

CREAMERY BROOK RETIREMENT VILLAGE
36 Vina Lane
Brooklyn, Connecticut 06234

DISCLOSURE STATEMENT

January 2015

CREAMERY BROOK RETIREMENT VILLAGE IS A CONTINUING CARE FACILITY REGISTERED WITH THE CONNECTICUT DEPARTMENT OF SOCIAL SERVICES PURSUANT TO SECTIONS 17b-520-17b-535 OF THE CONNECTICUT GENERAL STATUTES. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE DEPARTMENT OR STATE, NOR DOES SUCH REGISTRATION EVIDENCE THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET OUT IN THE DISCLOSURE STATEMENT.

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	FYE September 30, 2012	
	September 30, 2013	
	September 30, 2014	

INDEX OF REQUIRED INFORMATION

The following information, required by Section 17b-522(b) of the Act, can be found at the indicated pages of this Disclosure Statement or its Exhibits.

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INTRODUCTION

Pierce Memorial Baptist Home, Inc. d/b/a PierceCare and hereafter referred to as PierceCare, brings to residents of Brooklyn and surrounding towns a way of living known as “continuing care”. This concept offers seniors lifetime use of a living unit at Creamery Brook Retirement Village and care in the Pierce Memorial Baptist Home health center in accordance with the terms of the Residency Agreement. PierceCare is a Connecticut non-profit corporation committed to serving the best interests of PierceCare and its residents.

Our community consists of Pierce Memorial Baptist Home, our healthcare and rehabilitation center, and Creamery Brook Retirement Village, our residential community. PierceCare intends to build ten cottages on the Creamery Brook campus. These cottages will be made available to prospective residents under an entrance fee model with a continuing care contract. One purpose of this disclosure statement is to explain to prospective cottage residents, their families and their advisors “who” and “what” are involved in the development and operation of Creamery Brook. This Disclosure Statement is intended to comply with Connecticut statutes and regulations governing continuing care facilities.

This Disclosure Statement was prepared on the basis of information available at the time of its publication and is based on assumptions that were believed to be realistic as of that date. Such information and assumptions are, of course, subject to change and in particular are significantly affected by changes in inflation and market costs of services.

I. THE PEOPLE

PIERCE MEMORIAL BAPTIST HOME, INC.

PierceCare is a non-profit continuing care retirement community (CCRC) whose mission is to provide quality services to seniors. Our goal is to provide well-designed surroundings at the lowest feasible cost. PierceCare provides the advantages and the economy associated with a number of dwellings and services in one location.

PierceCare was incorporated in 1951 as a home for elderly Baptists. We are recognized as an organization exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. No part of PierceCare's earnings may be used for the benefit of, or be distributed to its directors, officers or other private individuals.

OFFICERS, DIRECTORS AND TRUSTEES

The Board of Trustees consists of up to 21 members with an array of experience in such areas as accounting, engineering, insurance, legal, marketing, and ministry. The trustees receive no compensation for their service to PierceCare other than reimbursement for reasonable expenses related to their role as a trustee, such as mileage costs for certain meetings. Neither the trustees nor any other person involved in the management of the Pierce Memorial Baptist Home has any proprietary interest in the facility.

The Board of Trustees of PierceCare retains the ultimate responsibility for hiring the President of PierceCare, monitoring the operating costs, wages, salaries, expenses, fees and overall fiscal viability of the corporation, and setting policy.

All Board members have signed a Personal Statement of Ethical Conduct which is on file in the President's office at PierceCare.

**PIERCE MEMORIAL BAPTIST HOME
BOARD OF TRUSTEES**

Chairman

John Riesen Retired UCONN professor residing in Storrs, CT 06268.

Vice Chairman

Mark Kane Manager – First Baptist Church of Norwich

Treasurer

David Jones Retired Teacher – Second Baptist Church of Suffield

Secretary

Sandy Stevens Asst. Director of Design the Hartford - First Baptist Church of Mansfield

**PIERCE MEMORIAL BAPTIST HOME
BOARD OF TRUSTEES
AND
OCCUPATIONS**

Robert Avena, Esq.	Attorney	Flanders & Community Baptist
Rev. Mary L. Apicella	Pastor	Federated Church of Brooklyn
Rev. Gregory Thomas	Pastor	Cornerstone Baptist of Danielson
Patricia Morse	CEO	Pierce Memorial Baptist Home
Rev. Michael Crane	Pastor	First Baptist Church – Essex
Rev. Samuel Chesser	Pastor	First Baptist Church of Norwich
Reverend Judy Allbee	Executive Minister	ABCCONN Churches
David Stevens	Executive Director	First Baptist Church of Mansfield
Mark Kane	Manager	First Baptist Church of Norwich
John Riesen	Retired Professor	Mansfield Baptist Church
Sandy Stevens	Asst. Dir. Of Design – the Hartford	First Baptist Church of Mansfield
Charles Wyand	Teacher	Niantic Baptist Church
David Jones	Retired Teacher	Second Baptist Church of Suffield
Bill McMunn	Technical Writing & Design	First Baptist Church of Mansfield

PRESIDENT

Patricia Morse is the President, CEO, and CFO for Pierce Memorial Baptist Home in Brooklyn, CT and Connecticut Baptist Homes and Housing in Meriden, CT. Mrs. Morse is a licensed nursing home administrator with more than 35 years experience in long term care field. She holds a Master of Business Administration from the University of Hartford. Mrs. Morse is the Vice Chair of the Board of Directors of Leading Age Connecticut and a member of the Policy Committee for Leading Age, Washington, D.C. She is the Treasurer of the Board of Directors for the Connecticut Coalition to Improve End of Life Care. She is also the President for the Association of Long Term Care Financial Managers (ALTCFM). She is a Board Member of the Farmington Services for the Elderly and served for five years as a member of the Board of the Greater Hartford United Way Combined Health Appeal.

THE PERSONNEL

PierceCare's staff includes a chaplain, social worker, recreational/activity coordinators, and marketers. Medical personnel employed include a Director of Nursing, registered nurses, licensed practical nurses and certified nursing assistants. Other employees include dietary staff, maintenance workers, laundry workers, housekeepers, bookkeepers, clerical and transportation personnel. Occupational, physical, and speech therapy are available on-site in the long term health care facility.

RESIDENT AWARENESS

The residents of Creamery Brook Retirement Village - the Residential apartments and cottages - are kept aware of all items of interest in the village. Regularly scheduled resident meetings are held to enable the residents to ask questions and to permit the administration to communicate with residents. The Executive Director holds monthly meetings with all Creamery Brook residents for the purpose of open discussion on proposed changes in policies, programs and services as they apply to Creamery Brook.

II. THE FACILITY

DESCRIPTION OF THE PROPERTY

PierceCare is located on approximately 29 acres of land in Brooklyn Connecticut. The land was originally the Pierce Family Homestead. Shopping center, professional offices, restaurants, places of worship and other amenities are located nearby.

Brooklyn is a thriving middle-class community with a planned balance of industry, residence, farmland and commercial sites. Many residents of Brooklyn work in the surrounding areas. PierceCare is a continuing care retirement community (CCRC). The living arrangements fall in two broad categories:

HEALTH CENTER (Pierce Memorial Baptist Home)

Long Term Care Nursing Facility	SNF - 72 beds
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RESIDENTIAL – LIVING (Creamery Brook Retirement Village)

Existing Apartment Units – 82	(for persons 62 or older)
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Proposed Cottages – 10	(for persons 55 or older)
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Phased Expansion of Creamery Brook Retirement Village Facilities. PierceCare has begun construction of 10 cottages (approximately 1700 sq. ft.) and anticipates completion during 2015. Construction will be done in five phases; for each cottage that is presold, PierceCare will build two cottages. PierceCare will fund construction of the 10 cottages. PierceCare already owns the land, so there are no land acquisition costs.

PierceCare intends to develop ten cottages based on the entrance fee model described in Section III. of this Disclosure Statement.

THE SERVICES - BENEFITS INCLUDED

The decision to move into a CCRC demands careful consideration of many factors including the services to be provided. A listing of the services to be provided for Creamery Brook Retirement Village residents is attached as Exhibit A. Briefly, in accordance with the terms of the Residency Agreement; PierceCare will provide the following services at no additional charge in addition to providing a home for lifetime use by the resident:

- (1) Maintenance of the living units and common areas;
- (2) Weekly housekeeping services;
- (3) Laundry (access to washers and dryers)
- (4) Local transportation services;
- (5) Services of a program coordinator for activities;
- (6) Security services;
- (7) Certain health care services, as specified in Exhibit A (Description of Services), including monthly blood pressure review and other wellness checks; priority admission to Health Center and ten (10) prepaid lifetime days of inpatient services in semi-private accommodations at the Health Center, as described in Exhibit A; resident will be responsible for paying all other applicable Health Center charges.

SERVICES REQUIRING AN ADDITIONAL CHARGE

Health Center Services. As discussed above, Health Center services are available on a priority basis for all residents after consultation with the personal physician, family members, Medical Director, Director of Nursing and Administrator of Residential Living. Health Center services are available on a short term basis. In addition, residents who are unable to return to residential living from the health center are assured of a permanent home in the Health Center. Please see the Description of Services in Exhibit A for further details.

Assisted Living Services Agency. Assisted Living Services provides assistance with activities of daily living to residents living in a managed residential community, having these supportive services encourages residents to maintain a maximum level of independence. These services provide an alternative for residents who require some help or aid with activities of daily living in order to remain in their private residential unit.

Short Term Rehabilitation Services. Pierce Memorial Baptist Home rehabilitation program uses an interdisciplinary team approach designed for each patient. The team works closely with nursing, recreation, and social service professionals to support residents and their family through the rehabilitation process with patient care plan meetings, home evaluation and discharge planning.

Home Health Agency Services. Those residents who do not require care in the health center, but who need additional personal services to continue living in their apartment can obtain services through an outside home healthcare or homemaker home health aide agency. These services may include bathing, additional housekeeping, shopping, and laundry. PierceCare does not provide home health agency services but can assist residents in finding an agency to provide these services. Residents engage a home health agency directly and pay for these services, as needed. Residents may also qualify for Medicare reimbursement under the individual's Medicare coverage.

CONTRACT AND FEES

The services described above will be provided pursuant to the Residency Agreement (see Exhibit B). Each Resident pays an initial Entrance Fee and a Monthly Service Fee (see Exhibit C). The Monthly Service Fee is subject to annual adjustment. The adjustment reflects the rate of inflation prevailing at the time, including employee payroll adjustments, as well as increases in utility rates, food costs, and other expenses of operating the community.

BUSINESS EXPERIENCE

PierceCare was incorporated in 1951 by the American Baptist Churches of Connecticut concerned for the welfare of older adults.

Through the years, Pierce Memorial Baptist Home has had a conservative board of trustees. Today up to twenty-three (23) members comprise the Board. The trustees come from the American Baptist Conference of Churches' membership and the general professional sector.

Even though the board is conservative by nature, it has been aggressive in its approach to meeting the needs of the older adults. This has included expansion of the facility to meet current needs in an ever-changing environment, with rapidly increasing number of retired people.

In 1951, Amasa and Edna Pierce gave Pierce House to the American Baptist Churches of Connecticut for use as a Home for Elderly Baptists. In 1954, 15 additional rooms were added and named for Harley Nelson, Administrator from 1951 - 1957. In 1971, 30 additional rooms in the Roper-Wood Wing expanded our ministry to a total of 55 residents.

In 1990, 27 additional rooms were constructed bringing the total number of residents we are able to serve to 82. In 1999, Creamery Brook Retirement Village opened with 84 apartment units providing retirement living with peace of mind.

Patricia Morse, President/CEO came to Pierce Memorial Baptist Home in 2014. With a Master of Business Administration, her knowledge and experience contribute to the on-going operations and the continued growth of the community.

The entire management team has proved capabilities and longevity uncommon to most facilities. Their dedication to PierceCare's continued growth is worth noting.

JUDICIAL PROCEEDINGS

There are no judicial proceedings pending against PierceCare or any of its members of the Board of Trustees.

III. THE PROPOSAL

THE CONTINUING CARE CONCEPT

The continuing care concept assures an individual lifetime use of a Cottage, priority access to nursing care for short term rehabilitation or permanent placement if the resident requires 24 hour skilled nursing services and decides to relocate to the Health Center and up to ten (10) prepaid lifetime days of inpatient services in semi-private accommodations in the Health Center as described in Exhibit A. The continuing care concept has grown as the result of the increasing number of men and women reaching retirement age and the concern for providing an alternative to traditional retirement living. A resident pays a lump sum Entrance Fee and a Monthly Service Fee. If a resident requires nursing care in the health center, the individual is assured priority access to the health center bed. Residents do not pay for future health care needs through Entrance Fee and in their Monthly Service Fee. Instead residents pay a per diem rate in the health

center only if/when the service is needed (with the exception of the ten prepaid lifetime days referenced above,).

The continuing care concept differs from a rental arrangement in several respects.

1. Continuing care residents pay an entrance fee prior to admission. The entrance fee paid is refundable in accordance to the Residency Agreement. Upon the resident's death or termination of the Residency Agreement (refund is made when the unit is reoccupied and a new entrance fee received). Ten percent (10%) of the entrance fee is used to fund the expenses of operating Pierce Memorial Baptist Home, including Creamery Brook. In addition to paying the entrance fee, the continuing care resident also pays a monthly service fee. (An additional \$275 per month applies to second persons occupying the unit). However, since the continuing care resident pays the entrance fee up front, the monthly service fee is less than monthly rental payments under a rental arrangement. The Entrance Fee is discussed further below.

2. Instead of a lease, continuing care residents enter into a Residency Agreement, which is a continuing care contract. Unlike the lease, which has a one year term, the Residency Agreement can last for the resident's life time, with the opportunity for the resident to terminate the Agreement earlier at any time with prior written notice. The Residency Agreement is discussed in more detail below, and a sample Residency Agreement is attached as Exhibit B.

3. Continuing care residents have priority access to the Health Center. They will have first priority over any residents under rental arrangements.

4. Unlike residents renting their apartments, continuing care residents are eligible for up to ten (10) prepaid lifetime days of inpatient services in semi-private accommodations in the Health Center, as described in Exhibit A.

GENERAL ADMISSION REQUIREMENTS

Five basic requirements are used to determine eligibility.

The Applicant must:

1. Meet the minimum age requirements:

Residents must be 55 years of age or older.

2. Undergo a physical examination to determine whether You require special services and how You will obtain and pay for such services.
3. Show evidence by application that the individual is able to meet the Entrance Fee and Monthly Service Fee.
4. Be willing to enter the Residency Agreement with Creamery Brook Retirement Village. (Exhibit B).
5. Agree with the Admission Standards established by the Board of Trustees.

Creamery Brook Retirement Village is pledged to the letter and spirit of federal and state laws aimed at achieving equal housing opportunity. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status or national origin.

IMPORTANT RULES TO CONSIDER

Creamery Brook Retirement Village has a Resident Handbook that discusses the various rules and regulations of residence. Applicants should be aware of and willing to abide by all rules, including the following:

1. Smoking: Tobacco use is strictly prohibited in the community or on the campus.
2. Pets: One neutered pet, of size and temperament to be considered a house pet will be permitted. Pets must be confined to resident's apartment or on a leash with their owner when outside. Creamery Brook reserves the right to request removal of nuisance (i.e., noisy, roaming, messy) pets. Residents must clean up after their pets.
3. Visitors: Residents of Creamery Brook Retirement Village are not restricted in entertaining outside visitors as long as visits are of reasonable length (as described in the Resident Handbook) and visitors are not occupying the unit while the Resident is out of town. Charges for meals served to visitors in the Creamery Brook dining room will be billed on an individual per meal basis.
4. Alterations: Permission must be obtained from Creamery Brook administration for any alterations or improvements in residences. Alterations and improvements become Creamery Brook property at the time the resident vacates the residence.
5. Gratuities: Tipping of employees is not allowed.

APPLICATION PROCEDURES

1. Each Applicant must complete a Confidential Personal Profile (CPP,) which is comprised of a Financial Profile, Health Profile and Waiting List Application accompanied by a check for \$1500 which is a refundable deposit.
2. Creamery Brook will credit the refundable Application Fee in full toward the 10% Entrance Fee Deposit which is due upon execution of the Residency Agreement.
3. If a cottage is available, the prospective resident may execute a Residency Agreement with a 10% deposit of the Entrance Fee Deposit to reserve that unit. Please see Residency Agreement in Exhibit B.

The only exceptions to the chronological Wait List for priority admission are given to:

- 1) Current resident of Creamery Brook; or
- 2) Creamery Brook Depositors who have signed a Residency Agreement;
or
- 3) Applicants affiliated with the American Baptist Churches of Connecticut.

NOTIFICATION OF AVAILABILITY

When an existing residence becomes available, the next eligible applicant on the chronological waiting list will be notified by phone or in writing.

The applicant will be invited to come in to inspect the available residence. A decision to accept or reject the residence must be made within ten (10) days of receiving notification of availability. Creamery Brook reserves the right to request that the resident complete an updated CPP.

