(9,554,120)
Depreciation	12,550,252	-	(7,377)
Interest and Amortization	10,984,137	-	-
Total Operating Expense	165,995,241	6,743,175	(9,561,497)
OPERATING INCOME (LOSS)	(4,199,607)	(1,362,383)	7,377
OTHER INCOME AND EXPENSE			
Net Fundraising Income	176,327	-	-
Investment Income	4,436,477	10,793	-
Loss on Debt Refinancing	(915,410)	-	-
Other Expense	(936)	-	-
Gain on Sale of Property	8,617,855	677,569	-
Total Other Income and Expense	12,314,313	688,362	-
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	8,114,706	(674,021)	7,377
Net Assets Released from Restrictions - Purchase of Property and Equipment	309,916	-	-
Transfer of Net Assets	62,948	(38,859)	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 8,487,570	$ (712,880)	$ 7,377

Ecumen Before Subsidized Housing	Subsidized Housing	Eliminations	Total Consolidated
$ 149,822,383	$ 3,975,539	$ -	$ 153,797,922
7,799,923	351,767	(23,268)	8,128,422
157,622,306	4,327,306	(23,268)	161,926,344
139,649,907	3,437,187	(23,268)	143,063,826
12,542,875	1,107,573	-	13,650,448
10,984,137	305,435	-	11,289,572
163,176,919	4,850,195	(23,268)	168,003,846
(5,554,613)	(522,889)	-	(6,077,502)
176,327	130,264	-	306,591
4,447,270	5,197	-	4,452,467
(915,410)	-	-	(915,410)
(936)	(7,950)	6	(8,880)
9,295,424	3,071	-	9,298,495
13,002,675	130,582	6	13,133,263
7,448,062	(392,307)	6	7,055,761
309,916	-	-	309,916
24,089	(24,089)	-	-
$ 7,782,067	$ (416,396)	$ 6	$ 7,365,677

ECUMEN AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET –
NURSING HOMES AND HOUSING AND ALTERNATIVE CARE
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	CDL Homes, LLC	Lakeshore, Inc.	Crest at Lakeshore, LLC	Ecumen Properties	Mankato Lutheran Homes, Inc.	North Branch Senior Living, LLC
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	$ 14,522,564	$ 16,069,434	$ 1,092,224	$ 17,673,001	$ 14,253,178	$ 577,914
Current Portion of Assets Limited as to Use	5,607,113	52,004	229,972	17,521	59,559	214,457
Accounts Receivable, Net	2,677,080	1,483,144	28,245	1,169,944	1,116,464	1,058,850
Other Current Assets	37,859	21,131	7,166	1,470	45,369	46,532
Total Current Assets	22,844,616	17,625,713	1,357,607	18,861,936	15,474,570	1,897,753
ASSETS LIMITED AS TO USE	10,250,785	316,328	435,764	17,521	185,646	1,219,459
Less: Current Portion of Assets Limited as to Use	(5,607,113)	(52,004)	(229,972)	(17,521)	(59,559)	(214,457)
Noncurrent Assets Limited as to Use	4,643,672	264,324	205,792	-	126,087	1,005,002
PROPERTY AND EQUIPMENT, NET	25,694,275	11,739,126	13,291,033	-	8,417,100	12,504,524
OTHER ASSETS						
Intercompany Receivables	929	-	-	-	-	-
Receivable from Foundation	1,112,996	17,564	-	-	1,106,844	-
Investments	-	-	-	-	-	-
Investments in Perpetual Trusts	365,727	2,028,217	-	-	-	-
Notes Receivable, Net	500,000	-	-	500,000	-	-
Total Other Assets	1,979,652	2,045,781	-	500,000	1,106,844	-
Total Assets	$ 55,162,215	$ 31,674,944	$ 14,854,432	$ 19,361,936	$ 25,124,601	$ 15,407,279
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current Maturities of Long-Term Debt and Capital Leases	$ 656,364	$ 612,111	$ 314,053	$ -	$ 365,714	$ 390,385
Accrued Interest	567,556	45,287	46,234	-	25,138	43,493
Other Current Liabilities	1,470,280	893,450	139,278	646,802	859,230	584,219
Total Current Liabilities	2,694,200	1,550,848	499,565	646,802	1,250,082	1,018,097
OTHER LIABILITIES						
Long-Term Debt, Less Current Maturities	27,945,063	15,152,933	15,037,288	-	7,203,716	15,735,869
Capital Leases, Less Current Maturities	-	-	-	-	-	-
Intercompany Payables	-	-	66,534	-	-	226,527
Other Liabilities	57,595	-	-	-	13,730	-
Total Other Liabilities	28,002,658	15,152,933	15,103,822	-	7,217,446	15,962,396
Total Liabilities	30,696,858	16,703,781	15,603,387	646,802	8,467,528	16,980,493
NET ASSETS						
Unrestricted	23,370,872	12,925,382	(748,955)	18,715,134	16,369,602	(1,573,214)
Temporarily Restricted	351,426	8,830	-	-	113,634	-
Permanently Restricted	743,059	2,036,951	-	-	173,837	-
Total Net Assets	24,465,357	14,971,163	(748,955)	18,715,134	16,657,073	(1,573,214)
Total Liabilities and Net Assets	$ 55,162,215	$ 31,674,944	$ 14,854,432	$ 19,361,936	$ 25,124,601	$ 15,407,279

