CONSOLIDATED FINANCIAL STATEMENTS
OF
BARTELS LUTHERAN RETIREMENT COMMUNITY
AND AFFILIATE
WAVERLY, IOWA
AT
DECEMBER 31, 2016 AND 2015

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Ryun, Givens
& Company, P.L.C.

Certified Public Accountants
Stephen D. Givens, CPA
Curtis E. Brand, CPA
Timothy K. DeVries, CPA
Kathy A. French, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bartels Lutheran Retirement Community and Affiliate
Waverly, Iowa

We have audited the accompanying consolidated financial statements of Bartels Lutheran Retirement Community (a nonprofit health care entity) and affiliate, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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.

To the Board of Directors
Bartels Lutheran Retirement Community and Affiliate
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bartels Lutheran Retirement Community and affiliate as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RYUN, GIVENS & COMPANY, P.L.C.

Ryun, Givens & Company, P.L.C.
Certified Public Accountants

March 22, 2017

BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,874,923	$ 1,676,029
Certificates of Deposit	312,312	305,882
Investments	10,651,096	10,457,584
Resident Receivables, Net of Allowance for Doubtful Accounts of $100,000 in 2016 and $75,000 in 2015	545,290	474,044
Assets Limited as to Use	-	478,770
Prepaid Expenses and Other Current Assets	186,776	169,094
Total Current Assets	13,570,397	13,561,403
Assets Limited as to Use, Less Current Portion	286,978	1,071,099
Property and Equipment:		
Land	981,397	941,397
Buildings and Improvements	30,825,729	29,247,768
Equipment and Furniture	3,894,569	3,597,245
Construction in Progress	1,409,574	1,014,542
Total Property and Equipment	37,111,269	34,800,952
LESS - Accumulated Depreciation	12,807,707	11,779,045
Net Property and Equipment	24,303,562	23,021,907
Other Assets:		
Unconditional Promises to Give	594,292	-
Certificates of Deposit	1,043,867	1,023,824
Other Assets	165,801	162,787
Franchise Fees, Net of Accumulated Amortization of $45,940 in 2016 and $39,377 in 2015	216,562	223,125
Long-Term Investments Restricted for Endowment	2,280,538	2,256,141
Total Other Assets	4,301,060	3,665,877
TOTAL ASSETS	$ 42,461,997	$ 41,320,286

See Accompanying Notes to the Consolidated Financial Statements

BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2016 AND 2015

	2016	2015
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current Maturities of Long-Term Debt	$ 662,070	$ 478,770
Accounts Payable	207,129	302,618
Accrued Salaries and Benefits	391,087	338,216
Other Current Liabilities	144,273	156,707
Total Current Liabilities	1,404,559	1,276,311
Long-Term Liabilities:		
Long-Term Debt, Less Current Maturities	10,812,390	12,570,582
Deferred Revenue from Advance Fees	3,548,661	2,812,667
Refundable Advance Fees	10,393,260	9,574,795
Deferred Compensation	286,978	264,267
Total Long-Term Liabilities	25,041,289	25,222,311
Total Liabilities	26,445,848	26,498,622
Net Assets:		
Unrestricted Net Assets:		
Board Designated, Chaplaincy Endowment	771,126	771,126
Undesignated	12,436,448	12,202,670
Total Unrestricted Net Assets	13,207,574	12,973,796
Temporarily Restricted	2,061,755	1,103,898
Permanently Restricted	746,820	743,970
Total Net Assets	16,016,149	14,821,664
TOTAL LIABILITIES AND NET ASSETS	$ 42,461,997	$ 41,320,286

BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
UNRESTRICTED NET ASSETS		
Revenues, Gains and Other Support:		
Net Resident Service Revenue, Including Amortization of Advance Fees of $504,554 for 2016 and $459,277 for 2015	$ 12,142,709	$ 11,885,205
Investment Income	320,000	391,735
Contributions	15,504	505,948
Other Operating Revenue	49,182	39,696
Net Assets Released from Restrictions Used for Operations	162,152	6,959
Total Revenues, Gains and Other Support	12,689,547	12,829,543
Expenses:		
Salaries and Wages	6,039,401	5,839,755
Employee Benefits and Payroll Taxes	1,212,917	1,149,212
Professional Fees	137,403	168,634
Medical Supplies, Drugs and Therapies	997,431	938,173
Food and Other Supplies	769,851	774,061
Insurance and Other	1,076,850	964,560
Utilities	462,893	448,492
Depreciation	1,110,242	1,079,026
Interest and Amortization	618,880	838,873
Loss on Bond Refinance	85,537	234,922
Total Expenses	12,511,405	12,435,708
Operating Income	178,142	393,835
Change in Net Unrealized Gains (Losses) on Investments	55,636	(321,422)
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	-	11,574
Increase (Decrease) in Unrestricted Net Assets	233,778	83,987
TEMPORARILY RESTRICTED NET ASSETS		
Investment Income	72,565	175,975
Contributions	1,005,710	123,122
Change in Net Unrealized Gains (Losses) on Investments	41,734	(203,807)
Net Assets Released from Restrictions	(162,152)	(18,533)
Increase (Decrease) in Temporarily Restricted Net Assets	957,857	76,757
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	2,850	4,575
Increase (Decrease) in Permanently Restricted Net Assets	2,850	4,575
Increase (Decrease) in Net Assets	1,194,485	165,319
Net Assets, Beginning of Year	14,821,664	14,656,345
Net Assets, End of Year	$ 16,016,149	$ 14,821,664

BARTELS LUTHERAN RETIREMENT COMMUNITY AND AFFILIATE
WAVERLY, IOWA

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	$ 1,194,485	$ 165,319
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Gain on Sale of Investments	(140,962)	(324,972)
Change in Net Unrealized (Gains) Losses on Investments	(97,370)	525,229
Depreciation and Amortization	1,136,269	1,106,863
Loss on Disposal of Property and Equipment	14,505	6,632
Contributions Restricted for Long-Term Purposes	(824,535)	(4,575)
Discount on Unconditional Promises to Give	16,243	-
Loss on Bond Refinance	85,537	234,922
Proceeds from Advance Fees	3,004,734	2,336,508
Amortization of Advance Fees	(504,554)	(459,277)
Change in Deferred Compensation	22,711	21,128
(Increase) Decrease in:		
Resident Receivables	(71,246)	170,108
Prepaid Expenses and Other Current Assets	(17,682)	(12,185)
Other Assets	(3,014)	(4,144)
Increase (Decrease) in:		
Accounts Payable	(135,961)	(224,826)
Accrued Salaries and Benefits	52,871	44,276
Other Current Liabilities	(56,169)	(62,778)
Net Cash Provided (Used) by Operating Activities	3,675,862	3,518,228
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Certificates of Deposit	(26,473)	(268,862)
Purchase of Investments	(4,792,867)	(4,121,978)
Proceeds from Sale of Investments	4,816,140	3,537,816
Purchase of Property and Equipment	(2,322,195)	(1,446,762)
Purchase of Assets Restricted for Long-Term Purposes	(2,850)	(4,575)
Net Cash Provided (Used) by Investing Activities	(2,328,245)	(2,304,361)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Sale of Assets Limited as to Use	53,596	-
Net Change in Assets Limited as to Use	(22,305)	143,299
Payments for Bond Issue Costs	(614)	(14,154)
Proceeds from Contributions Restricted for Long-Term Purposes	214,000	4,575
Principal Payments on Long-Term Debt	(478,756)	(569,351)
Proceeds from Issuance of Long-Term Debt	31,077	52,157
Refunds of Advance Fees	(945,721)	(815,200)
Net Cash Provided (Used) by Financing Activities	(1,148,723)	(1,198,674)

See Accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Net Increase (Decrease) in Cash and Cash Equivalents	198,894	15,193
Cash and Cash Equivalents at Beginning of Year	1,676,029	1,660,836
Cash and Cash Equivalents at End of Year	$ 1,874,923	$ 1,676,029

Supplemental Disclosure of Cash Flow Information:

	2016	2015
Cash Paid for Interest	$ 629,187	$ 856,680

Supplemental Schedule of Noncash Investing and Financing Activities:

At December 31, 2016 and 2015, accounts payable included $40,472 and $27,325 of property and equipment additions, respectively.

At December 31, 2016, other current liabilities included $43,734 of property and equipment additions.