If the applicant declines the particular residence, the residence is offered to the next eligible individual. Names remain in the same chronological order. Individuals that decline an offer will still retain their place on the wait list.

ENTRANCE FEE PAYMENTS

If the applicant chooses to accept the residence offered, the applicant must sign the Residency

Agreement and pay ten percent (10%) of the Entrance Fee (“Entrance Fee Deposit”) at the time the Residency Agreement is signed. For new construction, ninety percent (90%) of the Entrance Fee is due prior to move-in within thirty (30) days of notification that the residence is available for occupancy or upon occupancy, whichever comes first. For all other instances, the balance of the Entrance Fee is due prior to move-in within sixty (60) days of the signing of the Residency Agreement or upon occupancy, whichever occurs first.

See Exhibit C for Current Monthly Fee Rate Structure and Entrance Fees.

The resident must move in within sixty (60) days of signing the Residency Agreement in the case of existing residences, or in the case of new construction, once the Certificate of Occupancy is received by us, and we notify you, you must take occupancy by the 30th day following notification that your residence is completed.

RESIDENCY AGREEMENT

The current Residency Agreement is attached as Exhibit B. The Residency Agreement contains, among other things, the definitive terms concerning rights to use of the residence, rights to use of the health center, reimbursement of the Entrance Fee, services to be provided to residents, and termination rights. Prospective residents may wish to review the details of the Residency Agreement carefully with a retirement counselor and/or legal counsel before signing.

1. The Residency Agreement may be terminated by you within thirty (30) days after You sign the Agreement. A copy of the Notice of Right to Rescind is attached as Exhibit D. We will refund the Entrance Fee Deposit without interest less any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within thirty (30) days from the date the certified or registered mail is received. If you die at any time after the initial thirty (30) day rescission period described in section VIII.A.1. above, and before your Residence is available for occupancy, or because of illness, injury or incapacity you are unable to occupy your Residence, this Agreement will terminate upon written notice, by certified or registered mail, to Us. We will refund the Entrance Fee Deposit with interest less a \$600.00 application fee and any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within sixty (60) days from the date the certified or registered mail is received. After the initial thirty (30) day rescission period you may terminate this Agreement prior to occupancy for any reason other than those specified above, by giving written notice to Us. We will refund the Entrance Fee Deposit with interest less a \$600.00 application fee and any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within thirty (30) days from our receipt of a new Entrance Fee Deposit.

See Residency Agreement section VIII A. 1/2/3, B. 1 – 2, and C.

Termination rights after occupancy are discussed below under Termination of Residency Agreement. (See page 39.)

MONTHLY SERVICE FEES

The resident will pay a Monthly Service Fee (due by the 10th of each month) to cover current operating expenses. Monthly Service Fees are applied towards the cost of the services and amenities listed in Exhibit A. The full amount of the current Monthly Service Fee will be charged when the Resident moves into the living unit or within sixty (60) days of the signing of the Residency Agreement, whichever comes first.

A current rate sheet listing current Monthly Service Fees is attached at Exhibit C. Monthly Service Fees are higher when a second person shares a living unit.

The Monthly Service Fee is adjusted on a periodic basis. Creamery Brook will provide thirty (30) days prior written notice to the resident of any adjustment in the Monthly Service Fee. The Monthly Service Fee will be increased when Creamery Brook, in its sole discretion, deems it necessary, based on future financial projections, to meet the financial needs of operating the facility or to provide the required services to residents.

PierceCare can provide historical information about past rental increases for comparison purposes. Historical information concerning rental increases is included in Exhibit G.

RESIDENTS' BENEVOLENCE FUND

A Resident's Benevolence Fund has been established by Creamery Brook and receives contributions intended to supplement resident's finances to allow residents to remain in their apartments or cottages. Should a resident's personal financial resources run out, and if the resident has not given away their assets, the resident may, at Creamery Brook's sole discretion and depending on funds set aside for such purposes, receive from PierceCare a monthly credit to supplement their monthly income and meet the shortfall in the Monthly Service Fee. All credits provided will be deducted from the refundable portion of the Entrance Fee.

The Executive Director of Creamery Brook can provide further information regarding the Resident's Benevolence Fund.

If the resident exhausts the refundable portion of the Entrance Fee, the resident may be transferred to the Skilled Nursing (SNF) as appropriate. The resident agrees to make application for Supplemental Security Income (SSI) to meet monthly expenses. If transferred to SNF, resident agrees to apply for Medicaid.

INTEREST ON DEPOSITS

Interest earned on all funds deposited with Creamery Brook, including but not limited to the refundable portion of entrance fees, will be accounted for as “Interest Income” and used to offset current Creamery Brook operation expenses, except as outlined in the Residency Agreement (Exhibit B – VIII – A – 3).

TERMINATION OF RESIDENCY AGREEMENT

It is the philosophy and intent of Creamery Brook to have residents live in the area of maximum independence for the resident. All residents are entitled to live in their own cottage as long as they can obtain all medically required services in that setting.

See Residency Agreement (Exhibit B) discussion above concerning the residents’ right to terminate the Agreement prior to occupancy. Provisions are made in the Residency Agreement that specify how a contract would be terminated.

After the resident occupies the cottage, should the resident elect to leave, or in the event of the resident's death, the resident or the resident's estate will be eligible for a refund of the Entrance Fee according to the Residency Agreement. This refund is subject to the deductions that are specified in the Residency Agreement or any credits received against the Entrance Fee. The refund is paid after the living unit is reoccupied and the Entrance Fee for that unit is paid by the new resident. Pursuant to the Residency Agreement, the release of the living unit upon permanent assignment to the health center will qualify a resident for pay-out of the refundable portion of the Entrance Fee. This refund will be used as described in Exhibit B - Section XII - E.

Creamery Brook administrative staff may make a recommendation for a change in the resident's living area to the resident's representative (e.g., conservator, family member), personal physician or other appropriate contact. The physician would discuss with the resident and/or the resident's family, as necessary, the need for such a change. The decision requiring a move would involve the

physician, resident, family members and administrative staff as/if needed.

While residents may make suggestions to management staff about whether another resident should continue to live in a cottage, residents have no authority in the final decision relating to another resident's living area.

In most cases, moves will be the result of dramatic changes in health conditions. Priority transfers to the health center will result. For their own health and well-being, residents will be required to comply with the final decision reached for their care. In other situations, where there are repeated violations of regulations governing the use of tobacco or gross violation of social standards, resident contracts may be terminated by the administration and Board of Trustees' or a committee of the Board that may convene for such purpose (hereinafter referred to as "Hearing Committee").

Residents will receive written notification of any decision to terminate the Residency Agreement in compliance with the Residency Agreement. The resident may address the conditions for termination, in writing, to the President of PierceCare. The President's decision is deemed final. Upon termination for any reason (including permanent transfer to health center), the Residence must be vacated and all personal property removed within thirty (30) days unless special arrangements are made to extend this timeframe and the resident agrees to pay a pro rated portion of the Monthly Service Fee. Creamery Brook reserves the right to remove and store any property not removed within the required timeframe.

REGULATORY MATTERS

The Connecticut Department of Public Health licenses the health center, providing skilled nursing care. The health center is required to pass periodic inspections in order to maintain licensure.

The Connecticut Department of Public Health in accordance with Connecticut General Statutes, Section 19a-491, licenses the Assisted Living Services Agency at Creamery Brook providing assistance with activities with daily living and nursing services.

The facility is also required to meet the requirements of the Connecticut "Act Concerning Management of Continuing Care Facilities" (Public Act 86-252; Connecticut General Statutes Section 17b-520 et seq.). Under the Act, PierceCare must make an annual filing, which in part, updates the disclosure statement. All materials required by the Department of Social Services

pursuant to P.A. 86-282, including all items listed in the table of contents on page 2 of this Disclosure Statement, have been filed with the State of Connecticut, Department of Social Services, 25 Sigourney Street, Hartford, Connecticut 06106.

All materials are available for public review at the above address.

SPECIAL OCCUPANCY ISSUES

Surviving Spouse. Married residents must each sign the Residency Agreement. In the event one spouse dies or is permanently relocated to the health center, or to another institution for medical reasons, the survivor retains all rights as a resident. The entrance fee is not refunded until the surviving spouse dies or terminates occupancy. The surviving resident will be charged the single Monthly Service Fee.

Residents Desiring to Marry. If two Creamery Brook residents decide to marry and live together in a residence, then if occupancy of one residence is terminated, the Entrance Fee for that residence will be refunded in accordance with the Residency Agreement. If occupancy of both residences is terminated and a new unit occupied, either the Resident or Creamery Brook, as applicable must pay the difference between the current Entrance Fee for the new residence and the Entrance Fee previously paid. If a resident marries someone from outside Creamery Brook, that individual must meet the applicable age requirements and must co-sign the Residency Agreement. A second person Monthly Service Fee will be in effect.

Living Unit Transfers. If a resident wishes to transfer to a different living unit, the monthly fee and entrance fee will be adjusted accordingly. See Exhibit E, which describes the policy on living unit transfers.

FINANCIAL STATEMENTS AND PROJECTIONS

Audited financial statements of Pierce Memorial Baptist Home are attached as Exhibit K. Below is the current Operating Budget and the Pro Forma Income Statements for the facility. The Pro Forma statements are based on the assumptions stated in the notes thereto and projects of future activity rather than historical statements.

OPERATING BUDGET

The operating budget describes only projected current year (FYE 9/30/15) operating expenses. For a more complete analysis of projected revenues and expenses, please see the Pro Forma Statements.

In the operation of Creamery Brook, a balance between income and expenses must be maintained in order to assure its financial stability. From time to time, there may be transfer of funds from Creamery Brook to other parts of PierceCare.

The major expense of a CCRC is the cost of its day-to-day operations, as shown below. This projection is based upon previous experience and anticipated inflation.

PROGRAM EXPENSES	Health Center	Creamery Brook Retirement Village Independent Living	Country View Assisted Living Services Agency	Creamery Brook Cottages
Administrative Services	1,361,826	493,440	7,550	37,292
Nursing Services	3,788,511		479,242	
Therapies	245,000			
Dietary Services	742,016	506,065		5,063
Plant Operations	516,720	535,336		50,123
Housekeeping Services	211,006	83,941		4,882
Laundry Services	125,941	17,109		787
Recreation Services	116,655	109,966		
Social Services	117,473	-		
Chaplain Services	28,708	-		
Volunteer Services	15,065	-		
Adult Day Care	27,613	-		
Marketing Services Development	-	277,058		
Depreciation and Amortization	219,070	290,500		55,000
Interest & Letter of Credit Fees	<u>142,084</u>	<u>246,499</u>	_____	_____
TOTAL PROGRAM EXPENSES	<u>7,657,688</u>	<u>2,559,913</u>	<u>486,792</u>	<u>153,147</u>

PRO FORMA STATEMENTS

A good budgeting system is a very important business tool. Substantial budgeting has been done prior to offering living units for reservation. Naturally, the entire process is ongoing, as new developments allow for refinement. Such new developments may include external events over which we have no control.

The Pro Forma Statements of Financial Position demonstrate the financial stability of PierceCare at a specific point in time.

The Pro Forma Cash Statement is simply a projection of the estimated expenses and income of the facility on a cash basis. The projection rates for income and expenses are not guaranteed. The percent of increase may be greater or lower based upon the increased cost to operate the facility and other factors.

The most significant item in the Pro Forma Income Statement is “Net Change” which indicates whether the facility has earned more or less than it expends in any given year. Although there can be no guarantee of accuracy, the Pro Forma Income Statement is based upon the experience and the best current estimates at the time of this publication. Such estimates depend upon assumptions concerning many items, including inflation and interest rates, which are subject to change. It is believed that the Pro Forma Income Statement reflects sound financial planning and a rational set of assumptions, based upon experience and insight.

Pierce Memorial Baptist Home, Inc.
Proforma Statement of Financial Position
For the Five Year Period Ended September 30, 2019

	Audited								
	2014	2015	2016	2017	2018	2019			
ASSETS									
Current Assets									
Cash & Cash Equivalents	\$ 2,606,087	\$ 2,824,698	\$ 3,243,232	\$ 3,532,659	\$ 3,904,778	\$ 4,292,998			
Accounts Receivable Trade	826,882	802,076	778,013	754,673	732,033	710,072			
Prepaid Insurance & Service Contracts	75,976	77,496	75,171	75,922	73,645	74,381			
Other Current Assets	3,517	3,623	3,731	3,843	3,958	4,077			
Total Current Assets	3,512,462	3,707,892	4,100,147	4,367,097	4,714,414	5,081,528			
Other Assets									
Investments	6,173,553	6,358,760	6,406,450	6,470,515	6,535,220	6,731,277			
Assets Limited as to Use	2,273,338	2,296,071	2,319,032	2,342,222	2,365,645	2,389,301			
Plant and Equipment, Net	9,980,407	9,920,407	9,488,007	9,032,311	8,652,387	8,147,266			
Deferred Financing Costs, Net	276,018	264,219	252,420	240,621	228,822	217,023			
Entry fee Mortgage Receivable	160,590	-	-	-	-	-			
Interest in Perpetual Trusts	1,563,640	1,579,276	1,595,069	1,611,020	1,627,130	1,675,944			
Restricted Cash	17,248	17,765	18,297	18,846	19,412	20,188			
Total Other Assets	20,444,794	20,436,499	20,079,276	19,715,535	19,428,616	19,180,999			
Total Assets	\$ 23,957,256	\$ 24,144,391	\$ 24,179,423	\$ 24,082,633	\$ 24,143,029	\$ 24,262,527			
LIABILITIES AND NET ASSETS									
Current Liabilities									
Bonds Payable, Current Portion	\$ 308,848	\$ 319,464	\$ 331,210	\$ 342,776	\$ 354,378	\$ 366,878			
Notes Payable, Current Portion	24,999	24,999	24,999	16,666	-	-			
Accounts Payable, Trade	201,540	203,555	205,591	207,647	209,723	230,696			
Accrued Expenses	444,996	462,796	481,308	500,560	520,582	525,788			
Deferred Revenue, Current Portion	40,104	13,608	13,608	13,608	13,608	13,608			
Funds Held for Residents	17,248	17,765	18,297	18,846	19,412	20,188			
Entry Fee Refund Payable	219,150	219,150	219,150	219,150	219,150	219,150			
Total Current Liabilities	1,256,885	1,261,338	1,294,163	1,319,253	1,336,853	1,376,308			
Long Term Liabilities									
Bonds Payable, Less Current Portion	10,723,589	10,404,125	10,072,915	9,730,139	9,375,761	9,008,883			
Notes Payable, Less Current Portion	66,664	41,665	16,666	-	-	-			
Security Deposits	247,706	250,183	252,685	255,212	257,764	260,341			
Deferred Revenue, Less Current Portion	114,968	101,360	87,752	74,144	60,536	46,928			
Entry Fee Refund Payable, Less Current Portion	893,565	893,565	893,565	893,565	893,565	893,565			
Total Long Term Liabilities	12,046,492	11,690,898	11,323,583	10,953,060	10,587,626	10,209,717			
Total Liabilities	13,303,377	12,952,236	12,617,746	12,272,313	11,924,479	11,586,026			
Net Assets	10,653,879	11,192,154	11,561,678	11,810,320	12,218,550	12,676,502			
Total Liabilities and Net Assets	\$ 23,957,256	\$ 24,144,390	\$ 24,179,424	\$ 24,082,633	\$ 24,143,029	\$ 24,262,527			

Pierce Memorial Baptist Home, Inc.
Proforma Statement of Activities
For the Five Year Period Ended September 30, 2019

	Audited					
	2014	2015	2016	2017	2018	2019
REVENUES, GAINS, AND OTHER SUPPORT						
Net Fees For Services	\$ 10,442,471	\$ 11,223,879	\$ 11,279,998	\$ 11,336,398	\$ 11,676,490	\$ 11,910,020
Interest and Dividend Income	261,819	250,000	251,250	252,506	253,769	255,038
Net Unrealized Gains (Losses) on Investments	724,151	350,000	353,500	357,035	360,605	364,211
Net Realized Gains (Losses) on Investments	50,354	51,865	53,421	55,023	56,674	58,374
Contributions	88,178	54,120	54,661	55,208	55,760	56,317
TOTAL REVENUE	11,566,973	11,929,864	11,992,830	12,056,171	12,403,298	12,643,961
PROGRAM EXPENSES						
Administrative Services	1,578,165	1,412,084	1,433,265	1,454,764	1,476,585	1,498,734
Nursing Services	4,562,646	4,869,309	4,942,349	5,016,484	5,091,731	5,168,107
Dietary Services	1,139,772	1,291,674	1,311,049	1,330,715	1,350,676	1,370,936
Plant Operations	962,247	1,138,668	1,155,748	1,173,084	1,190,680	1,208,540
Housekeeping Services	271,785	325,825	330,712	335,673	340,708	345,819
Laundry Services	143,006	154,605	156,924	159,278	161,667	164,092
Recreation Services	218,963	256,995	260,850	264,763	268,734	272,765
Social Services	116,839	120,508	122,316	124,151	126,013	127,903
Chaplain Services	27,558	31,072	31,538	32,011	32,491	32,978
Volunteer Services	15,331	17,303	17,563	17,826	18,093	18,364
Marketing Services	295,709	277,058	281,214	285,432	289,713	294,059
Bad Debt expense	317,396	-	51,511	52,284	53,068	53,864
Depreciation and Amortization	554,527	571,799	594,199	617,495	641,723	666,920
Provider Fees	466,728	448,955	451,200	453,456	455,723	458,002
Interest	384,922	394,083	399,994	405,994	412,084	418,265
TOTAL PROGRAM EXPENSES	11,055,594	11,309,938	11,540,432	11,723,410	11,909,689	12,099,348
	317,396					
OTHER EXPENSES						
Investment Management Fees	67,484	70,650	71,710	72,786	73,878	74,986
Other Fees	10,841	11,000	11,165	11,332	11,502	11,675
TOTAL OTHER EXPENSES	78,325	81,650	82,875	84,118	85,380	86,661
Changes in Net Assets	\$ 433,054	\$ 538,275	\$ 369,523	\$ 248,643	\$ 408,229	\$ 457,952