Ecumen Sunrise, LLC	EverCare Senior Living, LLC	Second Century Housing	Lakeview Commons Senior Living, LLC	Meadows of Worthington, LLC	Owatonna Senior Living, LLC	Pines of Hutchinson, LLC	Regent at Maplewood, LLC
$ 1,287,955	$ 6,504,882	$ 4,040,793	$ 5,343,947	$ 4,906,332	$ 2,055,993	$ 2,004,407	$ 698,308
42,263	530,719	127,299	162,035	140,585	53,004	33,102	232,358
429,453	691,594	231,798	155,544	77,206	42,009	21,081	115,582
21,294	8,872	45,154	4,198	3,515	1,725	4,364	63,204
1,780,965	7,736,067	4,445,044	5,665,724	5,127,638	2,152,731	2,062,954	1,109,452
97,866	530,719	652,077	520,741	140,585	53,004	33,102	459,773
(42,263)	(530,719)	(127,299)	(162,035)	(140,585)	(53,004)	(33,102)	(232,358)
55,603	-	524,778	358,706	-	-	-	227,415
3,703,681	16,698,596	10,965,386	6,002,682	8,713,568	4,010,635	3,102,319	22,365,093
-	-	-	-	-	-	-	-
29,429	440	4,953	-	8,418	-	-	2,010
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
29,429	440	4,953	-	8,418	-	-	2,010
$ 5,569,678	$ 24,435,103	$ 15,940,161	$ 12,027,112	$ 13,849,624	$ 6,163,366	$ 5,165,273	$ 23,703,970
$ 128,764	$ 565,000	$ 931,813	$ 200,000	$ 398,855	$ 135,000	$ 136,688	$ 488,160
9,527	278,275	218,000	-	62,166	91,321	-	63,131
379,664	732,621	521,429	373,383	248,545	130,041	61,343	427,268
517,955	1,575,896	1,671,242	573,383	709,566	356,362	198,031	978,559
3,187,581	16,576,832	13,381,872	6,113,007	10,607,820	6,052,312	3,584,854	25,280,821
-	-	-	-	-	-	-	-
-	6,583,127	-	-	-	-	-	492,910
-	-	(39,600)	-	-	-	-	-
3,187,581	23,159,959	13,342,272	6,113,007	10,607,820	6,052,312	3,584,854	25,773,731
3,705,536	24,735,855	15,013,514	6,686,390	11,317,386	6,408,674	3,782,885	26,752,290
1,834,713	(301,192)	921,694	5,340,722	2,523,820	(245,308)	1,382,388	(3,050,330)
29,429	440	4,953	-	8,418	-	-	2,010
-	-	-	-	-	-	-	-
1,864,142	(300,752)	926,647	5,340,722	2,532,238	(245,308)	1,382,388	(3,048,320)
$ 5,569,678	$ 24,435,103	$ 15,940,161	$ 12,027,112	$ 13,849,624	$ 6,163,366	$ 5,165,273	$ 23,703,970