During 2016, the Organization used proceeds from the sale of assets limited as to use to pay off long-term debt in the amount of $1,231,600.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Bartels Lutheran Retirement Community and Memorial Foundation of Bartels Lutheran Retirement Community (hereinafter the Organization). Intra-entity transactions and balances have been eliminated in the consolidation.

Nature of Business

Bartels Lutheran Home d/b/a Bartels Lutheran Retirement Community is an Iowa nonprofit corporation organized for the purpose of operating a nursing facility and a retirement facility in Waverly, Iowa. The retirement community includes 36 independent living units (Eichhorn Haus), 30 assisted living units (Linden Place), and a 126 bed licensed nursing facility (Woodland Terrace). The Organization is also in the process of developing an independent living community (Eisenach Village) consisting of townhomes that currently consists of 50 completed units. Of the 126 nursing facility beds, 118 are dually certified for Medicare and Medicaid participation, including 30 beds that are for residents with Alzheimer’s or dementia (Evergreen Arbor), and 8 are certified for Medicare only.

Bartels Lutheran Home Memorial Foundation d/b/a Memorial Foundation of Bartels Lutheran Retirement Community is an Iowa nonprofit corporation organized for the purpose of operating a foundation to exclusively support and benefit Bartels Lutheran Retirement Community through the solicitation of gifts, grants, and other contributions.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, excluding amounts whose use is limited by bond indenture or contractual obligation, board designation and contributions restricted for long term purposes.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in operating income (loss) unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from operating income (loss) unless the investments are trading securities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Resident Receivables

Resident receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expenses and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Assets Limited as to Use

Deferred Annuity Fund - This fund consists of assets set aside by the Board of Directors for deferred compensation.

Interest Fund - This fund includes assets required to be set aside in accordance with the 2005 bond issuance to be used to pay interest on the related series of bonds.

Bond Sinking Fund - This fund includes assets required to be set aside in accordance with the 2005 bond issuance to be used to pay the principal of the related series of bonds as it becomes due at maturity or by mandatory sinking fund redemption.

Debt Service Reserve Fund - This fund includes assets required to be set aside in accordance with the 2005 bond issuance to be used to make up any deficiencies related to the Series 2005 bonds in the Interest Fund and Bond Sinking Fund.

Accrued Interest Fund - This fund is used to record interest earned on the Series 2005 bonds.

At December 31, assets limited as to use are set aside for the following purposes:

	2016	2015
Deferred Annuity Fund	$ 286,978	$ 264,267
Interest Fund	0	53,466
Bond Sinking Fund	0	119
Debt Service Reserve Fund	0	1,232,006
Accrued Interest Fund	0	11
Total Assets Limited as to Use	$ 286,978	$ 1,549,869
LESS Current Portion	0	478,770
Net Assets Limited as to Use	$ 286,978	$ 1,071,099

Property and Equipment

Property and equipment is stated at cost and is being depreciated by the straight-line method over the following estimated useful lives:

Buildings and Improvements	3-60 Years
Equipment and Furniture	5-15 Years

Depreciation expense totaled $1,110,242 and $1,079,026 for the years ended December 31, 2016 and 2015, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Maintenance and repairs are charged to operations when incurred. Betterments and renewals of $1,000 or more are capitalized. When property, plant and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Bond Issue Costs

Bond issue costs are amortized using the straight-line method, which approximates the effective interest method, over the term of the debt. Amortization expense charged to operations was $18,528 and $17,609 for the years ended December 31, 2016 and 2015, respectively.

Franchise Fees

Franchise fees are amortized using the straight-line method over the life of the buildings constructed for the Eisenach Village project. Amortization expense charged to operations was $6,563 for both years ended December 31, 2016 and 2015. Estimated amortization expense for each of the next five years is $6,563 per year.

Advance Fees

Advance fees paid by a resident upon entering into a residency agreement for Eichhorn Haus, net of the portion thereof that is refundable to the resident, are amortized into income in accordance with the terms of the residency agreement. The refundable portion is recorded as refundable advance fees. The amount of refund is based on the amount of the advance fee paid by the vacating resident less a transfer and refurbishing fee not to exceed 30% of the advance fee.