Pierce Memorial Baptist Home, Inc.
Proforma Statement of Activities
For the Five Year Period Ended September 30, 2019

	Audited					
	2014	2015	2016	2017	2018	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in Net Assets	\$ 433,054	\$ 538,275	\$ 369,523	\$ 248,643	\$ 408,229	\$ 457,952
Adjustments to Reconcile Change in Net Assets to Cash Used by Operating Activities:						
Net Unrealized (Gains) Losses	(618,740)	(350,000)	(353,500)	(357,035)	(360,605)	(364,211)
Net Realized (Gains) Losses	(50,354)	(51,865)	(53,421)	(55,023)	(56,674)	(58,374)
Depreciation & Amortization	554,527	571,799	594,199	617,495	641,723	666,920
Bad Debt Expense	317,396	15,000	15,000	15,000	15,000	15,000
Entry Fee Mortgage Receivable	100,650	-	-	-	-	-
Entry Fee Refunded	(230,850)	-	-	-	-	-
Amortization of Entry Fees	(25,441)	(13,608)	(13,608)	(13,608)	(13,608)	(13,608)
Interest Income on Entry Fee Mortgage Receivable	(4,740)	-	-	-	-	-
		-				
(Increase) Decrease in:						
Accounts Receivable Trade	200,017	9,806	9,062	8,340	7,640	6,961
Accounts Receivable Other	18,811	(1,520)	2,325	(752)	2,278	(736)
Change in beneficial interests in perpetual trusts	(105,411)	(15,636)	(15,793)	(15,951)	(16,110)	(48,814)
Assets Limited as to Use	5,029	(22,733)	(22,961)	(23,190)	(23,422)	(23,656)
Prepaid Expenses and Other Current	(3,774)	(1,625)	2,216	(864)	2,162	(855)
Mortgage Entry Fee Receivable	-	160,590	-	-	-	-
Restricted Cash, Residents Funds	(4,015)	(517)	(109)	(112)	(115)	(119)
Increase (Decrease) in:						
Accounts Payable, trade	(84,435)	2,015	2,036	2,056	2,076	20,972
Accrued Expenses and Payroll	(102,114)	17,800	18,512	19,252	20,022	5,206
Deferred Revenue	17,147	(26,496)	-	-	-	-
Funds Held for Residents	4,015	517	532	549	565	776
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	420,772	831,803	554,014	444,801	629,162	663,413
CASH FLOWS FROM INVESTING ACTIVITIES						
Net sale (purchase) of investments	98,672	218,178	356,084	347,907	349,442	226,607
Capital Additions	(1,169,457)	(500,000)	(150,000)	(150,000)	(250,000)	(150,000)
Security Deposits	(31,034)	2,477	2,899	2,928	2,957	2,578
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	(1,101,819)	(279,345)	208,983	200,835	102,399	79,185
CASH FLOWS FROM FINANCING ACTIVITIES						
Principal Payment on Bond	(274,288)	(308,848)	(319,464)	(331,210)	(342,776)	(354,378)
Proceeds from note payable	99,995	-	-	-	-	-
Principal payments on note payable	(8,332)	(24,999)	(24,999)	(24,999)	(16,666)	-
NET CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES	(182,625)	(333,847)	(344,463)	(356,209)	(359,442)	(354,378)
NET INCREASE IN CASH	(863,672)	218,611	418,534	289,427	372,119	388,220
CASH, BEGINNING OF THE YEAR	3,469,759	2,606,087	2,824,698	3,243,232	3,532,659	3,904,778
CASH, END OF THE YEAR	\$ 2,606,087	\$ 2,824,698	\$ 3,243,232	\$ 3,532,659	\$ 3,904,778	\$ 4,292,998

PRO FORMA INCOME STATEMENT ASSUMPTIONS FOR CREAMERY BROOK RETIREMENT VILLAGE

- (1) Health Care Revenues are comprised primarily of the daily room and board charges for private and semi-private rooms in our Skilled Nursing Facility. Total revenues are anticipated to increase less than 2% based on an average 95% occupancy, an average 80% Medicaid population.
- (2) Independent Living Revenues are comprised primarily of the monthly service fees charged to residents of the Creamery Brook Retirement Village residences and recognition of the Entrance Fees paid by residents of the cottages. We assume an average occupancy of 93% and a 1% annual increase, as impacted by inflation.
- (3) Health Care Expenses, include Nursing and Resident Services and are largely related to salaries and wages of our personnel which are projected to increase an average 3% over the next five years. Non-payroll expenses have been adjusted for an average increase of 1.5% - except for insurance which is anticipated to increase 0%.
- (4) Independent Living Expenses include other Resident Services. Salaries are assumed to increase an average 3% over the period, while most other expense purchases are assumed to increase 1.5% annually, except insurances as provided above in paragraph 3.

PREPAID HEALTH CARE OBLIGATIONS

The total actuarial present value of prepaid obligations assumed under continuing care contracts is \$73,000 or \$3,650 per resident.

IV. SUMMARY

1. NAME AND ADDRESS OF PROVIDER:

Creamery Brook Retirement Village
36 Vina Lane
Brooklyn, CT 06234

2. NAME AND ADDRESS OF PROVIDER:

Pierce Memorial Baptist Home
44 Canterbury Road - PO Box 326
Brooklyn, CT 06234

3. NAME, ADDRESS, PHONE NUMBER OF CONTACT PERSON TO DISCUSS OCCUPANCY.

Creamery Brook Retirement Village
36 Vina Lane
Brooklyn, CT 06234 860 779-8700

Marketing Associate - Ext. 202

4. DESCRIPTION OF COMMUNITY:

- a) In Township of Brooklyn
- b) Located on 29 acres
- c) Living Areas available

82 - Independent Living and Assisted Living Apartments

72 - Skilled Nursing Facility (SNF) beds

10 – Cottages (proposed, 6 built)

5. MINIMUM AGE:

Cottages: 55 or older

6. AFFILIATIONS:

Pierce Memorial Baptist Home is a not-for-profit corporation endorsed as a special ministry of the American Baptist Churches of Connecticut. Pierce Memorial Baptist Home is affiliated with ABCCONN and receives contributions from ABCCONN churches.

The ABCCONN has no legal responsibility for either the financial or contractual obligations of the provider.

We are also members of:

American Health Care Association

Connecticut Association of Health Care Facilities

Association of Long Term Care Financial Managers

American Baptist Homes and Caring Ministries

Connecticut Assisted Living Association

Leading Age

Brooklyn Business Association

MONTHLY FEES AND REFUNDABLE ENTRANCE FEES

	<u>Monthly Fee</u>	<u>Entrance Fee</u>	<u>Declining Entrance Fee</u>
COTTAGES			
1221 SQ.FT.*	\$2,631	\$243,500	\$109,900
1686 SQ.FT.*	\$3,021	\$269,500	\$124,900

*(Approximate Square feet.)

SECOND PERSON	\$275
MONTHLY MEAL PLAN **	\$140

** (Per resident, See Addendum)

*Adjustments based on the current cost of construction and any changes that the new occupants would care to make in the building.

The entrance fee is 90% refundable when the resident(s) move(s) from the cottage and the Entrance Fee for that cottage is received from the new resident(s) by Creamery Brook Village.

Declining Refund Entrance Fee as follows: Equal to the original Entrance Fee paid less ten (10%) of the Entrance Fee deducted at move-in and two percent(2%) of Entrance Fee for each calendar month or part thereof that the Residence is occupied. (After a period of 45 months Your refund will decline to a zero balance). In all cases, Your refund will be paid accordance with the Residency Agreement when Your residence is reoccupied.

(Rental Program is also available through the Marketing Department for the Creamery Brook Apartments).

7. Entrance Fees

Our cottages will be available based on the entrance fees, shown on Page 26. Individuals choosing the entrance fee option will pay a REDUCED RATE in their monthly charges as compared to persons choosing the rental option in the Creamery Brook building. (See page 26 and Exhibit G)

Entrance fees will be refundable in accordance to the Residency Agreement. In the event of death or a decision to move out of the residence, the refundable portion of the Entrance Fee will be paid once the residence is occupied by the new resident as noted in Section XII of the Residency Agreement.

DESCRIPTION OF THE SERVICES

The services and various supplemental services to be provided by PierceCare to residents are listed in the Residency Agreement, which governs all such obligations. In an attempt to more fully explain the nature of these services, the following detailed description has been prepared. The procedures to be followed in furnishing these services may be modified by PierceCare.

ACTIVITIES COORDINATOR

An activity coordinator, under the direction of the Executive Director is responsible for the arts, crafts, exercise classes and other social activities for the residents. This person will schedule group events, transportation, and other events as interest arises.

BEAUTY SHOP

Beauty shop services are available at an extra charge.

EMERGENCY CALL SYSTEM

Emergency call systems are provided in each of the living units. They are to be used for medical emergencies. When an emergency system is activated, in-house staff respond immediately with a phone call to the unit. In addition, the call goes automatically to 911. If there is no answer, assistance will be immediately dispatched to the unit. The person responding will have a pass key and will enter the residence. If possible, our staff will render assistance.

COMMON AREAS

Several areas exist throughout the building for the use and relaxation of the residents:

Convenience Store: operated by the Activities Coordinator is under the direction of Creamery Brook and provides commonly used household items, gifts and cards.

Community Center: the community room offers an attractive spacious area for music and a variety of other functions.

Personal Laundry Facility: washers and dryers for personal linen and garments are provided. Residents schedule times to use the laundry facility at their convenience. (Residents in the cottages and select apartment locations have a washer/& dryer in their residences).

Library: Pleasant library/reading rooms provide quiet surrounds for our residents.

Attractive Furnished Lounges: small out-of-the-way lounges and larger lounges for group gatherings are conveniently located throughout the building.

LAUNDRY SERVICE

You may request laundry service at an additional charge through Creamery Brook Retirement Village Laundry/Housekeeping Director.

FOOD SERVICE

The number of meals offered monthly, as part of the optional meal program, will be equal to the number of days in the month. The meals provided for in the monthly fee may be taken at any scheduled time during the month. Any additional meals taken by the residents or their guests will be an extra cost that will be added to the monthly fee.

Room service is available under special arrangements for an additional charge.

Restaurant style service is provided in our dining room. Residents have a full menu which offers a large selection of items to choose from.

FULL DISCLOSURE

Creamery Brook Retirement Village follows a full disclosure policy on all matters except personnel salaries and disciplinary decision regarding employees and other residents. All information about residents will be handled on a confidential basis. A disclosure statement including audited financial statements for the Facility will be available for the residents each year for the residents who choose the entrance fee option. Residents will be informed of the budgeting process annually. Reports and other data required under various statutes are posted.

GRATUITIES

No gratuities are allowed. Employees who accept them will be subject to discharge. Residents may wish to establish an employee appreciation fund to be shared with each employee on a basis

determined by the residents and management.

HEALTH CARE SERVICES AND THE HEALTH CENTER - PIERCE MEMORIAL BAPTIST HOME

Residents of Creamery Brook Retirement Village receive monthly blood pressure reviews and other wellness checks. In addition, they receive priority in admission to the health center and may be admitted directly to the health center from a hospital; continuing care residents receive first priority over residents who rent their apartments. In addition, all continuing care residents are entitled to ten (10) prepaid lifetime days of inpatient services in semi-private accommodations in the health center. This benefit covers the cost of room, board, nursing services and other items/services routinely covered in the health center's private per diem rate. This ten-day benefit does not renew each year, and it is not refundable if never used. In addition, the ten-day benefit only applies once the resident has exhausted any applicable Medicare, supplemental insurance, or other third party benefits (excluding Medicaid). The resident remains responsible for any insurance deductibles or co-payments associated with Medicare or other insurance, as well as any ancillary charges, and any days of care in excess of the ten prepaid days allotted.

If a resident desires special additional nursing staff while a patient is in the health center, arrangements may be made through the health center, at an additional cost to the resident. Visitors and volunteers are encouraged to visit the patient. Friends, relatives or spouses may take meals (there is a charge for this service) with patients, with advance notification. Residents are billed on a per diem basis according to the current room and board rate for service in the health center. In the event that no bed is available in the health center, then PierceCare will assist the Resident if desired to locate a bed at another nursing facility until a bed becomes available in the health center. A physician is retained on a consulting basis to act as medical director for the health center. The Health Center staff, in consultation with the resident's physician and Medical Director as needed, will determine the appropriate level of nursing care required by the resident upon admission to the health center. As a part of the determination, the resident's long-term ability to return to independent living will be evaluated. The nursing staff will provide an appropriate plan of care, the ultimate goal of which shall be, if at all possible, to return the resident to independent living as soon as possible.

While in the health center, the resident will be given all required nursing care. Health center care includes basic nursing care and emergency medical care when the medical director is summoned by health center staff. The resident is responsible for payment for the services of his/her personal

physician. In the event the resident's personal physician or the Facility's medical director orders medication, therapy or various supplemental services for the resident's care, resident shall be responsible for the cost of such services.

Residents who are able to do so will be encouraged to return to the cottages as soon as possible and will be allowed to visit their cottage with the assistance of volunteers or family members as part of the rehabilitation process.

Residents who are unable to return to their cottages will be assigned permanently to the health center. The determination of permanent assignment will come only after a thorough evaluation of the resident's condition by the medical director, the resident's attending physician, Pierce Memorial Baptist Home's nursing staff and administration.

A permanent assignment, in cases of single occupancy, results in the release of the resident's living unit to Creamery Brook Retirement Village to be reserved by a new resident. In cases of double occupancy, the remaining resident may remain in the living unit.

MAINTENANCE OF THE LIVING UNIT AND HOUSEKEEPING SERVICES

Creamery Brook maintains all common areas and provides housekeeping services once a week. Housekeeping services include vacuuming all carpets, cleaning commode and shower, washing kitchen floor; and cleaning of windows (as needed). Carpets will be cleaned as requested according to need with spot cleaning as necessary. Extra cleaning help will be available at additional cost. Living units will be painted every seven years as requested by resident.

MONTHLY BILLING SERVICE

Bills for monthly fees will be placed in the residents mailboxes on or before the first day of the month and are due by the tenth business day of each month.

OTHER CHARGES

Other services may be provided to residents at additional charge, which will be added to the monthly bill. Currently such services include guest meals, additional resident meals, room service, additional housekeeping, personal laundry service, assisted living services and such other reasonable services as requested.

PRESCRIPTION SERVICE

Delivery service may be available from area pharmacies for the resident's convenience.

SECURITY

Creamery Brook provides 24-hour personnel. For the resident's added safety, all entrance and exit doors (except the main entrance during the day) are locked 24 hours per day, requiring the use of a key or code to gain entry.

TRANSPORTATION

Scheduled van transportation service is provided Monday through Friday. Residents may sign up for transportation to physicians, dentists, etc. for Tuesday afternoons and Wednesday mornings: first come first serve basis. Special event transportation may be at extra cost to the resident.

Areas of regularly scheduled transportation are limited to Brooklyn and adjacent towns. Included within this radius will be shopping centers and medical and other professional offices.

THE CREAMERY BROOK RESIDENCY AGREEMENT

This Residency Agreement (“Agreement”) is entered into this _____ day of _____, 20__, between Pierce Memorial Baptist Home, Incorporated, (“We”), a Connecticut not-for-profit corporation, operating a continuing care retirement community (CCRC) known as Creamery Brook Retirement Village, and _____ (“You”). (If two persons sign this Agreement, “You” shall apply to each of them, jointly and severally, and to the survivor of them.)

You represent that You (or if two persons sign this Agreement, at least one of You) are 55 years of age or older, or will be before the Occupancy Date (as defined below), and that You have completed a Confidential Personal Profile (CPP) for residency which is incorporated by reference into this Agreement. By execution of the Agreement, We approve Your Agreement to live at Creamery Brook and you agree to reside at Creamery Brook in accordance with the terms and conditions of this Agreement. The objectives of Creamery Brook are more fully described in the Disclosure Statement previously provided to You by Us, and You, by signing this Agreement, acknowledge that You have received the Disclosure Statement.

