



Mennonite Home Association, Inc.

CLA Intuition

July 1, 2016

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Baseline Assumptions – Operations

Baseline in model is based on MHA budgeted FY 2016 income statement

Summary '16 Consolidated Income Statement

Operating Revenue	\$	2016
Resident Services		7,185,364
Interest		32,731
Other		271,157
Contributions & Grants		386
Total Revenue		7,489,251
Operating Expenses		
Nursing		2,585,209
Activities & Social Services		157,895
Dietary		1,024,087
Housekeeping & Laundry		342,573
Plant Operations		284,658
Utilities		267,421
Administration		1,234,092
Payroll Taxes/Employee Benefits		869,203
Interest		118,801
Depreciation		318,576
Gain/loss Investments		
Total Operating Expense		7,202,514
Operating Income (loss)		286,737
Other Income		13,386
Change in Net Assets		300,122

Per Intuition Model

(\$ in Thousands)	2016
OPERATING REVENUES	
Net Resident Revenues	\$ 7,185
Amortization of Entrance Fees	-
Other Operating Revenues	284
Total Operating Revenues	7,469
Operating Revenue % Change	0.0%
OPERATING EXPENSES	
Labor and Other Expenses	6,765
Provision for Bad Debts	-
Total Non Capital Expenses	6,765
Operating Expense % Change	0.0%
Operating EBIDA	704
Operating EBIDA %	9.4%
Depreciation & Amortization	319
Interest Expense	119
Total Operating Expenses	7,203
Operating Margin	266
Operating Margin %	3.6%
NON-OPERATING, NET	
Investment Income	33
Loss from future service obligation	-
Contributions and donations *	1
Total Non Operating	34
NET MARGIN	\$ 300
Net Margin %	4.0%



Baseline Assumptions – Balance Sheet

Baseline in model is based on MHA audited FY 2015 balance sheet

Per 9/30/15 Audit

Per Intuition Model

ASSETS	<u>2015</u>	ASSETS	
CURRENT ASSETS		Current Assets	
Cash and Cash Equivalents	\$ 550,752	Cash and Cash Equivalents	\$ 551
Resident Trust Funds	14,486	Current AWUIL	25
Resident Security Deposits	10,760	Net Resident Receivables	683
Accounts Receivable, Net	682,592	Other Current Assets	172
Short-Term Investments	1,377,669	Total Current Assets	<u>1,431</u>
Due from Related Parties	29,367	Investments	1,378
Supplies Inventory	36,519	Assets Whose Use is Limited	-
Prepaid Expenses	106,571	Net Property and Equipment	5,014
Total Current Assets	<u>2,808,716</u>	All Other Assets	200
PROPERTY AND EQUIPMENT, NET	5,014,221	Total Assets	<u><u>\$ 8,023</u></u>
OTHER ASSETS			
Deferred Financing Costs, Net	60,608		
Investment in Affiliate	138,667		
Total Other Assets	<u>199,275</u>		
Total Assets	<u><u>\$ 8,022,212</u></u>		



Baseline Assumptions – Balance Sheet

Baseline in model is based on MHA audited FY 2015 balance sheet

Per 9/30/15 Audit

CURRENT LIABILITIES

Current Maturities of Long-Term Debt	\$ 248,981
Accounts Payable	246,792
Accrued Salaries and Payroll Taxes	134,521
Accrued Compensated Absences	58,808
Accrued Expenses	31,125
Due to Related Parties	34,029
Resident Trust Funds Liability	14,486
Resident Security Deposits	10,760
Total Current Liabilities	<u>779,502</u>

LONG-TERM DEBT, LESS CURRENT MATURITIES

3,072,371

OTHER LIABILITIES

Asset Retirement Obligation	<u>52,504</u>
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Total Liabilities 3,904,377

NET ASSETS

4,117,835

Total Liabilities and Net Assets \$ 8,022,212

Per Intuition Model

LIABILITIES AND NET ASSETS

Current Liabilities	
Current Portion of LTD	\$ 249
Other Current Liabilities	531
Total Current Liabilities	<u>780</u>
Long-Term Debt, Net	3,072
Deferred Revenue & Refund Liability	-
Future Service Obligation Liability	-
Fair Value Interest Rate Swap Agreements	-
Other Long-Term Liabilities	53
Restricted Net Assets	-
Unrestricted Total Net Assets	<u>4,118</u>
Total Liabilities & Net Assets	<u>\$ 8,023</u>