Advance fees paid by a resident upon entering into a Type A residency agreement for Eisenach Village, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and amortized into income in accordance with the terms of the contract. The refundable portion is recorded as refundable advance fees. Under the terms of the contract, upon resale of the unit, the advance fee is refunded to the resident or the resident’s estate. The amount of refund is based on the new advance fee paid by the incoming resident less transfer and refurbishing fee not to exceed 10%, or 85% of the original advance fee paid by the vacating resident, whichever is greater.

Advance fees paid by a resident upon entering into a Type B residency agreement for Eisenach Village, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and amortized into income in accordance with the terms of the contract. The refundable portion is recorded as deferred revenue from advance fees and amortized into income over the remaining useful life of the building. Under the terms of the contract, upon resale of the unit, the advance fee is refunded to the resident or the resident’s estate. The amount of refund is based on the new advance fee paid by the incoming resident less transfer and refurbishing fee not to exceed 15%, or 80% of the new advance fee paid by the incoming resident, whichever is greater.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Operating Income (Loss)

The consolidated statements of activities include operating income (loss). Changes in unrestricted net assets which are excluded from operating income (loss), consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Net Resident Service Revenue

Resident service revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered.

Revenue from certain third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretations. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Organization recognizes revenue on the date service is rendered. The related expenses are estimated and accrued accordingly.

Contributions and Donor-Restricted Funds

The Organization reports gifts of cash and other assets at fair value as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

The Organization reports gifts of land, buildings, and equipment at fair value as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions not restricted by donors are recorded as revenue in unrestricted net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services

Volunteers provide assistance to the Organization on its programs and other activities. No value has been assigned to these services and, as such, the value of these services is not reflected in the financial statements as revenue and expense.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled $37,051 and $38,913 for the years ended December 31, 2016 and 2015, respectively.

Income Taxes and Accounting for Uncertain Tax Positions

Bartels Lutheran Retirement Community and the Memorial Foundation of Bartels Lutheran Retirement Community are exempt under Code Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is presented in these financial statements.

The Organization has adopted the accounting standard regarding "Accounting for Uncertain Tax Positions." This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the entity's financial statements. It requires an entity to recognize the financial statement benefit of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Organization's financial position, results of operations, or cash flow. The Organizations' federal Returns of Organization Exempt from Income Tax (Forms 990) for 2013, 2014, and 2015 remain subject to examination by the IRS, generally for three years after they were filed.

Debt Issuance Costs upon Adoption of New Accounting Standard

In 2016, the Organization retroactively adopted the requirements in accounting standards to present debt issuance costs as a reduction of the carrying amount of the related debt rather than as an asset. Long-term debt as of December 31, 2015, was previously reported on the statement of financial position as $13,288,996 with the associated $239,644 unamortized debt issuance costs included in other assets. Amortization of the debt issuance costs is reported as interest expense in the statement of activities.

Reclassifications

Certain items in the 2015 financial statements have been reclassified to conform to the 2016 presentation. Such reclassifications have no effect on the 2015 increase (decrease) in net assets as previously stated. In Note 10 Functional Expenses, for 2015 health care services was increased by $3,382,860, administrative and supportive services was decreased by $3,300,154, and fundraising expenses was decreased by $82,706.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

NOTE 2 - INVESTMENT INCOME

Investment income is summarized as follows for the years ended December 31, 2016 and 2015:

	2016	2015
Increase (Decrease) in Unrestricted Net Assets:		
Interest and Dividends	$ 224,450	$ 213,247
Gain on Sale of Investments	95,550	178,488
	$ 320,000	$ 391,735
Increase (Decrease) in Temporarily Restricted Net Assets:		
Interest and Dividends	$ 27,153	$ 29,491
Gain on Sale of Investments	45,412	146,484
	$ 72,565	$ 175,975
Total Investment Income	$ 392,565	$ 567,710
Change in Net Unrealized Gains (Losses) on Investments:		
Unrestricted Net Assets	$ 55,636	$ (321,422)
Temporarily Restricted Net Assets	41,734	(203,807)
Total Change in Net Unrealized Gains (Losses) on Investments	$ 97,370	$ (525,229)

Investment income is reported net of investment expenses of $53,290 and $39,046 for the years ended December 31, 2016 and 2015, respectively.