I. BASIC AGREEMENT

You agree to pay the Entrance Fee and Monthly Service Fee, and in exchange, You will have the right, subject to the terms of this Agreement, for Your lifetime, to occupy a residence at Creamery Brook and to have priority access (over waiting list applicants) for admission to Pierce Memorial Baptist Home (“Health Center”) which is located on our campus.

II. YOUR COVENANTS

A. You covenant that:

1. All representations made on your application and on the Confidential Personal Profile are true and complete;
2. You shall make all reasonable efforts to conserve Your financial resources so that You can meet your financial obligations under this Agreement. You agree not to deplete Your assets by gifts or purchases to the extent that Your ability to support Yourself or Your ability to qualify for Medicaid benefits would be endangered;

You agree to furnish an updated financial statement of worth and income (Confidential Personal Profile) to us at such time as reasonable requested.

3. You will pay, when due, the Entrance Fee, Monthly Service Fee and any optional service fees; and;
4. You will comply with all reasonable operating procedures and guidelines established by Us.

III. MEDICAL AND FINANCIAL EVALUATIONS

- A. You agree to undergo a physical examination by a licensed physician selected by You. The physical examination will include such tests as may be required by Us and will be completed no earlier than ninety (90) days before Occupancy Date. You will provide Us with the results of the physical examination before the Occupancy Date.

Our Medical Director may evaluate the results of the physical examination in accordance with Our established procedures and determine whether there are any special services you require and determine how you will obtain and pay for these services if we cannot provide them.

- B. We have provided You with a Confidential Personal Profile which You must submit with the Residency Agreement. You agree to submit an updated Confidential Personal Profile to Us within thirty (30) days prior to the Occupancy Date so that We can determine whether there has been an adverse change in Your financial condition. If We determine that there has been a material adverse change in Your financial condition, We may terminate this Agreement in accordance with Section IX and XII. You also agree that once You become a resident you will complete a Confidential Personal Profile on an annual basis, if requested.

IV. RESIDENTIAL ACCOMMODATION

- A. Designation

You agree that the unfurnished Residence # _____ at Creamery Brook is the subject of this Agreement.

- B. Physical Alterations Subsequent to Occupancy

After occupancy, You agree not to make any physical alteration of the Residence without Our prior written approval. All such changes must comply with applicable governmental codes and regulations. You will be responsible for the cost of any approved alterations or improvements. Alterations and improvements to your residence become the property of Creamery Brook when you vacate your residence. Creamery Brook reserves the right to require You to restore Your residence to its original condition.

- C. Occupancy Date

1. Existing Residence: You must move in within 60 days following signing of this Residency Agreement.
2. New Construction: Once the Certificate of Occupancy has been received by us, we will notify you immediately. You must take occupancy by the 30th day following notification that your residence is completed.

For purposes of this Agreement, the "Occupancy Date" will be the earlier of (1) the 60th day following your receipt of the notice of availability or (2) your date of occupancy.

V. ENTRANCE FEE

- A. The Entrance Fee for the Residence is \$_____. A ten percent (10%) deposit (“Entrance Fee Deposit”) is payable upon execution of this Agreement and the balance is payable in one of the following ways: (Cross out options that do not apply).
 - 1. Existing residence: Ninety percent (90%) due prior to move-in, within sixty (60) days of the signing of this Agreement or upon occupancy, whichever comes first.
 - 2. New Construction: Ninety percent (90%) of the Entrance Fee is due prior to move-in within thirty (30) days of notification that the residence is available for occupancy or upon occupancy, whichever comes first.
- B. We will place the deposit in an interest bearing escrow account. We will refund the Entrance Fee Deposit, upon termination of the Agreement in accordance with Article XII.

VI. MONTHLY SERVICE FEE

- A. The initial Monthly Service Fee is \$_____ per month. The Monthly Service Fee will be paid by You to Us beginning on the Occupancy Date (prorated) and before the 10th day of each month thereafter.
- B. The amount of the Monthly Service Fee is Your share of the estimated monthly cost to cover Our operating expenses and establish a contingency reserve. The Monthly Service Fee may be adjusted from time to time upon (30) days prior written notice to You when we determine in our sole discretion, based on future financial projections, that an adjustment is necessary to meet the financial needs of operating the facility or to provide required services to residents.
- C. In addition to the Monthly Service Fee, You will pay Us within ten (10) days of billing and according to a published schedule of charges, for any optional services rendered to You during the previous month.
- D. The Monthly Service Fee will end when the unit is vacated and all keys are turned into the Executive Director of Creamery Brook Retirement Village, except as otherwise noted in the Agreement.
- E. We reserve the right to charge You a late payment fee, as permitted by law, on all balances for Monthly Service Fees and other charges not paid by the due date. In the event We must institute a legal action to collect any amounts You owe Us, You will be responsible for paying for the costs of such an action, including reasonable attorneys’ fees and costs.
- F. A Resident’s Benevolence Fund is available if You cannot make Monthly Service Fee payments and We find You eligible, in our sole discretion and subject to availability of funds, for assistance from the Fund. All credits provided will be deducted from the refundable portion of the Entrance

Fee.

VII. SERVICES PROVIDED TO YOU

A. General Description

The following services and facilities are included in the Monthly Service Fee:

1. Residential Services and Facilities
 - (a) Furnished lounges
 - (b) All building and grounds maintenance
 - (c) Repair and maintenance of furnishings provided by Creamery Brook
 - (d) Once a week housekeeping; including vacuuming, floor washing, cleaning of bathrooms and kitchen
 - (e) Automatic washers and dryers for personal laundry
 - (f) Gardening spaces
 - (g) Property and building insurance (does not cover Your personal property)
 - (h) Individually controlled heating and air conditioning
 - (i) Individual mailbox
 - (j) Parking for You and Your guests
 - (k) Basic Cable television.
 - (l) Trash removal from a central trash closet
2. Local Transportation Services
 - (a) Scheduled van transportation services to shopping, banking, entertainment, etc. within the local area
 - (b) Scheduled van transportation to Your private physician's office within our coverage area (i.e. adjacent towns).
3. Security Services
 - (a) Main building entrance intercom security system
 - (b) 24-hour on site personnel
4. Recreational Activities, and Social Services
 - (a) Activities Coordinator
 - (b) Daily schedule of social and recreational activities

- (c) Staff available for consultation regarding transfers, discharges, community services, etc.
 - (d) Religious Services
 - (e) Lounge
5. Health Care Services
- (a) Monthly blood pressure review and other wellness checks.
 - (b) Transportation services to the office of Your private physician in adjacent towns, on a scheduled basis.
 - (c) Priority admission to Health Center (Except as provided in (d) below, you will be responsible for fees for any services provided as set forth in subsection B. below).
 - (d) Ten (10) prepaid lifetime days of inpatient services in semi-private accommodations in the Health Center, covering room, board, nursing services and other items and services covered by the Health Center's private per diem rate. Such ten prepaid days are available for the life time of Resident; they are not renewable each year and not refundable in whole or in part if they are never used. Resident is eligible for the ten prepaid days only after any applicable Medicare, supplemental insurance, or other third party benefits (excluding Medicaid) have been exhausted. Resident remains responsible for any insurance deductibles or co-payments associated with Medicare or other insurance, as well as for any ancillary charges, and any days of care in excess of the ten prepaid days.

B. The following optional and health care services are available at Your expense:

- 1. One main meal each day, with restaurant service in the dining room.
 - a. Join the monthly meal program – an entire month's meals (main meal each day)
 - b. Choose a main meal when you wish.
- 2. Guest meals
- 3. Transportation beyond the local area (From a livery service).
- 4. Beauty Salon/Barber Shop.
- 5. Physician services.
- 6. Physical, Occupational and Speech Therapy Services.
- 7. Non-routine maintenance.
- 8. Long distance telephone service.
- 9. Extended Cable TV service.

10. Health Care Services
11. Pierce Memorial Baptist Home in its Health Center, will make nursing services available to You on a priority basis. The nursing services are more fully described in the Disclosure Statement. You will have priority admission to the Health Center granted by the Medical Director after consultation with You, Your family or legal representative, and Your physician.

During Your stay in the Health Center, You will pay for services received at the current per diem rate, except for the ten (10) prepaid lifetime days described above in subsection A.6.(d). If at any time it is necessary for You to be transferred to the Health Center and no bed is available, We can assist you in finding another nursing home in the area, until a bed at the Health Center becomes available. In such a case, the expense to You will not exceed that which You would have paid had You been immediately admitted to the Health Center, until Pierce Memorial has made an offer to transfer You to our Health Center.

12. Assisted Living Services.

VIII. TERMINATION BY YOU

A. Prior to Occupancy

1. Within thirty (30) days of signing this Agreement, You may terminate this Agreement by sending written notice to Us by certified or registered mail (See Exhibit D: Notice of Right to Rescind). We will refund the Entrance Fee Deposit without interest less any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within thirty (30) days from the date the certified or registered mail is received.
2. If you die at any time after the initial thirty (30) day rescission period described in section VIII.A.1. above, and before your Residence is available for occupancy, or because of illness, injury or incapacity you are unable to occupy your Residence, this Agreement will terminate upon written notice, by certified or registered mail to Us. We will refund the Entrance Fee Deposit with interest less a \$600.00 application fee and any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within sixty (60) days from the date the certified or registered mail is received.
3. After the initial thirty (30) day rescission period you may terminate this Agreement prior to occupancy for any reason other than those specified in VIII.A.1&2, by giving written notice to Us. We will refund the Entrance Fee Deposit with interest less a \$600.00 application fee and any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within thirty (30) days from our receipt of a new Entrance Fee Deposit.

B. After Occupancy

1. You may terminate this Agreement for any reason subsequent to the Occupancy Date by giving sixty (60) days advance written notice.
2. If this Agreement is terminated subsequent to the Occupancy Date, You will continue to pay the Monthly Service Fee until the expiration of the sixty (60) day written notice period or the date a new resident occupies the Residence, whichever occurs first. We will pay the refundable portion of the Entrance Fee in accordance with Article XII.

C. Your occupancy under this Agreement will terminate upon Your death, provided there is no Co-Resident under this Agreement. We will pay your estate the refundable portion of Your Entrance Fee in accordance with Section XII of this Agreement.

IX. TERMINATION BY US

A. We may terminate this Agreement upon the occurrence of any of the following events by sending You prior written notice:

1. Prior to Occupancy Date:

- (a) We determine (in consultation with Our Medical Director, your personal physician and/or representative to the extent feasible) that You require medical services in order to live in a residence and You are unable to arrange and pay for those services.
- (b) We determine (after a review of the updated Confidential Personal Profile) that there has been an adverse change in Your financial condition.

2. Prior or Subsequent to Occupancy Date: If any of the following situations occur, We will give You written notice of the reason for the proposed termination, and You will have thirty (30) days in which to remedy the situation:

- (a) You fail to pay the unpaid balance of the Entrance Fee when due;
- (b) You fail to pay Monthly Service Fee or other amounts owing to Us when due, unless other mutually satisfactory arrangements have been made;
- (c) We determine that information on Your Confidential Personal Profile is materially erroneous or that any material facts affecting qualification for residency were not disclosed; or that there has been an adverse change in Your financial condition;
- (d) You fail to comply with Our Resident Rules and Regulations or the terms of this Agreement or create a situation detrimental to the health, safety or peaceful living of other residents;
- (e) You make any disposition of Your assets which, in Our judgment materially impairs Your ability to pay the Monthly Service Fee or other costs; or
- (f) We determine in consultation with our Medical Director and Your personal physician and/or family representative, to the extent feasible that:

- (1) You have a dangerous or contagious disease or mental illness such that You are a danger to the health, safety or welfare of Yourself or others at Pierce Memorial.
- (2) You are in need of drug rehabilitation or any other condition for which We are not licensed or for which care cannot be provided in Creamery Brook or in the Health Center.

If any of these situations Occur, We are expressly authorized (after consultation with Our Medical Director, Your personal physician and/or representative to the extent feasible) to transfer You, at Your expense, to an appropriate hospital or other health care facility.

You will remain responsible for payment of the Monthly Service Fee, until the Residential Apartment is vacated, according to Section VI.

B. Refund of Entrance Fee

If this Agreement is terminated by Us, the refundable portion of the Entrance Fee will be refunded to You in accordance with Section XII.

- C.** Our policy is not to terminate this Agreement solely by reason of Your inability to pay the Monthly Service Fee. Before Our termination of this Agreement, You may request, and establish facts to justify, special financial consideration. The amount of any special financial consideration accorded by Us pursuant to this policy shall be subtracted from any refund otherwise owing under Section XII of this Agreement, within Our sole discretion, without impairing Our ability to operate Pierce Memorial Baptist Home on a sound financial basis. It is further understood that we may waive any portion of the Monthly Service Fee for some occupants on an individual basis, under varying economic conditions and circumstances.

X. SPECIAL OCCUPANCY CIRCUMSTANCES

A. Rights of a Surviving Spouse/Resident

1. If this Agreement is executed by two persons and one dies or is permanently relocated to the health center or to another institution for medical reasons, the survivor retains all rights as a Resident.
2. Thereafter, the surviving Resident will be charged the single occupancy Monthly Service Fee.
3. When a Resident dies or terminates occupancy, any refund will be made in accordance with Section XII.

B. Separation

If after becoming a Resident in one unit, two persons wish to live separately, the following will occur:

1. If a couple sharing one unit desires separate residences, they may do so by payment of the then current Entrance Fee for the second residence, upon availability. The single occupancy Monthly Service Fee will thereafter be charged for each residence. Any refundable portion of the original Entrance Fee subject to this Agreement will become due and refunded as provided in Section XII of this Agreement at the time the Resident occupying that residence dies or terminates occupancy.
2. If one of You desires to leave Creamery Brook, the remaining Resident will retain full rights as a Resident and will pay the single occupancy Monthly Service Fee. The refund provisions of this Agreement will apply upon death or termination of occupancy of the remaining Resident as provided in Section XII of this Agreement.

C. Residents Desiring to Live together, Marry or Remarry:

Unrelated persons are not permitted to live together in one unit. If You and another resident of Creamery Brook wish to marry, or remarry, the following will occur:

1. If occupancy of one residence is terminated, the Entrance Fee for that residence will be refunded as provided in this Agreement, Section XII.
2. If occupancy of both residences is terminated and a new unit occupied, the difference between the current Entrance Fee for the new residence and the Entrance Fees previously paid for the vacated unit will be paid to Us or refunded by Us, as applicable.
3. In the event We pay a refund to You, such payment shall be made only after the vacated residence(s) is/are occupied and the new Entrance Fee(s) is/are received by Us.
4. A double occupancy Monthly Service Fee will thereafter be in effect.

D. Visitors

Visitors are welcome at all times. Visits must be of a reasonable length, and visitors may not stay in the residence for any extended period of time (see Resident Handbook) and may not occupy the residence while You are out of town.

XI. TRANSFERS

- A. Should You desire to move to a residence comparable to Your residence, the transfer will be subject to the availability of a new residence and subject to a transfer fee.
- B. Should you transfer to a residence with a lower Entrance Fee, You will receive a refund when your original residence is occupied by a new resident and all fees are paid. The refund will equal the difference between the two Entrance Fees in effect at the time of the original Residency Agreement less the non-refundable part of the Entrance Fee at the time of the change.
- C. Should You choose a residence with a higher Entrance Fee, an additional Entrance Fee will be charged in the amount of the difference between your original Entrance Fee herein, and the Entrance Fee for the residence with the higher Entrance fee in effect at the time of the transfer.

- (a) Ten percent (10%) of the difference, as a deposit is payable at the time of execution of the residence transfer agreement.
 - (b) The balance of the difference is payable at the time the larger residence is available for occupancy.
- D. Should you transfer to an apartment in the main building you will receive your refund in accordance with Section XII. B, C, & D.
 - E. A transfer charge to cover the cost of painting and cleaning will be charged to You for all transfers. Any moving expenses will be Your responsibility.
 - F. The Monthly Service Fee will be adjusted to the Monthly Service Fee in effect for the new residence.
 - G. Should You enter into a living unit transfer agreement and then cancel the agreement prior to occupancy of the new living unit, You shall pay to Us a service charge of up to 2% of the Entrance Fee as a processing fee depending on statutory limits, if any, and the requirements of the Residency Agreement.
 - H. You agree to transfer from Creamery Brook to an appropriate living area within the Health Center when You are no longer able to pay the Monthly Service Fee and the refundable portion of the Entrance Fee has been exhausted. You agree to make application for appropriate State entitlement programs as necessary.
 - I. When a transfer to an area in the Health Center is made, the decision that the transfer be permanent will be made by Your personal physician and Our Medical Director after consultation with You and/or Your representative and/or Your family to the extent feasible. When you transfer to the Health Center permanently, this Agreement will terminate with respect to You and You will enter into an Admission Agreement with The Health Center.