Baseline Assumptions – Long-Term Debt

Per 9/30/15 Audit Footnote

September 30,	Amount
2016	\$ 248,981
2017	258,226
2018	267,486
2019	277,077
2020	286,802
Thereafter	1,982,780
Total	<u>\$ 3,321,352</u>

Per Intuition Model

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Principal	249	258	267	277	287	297	308	319	330	342	355
Interest	119	104	95	85	76	65	55	43	32	20	8
	368	362	362	362	363	362	363	362	362	362	363



Baseline Assumptions – Capital & Funding

- **Capital Expenditures**
 - 3.5% of Revenue each year
 - \$257k in 2016 to \$306k in 2025
- **Contributions**
 - \$5K annually in 2017 & 2018; inflated 2% thereafter
- **Investment Earnings**
 - 3.0% annually



Baseline Dashboard – May 16th version previously presented

Mennonite Home Association, Inc.
(\$000s)
CLA Intuition™ - Strategic Financial Planning Model

2016 PERFORMANCE									
\$0.3M / 3.6% 2016 Operating Margin Basis = 2016 Budget									
REVENUE AND EXPENSE INFLATION									
Revenue Inflation					Expense Inflation				
SNF	2017	2018+	Housing	2017	2018+	Labor			
Medicare	2.00%	1.00%	2.50%	2.50%	2.50%				
Medicaid	1.00%	1.00%	Non-Labor						
Private Pay	3.00%	3.00%	Other Rev	3.00%	3.00%	2.50%			
Net Inflationary Spread (%)									
-0.6% -0.7% -0.7% -0.6% -0.6% -0.6% -0.6% -0.6% -0.6% 2017 2018 2019 2020 2021 2022 2023 2024 2025									
INVESTMENT RETURNS									
3.00% Overall Returns (2017 - 2019)					3.00% Overall Returns (2020+)				
CONTRIBUTIONS									
\$5k Contributions (2017)			\$5k Contributions (2018)			2.0% Inflation (2019+)			
CAPITAL SPENDING									
Routine Capital = \$256 in 2016 to \$304 in 2025 Yrs 1 - 5 (3.5% of Rev.) / (79.6% of Dep.) Yrs 6 - 10 (3.5% of Rev.) / (71.9% of Dep.)									

Average Age of Facility

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
17.7	18.2	18.5	18.8	19.2	19.4	19.6	19.8	20.0	20.1

Net Operating Margin

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
9.4%	8.9%	8.4%	7.8%	7.3%	6.7%	6.2%	5.7%	5.1%	4.6%

Debt Service Coverage (MADS)

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2.01x	2.07x	2.00x	1.91x	1.83x	1.74x	1.64x	1.53x	1.42x	1.30x

Days Cash on Hand

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
108	112	115	115	113	110	105	98	89	78

Set Baseline



Baseline Dashboard – as of July 1 with updated inflation assumptions

Mennonite Home Association, Inc.
(\$000s)
CLA Intuition™ - Strategic Financial Planning Model

2016 PERFORMANCE										
\$0.3M / 3.6% 2016 Operating Margin Basis = 2016 Budget										
REVENUE AND EXPENSE INFLATION										
Revenue Inflation					Expense Inflation					
SNF	2017	2018+	Housing	2017	2018+	Labor		Non-Labor		
Medicare	2.00%	1.00%	3.00%	3.00%	2.00%		2.50%			
Medicaid	2.00%	1.00%			2.50%		2.50%			
Private Pay	5.00%	5.00%	Other Rev	3.00%	3.00%					
Net Inflationary Spread (%)		0.8%	0.0%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	
		0.0%								
		2017	2018	2019	2020	2021	2022	2023	2024	2025
INVESTMENT RETURNS										
3.00% Overall Returns (2017 - 2019)					3.00% Overall Returns (2020+)					
CONTRIBUTIONS										
\$5k Contributions (2017)			\$5k Contributions (2018)			2.0% Inflation (2019+)				
CAPITAL SPENDING										
Routine Capital = \$259 in 2016 to \$330 in 2025										
Yrs 1 - 5 (3.5% of Rev.) / (80.9% of Dep.)					Yrs 6 - 10 (3.5% of Rev.) / (75.2% of Dep.)					