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair Values Measured on a Recurring Basis

Fair values of assets measured on a recurring basis at December 31, 2016 and 2015 are as follows:

December 31, 2016	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and Cash Equivalents	$ 66,402	$ 66,402	$ 0
Money Market	225,198	225,198	0
Certificates of Deposit	6,681,449	0	6,681,449
Equity Securities	3,470,421	3,470,421	0
Fixed Income Securities	4,036,310	4,036,310	0
International Equity Securities	95,011	95,011	0
Total	$ 14,574,791	$ 7,893,342	$ 6,681,449

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Fair Values Measured on a Recurring Basis (Continued)

December 31, 2015	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and Cash Equivalents	$ 1,363,070	$ 1,363,070	$ 0
Money Market	821,365	821,365	0
Certificates of Deposit	6,159,706	0	6,159,706
Equity Securities	3,229,920	3,229,920	0
Fixed Income Securities	3,903,878	3,903,878	0
International Equity Securities	115,361	115,361	0
Total	$ 15,593,300	$ 9,433,594	$ 6,159,706

Assets measured at fair value consist of the following at December 31:

	2016	2015
Certificates of Deposit	$ 1,356,179	$ 1,329,706
Investments	10,651,096	10,457,584
Assets Limited as to Use	286,978	1,549,869
Long-Term Investments Restricted for Endowment	2,280,538	2,256,141
Total	$ 14,574,791	$ 15,593,300

Financial Accounting Standards Board for *Fair Value Measurements and Disclosures* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures the fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements

Fair values for investments and assets limited as to use are determined by reference to quoted market prices and other relevant information generated by market transactions.

Level 2 Fair Value Measurements

Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

NOTE 4 - CONSTRUCTION IN PROGRESS

Projects included in construction in progress are as follows at December 31:

	2016	2015
Eisenach Village independent living townhome development with a potential of 92 units to be constructed as units are sold, estimated total cost is unknown	$ 1,198,720	$ 969,251
Assisted Living Memory Care, estimated total cost of $3,500,000	210,854	36,737
Eichhorn Haus renovations, completed at a total cost of $11,247	0	4,114
Linden Place dining room renovations, completed at a total cost of $4,509	0	4,440
	$ 1,409,574	$ 1,014,542

NOTE 5 - UNCONDITIONAL PROMISES TO GIVE

The Organization is conducting a capital campaign, "More than Bricks", to fund the expansion of Bartels' services and respond to preferences in elder care supports. Promises to give are restricted to the campaign objectives. Unconditional promises to give are as follows at December 31:

	2016	2015
Promises to give expected to be collected in:		
One Year or Less	$ 336,829	$ 0
One to Five Years	273,706	0
Total Unconditional Promises to Give	$ 610,535	$ 0
LESS: Discount on Promises to Give	(16,243)	0
Net Unconditional Promises to Give	$ 594,292	$ 0

Unconditional promises to give are discounted at 3.75%.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2016 and 2015 represent unexpended gifts from donors who specified that they were to be used for the following purposes:

	2016	2015
More than Bricks Campaign	$ 1,054,274	$ 153,146
Good Shepherd Fund	191,471	187,801
Donor Restrictions	38,509	4,059
Employee Scholarships and Chaplaincy	777,501	758,892
	$ 2,061,755	$ 1,103,898

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted for the following as of December 31, 2016 and 2015:

	2016	2015
Employee Scholarships	$ 122,330	$ 119,655
Chaplaincy Endowment	624,490	624,315
	$ 746,820	$ 743,970

NOTE 8 - ENDOWMENT

The Organization’s endowment fund consists of two individual funds established for employee scholarships and chaplaincy. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The income from the permanently restricted funds is classified as temporarily restricted until appropriated for expenditure by the Board of Directors.