XII. REFUND OF ENTRANCE FEE

- A. If a refund is requested in writing within thirty (30) days of signing this Agreement, the Entrance Fee Deposit, will be refunded in accordance with Section VIII.A.
- B. After You move into Your Residence, in the event of Your death (or if there are two of you, the death of the survivor), or in the event You or We terminate the Agreement in accordance with Section VIII. or IX., Upon vacancy of the unit there will be a refund of: (Choose 1, cross out that do not apply)
 - Ninety Percent (90%) of the Entrance Fee paid; or
 - Declining Refund Entrance Fee as follows: Equal to the original Entrance Fee paid less ten (10%) of the Entrance Fee deducted at move-in and two-percent (2%) of Entrance Fee for each calendar month or part thereof that the Unit is occupied. (After a period of 45 months Your refund will decline to a zero balance).

- C. In all cases, Your refund will be paid when your Residence is reoccupied and We have received the then-current Entrance Fee from the new resident.
- D. All Entrance Fee refunds are subject to the following reductions:
 - (1) Any monies advanced to You by Us and to be applied against the refund; and
 - (2) Any monies owed Us under Section VI.C. of this Agreement; and any monies owed us for other services rendered by Creamery Brook or Pierce Memorial Health Center.
- E. If You are admitted to the health center, the refundable portion of the Entrance Fee will be transferred to an interest bearing account to be charged monthly for the cost of your health care. Any unused portion will be paid to your estate.
- F. In the event this Agreement is executed by two persons, the Entrance Fee refund shall be payable only on the termination of this Agreement by both of You subject to Section C above.
- G. The refund shall be paid to You (or Your estate) unless We are otherwise directed by written instruction signed by You.

XIII. TERMS OF RESIDENCE

A. Agreement Not a Lease/No Ownership Rights

This Agreement is not a lease or easement and does not transfer or grant You any ownership interest or proprietary rights in Your Residence or in any real property owned or leased by Us. The Agreement grants You a revocable license to occupy and use space in Creamery Brook.

B. Right of Entry

You agree that We (including our employees and agents) shall have the right, at all reasonable times, to enter Your Residence for purposes of management, housekeeping, maintenance, enforcement of applicable laws and regulations, emergency purposes or any other reasonable purposes. If we determine at any time that conditions in Your Residence are unsafe or uninhabitable, we may take action as necessary to rectify the situation.

C. Disposition of Personal Property

Upon termination of this Agreement for any cause, the Residence must be vacated and all personal property removed within thirty (30) days unless special arrangements are made to extend this time frame and You agree to pay us a prorated portion of the Monthly Service Fee. We will have the right to remove and store all property left in the Residence after this time and to charge a reasonable fee for costs incurred in moving and/or storing such items. Property left in storage for

ninety (90) days or more may be disposed of by Us at Your expense.

D. Responsibility for Damage

We will not be responsible for the loss, damage, illness or injury to You or Your personal property that is caused by the negligence of any party, including other residents of Creamery Brook, unless such loss, damage, illness or injury is caused by the negligence of Creamery Brook, its employees or agents. You therefore release and discharge Us from all liability and responsibility for any loss, damage, illness or injury to You or Your personal property caused by the negligence of any party other than Creamery Brook, its employees or agents. You are also responsible for any loss, damage, illness or injury to others or their property that is caused by Your negligence or by the negligence of Your agents, invitees or other persons under Your control, and You agree to indemnify Us for any claims, suits, actions and costs, including legal fees, arising from any such loss, damage illness or injury. You shall maintain both personal liability and personal property insurance coverage in accordance with the rules and regulations of Creamery Brook.

E. Rules and Regulations

We shall have the right to adopt or amend such reasonable rules and regulations as We deem necessary or desirable for the proper management and operation of Creamery Brook and for the health, safety and comfort of the residents. You agree to abide by such rules and regulations. These rules include but are not limited to:

1. a complete prohibition on smoking in the community or on campus;
2. a prohibition on any tipping of employees; and
3. restrictions on types of pets that You may have

F. Medical Insurance

You agree to maintain coverage under Medicare Parts A, B and D, if eligible, and one Medicare supplementary health insurance policy. If not eligible for Medicare Parts A, B and D or in the case Medicare Part D You choose not to participate, You agree to maintain a health insurance policy with coverage substantially equivalent to coverage under the applicable Medicare program.

G. Alterations

You must obtain permission from Creamery Brook Administration for any alterations or improvements in residences. Alterations and improvements become the property of Creamery Brook at the time You vacate the Residence.

H. Private Duty Assistance

If you employ or contract with any private duty personnel or private duty agencies, You will be responsible for arranging for, supervising and compensating such personnel or agency. You agree to follow Our policies, procedures and rules governing private duty personnel.

XIV. MISCELLANEOUS

A. Subordination

All of Your rights under this Agreement are subordinate to any existing or future mortgages on Pierce Memorial and to any other of Our creditors with respect to Pierce Memorial. You agree to execute any documents requested by Us in order to carry out the terms of this paragraph.

B. Assignment

Your rights under this Agreement are personal to You and cannot be transferred or assigned by You, or by any proceeding at law or otherwise. The Agreement shall bind and inure to the benefit of Our successors and assigns and shall bind and inure to the benefit of Your heirs, executors and administrators in accordance with its terms.

C. Arrangement for Conservatorship

If You become unable to care properly for Yourself or Your property and have made no designation of a conservator or trustee, then We are authorized to institute proceedings for appointment of a person or entity to serve as conservator for You.

D. Joint and Several Liability

When You consist of more than one person, the rights and obligations of each are joint and several except as the context otherwise requires, regardless of how you may have allocated responsibility between yourselves.

E. Notices

All written notices required by the Agreement will be sufficient if addressed: to You, (following occupancy) at Your Residence at Creamery Brook, to Us, the Executive Director of Creamery Brook Retirement Village, 36 Vina Lane, Brooklyn, CT 06234.

F. Interpretation of Agreement

No amendment of this Agreement will be valid unless executed in writing by both You and Us. The following attachments are considered part of the Agreement:

The invalidity of any restriction, condition or other provision of this Agreement will not impair or affect in any way the validity or enforceability of the remainder of this Agreement.

G. Governing Law

The Agreement will be interpreted according to the laws of the State of Connecticut.

Resident

Date

Print Name

Resident

Date

Print Name

Pierce Memorial Baptist Home Inc.

Date

Print Name and Title

EXHIBIT C.

	<u>Monthly Fee</u>	<u>Entrance Fee</u>	<u>Declining Entrance Fee</u>
COTTAGES			
1221 SQ.FT.*	\$2,631	\$243,500	\$109,900
1686 SQ.FT.*	\$3,021	\$269,500	\$124,900

*(Approximate Square feet.)

SECOND PERSON	\$275
MONTHLY MEAL PLAN **	\$140

** (Per resident, See Addendum)

*Adjustments based on the current cost of construction and any changes that the new occupants would care to make in the building.

The entrance fee is 90% refundable when the resident(s) move(s) from the cottage and the Entrance Fee for that cottage is received from the new resident(s) by Creamery Brook Village.

Declining Refund Entrance Fee as follows: Equal to the original Entrance Fee paid less ten (10%) of the Entrance Fee deducted at move-in and two percent(2%) of Entrance Fee for each calendar month or part thereof that the Residence is occupied. (After a period of 45 months Your refund will decline to a zero balance). In all cases, Your refund will be paid accordance with the Residency Agreement when Your residence is reoccupied.

(Rental Program is also available through the Marketing Department for Creamery Brook Apartments).

NOTICE OF RIGHT TO RESCIND

Date rescision period begins

Apartment #

You may rescind and terminate Your Residency Agreement without penalty or forfeiture within thirty (30) days of the above date. You are not required to move into the continuing care retirement community before the expiration of this thirty-(30) day period. No other agreement or statement You sign shall constitute a waiver of Your right to rescind Your agreement within the thirty (30) days.

In the event of such rescission, any money or property transferred to the Creamery Brook Retirement Village shall be refunded without interest, less costs specifically incurred by Creamery Brook Retirement Village at Your request as described in the contract or in an addendum signed by You. Such refund will be made within thirty (30) days of the date we receive the written notice from You.

To rescind Your agreement, deliver, or by registered or certified mail send, a signed and dated copy of this notice or any other dated written notice letter or telegram, stating Your desire to rescind to Pierce Memorial Baptist home d/b/a Creamery Brook Retirement Village 36 Vina Lane; Brooklyn, Connecticut, 06234 not later than midnight of _____ (last day of rescission).

Pursuant to this notice, I hereby cancel my Residency Agreement.

Signature of Prospective Resident

Date

Signature of Prospective Resident

Date

EXHIBIT E.

LIVING UNIT TRANSFERS

- A. Should You desire to move to a residence comparable to Your residence, the transfer will be subject to the availability of a new residence and subject to a transfer fee.
- B. Should you transfer to a residence with a lower Entrance Fee, You will receive a refund when your original residence is occupied by a new resident and all fees are paid. The refund will equal the difference between the two Entrance Fees in effect at the time of the original Residency Agreement less the non-refundable part of the Entrance Fee at the time of the change.
- C. Should You choose a residence with a higher Entrance Fee, an additional Entrance Fee will be charged in the amount of the difference between your original Entrance Fee herein, and the Entrance Fee for the residence with the higher Entrance fee in effect at the time of the transfer.
 - (a) Ten percent (10%) of the difference, as a deposit is payable at the time of execution of the residence transfer agreement.
 - (b) The balance of the difference is payable at the time the larger residence is available for occupancy.
- D. Should you transfer to an apartment in the main building you will receive your refund in accordance with Section XII. B, C, & D.
- E. A transfer charge to cover the cost of painting and cleaning will be charged to You for all transfers. Any moving expenses will be Your responsibility.
- F. The Monthly Service Fee will be adjusted to the Monthly Service Fee in effect for the new residence.
- G. Should You enter into a living unit transfer agreement and then cancel the agreement prior to occupancy of the new living unit, You shall pay to Us a service charge of up to 2% of the Entrance Fee as a processing fee depending on statutory limits, if any, and the requirements of the Residency Agreement.

The above policies are based upon use with the Residency Agreement which provides for a 90 percent (90%) refund. The terms concerning living apartment transfers in connection with other types of refund plans will differ. Residents with such plans should consult Creamery Brook Village Executive Director who will determine if any refund or additional payment is applicable.

EXHIBIT F.

IMPUTED INTEREST

In December 2006, Congress enacted legislation (Tax Relief and Health Care Act Amendments) repealing imputed interest taxation for refundable continuing care deposits for tax years after December 31, 2005. As a result, payment of a refundable deposit to Creamery Brook should not be treated as a below market interest loan under Internal Revenue Service rules.

PierceCare recommends that prospective residents consult a qualified tax advisor concerning the application of this legislation and below-market loan rules to an entrance fee paid in connection with residency at Creamery Brook.

EXHIBIT G.

**HISTORICAL DATA
RENTAL/MONTHLY SERVICE FEE RATES***

Creamery Brook Village	1/01/09 to 1/01/10	1/01/10 to 1/01/11	1/01/11 to 1/01/12	1/01/13 to 1/01/14	1/01/14 to 1/01/15
Pine	\$2300	\$2323	\$2592	\$2618	\$2644
Chestnut	\$2735	\$2762	\$2818	\$2846	\$2874
Maple	\$2668	\$2695	\$2749	\$2776	\$2804
Dogwood	\$2629	\$2655	\$2709	\$2736	\$2763
Birch	\$3114	\$3145	\$3208	\$3240	\$3272
Oak	\$3114	\$3145	\$3208	\$3240	\$3272
Willow	\$3114	\$3145	\$3208	\$3240	\$3272
Elm	\$3,114	\$3145	\$3208	\$3240	\$3272
Spruce	\$3181	\$3213	\$3277	\$3310	\$3343

***Creamery Brook began to offer the entrance fee/continuing care model for new cottages in 2007. These fees are historic apartment rental charges and not monthly fees based on a continuing care arrangement.**

*Cottages at Creamery Brook	1/01/10 to 1/01/11	1/01/11 to 1/01/12	1/01/12 to 1/01/13	1/01/13 to 1/01/14	1/01/14 to 1/01/15
	\$2903	\$2932	\$2961	\$2991	\$3,021

ENTRANCE FEE ESCROW

PLEDGED ASSEST ACCOUNT

Pierce Memorial Baptist Home holds an Entrance Fee Escrow Account and a Pledged Asset Account. Copies of the Pledged Asset Account and Entrance Fee Escrow Account number are on file at Pierce Memorial Baptist Home.

1. Interest on the Entrance Fee Escrow account is accrued at current market rates.
1. Funds for the Entrance Fee Deposits are held until occupancy and than released to Pierce Memorial Baptist Home.
2. The Pledged Asset account represents funds held by Peoples United Bank until occupancy at Creamery Brook Retirement Village is at ninety-four percent.

Entrance Fee Escrow Fund held at:

Peoples United Bank
1244 Storrs Rd Rt 195
Storrs, CT 06268
T: 860-487-5030

Pledged Asset Fund held at:

Peoples United Bank
1244 Storrs Rd Rt 195
Storrs, CT 06268
T: 860-487-5030

NOTICE TO PROSPECTIVE RESIDENT

In accordance with Section 17b-522 (a) of the Connecticut General Statutes, this Notice is required to be given to a prospective resident or his or her legal representative prior to the earlier of (i) the execution of a contract to provide continuing care of (ii) the transfer of any money or other property to us by or on behalf of the prospective resident.

1. A continuing-care contract is a financial investment and your investment may be at risk.
2. Our ability to meet our contractual obligations under such contract depends upon our financial performance.
3. You are advised to consult an attorney or other professional experienced in matters relating to investments in continuing-care facilities before you sign a contract for continuing care.
4. The Connecticut Department of Social Services does not guarantee the security of your investment.

Acknowledgment:

I or my legal representative have received and reviewed a copy of this Notice before the earlier of (executing the Residency Agreement) or transferring any money or other property to Creamery Brook Retirement Village.

Signature of Prospective Resident

Date

Signature of Prospective Resident

Date

Signature of Legal Representative, if applicable*

Date

*State Relationship to Prospective Resident

**ACKNOWLEDGMENT OF RECEIPT
OF DISCLOSURE STATEMENT**

In accordance with Sections 17b-522(b) and (c) of the Connecticut General Statutes, Creamery Brook Retirement Village is required to deliver to a prospective resident or his or her legal representative a current Disclosure Statement not more than 60 days or less than 10 days before the execution of a Continuing Care Contract/Residency Agreement.

Acknowledgment:

I, or my legal representative have received and reviewed a copy of the current Disclosure Statement and a copy of the Residency Agreement contract for Creamery Brook Retirement Village prior to the execution of the contract or the transfer of any money or other property to Creamery Brook Retirement Village.

Signature of Prospective Resident

Date

Signature of Prospective Resident

Date

Signature of Legal Representative, if applicable

Date

*State Relationship to Prospective Resident

EXHIBIT K.

AUDITED FINANCIAL STATEMENTS

FYE

September 30, 2012

September 30, 2013

September 30, 2014

PIERCE MEMORIAL BAPTIST HOME, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

PIERCE MEMORIAL BAPTIST HOME, INC.

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BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

The Board of Trustees
Pierce Memorial Baptist Home, Inc.

We have audited the accompanying financial statements of Pierce Memorial Baptist Home, Inc. (the Home), which comprise the statement of financial position as of September 30, 2014 and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pierce Memorial Baptist Home, Inc., as of September 30, 2014 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Pierce Memorial Baptist Home, Inc., as of September 30, 2013 were audited by other auditors, whose report dated February 28, 2014 expressed an unmodified opinion on those statements.