ECUMEN AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET –
NURSING HOMES AND HOUSING AND ALTERNATIVE CARE (CONTINUED)
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Regent at Apple Valley, LLC	Ecumen Mill City Quarter, LLC	Ecumen Home Health Care	Ecumen Parent	Combined Ecumen Operations Before Subsidized Housing
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 229,875	$ (1,259,402)	$ 1,235,419	$ (68,731,667)	$ 22,505,157
Current Portion of Assets Limited as to Use	277,230	4,746,090	-	1,483,137	14,008,448
Accounts Receivable, Net	121,639	11,432	1,586,341	789,036	11,806,442
Other Current Assets	66,901	14,480	8,637	640,503	1,042,374
Total Current Assets	695,645	3,512,600	2,830,397	(65,818,991)	49,362,421
ASSETS LIMITED AS TO USE	927,226	6,832,617	-	2,364,974	25,038,187
Less: Current Portion of Assets Limited as to Use	(277,230)	(4,746,090)	-	(1,483,137)	(14,008,448)
Noncurrent Assets Limited as to Use	649,996	2,086,527	-	881,837	11,029,739
PROPERTY AND EQUIPMENT, NET	19,926,238	33,976,210	325,399	6,140,187	207,576,052
OTHER ASSETS					
Intercompany Receivables	-	-	540	12,757,661	12,759,130
Receivable from Foundation	-	-	467,174	2,664,260	5,414,088
Investments	-	-	-	28,712,702	28,712,702
Investments in Perpetual Trusts	-	-	-	330,478	2,724,422
Notes Receivable, Net	-	-	-	163,761	1,163,761
Total Other Assets	-	-	467,714	44,628,862	50,774,103
Total Assets	$ 21,271,879	$ 39,575,337	$ 3,623,510	$ (14,168,105)	$ 318,742,315
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current Maturities of Long-Term Debt and Capital Leases	$ 538,048	$ 5,850,000	$ -	$ 418,116	$ 12,129,071
Accrued Interest	56,365	289,347	-	21,414	1,817,254
Other Current Liabilities	350,329	1,192,682	342,315	4,397,543	13,750,422
Total Current Liabilities	944,742	7,332,029	342,315	4,837,073	27,696,747
OTHER LIABILITIES					
Long-Term Debt, Less Current Maturities	24,600,669	31,141,849	-	2,103,993	223,706,479
Capital Leases, Less Current Maturities	-	-	-	1,205,000	1,205,000
Intercompany Payables	2,289,412	-	-	383	9,658,893
Other Liabilities	-	6,240,800	-	587,438	6,859,963
Total Other Liabilities	26,890,081	37,382,649	-	3,896,814	241,430,335
Total Liabilities	27,834,823	44,714,678	342,315	8,733,887	269,127,082
NET ASSETS					
Unrestricted	(6,562,944)	(5,139,341)	3,281,195	(25,896,730)	43,147,508
Temporarily Restricted	-	-	-	2,187,624	2,706,764
Permanently Restricted	-	-	-	807,114	3,760,961
Total Net Assets	(6,562,944)	(5,139,341)	3,281,195	(22,901,992)	49,615,233
Total Liabilities and Net Assets	$ 21,271,879	$ 39,575,337	$ 3,623,510	$ (14,168,105)	$ 318,742,315

ECUMEN AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF UNRESTRICTED ACTIVITIES – NURSING HOMES AND HOUSING AND ALTERNATIVE CARE
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	CDL Homes, LLC	Lakeshore, Inc.	Crest at Lakeshore, LLC	Ecumen Properties	Mankato Lutheran Homes, Inc.	North Branch Senior Living, LLC
REVENUE						
Resident Service Revenue	$ 27,944,153	$ 15,140,092	$ 2,793,069	$ 11,642,257	$ 13,508,312	$ 11,067,105
Other Operating Revenue	517,332	291,702	399,101	123,469	188,653	95,694
Total Revenue	28,461,485	15,431,794	3,192,170	11,765,726	13,696,965	11,162,799
OPERATING EXPENSE						
Operating Expenses	25,257,283	12,887,470	1,259,827	9,821,851	10,863,627	9,465,804
Depreciation and Amortization	2,320,076	661,734	627,527	627,223	733,587	728,307
Interest	1,484,575	576,979	642,412	231,542	311,044	616,096
Total Operating Expense	29,061,934	14,126,183	2,529,766	10,680,616	11,908,258	10,810,207
OPERATING INCOME (LOSS)	(600,449)	1,305,611	662,404	1,085,110	1,788,707	352,592
OTHER INCOME AND EXPENSE						
Net Fundraising Income (Expense)	121,909	30,364	-	23,411	70,428	(10,915)
Investment Income	120,261	73,434	745	1,902	142,324	4,337
Loss on Debt Refinancing	-	-	-	-	-	-
Other Expense	-	-	-	(240)	(690)	-
Gain (Loss) on Sale of Property	519,414	-	-	8,299,014	(5,000)	-
Total Other Income and Expense	761,584	103,798	745	8,324,087	207,062	(6,578)
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	161,135	1,409,409	663,149	9,409,197	1,995,769	346,014
Transfer of Net Assets	787,458	-	(867,217)	131,231	-	(349,772)
Net Assets Released from Restrictions - Purchase of Property and Equipment	127,317	28,619	-	12,280	45,361	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 1,075,910	$ 1,438,028	$ (204,068)	$ 9,552,708	$ 2,041,130	$ (3,758)