Endowment Net Asset Composition by Fund
as of December 31, 2016

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ -	$ 780,441	$ 746,820	$ 1,527,261
Board Designated Endowment Funds	771,126	-	-	771,126
Total Funds	$ 771,126	$ 780,441	$ 746,820	$ 2,298,387

Changes in Endowment of Net Assets
for the year ended December 31, 2016

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 771,126	$ 758,892	$ 743,970	$ 2,273,988
Investment Return:				
Investment Income	$ -	$ 72,565	$ -	$ 72,565
Change in Net Unrealized Gains (Losses) on Investments	-	41,734	-	41,734
Total Investment Return	$ -	$ 114,299	$ -	$ 114,299
Contributions	$	$ -	$ 2,850	$ 2,850
Appropriation of Endowment for Expenditure	$ -	$ (92,750)	$ -	$ (92,750)
Endowment Net Assets, End of Year	$ 771,126	$ 780,441	$ 746,820	$ 2,298,387

NOTE 8 - ENDOWMENT (Continued)

Interpretation of Relevant Law (Continued)

Endowment Net Asset Composition by Fund as of December 31, 2015

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ -	$ 758,892	$ 743,970	$ 1,502,862
Board Designated Endowment Funds	771,126	-	-	771,126
Total Funds	$ 771,126	$ 758,892	$ 743,970	$ 2,273,988

Changes in Endowment of Net Assets for the year ended December 31, 2015

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 771,126	$ 788,224	$ 739,395	$ 2,298,745
Investment Return:				
Investment Income	$ -	$ 175,975	$ -	$ 175,975
Change in Net Unrealized Gains (Losses) on Investments	-	(203,807)	-	(203,807)
Total Investment Return	$ -	$ (27,832)	$ -	$ (27,832)
Contributions	$ -	$ -	$ 4,575	$ 4,575
Appropriation of Endowment for Expenditure	$ -	$ (1,500)	$ -	$ (1,500)
Endowment Net Assets, End of Year	$ 771,126	$ 758,892	$ 743,970	$ 2,273,988

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both unrealized gains and interest and dividends.

Spending Policy

The Organization has a policy of appropriating earnings on funds to be used for employee scholarships and future chaplaincy related expenses.

NOTE 9 - LONG-TERM DEBT

Description	2016	2015
Iowa Finance Authority, Retirement Facility Revenue Refunding Note (Bartels Lutheran Retirement Community), Series 2015, payable in monthly payments of $61,107, including interest at 3.375% commencing on December 15, 2015, and a balloon payment on November 15, 2027. Note is secured by the First Amendment to Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement dated November 1, 2015.	$ 8,108,974	$ 8,555,649
Iowa Finance Authority, Retirement Facility Revenue Refunding Note (Bartels Lutheran Retirement Community), Series 2016, payable in monthly payments of $26,808, including interest at 3.525% commencing on November 15, 2016, and a balloon payment on November 15, 2027. Note is secured by the First Amendment to Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement dated November 1, 2015.	3,522,919	0
Bremer County, Iowa Retirement Facility Revenue Bonds, Series 2005, consisting of extendable rate adjustable securities (Series B and C) (less unamortized discount of $16,653 in 2015, amortized using the straight-line method which approximates the effective interest method). The bonds were paid off in 2016 with proceeds from the Series 2016 Note.	0	4,733,347
Total Long-Term Debt	$ 11,631,893	$ 13,288,996
LESS: Unamortized Debt Issuance Costs	157,433	239,644
Total Long-Term Debt, Less Unamortized Debt Issuance Costs	$ 11,474,460	$ 13,049,352
LESS: Current Maturities of Long-Term Debt	662,070	478,770
Long-Term Debt, Less Current Maturities	$ 10,812,390	$ 12,570,582

Maturities required on long-term debt as of December 31, 2016, are due in the future years as follows:

Year ending December 31:	
2017	$ 662,070
2018	685,411
2019	709,545
2020	733,623
2021	760,393
Thereafter	8,080,851
	$ 11,631,893

NOTE 9 - LONG-TERM DEBT (Continued)

The Series 2015 and Series 2016 Notes contain certain restrictive covenants which include liquidity covenants for the maintenance of 180 days cash on hand and historical debt service coverage must be at least 1.20.

The amount of interest incurred for the years ended December 31, 2016 and 2015 was $592,853 and $811,036, respectively, all of which was charged to operations. Amortization of bond discount was $936 and $3,665 for the years ended December 31, 2016 and 2015, respectively, all of which was charged to operations.