Report on Summarized Comparative Information

The 2013 financial statements were previously audited by other auditors, whose report dated February 28, 2014 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, Pierce Memorial Baptist Home, Inc., has retrospectively applied the provisions of Accounting Standards Update No. 2012-01, *Continuing Care Retirement Communities - Refundable Advance Fees*. Our opinion is not modified with respect to that matter.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
January 26, 2015

PIERCE MEMORIAL BAPTIST HOME, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013

	2014	As Adjusted (Note 16) 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,606,087	\$ 3,469,759
Accounts receivable, trade, net of allowance	826,882	1,344,295
Accounts receivable, other	3,517	22,328
Prepaid expenses and other current assets	75,976	72,202
Restricted cash, residents' funds	17,248	13,233
Total current assets	3,529,710	4,921,817
Investments	6,173,553	5,603,131
Property and Equipment, Net	9,980,407	9,353,678
Other Assets		
Assets limited as to use	2,273,338	2,278,367
Deferred financing costs, net	276,018	287,817
Entry fee mortgage receivable	160,590	219,150
Interest in perpetual trusts	1,563,640	1,458,229
Total other assets	4,273,586	4,243,563
Total Assets	\$ 23,957,256	\$ 24,122,189
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of bonds payable	\$ 308,848	\$ 299,692
Current portion of note payable	24,999	-
Accounts payable, trade	201,540	285,975
Accrued expenses	444,996	547,110
Deferred revenue	40,104	22,957
Funds held for residents	17,248	13,233
Entry fee refunds payable	219,150	-
Total current liabilities	1,256,885	1,168,967
Long-Term Liabilities		
Bonds payable, net of current portion	10,723,589	11,007,033
Note payable, net of current portion	66,664	-
Security deposits	247,706	278,740
Deferred revenue, nonrefundable entry fees	114,968	114,759
Entry fee refunds payable, net of current portion	893,565	1,331,865
Total liabilities	13,303,377	13,901,364
Net Assets		
Unrestricted	8,150,392	7,874,317
Temporarily restricted	96,508	44,940
Permanently restricted	2,406,979	2,301,568
Total net assets	10,653,879	10,220,825
Total Liabilities and Net Assets	\$ 23,957,256	\$ 24,122,189

The accompanying notes are an integral part of the financial statements

PIERCE MEMORIAL BAPTIST HOME, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2014			As Adjusted (Note 16)
	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Revenues, Gains and Other Support				
Health services	\$ 7,684,568	\$ -	\$ -	\$ 7,684,568
Less bad debt expense	317,396	-	-	26,791
Net health services revenue	<u>7,367,172</u>	-	-	<u>7,743,044</u>
Resident fees (apartments and cottages)	2,636,299	-	-	2,392,918
Amortization of entry fees	25,441	-	-	11,094
Adult day care	31,495	-	-	32,100
Other	64,668	-	-	49,529
Total revenues, gains and other support	<u>10,125,075</u>	<u>-</u>	<u>-</u>	<u>10,228,685</u>
Expenses				
Nursing services	4,562,646	-	-	4,358,337
Administrative services	1,578,165	-	-	1,411,338
Dietary services	1,139,772	-	-	1,052,109
Plant operations	962,247	-	-	833,764
Housekeeping services	271,785	-	-	289,394
Recreation services	218,963	-	-	200,868
Marketing services	295,709	-	-	273,632
Laundry services	143,006	-	-	128,444
Chaplain services	27,558	-	-	26,111
Social services	116,839	-	-	120,095
Volunteer services	15,331	-	-	14,610
Depreciation and amortization	554,527	-	-	516,294
Interest	384,922	-	-	223,888
Provider fees	466,728	-	-	454,936
Total expenses	<u>10,738,198</u>	<u>-</u>	<u>-</u>	<u>9,903,820</u>
Income (Loss) from Operations	<u>(613,123)</u>	<u>-</u>	<u>-</u>	<u>324,865</u>
Nonoperating Income (Losses)				
Net realized gains on investments	50,354	-	-	311,741
Net unrealized gains on investments	584,728	34,012	-	85,948
Change in beneficial interest in perpetual trusts	-	-	105,411	(50,454)
Net assets released from restrictions	230	(230)	-	-
Interest and dividends	244,233	17,586	-	177,745
Contributions	87,978	200	-	150,393
Total nonoperating income	<u>967,523</u>	<u>51,568</u>	<u>105,411</u>	<u>675,373</u>
Nonoperating Expenses				
Investment management fees	67,484	-	-	41,999
Deferred financing costs, written off	-	-	-	470,277
Other fees	10,841	-	-	85,665
Total nonoperating expenses	<u>78,325</u>	<u>-</u>	<u>-</u>	<u>597,941</u>
Changes in Net Assets	276,075	51,568	105,411	402,297
Net Assets - Beginning of Year	<u>7,874,317</u>	<u>44,940</u>	<u>2,301,568</u>	<u>10,220,825</u>
Net Assets - End of Year	<u>\$ 8,150,392</u>	<u>\$ 96,508</u>	<u>\$ 2,406,979</u>	<u>\$ 10,653,879</u>

The accompanying notes are an integral part of the financial statements

PIERCE MEMORIAL BAPTIST HOME, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	As Adjusted (Note 16) 2013
Cash Flows from Operating Activities		
Change in net assets	\$ 433,054	\$ 402,297
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	317,396	26,791
Net unrealized gains	(618,740)	(85,948)
Net realized gains	(50,354)	(311,741)
Proceeds from entry fees	100,650	-
Entry fees refunded	(230,850)	-
Interest income on entry fee mortgage receivable	(4,740)	-
Amortization of entry fees	(25,441)	(11,094)
Deferred financing costs, written off	-	470,277
Depreciation and amortization	554,527	516,294
(Increase) decrease in operating assets:		
Accounts receivable, trade	200,017	(342,948)
Accounts receivable, other	18,811	14,250
Change in beneficial interests in perpetual trusts	(105,411)	50,454
Assets limited as to use	5,029	63,478
Prepaid expenses and other current assets	(3,774)	10,136
Restricted cash, residents' funds	(4,015)	3,932
Increase (decrease) in operating liabilities:		
Accounts payable, trade	(84,435)	139,484
Accrued expenses	(102,114)	80,427
Deferred revenue	17,147	-
Funds held for residents	4,015	(3,932)
Net cash provided by operating activities	420,772	1,022,157
Cash Flows from Investing Activities		
Net sale of investments	98,672	983,321
Capital additions	(1,169,457)	(241,364)
Funding of limited use assets	-	(1,660,758)
Security deposits	(31,034)	79,408
Net cash used in investing activities	(1,101,819)	(839,393)
Cash Flows from Financing Activities		
Bond payments	(274,288)	(12,417,275)
New bond financing	-	11,454,000
Proceeds from note payable	99,995	-
Principal payments on note	(8,332)	-
Deferred financing costs	-	(275,467)
Net cash used in financing activities	(182,625)	(1,238,742)
Net Decrease in Cash and Cash Equivalents	(863,672)	(1,055,978)
Cash and Cash Equivalents - Beginning of Year	3,469,759	4,525,737
Cash and Cash Equivalents - End of Year	\$ 2,606,087	\$ 3,469,759
Cash Paid During the Year for Interest	\$ 353,755	\$ 223,888

The accompanying notes are an integral part of the financial statements

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Pierce Memorial Baptist Home, Inc. (the Home) is a not-for-profit corporation located in Brooklyn, Connecticut. The Home provides independent living in an 82-apartment senior housing facility (Creamery Brook) and also has 6 independent living units (The Cottages at Creamery Brook). The nursing facility currently provides 72 skilled nursing beds. Prior to July 2014, the Home also provided 8 home for the aged beds. The Home also provides assisted living services.

Overall occupancy levels at the Home for the years ended September 30, 2014 and 2013, were as follows:

	<u>2014</u>	<u>2013</u>
Skilled care	94%	95%
Independent living	84%	88%

The Home is associated with the American Baptist Churches of Connecticut on a voluntary basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of the Home are reported in the following net asset categories:

Unrestricted Net Assets - Unrestricted net assets represent available resources other than donor-restricted contributions.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and accumulated investment gains and income on endowment investments that have not been appropriated for expenditure.

Permanently Restricted Net Assets - Permanently restricted net assets represent contributions received with donor restrictions that the principal be invested in perpetuity and that only the income earned thereon be available for operations.

Cash and Cash Equivalents - The Home considers all short-term, highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents do not include cash and investments whose use is limited and restricted cash.

Resident Funds - Resident Funds are held by the Home on behalf of the residents. Such funds represent allowances received by the residents as well as other residents' funds deposited with the Home for safekeeping. These funds are disbursed by the Home at the request of, or on behalf of, residents for their personal use.

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable - Accounts receivable are considered delinquent and written off when all attempts to collect from individuals or other payor sources have been exhausted. The Home extends credit to residents without requiring collateral.

Allowance for Uncollectible Receivables - The Home provides an allowance for doubtful accounts based on prior experience and management's assessment of the collectability of specific accounts. The allowance for doubtful accounts was \$290,000 and \$153,639 at September 30, 2014 and 2013, respectively.

Net Resident Service Revenue - Net resident service revenue is reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim or final settlements are reported in operations in the year of settlement.

Investment Valuation and Income Recognition - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 13 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains (losses) include the Home's gains and losses on investments bought and sold as well as held during the year.

Property and Equipment - Items capitalized as part of land, building and equipment are stated at cost or fair value if contributed. Routine maintenance and repairs are expensed while those that extend the life of existing properties are capitalized. Depreciation is provided over the estimated useful lives of each class of depreciable asset and is computed utilizing the straight-line method. The estimated useful lives by asset class are as follows:

Buildings and building improvements	10-40 years
Land improvements	10-40 years
Equipment	3-20 years

Impairment of Long-Lived Assets - Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount of an asset may not be recoverable. The Home records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. No impairment changes were recognized as of September 30, 2014.

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets Limited as to Use - Assets limited as to use are recorded at fair value and primarily include assets held by trustees under mortgage agreements. Amounts required to meet current liabilities of the Home are reported as current assets. Amounts reported as noncurrent include assets that are Board designated and are available for the Home's use at the discretion of the Board and other assets that will be used for long-term debt purposes. See Note 6 for more detail on assets limited as to use.

Contributions - All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to time or other legal restrictions. The Home's policy is to report as unrestricted support contributions with donor or time imposed restrictions when these restrictions are met in the same year the contributions are received.

Deferred Financing Costs - Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. In 2013, the Home refinanced its existing debt with the issuance of new bonds. Financing costs associated with the new debt were \$294,974, which are being amortized on a straight-line basis at \$11,799 per year over the term of the bonds, through 2038.

Entry Fee Mortgage Receivable - Entry fee mortgage receivables represent entry fees not yet paid by cottage residents. These receivables are classified as long term due to the receipt of the entry fee being contingent on the residents selling their current homes.

Asset Retirement Obligations - The Home accounts for asset retirement obligations (ARO) in accordance with GAAP, which defines conditional ARO as a legal obligation to perform an asset retirement activity in which the timing or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with the respect to the timing or method of settlement of the ARO does not defer recognition of a liability. The fair value of the ARO is recorded on a discounted basis and accreted over time for the change in fair value. At September 30, 2014, the Home has not identified any conditional ARO requiring accrual.

Compensated Absences - It is the Home's policy to allow employees to carry over vacation time up to 5 days, and personal time up to 30 days. All accrued time is vested and is paid to the employee upon his or her termination of employment.

Security Deposits - Security deposits consist of resident rental deposits held by the Home for the Creamery Brook independent living units. Upon entry to Creamery Brook, residents are required to maintain 1 month of unit fees on deposit. Upon move-out, these amounts are refunded to residents with interest.

Functional Allocations of Expenses - The costs of providing the Home's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nursing Home User Fee - The Connecticut Legislature passed a law requiring that, effective July 1, 2005, nursing homes in Connecticut pay a user fee for all patients except Medicare patients. Additionally, the legislation provided for a significant increase in the daily payment rates for Medicaid patients. The user fee was \$21.02 for the years ended September 30, 2014 and 2013.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable. However, actual results could differ from those estimates.

Income Taxes - The Home is a not-for-profit organization described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes pursuant to Section 501(a) of the Code. The Home's informational and tax returns for the years ended September 30, 2011 through 2014 are subject to examination by the Internal Revenue Service and the State of Connecticut.

Reclassifications - Certain amounts reported in prior periods have been reclassified in order to conform to the current year presentation.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through January 26, 2015, which represents the date the financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Home to concentrations of credit risk consist primarily of cash and accounts receivable.

The Home places its cash with several financial institutions. At times, the cash balance may be in excess of the Federal Deposit Insurance Corporation's insurance limit.

The Home grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2014 and 2013, is as follows:

	2014	2013
Medicaid	62%	52%
Medicare	7%	15%
Third-party payor	15%	15%
Private	16%	18%
	100%	100%

The Home believes it is not exposed to any significant credit risk on its cash and accounts receivables.

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS

As of September 30, 2014 and 2013, investments consist of the following:

	<u>2014</u>	<u>2013</u>
Common stocks	\$ 4,758,711	\$ 4,091,355
Mutual funds - equity	4,470	3,978
Mutual funds - fixed income	1,238,641	475,028
Exchange traded funds	105,280	601,806
Corporate bonds	66,451	293,804
U.S. Government bonds	-	137,160
	<u>\$ 6,173,553</u>	<u>\$ 5,603,131</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land and land improvements	\$ 161,337	\$ 161,337
Building and improvements	17,568,415	16,807,619
Equipment	2,477,458	1,922,369
Construction in progress	36,556	182,982
	<u>20,243,766</u>	<u>19,074,307</u>
Less accumulated depreciation	<u>(10,263,359)</u>	<u>(9,720,629)</u>
Property and Equipment, Net	<u>\$ 9,980,407</u>	<u>\$ 9,353,678</u>

Depreciation expense totaled \$542,728 and \$501,502 for the years ended September 30, 2014 and 2013, respectively.

Construction in progress is for ongoing projects at the Home, including the sitework on unsold cottages and renovation of the assisted living facility.

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ASSETS LIMITED AS TO USE

Assets limited as to use at September 30, 2014 and 2013, are comprised of cash held for residents' security deposits and collateral for the Home's mortgage, as indicated by the table below. Pursuant to the terms of the mortgage, the Home is required to pledge cash and investments with a minimum market value of \$1,680,000 until certain improvements are completed and the entire facility reaches 94% occupancy. As of September 30, 2014 and 2013, assets limited as to use consist of the following:

	<u>2014</u>	<u>2013</u>
Security deposits		
Cash and cash equivalents	\$ 247,706	\$ 278,740
Pledged assets:		
Cash and cash equivalents	54,660	147,865
Certificates of deposit	705,672	705,016
Mutual funds - fixed income	296,902	296,902
Corporate bonds	968,398	849,844
Total pledged assets	<u>2,025,632</u>	<u>1,999,627</u>
Assets Limited As to Use	<u>\$ 2,273,338</u>	<u>\$ 2,278,367</u>

NOTE 7 - INTEREST IN PERPETUAL TRUSTS

The Home is an income beneficiary of three perpetual trusts whose assets are held and managed by financial institutions. The Home's interests in the fair value of the trusts are recorded as permanently restricted net assets and the Home's share of the change in the fair value of the trusts' assets are recognized as a change in permanently restricted net assets on the Statements of Activities and Changes in Net Assets. The following is a schedule of the Home's interest in perpetual trusts for the years ended September 30, 2014 and 2013:

	<u>Lund Trust</u>	<u>Darrow Trust</u>	<u>Butts Trust</u>	<u>Total</u>
Interest in Perpetual Trusts - 9/30/12	\$ 1,347,368	\$ 45,448	\$ 115,867	\$ 1,508,683
Change in value	<u>(51,403)</u>	<u>1,291</u>	<u>(342)</u>	<u>(50,454)</u>
Interest in Perpetual Trusts - 9/30/13	1,295,965	46,739	115,525	1,458,229
Change in value	<u>80,886</u>	<u>18,337</u>	<u>6,188</u>	<u>105,411</u>
Interest in Perpetual Trusts - 9/30/14	<u>\$ 1,376,851</u>	<u>\$ 65,076</u>	<u>\$ 121,713</u>	<u>\$ 1,563,640</u>

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - INTEREST IN PERPETUAL TRUSTS (Continued)

The Home received distributions from the trusts for the years ended September 30, 2014 and 2013, of \$92,372 and \$146,439, respectively.

NOTE 8 - OPERATING LEASES

The Home has entered into various operating leases, the majority of which are on a month-to-month basis. In December 2012, the Home entered into a lease agreement with a vendor for two copier machines that runs through November 2016. Future minimum lease payments are \$8,256 and \$1,376 for the years ending September 30, 2015 and 2016, respectively.

Total operating lease costs were \$32,743 and \$21,785 for the years ended September 30, 2014 and 2013, respectively.

NOTE 9 - COTTAGE ENTRY FEES

The Home's contract for the Cottages at Creamery Brook requires the prospective resident to pay a reservation fee of ten percent of the total entry fee for the unit reserved. Reservation deposits received from prospective residents are refundable within 30 days of signing the residency agreement and 60 days subsequent to occupancy date with written notice, after which time the deposit is considered a nonrefundable portion of the resident's entry fee and recorded as deferred revenue. Nonrefundable entry fees are amortized using the straight-line method into operating revenues over the computed life expectancy of each resident or (in the case of the couple) the younger spouse.

The remaining 90 percent of the resident's entry fee is due prior to move in, upon occupancy, or within 60 days of signing the residency agreement, whichever comes first. In the event of the resident's termination of the agreement, the 90 percent of the entry fee will be refunded upon the receipt of reoccupancy fees of the unit.

Nonrefundable entry fees recognized as revenue (including termination income) amounted to \$25,441 and \$11,094 for the years ended September 30, 2014 and 2013, respectively.

NOTE 10 - LONG-TERM DEBT

On March 1, 2013, the Home entered into a loan agreement with the State of Connecticut Health and Educational Facilities Authority (CHEFA) to refinance its existing 1999 and 2008 Demand Revenue Bonds through the issuance of new revenue bonds in the amount of \$11,454,000. The bonds mature on April 1, 2038 and bear interest at a rate of 3.39%. Principal and interest on the bonds is payable monthly. CHEFA assigned its interest in the note to People's Bank. The bonds are secured by the Home's property and equipment and its pledged assets (See Note 6) and are subject to various financial and nonfinancial covenants. During the year ended September 30, 2014, the Home was not in compliance with one of its financial covenants and received a waiver from the bank related to this covenant violation.