Average Age of Facility

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
17.7	18.1	18.5	18.8	19.0	19.2	19.4	19.5	19.6	19.7

Net Operating Margin

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
9.4%	10.1%	10.2%	10.2%	10.3%	10.4%	10.5%	10.6%	10.8%	10.9%

Debt Service Coverage (MADS)

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2.01x	2.36x	2.44x	2.52x	2.62x	2.73x	2.85x	2.98x	3.13x	3.29x

Days Cash on Hand

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
108	117	127	137	148	160	173	187	202	219

Set Baseline

Strategic Dashboard

Mennonite Home Association, Inc. (\$000s)
CLA Intuition™ - Strategic Financial Planning Model

Key Strategic Opportunities

Expense Reductions
 Revenue Enhancement
 #1 - Expansion of Pleasant View
 #2 - SNF Small House/Rehab Space Construction
 #3 - SNF Renovation & Increase in Medicare Census

Capital Spending

Routine Capital = \$259 in 2016 to \$330 in 2025
(3.5% of Revenue) / (80.9% of Depreciation)

Total Major Project Capital **\$0.0M**

 No Major Project
 No Major Project #2
 No Philanthropy
 No Organizational Cash

Term = 30
 Interest Rate = 6.00%

Net Operating Margin

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Margin	9.4%	10.1%	10.2%	10.2%	10.3%	10.4%	10.5%	10.6%	10.8%	10.9%

Debt Service Coverage

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Coverage	2.01x	2.36x	2.44x	2.52x	2.62x	2.73x	2.85x	2.98x	3.13x	3.29x

Target: 1.35x

Days Cash on Hand

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Days	108	117	127	137	148	160	173	187	202	219