NOTE 10 - FUNCTIONAL EXPENSES

The Organization's expenses by function for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Health Care Services	$ 10,862,236	$ 10,854,007
Administrative and Supportive Services	1,538,843	1,527,983
Fundraising Expenses	110,325	53,718
Total	$ 12,511,405	$ 12,435,708

NOTE 11 - RETIREMENT PLAN

The Organization sponsors a 401(k) defined contribution retirement plan. For eligible employees, as defined by the plan, the Organization contributes 100% of the first 3% of employee contributions and 50% of the next 2%. Employer contributions to the plan were $81,943 and $79,692 for the years ended December 31, 2016 and 2015, respectively.

NOTE 12 - RELATED PARTY TRANSACTIONS

During the years ended December 31, 2016 and 2015, the Organization had amounts deposited with organizations which were affiliated with members of the Board of Directors totaling $1,623,089 and $1,203,461, respectively.

During the years ended December 31, 2016 and 2015, the Organization received $76,934 and $69,948, respectively, from residents related to members of the Organization's Board of Directors.

During the years ended December 31, 2016 and 2015, the Organization received contributions from board members and relatives of board members in the amount of $38,500 and none, respectively.

During the years ended December 31, 2016 and 2015, the Organization paid $3,772 and $1,059, respectively, to companies affiliated with members of the Organization's Board of Directors for professional services.

NOTE 13 - MANAGEMENT CONTRACT

The Organization has entered into a contract with Morrison Senior Living to operate and manage the Organization's dining services operation through 2018 with automatic one year renewals, unless terminated earlier by mutual written agreement. Morrison Senior Living furnishes management personnel, including dietitians, to provide services at the Organization's facility. The management fee is based on services provided and costs incurred by Morrison Senior Living. The amount of management fees incurred, including salaries, benefits, dietary supplies, and food costs, for the years ended December 31, 2016 and 2015 was $962,790 and $940,793, respectively.

NOTE 14 - CONCENTRATION OF CREDIT RISK

Most of the Organization's business activity is with residents of the nursing facility. The Organization is under a contractual agreement with the Iowa Department of Human Services as a licensed provider of Title XIX care (Medicaid). On April 2, 2016, the Iowa Department of Human Services transitioned most Iowa Medicaid members to a managed care program. This program is administered by three contracted Managed Care Organizations. Revenue received from Medicaid approximated $3,357,000 and $3,342,000 for the years ended December 31, 2016 and 2015, respectively. Included in revenue for the years ended December 31, 2016 and 2015 was provider tax revenue net of provider tax paid of $157,483 and $167,015, respectively. Receivables from Medicaid on behalf of residents at December 31, 2016 and 2015 were $244,306 and $232,391, respectively.

The Organization is under a contractual agreement with the Department of Health and Human Services – Centers for Medicare and Medicaid Services as a licensed provider of Title XVIII care (Medicare). Revenue received from this source approximated $1,625,000 and $1,554,000 for the years ended December 31, 2016 and 2015, respectively. Receivables from Medicare on behalf of residents at December 31, 2016 and 2015 were $183,264 and $161,635, respectively.

The Organization has funds deposited in certain banks, which at times exceed the FDIC insurance provided in these banks of $250,000 at December 31, 2016 and 2015. At December 31, 2016 and 2015, the amounts in excess of the FDIC insurance totaled $2,506,604 and $2,156,687, respectively.

At December 31, 2016 and 2015, the Organization had investments and assets limited as to use with a fair value of $14,449,520 and $14,141,343, respectively, which are not federally insured and are subject to the market risks inherent in the individual investments.

NOTE 15 - CONCENTRATION IN STATE MEDICAID PROGRAM

The Organization has all of its nursing beds designated for care of patients under the state's Medicaid program. The current funding of that program is 30 days behind filed claims. The current state budget has no provision for reducing that lag, and the proposed budget for next year includes no assurance of increased funding.

NOTE 16 - THIRD PARTY RATE ADJUSTMENTS AND REVENUE

Revenue from the Medicaid program accounted for approximately 28% of the Organization's net resident service revenue for both years ended December 31, 2016 and 2015. Revenue from the Medicare program accounted for approximately 13% of the Organization's net resident service revenue for both years ended December 31, 2016 and 2015. Laws and regulations governing the Medicaid and Medicare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE 17 - SUBSEQUENT EVENT

The date to which events occurring after December 31, 2016, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is March 22, 2017 which is the date the financial statements were available to be issued.