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT (Continued)

In June 2014, the Home entered into a loan agreement with Connecticut Light and Power (CL&P) to obtain financing under the Small Business Energy Advantage Program offered by CL&P. Under the terms of the agreement, the Home received energy efficient upgrades at a total project cost of \$173,424. Of this amount, \$73,429 represents the incentive received by the Home to perform these upgrades and has been included as contribution income on the statement of activities for the year ended September 30, 2014. The Home acquired a loan to finance the remaining \$99,995 of expenditures related to the project. The loan bears no interest and principal payments are due monthly in the amount of \$2,083, through May 2018.

Long-term debt consisted of the following as of September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Bonds payable	\$ 11,032,437	\$ 11,306,725
Note payable to CL&P	91,663	-
Less current portion	<u>(333,847)</u>	<u>(299,692)</u>
Total long-term debt	<u>\$ 10,790,253</u>	<u>\$ 11,007,033</u>

Expected maturities on long-term debt are as follows:

<u>Year Ending September 30</u>	<u>Bonds Payable</u>	<u>CL&P Note</u>	<u>Total</u>
2015	\$ 308,848	\$ 24,999	\$ 333,847
2016	319,464	24,999	344,463
2017	331,210	24,999	356,209
2018	342,776	16,666	359,442
2019	354,378	-	354,378
Thereafter	<u>9,375,761</u>	<u>-</u>	<u>9,375,761</u>
	<u>\$ 11,032,437</u>	<u>\$ 91,663</u>	<u>\$ 11,124,100</u>

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - AFFILIATED ORGANIZATION

Effective March 5, 2014, the Home entered into a Leased Employee Services Agreement with Connecticut Baptist Homes, Inc. (Connecticut Baptist), a nursing home located in Meriden, Connecticut. Both the Home and Connecticut Baptist are affiliated with the American Baptist Churches of Connecticut (ABCCONN) and representatives of ABCCONN serve on the Boards of Trustees of both Connecticut Baptist and the Home. Under this agreement, Connecticut Baptist has agreed to lease to the Home, on a part-time basis, the services of its Chief Executive Officer. In consideration for these services, the Home has agreed to reimburse Connecticut Baptist for fifty percent of the CEO's annual salary, payroll taxes and benefits for a period of three years, through February 28, 2017. Additionally, the Home has agreed to pay an administrative fee of \$23,268 for the first contract year and \$11,634 for the second contract year. Total expenditures under this contract were \$92,725 for the year ended September 30, 2014.

NOTE 12 - RETIREMENT PLAN

A qualified 401(k) retirement plan is maintained for employees. Under this plan, employees who have reached 21 years of age and have completed at least one year of service are eligible to contribute up to the maximum allowable under the appropriate tax law. For the years ended September 30, 2014 and 2013, the Home made a discretionary matching contribution equal to 50% of employees' contributions into the plan, up to 4% of compensation. The Home's expense for this plan was \$21,933 and \$15,120 for the years ended September 30, 2014 and 2013, respectively.

NOTE 13 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Home has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - FAIR VALUE MEASUREMENTS (Continued)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Common Stocks - Common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

Mutual Funds - Mutual funds are valued at the quoted net asset value of shares held by the Home at year end.

Exchange Traded Funds - Exchange traded funds are valued at the closing price reported in the active market in which the individual securities are traded.

Corporate Bonds - Corporate bonds are valued at the closing price reported in the active market in which the individual securities are traded.

U.S. Government Bonds - U.S. Government bonds are valued at the closing price reported in the active market in which the individual securities are traded.

Interest in Perpetual Trusts - These are valued at the present value of the future distributions expected to be received over the term of the agreement which is measured by the fair value of the underlying assets. The Home cannot access the assets in the trust.

There have been no changes in the methodologies used at September 30, 2014 and 2013.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Home believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth by level within the fair value hierarchy, the Home's assets at fair value at September 30, 2014 and 2013:

<u>Description</u>	<u>September 30, 2014</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 4,758,711	\$ 4,758,711	\$ -	\$ -
Mutual funds:				
Equities	4,470	4,470	-	-
Fixed income	1,535,543	1,535,543	-	-
Exchange traded funds	105,280	105,280	-	-
Corporate bonds	1,034,849	-	1,034,849	-
Interest in perpetual trusts	1,563,640	-	-	1,563,640
Total Assets at Fair Value	<u>\$ 9,002,493</u>	<u>\$ 6,404,004</u>	<u>\$ 1,034,849</u>	<u>\$ 1,563,640</u>

<u>Description</u>	<u>September 30, 2013</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 4,091,355	\$ 4,091,355	\$ -	\$ -
Mutual funds:				
Equities	3,978	3,978	-	-
Fixed income	771,930	771,930	-	-
Exchange traded funds	601,806	601,806	-	-
Corporate bonds	1,143,648	-	1,143,648	-
U.S. Government bonds	137,160	-	137,160	-
Interest in perpetual trusts	1,458,229	-	-	1,458,229
Total Assets at Fair Value	<u>\$ 8,208,106</u>	<u>\$ 5,469,069</u>	<u>\$ 1,280,808</u>	<u>\$ 1,458,229</u>

There were no transfers between levels of investments during the years ended September 30, 2014 and 2013.

The following is a summary of the changes in the fair value of the Home's Level 3 assets:

	<u>Interest in Perpetual Trusts</u>	
	<u>2014</u>	<u>2013</u>
Balance - beginning of year	\$ 1,458,229	\$ 1,508,683
Change in value of perpetual trust assets	105,411	(50,454)
Balance - End of Year	<u>\$ 1,563,640</u>	<u>\$ 1,458,229</u>

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - CASH FLOWS

Supplemental Disclosure of Noncash Operating Activities - During 2014, the Home wrote off a \$219,150 mortgage entry fee receivable that was deemed to be uncollectible. This amount represented the refundable portion of the entrance fee and the associated entry fee payable.

The Home also acquired a note receivable from a new resident which represents a portion of the refundable mortgage entry fee not yet collected as of September 30, 2014, in the amount of \$155,850, which does not include unpaid interest of \$4,740 as of year-end.

NOTE 15 - HEALTHCARE INDUSTRY

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Home is in compliance with fraud and abuse regulations as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE

The Home has adopted Accounting Standards Update No. 2012-01, *Continuing Care Retirement Communities - Refundable Advance Fees* (ASU 2012-01). ASU 2012-01 requires a continuing care retirement community to record a liability for refundable entrance fees payable to residents upon reoccupancy of their independent living units. Under ASU 2012-01, this liability is required to be recorded at the gross refundable amount and amortization of this balance is no longer permitted. The new method of accounting under ASU 2012-01 was adopted by the Home during 2014 and the comparative financial statements have been adjusted to apply the new method retrospectively to 2013. The following financial statement line items for fiscal year 2013 were affected by this change in accounting principle.

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE (Continued)

Changes in the statement of activities for the year ended September 30, 2013 are as follows:

	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
Unrestricted Revenues:			
Amortization of entrance fees	\$ 44,391	\$ 11,094	\$ (33,297)
Income from Operations	358,162	324,865	(33,297)
Change in Net Assets	435,594	402,297	(33,297)
Net Assets - Beginning of Year	9,897,857	9,818,528	(79,329)
Net Assets - End of Year	10,333,451	10,220,825	(112,626)

Changes in the statement of financial position as of September 30, 2013 are as follows:

	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
Deferred Revenue from Entrance Fees	\$ 1,333,998	\$ 114,759	\$ (1,219,239)
Entrance Fee Refunds Payable	-	1,331,865	1,331,865
Net Assets:			
Unrestricted	7,986,943	7,874,317	(112,626)

Changes in the statement of cash flows for the year ended September 30, 2013 are as follows:

	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Effect of Change</u>
Change in Net Assets	\$ 435,594	\$ 402,297	\$ (33,297)
Amortization of Entrance Fees	(44,391)	(11,094)	33,297

Pierce Memorial Baptist Home, Inc.

Financial Statements

For the Year Ended September 30, 2013

Independent Auditors' Report

To the Board of Trustees
Pierce Memorial Baptist Home, Inc.

We have audited the accompanying financial statements of Pierce Memorial Baptist Home, Inc. (a not-for-profit corporation) which comprise the statement of financial position as of September 30, 2013 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pierce Memorial Baptist Home, Inc. as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Pierce Memorial Baptist Home, Inc. 2012 financial statements, and our report dated January 28, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor Davies, LLP

Wethersfield, Connecticut
February 28, 2014

Pierce Memorial Baptist Home, Inc.

Statements of Financial Position
September 30, 2013
(with comparative amounts at September 30, 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	3,406,281	4,525,737
Accounts receivable, trade, net of allowance	1,321,338	1,005,181
Accounts receivable, other	22,328	36,578
Prepaid expenses	70,494	79,808
Restricted Cash, Residents Funds	13,233	17,165
Other current assets	<u>1,708</u>	<u>2,530</u>
Total Current Assets	4,835,382	5,666,999
Investments	5,603,131	5,952,740
Assets Limited as to use	2,341,845	917,106
Land, building and equipment, net	9,353,678	9,613,818
Deferred financing costs, net	287,817	497,420
Entry fee mortgage receivable	219,150	219,150
Interest in trust	<u>1,458,229</u>	<u>1,508,684</u>
	<u>\$ 24,099,232</u>	<u>\$ 24,375,917</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bonds payable, current portion	\$ 299,692	\$ 315,000
Accounts payable, trade	285,975	146,491
Accrued expenses and payroll	528,226	446,949
Deferred revenue, current portion	44,391	44,391
Funds held for residents	13,233	17,165
Other Current Liabilities	<u>18,884</u>	<u>19,734</u>
Total Current Liabilities	<u>1,190,401</u>	<u>989,730</u>
Long Term Liabilities		
Bonds payable, less current portion	11,007,033	11,955,000
Security deposits	278,740	199,332
Deferred revenue, less current portion	<u>1,289,607</u>	<u>1,333,998</u>
Total Long Term Liabilities	<u>12,575,380</u>	<u>13,488,330</u>
Total Liabilities	<u>13,765,781</u>	<u>14,478,060</u>
Net Assets		
Unrestricted	7,986,943	7,524,012
Temporarily restricted	44,940	21,823
Permanently restricted	<u>2,301,568</u>	<u>2,352,022</u>
Total Net Assets	<u>10,333,451</u>	<u>9,897,857</u>
	<u>\$ 24,099,232</u>	<u>\$ 24,375,917</u>

Pierce Memorial Baptist Home, Inc.

Statements of Activities

Year Ended September 30, 2013

(with summarized totals for the year ended September 30, 2012)

	2013			Total	2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUES, GAINS AND OTHER SUPPORT					
Health services	\$ 7,769,835	-	-	\$ 7,769,835	\$ 6,765,991
Resident fees (apartments and cottages)	2,392,918	-	-	2,392,918	2,094,511
Amortization of deferred entrance fee revenue	44,391	-	-	44,391	45,486
Adult day care	32,100	-	-	32,100	32,300
Other	49,529	-	-	49,529	96,610
Total Revenue, Gains and Other Support	<u>10,288,773</u>	<u>-</u>	<u>-</u>	<u>10,288,773</u>	<u>9,034,898</u>
EXPENSES					
Nursing services	4,358,337	-	-	4,358,337	3,720,548
Administrative services	1,411,338	-	-	1,411,338	1,220,358
Dietary services	1,052,109	-	-	1,052,109	996,131
Plant operations	833,764	-	-	833,764	829,930
Housekeeping services	289,394	-	-	289,394	271,441
Recreation services	200,868	-	-	200,868	204,891
Marketing services	273,632	-	-	273,632	172,627
Laundry services	128,444	-	-	128,444	131,243
Chaplain services	26,111	-	-	26,111	25,901
Social services	120,095	-	-	120,095	77,324
Volunteer services	14,610	-	-	14,610	15,789
Depreciation and amortization	516,294	-	-	516,294	508,645
Interest	223,888	-	-	223,888	19,300
Bad debt expense	26,791	-	-	26,791	6,116
Provider fees	454,936	-	-	454,936	436,333
Total Expenses	<u>9,930,611</u>	<u>-</u>	<u>-</u>	<u>9,930,611</u>	<u>8,636,577</u>
Income from Operations	358,162	-	-	358,162	398,321
NON-OPERATING INCOME (LOSSES)					
Net realized gains (losses) on investments	284,844	26,897	-	311,741	(19,802)
Net unrealized gains (losses) on investments	59,158	26,790	-	85,948	936,399
Change in beneficial interests in perpetual trusts	-	-	(50,454)	(50,454)	175,653
Net assets released from restrictions	49,652	(49,652)	-	-	-
Interest and dividends	160,059	17,686	-	177,745	155,435
Contributions	148,997	1,396	-	150,393	74,186
Total Non-Operating Income (Losses)	<u>702,710</u>	<u>23,117</u>	<u>(50,454)</u>	<u>675,373</u>	<u>1,321,871</u>
NON-OPERATING EXPENSES					
Investment management fees	41,999	-	-	41,999	32,389
Deferred financing costs, written off	470,277	-	-	470,277	-
Other fees	85,665	-	-	85,665	151,132
Total Non-Operating Expenses	<u>597,941</u>	<u>-</u>	<u>-</u>	<u>597,941</u>	<u>183,521</u>
Changes in Net Assets	462,931	23,117	(50,454)	435,594	1,536,671
Net Assets, Beginning of the Year	<u>7,524,012</u>	<u>21,823</u>	<u>2,352,022</u>	<u>9,897,857</u>	<u>8,361,186</u>
Net Assets, End of the Year	<u>\$ 7,986,943</u>	<u>\$ 44,940</u>	<u>\$ 2,301,568</u>	<u>\$ 10,333,451</u>	<u>\$ 9,897,857</u>

Pierce Memorial Baptist Home, Inc.

Statements of Cash Flows
Year Ended September 30, 2013
(with comparative amounts for the year ended September 30, 2012)

	2013	2012
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 435,594	\$ 1,536,671
Adjustments to reconcile change in net assets to net cash from operating activities		
Net unrealized (gains) losses	(85,948)	(936,399)
Net realized (gains) losses	(311,741)	19,802
Deferred financing costs, written-off	470,277	-
Depreciation and amortization	516,294	508,645
Changes in operating assets and liabilities		
Accounts receivable, trade	(316,157)	442,173
Accounts receivable, other	14,250	(12,075)
Change in beneficial interests in perpetual trusts	50,454	(175,653)
Prepaid expenses	9,314	(1,727)
Other current assets	822	8,833
Accounts payable, trade	139,484	(16,621)
Accrued expenses and payroll	81,277	(3,878)
Deferred revenue	(44,391)	445,679
Other current liabilities	<u>(850)</u>	<u>(28,416)</u>
Net Cash Flows from Operating Activities	<u>958,679</u>	<u>1,787,034</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,241,776)	(692,343)
Proceeds from sales of investments	2,225,097	639,840
Capital additions	(241,364)	(92,682)
Funding of limited use assets	(1,660,758)	41,157
Security deposits	79,408	11,239
Entry fee mortgage receivable	<u>-</u>	<u>(219,150)</u>
Net Cash Flows from Investing Activities	<u>(839,393)</u>	<u>(311,939)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Bond payments	(12,417,275)	(300,000)
New bond financing	11,454,000	-
Deferred financing costs	(275,467)	(19,507)
Sewer assessment payments	<u>-</u>	<u>(5,100)</u>
Net Cash Flows from Financing Activities	<u>(1,238,742)</u>	<u>(324,607)</u>
 Net Change in Cash and Cash Equivalents	(1,119,456)	1,150,488
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>4,525,737</u>	<u>3,375,249</u>
 End of year	<u>\$ 3,406,281</u>	<u>\$ 4,525,737</u>
 SUPPLEMENTAL INFORMATION		
Interest paid	\$ 223,888	\$ 19,150

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2013

1. Description of Organization

Pierce Memorial Baptist Home, Inc (the "Home") is a not-for-profit corporation located in Brooklyn, Connecticut. The Home provides independent living in an 82 apartment senior housing facility (Creamery Brook) and is in the process of completing 10 independent living units (The Cottages at Creamery Brook). The nursing facility currently provides 80 beds in two levels of care - 72 skilled nursing beds, and 8 home for the aged beds. In 2013 the home also provided assisted living services.

The Home is associated with the American Baptist Churches of Connecticut on a voluntary basis.

Tax Exempt Status

The Home is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c) (3). Accordingly, no provision for income taxes has been made in the financial statements. The Home has been designated as a public charity by the Internal Revenue Service.

2. Summary of Significant Accounting Policies

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly actual results could differ from those estimates. Some of the more significant estimates required to be made by management include the allowance for doubtful accounts, depreciation expense and recognition of deferred revenue.