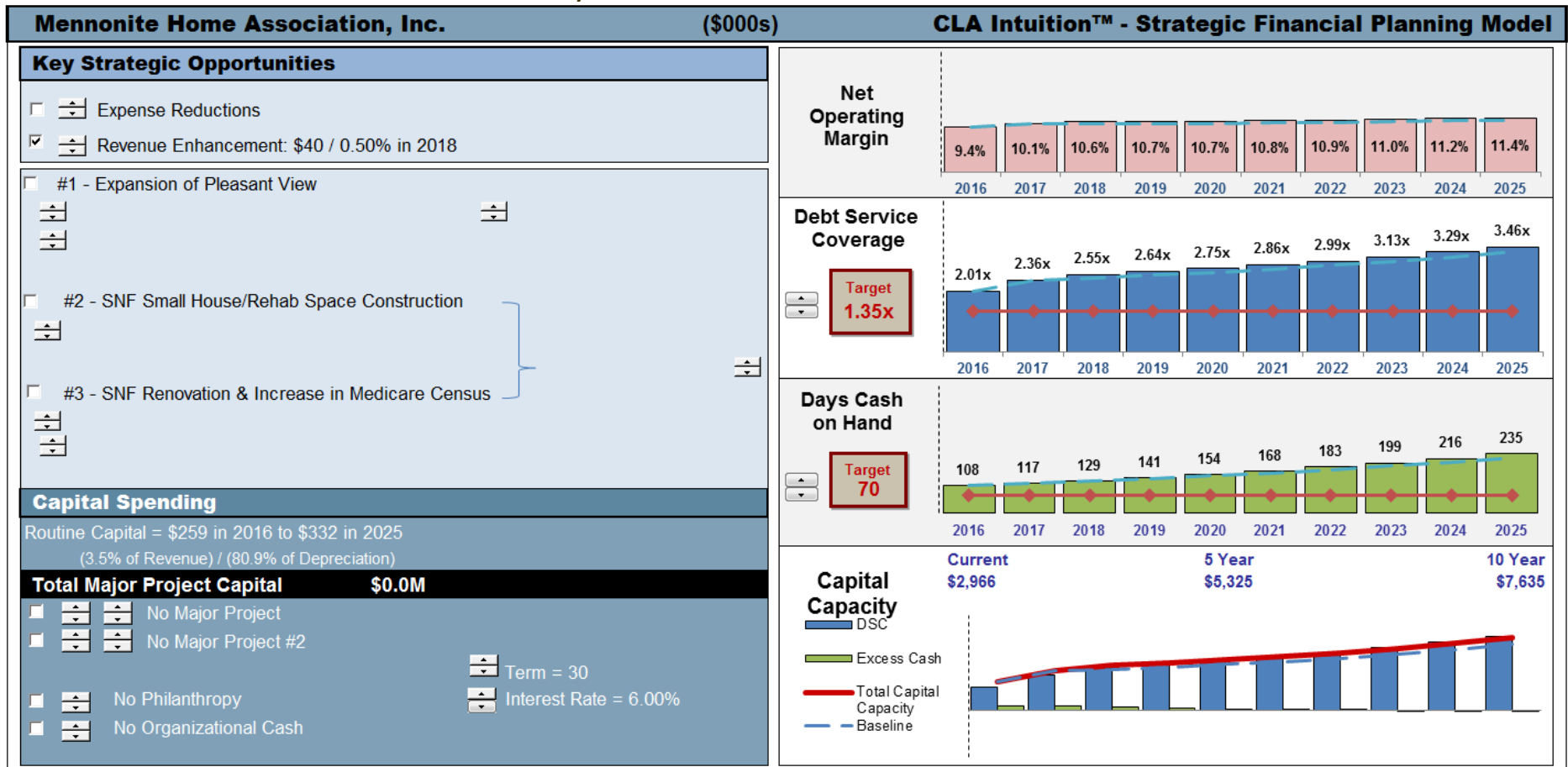
Target: 70

Capital Capacity

Category	Current	5 Year	10 Year
DSC	\$2,966	\$4,841	\$6,954

Revenue Enhancement Strategy to Baseline MHA Operations

- Represents increases to current revenues (i.e. private pay rate hike, increase in meal charges, etc) to current MHA operations; annual run rate improvement