Ecumen Sunrise, LLC	EverCare Senior Living, LLC	Second Century Housing	Lakeview Commons Senior Living, LLC	Meadows of Worthington, LLC	Owatonna Senior Living, LLC	Pines of Hutchinson, LLC	Regent at Maplewood, LLC
$ 4,885,597	$ 12,903,974	$ 7,784,186	$ 4,990,012	$ 4,761,431	$ 2,101,148	$ 1,729,698	$ 7,066,089
27,459	12,415	51,781	60,587	45,227	52,401	21,540	73,613
4,913,056	12,916,389	7,835,967	5,050,599	4,806,658	2,153,549	1,751,238	7,139,702
4,323,116	11,308,922	6,633,524	4,245,816	2,896,581	1,447,468	1,044,174	5,224,528
335,839	899,012	607,369	400,089	585,973	239,601	139,267	913,212
121,512	885,540	764,220	177,759	478,329	283,717	127,342	1,053,892
4,780,467	13,093,474	8,005,113	4,823,664	3,960,883	1,970,786	1,310,783	7,191,632
132,589	(177,085)	(169,146)	226,935	845,775	182,763	440,455	(51,930)
(660)	18,676	21,897	5,455	13,186	1,057	1,481	4,555
1,104	4,333	5,298	279	511	4	2	1,734
-	-	-	-	-	-	-	(295,848)
-	-	-	-	-	-	-	-
500	(5,000)	(3,864)	(2,928)	(6,168)	-	-	690
944	18,009	23,331	2,806	7,529	1,061	1,483	(288,869)
133,533	(159,076)	(145,815)	229,741	853,304	183,824	441,938	(340,799)
-	100,000	1,700,000	-	-	-	-	-
-	-	10,010	-	6,890	-	-	-
$ 133,533	$ (59,076)	$ 1,564,195	$ 229,741	$ 860,194	$ 183,824	$ 441,938	$ (340,799)

ECUMEN AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF UNRESTRICTED ACTIVITIES - NURSING HOMES AND HOUSING AND ALTERNATIVE CARE (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Regent at Apple Valley, LLC	Ecumen Mill City Quarter, LLC	Ecumen Home Health Care	Ecumen Parent	Combined Ecumen Operations Before Subsidized Housing
REVENUE					
Resident Service Revenue	$ 7,016,931	$ 1,510,727	$ 10,497,975	$ 2,479,627	$ 149,822,383
Other Operating Revenue	125,892	103,591	9,975	9,772,819	11,973,251
Total Revenue	7,142,823	1,614,318	10,507,950	12,252,446	161,795,634
OPERATING EXPENSE					
Operating Expenses	5,434,321	2,592,699	10,342,800	17,411,041	142,460,852
Depreciation and Amortization	730,233	1,126,417	46,983	827,803	12,550,252
Interest	1,078,884	1,922,436	24,507	203,351	10,984,137
Total Operating Expense	7,243,438	5,641,552	10,414,290	18,442,195	165,995,241
OPERATING INCOME (LOSS)	(100,615)	(4,027,234)	93,660	(6,189,749)	(4,199,607)
OTHER INCOME AND EXPENSE					
Net Fundraising Income (Expense)	7,226	163,871	137,748	(433,362)	176,327
Investment Income	2,658	14,293	70,176	3,993,082	4,436,477
Loss on Debt Refinancing	(387,191)	-	-	(232,371)	(915,410)
Other Expense	-		-	(6)	(936)
Gain (Loss) on Sale of Property	570		(122,155)	(57,218)	8,617,855
Total Other Income and Expense	(376,737)	178,164	85,769	3,270,125	12,314,313
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(477,352)	(3,849,070)	179,429	(2,919,624)	8,114,706
Transfer of Net Assets	-	-	-	(1,438,752)	62,948
Net Assets Released from Restrictions - Purchase of Property and Equipment	-	-	-	79,439	309,916
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ (477,352)	$ (3,849,070)	$ 179,429	$ (4,278,937)	$ 8,487,570