 - Enhancement to Revenue by 1%



#1) Pleasant View Expansion

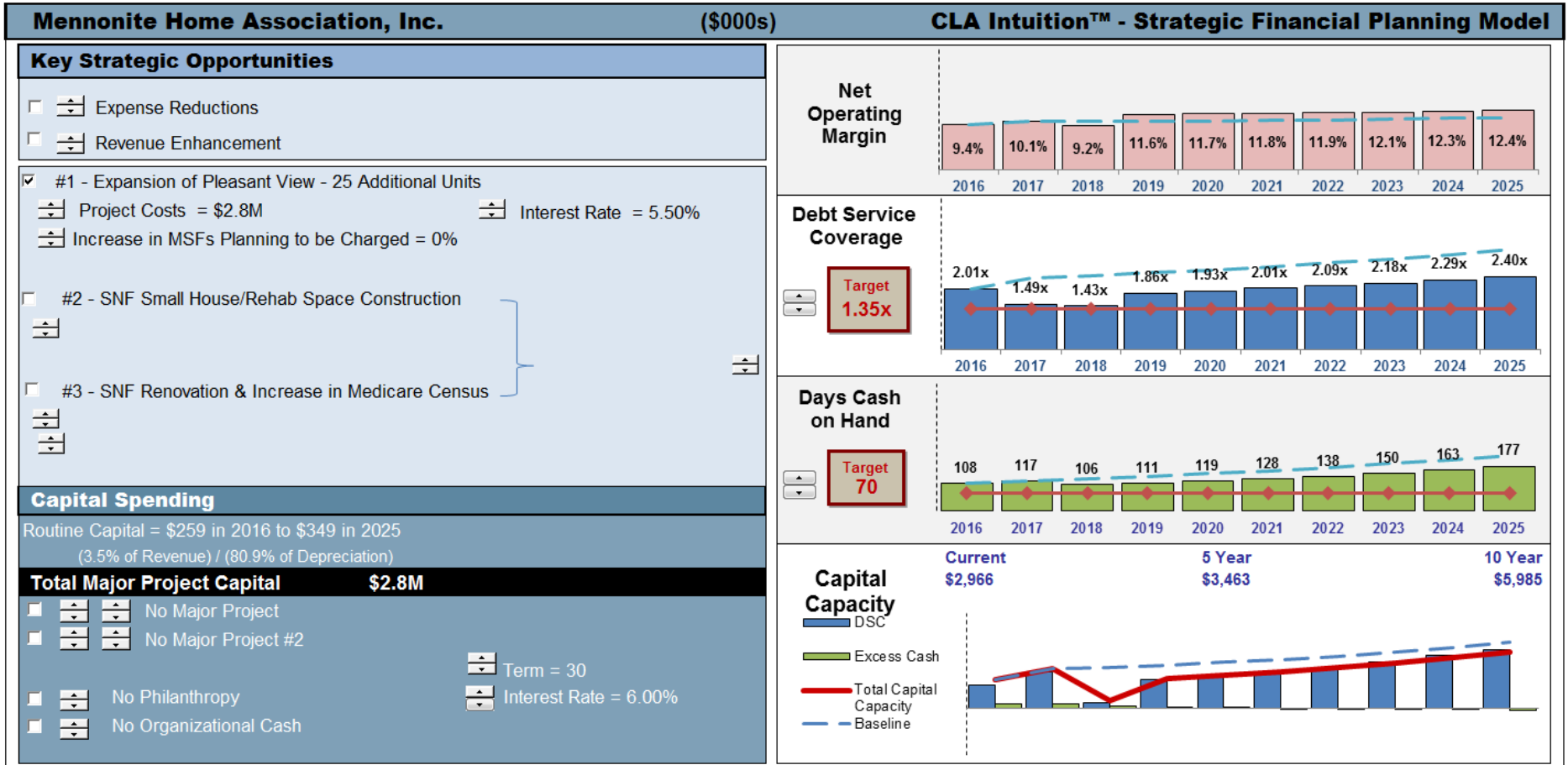
- Beginning on 10/1/16; 12 months of construction
- Ability to toggle Interest Rate, 30 year bonds
- Ability to toggle project costs, 10% equity into project
- 25 additional private pay units added to the campus
- Forecasted Rental Fees:

Unit Mix of AL/IL for proposed expansion:

	Units	Rate	
5 AL at \$88/day	5	\$ 88	per day
1 Single IL at \$1,000/month	1	\$ 1,000	monthly
14 Double IL at \$1,200/month	14	\$ 1,200	monthly
5 Super Doubles at \$1,500/month	5	\$ 1,500	monthly
	25		

- Model has a toggle built in to provide the ability to increase the monthly rental rates that are proposed above to increase them to market rates

#1a) Pleasant View Expansion – using initial estimates for MSFs



#1b) Pleasant View Expansion – with 15% increase in MSFs to market rates

Mennonite Home Association, Inc. (\$000s)	CLA Intuition™ - Strategic Financial Planning Model																																																																								
Key Strategic Opportunities <ul style="list-style-type: none"> <input type="checkbox"/> Expense Reductions <input type="checkbox"/> Revenue Enhancement <input checked="" type="checkbox"/> #1 - Expansion of Pleasant View - 25 Additional Units <ul style="list-style-type: none"> <input type="checkbox"/> Project Costs = \$2.8M <input type="checkbox"/> Interest Rate = 5.50% <li style="border: 2px solid red; padding: 2px;"><input checked="" type="checkbox"/> Increase in MSFs Planning to be Charged = 15% <input type="checkbox"/> #2 - SNF Small House/Rehab Space Construction <input type="checkbox"/> #3 - SNF Renovation & Increase in Medicare Census 	<div style="border: 1px solid #ccc; padding: 5px;"> <p>Net Operating Margin</p> <table border="1" style="font-size: small; margin-top: 5px;"> <tr><th>Year</th><td>2016</td><td>2017</td><td>2018</td><td>2019</td><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td><td>2025</td></tr> <tr><th>Margin</th><td>9.4%</td><td>10.1%</td><td>9.6%</td><td>12.3%</td><td>12.4%</td><td>12.5%</td><td>12.6%</td><td>12.8%</td><td>13.0%</td><td>13.2%</td></tr> </table> </div> <div style="border: 1px solid #ccc; padding: 5px;"> <p>Debt Service Coverage</p> <p style="border: 2px solid red; padding: 2px; display: inline-block; margin-bottom: 5px;">Target 1.35x</p> <table border="1" style="font-size: small; margin-top: 5px;"> <tr><th>Year</th><td>2016</td><td>2017</td><td>2018</td><td>2019</td><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td><td>2025</td></tr> <tr><th>Coverage</th><td>2.01x</td><td>1.49x</td><td>1.49x</td><td>1.98x</td><td>2.06x</td><td>2.15x</td><td>2.24x</td><td>2.34x</td><td>2.45x</td><td>2.58x</td></tr> </table> </div> <div style="border: 1px solid #ccc; padding: 5px;"> <p>Days Cash on Hand</p> <p style="border: 2px solid red; padding: 2px; display: inline-block; margin-bottom: 5px;">Target 70</p> <table border="1" style="font-size: small; margin-top: 5px;"> <tr><th>Year</th><td>2016</td><td>2017</td><td>2018</td><td>2019</td><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td><td>2025</td></tr> <tr><th>Days</th><td>108</td><td>117</td><td>107</td><td>116</td><td>127</td><td>139</td><td>152</td><td>167</td><td>184</td><td>202</td></tr> </table> </div> <div style="border: 1px solid #ccc; padding: 5px;"> <p>Capital Capacity</p> <table style="width: 100%; text-align: center; font-size: small;"> <tr> <td>Current</td> <td>5 Year</td> <td>10 Year</td> </tr> <tr> <td>\$2,966</td> <td>\$4,260</td> <td>\$7,146</td> </tr> </table> </div>	Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Margin	9.4%	10.1%	9.6%	12.3%	12.4%	12.5%	12.6%	12.8%	13.0%	13.2%	Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Coverage	2.01x	1.49x	1.49x	1.98x	2.06x	2.15x	2.24x	2.34x	2.45x	2.58x	Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Days	108	117	107	116	127	139	152	167	184	202	Current	5 Year	10 Year	\$2,966	\$4,260	\$7,146
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#2 & 3) SNF Small House Construction & Existing SNF Renovations

- Timing begins after Pleasant View expansion is complete
 - SNF small house construction starts first, SNF renovations follows
- Ability to toggle interest rate, 30 bond financing
- Ability to toggle estimated project costs for both the SNF small house/rehab space & the SNF renovation
- 10% equity into the projects

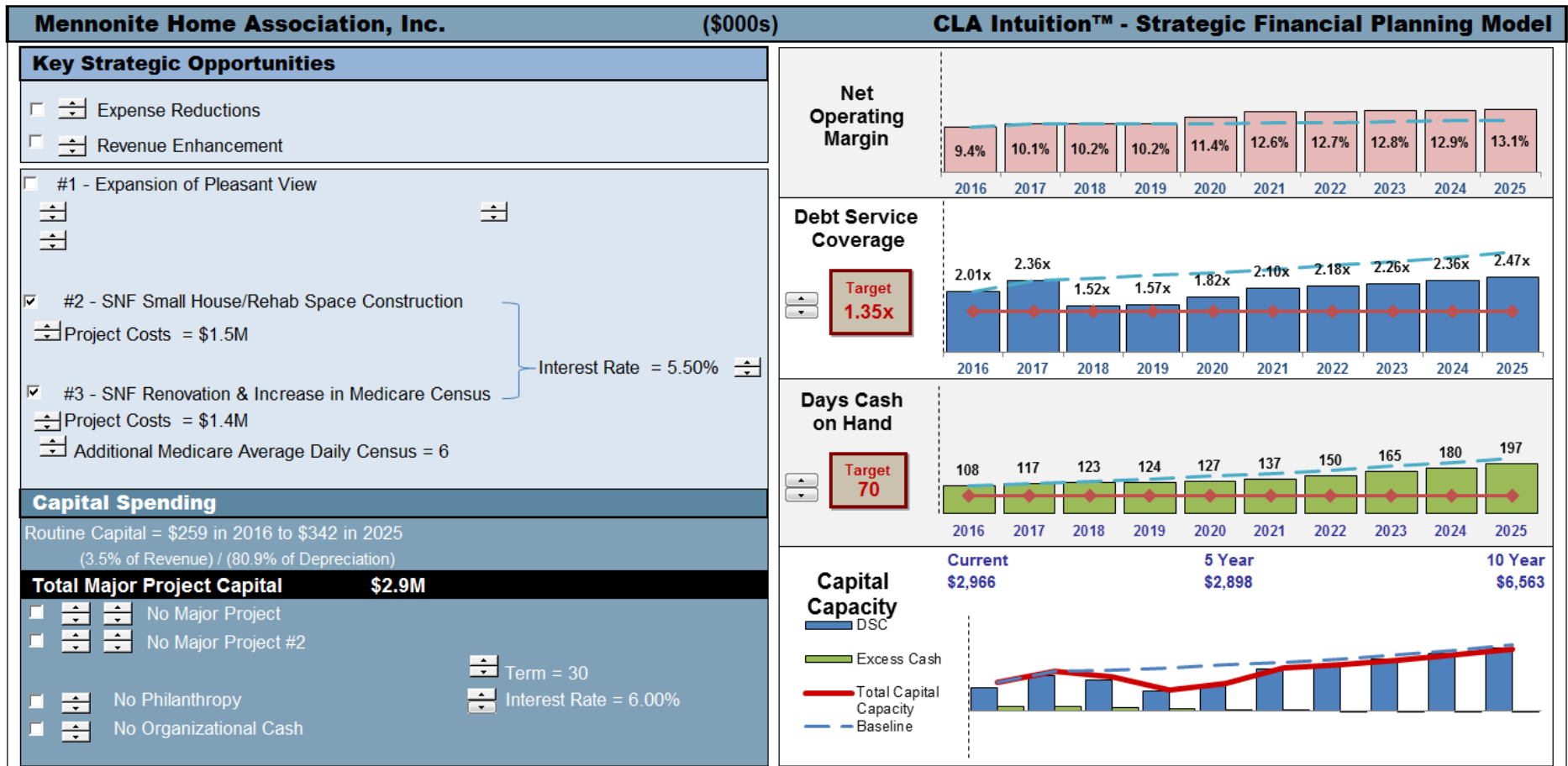


#2 & 3) SNF Small House Construction & Existing SNF Renovations

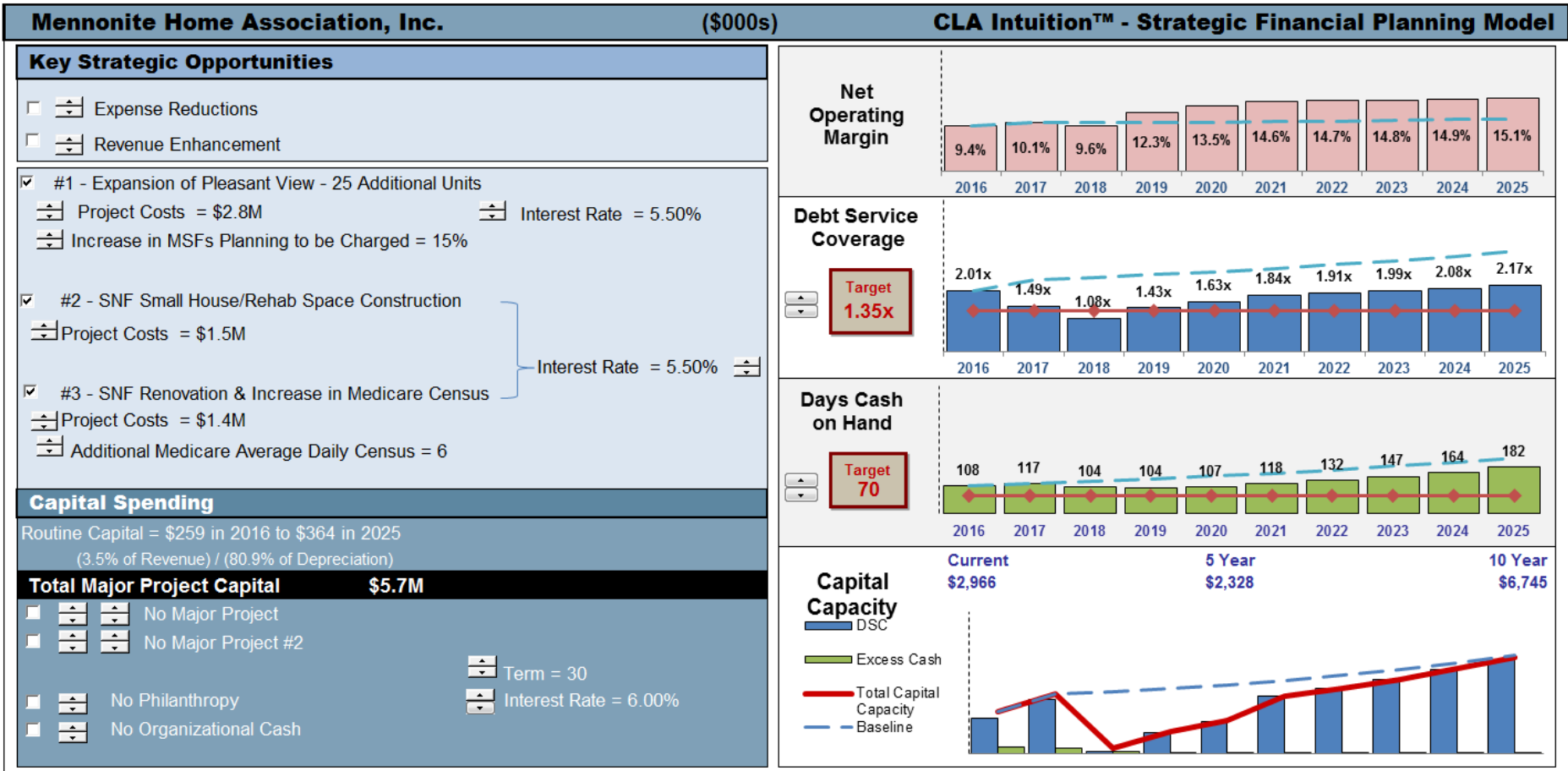
- Upon completion of the SNF renovation, Medicare average daily census is estimated to increase by 6-7 residents per day
 - Each resident represents approximately \$107 per day in additional margin
 - Model has the ability to toggle the increase in Medicare average daily census



#2 & 3b) SNF Small House Construction & Existing SNF Renovations



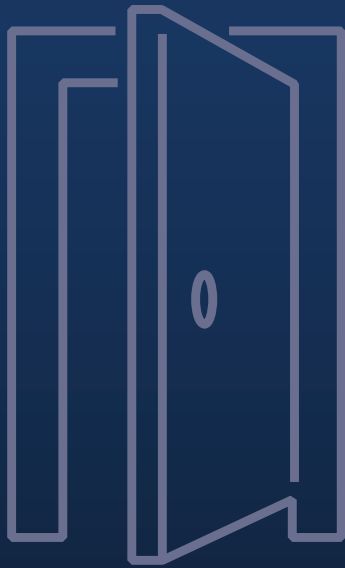
All Strategic Opportunities



All Strategic Opportunities – if total construction costs increased to \$7M

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Days	108	117	101	96	95	102	111	122	134	148																																				
Current	5 Year	10 Year																																												
\$2,966	\$837	\$5,071																																												
<h3>Capital Capacity</h3>																																														





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Disclaimer

Management ("Management") of Mennonite Home Association, Inc. (the "Organization") is in the process of evaluating the preliminary analysis of a variety of strategies that it may choose to explore further (along with understanding the effect of changes in key assumptions on the operations of the Organization).

The planning dashboards and analyses included herein have been assembled from information provided by and reviewed by Management, and are intended to provide a framework and analysis of the anticipated financial performance of the Organization, including the estimated impact of a number of strategic options and or strategies. The scenarios and analyses included herein are not intended to be a complete analysis of all factors impacting the future financial performance of the Organization. **These analyses are intended for the internal use of the Organization and should not be read by or relied on by other third party users for any purpose.**

The scenarios are based on assumptions concerning the impact of key assumptions and strategies on future financial performance. The assumptions disclosed herein, while not all-inclusive, are those that Management believes are significant to assess the anticipated financial performance of strategies and are key factors upon which the future financial results depend. In our presentation we may include assembled projected statements of operations and cash flows (the "Assembled Projections"). The Assembled Projections omit the summary of significant accounting policies and projected balance sheets, and does not purport to be presented in accordance with Generally Accepted Accounting Principles. We have not compiled or examined any of the financial data utilized in the analyses and the Assembled Projections and express no assurance of any kind on it. Furthermore, even if the assumptions disclosed herein were to materialize, there will be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