Basis of Presentation

Resources are classified for accounting and reporting purposes into net asset classes according to donor imposed restrictions. Unrestricted net assets are those whose use is not subject to any donor imposed restrictions. Temporarily restricted net assets are those resulting from contributions and other inflows of assets whose use by the Home is limited by donor imposed stipulations that will be met either by passage of time or that can be fulfilled and removed by actions of the Home pursuant to those stipulations. 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 statements of activities and statement of cash flows as net assets released from restrictions. Permanently restricted net assets are donor restricted gifts that must be maintained permanently by the Home to provide present and future income for operations.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2013

2. Summary of Significant Accounting Policies (continued)

Contributions

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to time or other legal restrictions. The Home's policy is to report as unrestricted support, contributions with donor or time imposed restrictions when these restrictions are met in the same year the contributions are received.

Fair Value Measurements

The Home follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with a maturity date of three months or less at the time of purchase. Cash and cash equivalents do not include cash and investments whose use is limited and restricted cash.

Accounting for Uncertainty in Income Taxes

The Home recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Home had no uncertain tax positions that would require financial statement recognition or disclosure. The Home is no longer subject to U.S. federal, state or local income tax examinations for periods prior to September 30, 2010.

Assets Limited as to Use

Assets limited as to use are recorded at fair value and primarily include assets held by trustees under mortgage agreements. Amounts required to meet current liabilities of the Home are reported as current assets. Amounts reported as noncurrent include assets that are board designated and are available for the Home's use at the discretion of the Board and other assets that will be used for long-term debt purposes.

Allowance for Uncollectible Receivables

The Home provides an allowance for doubtful accounts based on prior experience and management's assessment of the collectability of specific accounts. The allowance for doubtful accounts approximated \$153,639 and \$151,611 at September 30, 2013 and 2012.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2013

2. Summary of Significant Accounting Policies (continued)

Resident Funds

Resident Funds are held by the Home on behalf of the residents. Such funds represent allowances received by the residents as well as other residents' funds deposited with the Home for safekeeping. These funds are disbursed by the Facility at the request of, or on behalf of, residents for their personal use.

Land, Building and Equipment

Items capitalized as part of land, building and equipment, are stated at cost or fair value if contributed. Routine maintenance and repairs are expensed while those that extend the life of existing properties are capitalized. Depreciation is provided over the estimated useful lives of each class of depreciable asset and is computed utilizing the straight-line method. The estimated useful lives by asset class are as follows:

Building and improvements	40 years
Equipment	3-20 years

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount of an asset may not be recoverable. The Home records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. No impairment changes were recognized as of September 30, 2013.

Entry Fee Mortgage Receivable

Entry fee mortgage receivable is an entry fee not yet paid by a cottage resident. This receivable is classified as long term due to the receipt of the entry fee being contingent on the resident selling their current house

Deferred Financing Costs

Deferred Loan Costs consist of financing costs related to the Home's debt. Financing costs are capitalized and amortized over the term of underlying financing agreement using the interest method.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2013

2. Summary of Significant Accounting Policies (continued)

Asset Retirement Obligations

The Home accounts for Asset Retirement Obligations (“ARO”) in accordance with U.S. GAAP which defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with the respect to the timing and (or) method of settlement of the asset retirement obligation, does not defer recognition of a liability. The fair value of ARO is recorded on a discounted basis and accreted over time for the change in fair value. At September 30, 2013, the Home has not identified any conditional ARO’s requiring accrual.

Prior Year Data

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Home’s financial statements for the year ended September 30, 2012 from which the summarized information was derived. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets..

Compensated Absences

It is the Home’s policy to allow employees to carry over vacation time up to 5 days, and sick time up to 30 days. All accrued time is vested and is paid to the employee upon his or her termination of employment.

Net Resident Service Revenue

Net resident service revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim or final settlements are reported in operations in the year of settlement.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2013

2. Summary of Significant Accounting Policies (continued)

Deferred Revenues

Deferred revenue results from the capitalized Entry Fee required to enter Cottages at Creamery Brook. The Entry Fee is made up of a refundable and a nonrefundable amount.

The Home's contract for the Cottages at Creamery Brook requires the prospective resident to pay a reservation fee of ten percent of the total entrance fee for the unit reserved. Reservation deposits received from prospective residents are refundable within 30 days of signing the residency agreement and 60 days subsequent to occupancy date with written notice. After which time the deposit is considered a non refundable portion of the resident's entry fee and recorded as deferred revenue. Non refundable entrance fees are amortized using the straight-line method into operating revenues over the computed life expectancy of each resident or (in the case of the couple) the younger spouse.

The remaining 90 percent of the resident's entrance fee is due prior to move in, upon occupancy or within 60 days of signing the residency agreement, whichever comes first. In the event of the resident's termination of the agreement, the 90 percent of the entrance fee will be refunded upon the receipt of re-occupancy fees of the unit. The refundable portion of the resident's entry fee is recorded as deferred revenue. Refundable entrance fees are amortized using the straight-line method into operating revenues over the life of the cottage (40 years) beginning when the resident is charged their first monthly service fee.

Functional Allocations of Expenses

The costs of providing the Home's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting benefited.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs amounted to \$79,528 for 2013 and \$52,916 for 2012.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 27, 2014.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2013

3. Concentrations of Credit Risk

Financial instruments that potentially subject the Home to concentrations of credit risk consist primarily of cash and accounts receivable.

The Home places its cash with several financial institutions. At times, the cash balance may be in excess of the Federal Deposit Insurance Corporation's insurance limit.

The Home grants credit without collateral to its patients, most of whom are insured under third-party payor agreement. The mix of receivables from patients and third-party payors at September 30, 2013.

	<u>2013</u>	<u>2012</u>
Medicaid	52%	45%
Medicare	15%	10%
Third Party Payor	15%	17%
Private	<u>18%</u>	<u>27%</u>
	<u>100%</u>	<u>100%</u>

The Home believes it is not exposed to any significant credit risk on its cash and accounts receivables.

4. Assets Limited as to Use

Assets limited to use at September 30, 2013 and 2012 categorized by the "Fair Value Hierarchy" are comprised of security deposits and collateral for the Home's Mortgage, as indicated by the table below. Pursuant to the terms of the mortgage, the Home is required to pledge cash and investments with a minimum market value of \$1,680,000 until certain improvements are completed and the entire facility reaches 94% occupancy. At September 30, 2013, pledged assets totaled \$1,999,627.

	<u>2013</u>	<u>2012</u>
Level Two		
Certificates of Deposit	\$ 705,016	\$ -
Mutual Funds - Fixed Income	296,902	336,909
Corporate Floating Rate Bonds	100,420	
Corporate Bonds	749,424	
	<u>1,851,761</u>	<u>336,909</u>
Cash and Cash Equivalents	490,083	580,197
	<u>\$ 2,341,845</u>	<u>\$ 917,106</u>

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2013

5. Functional Expenses

The Home provides general health care services to residents within its geographic location. Expenses relating to providing these services for these ended September 30 were as follows:

	<u>2013</u>	<u>2012</u>
Patient Care	\$ 9,198,841	\$ 8,116,772
Administrative and General	<u>1,329,711</u>	<u>703,327</u>
	<u>\$ 10,528,552</u>	<u>\$ 8,820,098</u>

6. Land, Building, and Equipment, net

Land, Building and Equipment, net consists of the following at year end September 30:

	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 161,337	\$ 161,337
Building and improvements	16,807,619	16,791,794
Equipment	1,922,368	1,765,851
Construction in process	<u>182,982</u>	<u>113,962</u>
	19,074,307	18,832,944
Accumulated Depreciation	<u>(9,720,629)</u>	<u>(9,219,126)</u>
	<u>\$ 9,353,678</u>	<u>\$ 9,613,818</u>

Depreciation expense amounted to \$501,502 for 2013 and \$488,885 for 2012.

Construction in progress is for on-going projects at the Home, including the sitework on unsold cottages and renovation of the assisted living facility.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2013

7. Investments

Investments are stated at fair value and consist of the following at September 30:

	<u>2013</u>	<u>2012</u>
Level One		
Common Stock	\$ 4,091,355	\$ 4,399,069
Level Two		
Government Bonds	137,160	140,013
Corporate Bonds	114,634	243,918
Mutual Funds - Bonds	475,028	475,358
Mutual Funds - Stocks	3,978	
ETF Fixed Income Bonds	601,806	
Real Estate Investment Trusts	-	694,382
Closed End Bond Funds	179,170	-
	<u>\$ 5,603,131</u>	<u>\$ 5,952,740</u>

8. Interest in Trust

The Home is an income beneficiary of three perpetual trusts whose assets are held and managed by financial institutions. The Home's interests in the fair value of the trusts are recorded as permanently restricted net assets which amounted to \$1,458,230 and \$1,508,684 at September 30, 2013 and 2012. The Home's share of the change in the fair value of the trusts' assets for September 30, 2013 and 2012 totaled (\$50,454) and \$175,653, and has been recognized as a change in permanently restricted net assets in the statement of activity. The Home received distributions from the trust for the years ended September 30, 2013 and 2012 totaling \$146,439 and \$49,676.

9. Operating Leases

The Home has entered into various operating leases.

The following is a schedule by of future minimum lease payments due through the expiration of the lease terms:

<u>Year</u>	<u>Annual Payments</u>
2014	\$ 14,903
2015	10,077
2016	8,256
2017	6,192
	<u>\$ 24,980</u>

Total operating lease costs were \$21,785 for 2013 and \$23,683 for 2012.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2013

10. Deferred Revenues

Amounts classified as the current portion of deferred entry fees represent the estimated amount of entrance fees that will be amortized into operating revenues over the next year. The long-term portion of deferred entry fees represents unamortized fees not expected to be amortized within the next year due to life expectancy estimates and the portion of deferred entry fee revenue subject to contractually refundable provision.

The entry fees at September 30, 2013 are as follow:

	<u>Current</u>	<u>Long Term</u>
Non-refundable deferred entry fees	\$ 11,094	\$ 103,665
Refundable entry fees	<u>33,297</u>	<u>1,185,943</u>
	<u>\$ 44,391</u>	<u>\$ 1,289,607</u>

Entry Fees recognized as revenue amounted to \$44,391 in 2013 and \$45,486 in 2012.

11. Deferred Financing Costs

In connection with the refinancing of its mortgage loan, the Home incurred financing fees. Financing fees were capitalized and are being amortized over the term of the mortgage loan.

	<u>2013</u>
Financing costs	\$ 294,974
Less accumulated amortization	<u>(7,157)</u>
Financing fees, net	<u>\$ 287,817</u>

Amortization expense was \$14,792 for 2013 and \$19,760 for 2012. Deferred financing fees relating to the previous loan were written off during the year in the amount of \$470,277.

12. Bonds Payable

On March 1, 2013, the Home entered into a loan agreement with the State of Connecticut Health and Educational Facilities Authority (Authority) to refinance the 1999 and 2008 Demand Revenue Bonds. The Authority issued \$11,454,000 of revenue bonds. The bonds mature on April 1, 2038. and bear interest at the rate of 3.39%. Interest on the Bonds is payable monthly the 1st day of each month beginning April 1, 2013. Principal is payable monthly commencing May 1, 2013. The Authority assigned its interest in the Note to People's Bank. The bonds are secured by the property and equipment and its pledged assets (note 4) and are subject to various financial and non financial covenants.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2013

12. Bonds Payable (continued)

Principal payments over the next five years and thereafter at September 30, 2013 are payable as follows:

2014	\$ 299,692
2015	308,848
2016	319,463
2017	331,210
2018	342,776
Thereafter	<u>9,704,736</u>
	<u>\$ 11,306,725</u>

Previously, the Home had two Demand Revenue Bonds. The 1999 Variable Rate Demand Revenue Bonds in the amount of \$5,660,000, dated January 21, 1999, and 2008 Variable Rate Demand Revenue Bonds, Series A, in the original amount of \$8,575,000, dated January 1, 2008. These bonds were paid off in connection with the Authority refinancing.

13. Contingencies

Health Care Revenue and Regulatory Compliance

The health care industry is subject to numerous laws and regulations imposed by federal, state and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. In addition, certain cost reports, which serve as the basis for the final settlement with the Medicare program, remain open for audit and settlement.

Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously, billed and collected revenue from patient services. Furthermore, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. Accordingly, there is at least a reasonable possibility that recorded estimates for healthcare revenues will change in the near term and the change could be material to the Home's financial condition, results of operations and cash flows.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2013

14. Pension Expense

The Home has a defined contribution pension plan. The plan qualifies as a 401(k) plan. As a result a participant may elect to defer a percentage of their compensation each year. The Board may make matching contributions up to 4% of the covered payroll for the 2013 calendar year. Amounts in each participant's account are fully vested after six years of service.

Pension expense for 2013 and 2012 was \$15,120 and \$15,279, respectively.

15. Net Patient Revenue Services

Net patient service revenue consists of the following for the year ended September 30, 2013:

	<u>2013</u>	<u>2012</u>
Medicaid	40%	48%
Medicare	17%	15%
Private	<u>44%</u>	<u>37%</u>
	<u>100%</u>	<u>100%</u>

Pierce Memorial Baptist Home, Inc.

Financial Statements

For the Year Ended September 30, 2012

Independent Auditors' Report

To the Board of Trustees
Pierce Memorial Baptist Home, Inc.

We have audited the accompanying statement of financial position of Pierce Memorial Baptist Home, Inc. (a nonprofit organization) as of September 30, 2012 and the related statements of activities, functional expenses and cash flows for the year then ended. The prior year summarized comparative information has been derived from the Home's 2011 financial statements and, in our report dated January 27, 2012 we expressed an unqualified opinion on those statements. These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pierce Memorial Baptist Home, Inc. as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies, LLP

Wethersfield, Connecticut
January 28, 2013

Pierce Memorial Baptist Home, Inc.

Statement of Financial Position
September 30, 2012
(with comparative amounts at September 30, 2011)

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,497,814	\$ 3,375,249
Accounts receivable, trade, net of allowance	1,005,181	1,447,354
Accounts receivable, other	36,578	24,503
Prepaid expenses	79,808	78,081
Other current assets	<u>2,530</u>	<u>11,363</u>
Total Current Assets	5,621,911	4,936,550
Other Assets		
Investments	5,952,740	4,997,660
Investments, restricted	722,797	714,027
Plant and equipment (net)	9,499,856	9,359,461
Bonding costs (net)	497,420	497,672
Construction in progress	113,962	645,311
Entry fee mortgage receivable	219,150	-
Interest in trust	1,508,684	1,333,031
Restricted cash	<u>239,397</u>	<u>247,614</u>
Total Other Assets	<u>18,754,006</u>	<u>17,794,776</u>
	<u>\$ 24,375,917</u>	<u>\$ 22,731,326</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bonds payable, current portion	\$ 315,000	\$ 300,000
Sewer assessment, current portion	-	5,100
Accounts payable, trade	146,491	163,112
Accrued expenses and payroll	455,138	460,320
Deferred revenue, current portion	<u>44,391</u>	<u>28,373</u>
Total Current Liabilities	<u>961,020</u>	<u>956,905</u>
Long Term Liabilities		
Bonds payable, less current portion	11,955,000	12,270,000
Security deposits	191,143	178,600
Deferred revenue, less current portion	1,333,998	904,337
Due to residents	<u>36,899</u>	<u>60,298</u>
Total Long Term Liabilities	<u>13,517,040</u>	<u>13,413,235</u>
Total Liabilities	<u>14,478,060</u>	<u>14,370,140</u>
Net Assets		
Unrestricted	7,524,012	6,234,129
Temporarily restricted	21,823	26,760
Permanently restricted	<u>2,352,022</u>	<u>2,100,297</u>
Total Net Assets	<u>9,897,857</u>	<u>8,361,186</u>
	<u>\$ 24,375,917</u>	<u>\$ 22,731,326</u>

Pierce Memorial Baptist Home, Inc.

Statements of Activities

Year Ended September 30, 2012

(with summarized totals for the year ended September 30, 2011)

	2012			Total	2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUES, GAINS AND OTHER SUPPORT					
Health services	\$ 6,765,991	-	-	\$ 6,765,991	\$ 7,483,960
Resident fees (apartments and cottages)	2,094,511	-	-	2,094,511	1,985,867
Amortization of deferred entrance fee revenue	45,486	-	-	45,486	52,083
Adult day care	32,300	-	-	32,300	28,928
Interest and dividends	224,944	-	-	224,944	240,909
Other	96,610	-	-	96,610	30,946
Net assets released from restrictions	6,178	(6,178)	-	-	-
Total Revenue, Gains and Other Support	<u>9,266,020</u>	<u>(6,178)</u>	<u>-</u>	<u>9,259,842</u>	<u>9,822,693</u>
EXPENSES					
Nursing services	3,720,548	-	-	3,720,548	3,956,122
Administrative services	1,220,358	-	-	1,220,358	1,342,297
Dietary services	996,131	-	-	996,131	1,034,298
Plant operations	829,930	-	-	829,930	937,174
Housekeeping services	271,441	-	-	271,441	284,404
Recreation services	204,891	-	-	204,891	211,280
Marketing services	172,627	-	-	172,627	156,116
Laundry services	131,243	-	-	131,243	131,783
Chaplain services	25,901	-	-	25,901	27,812
Social services	77,324	-	-	77,324	74,776
Volunteer services	15,789	-	-	15,789	15,768
Depreciation and amortization	508,645	-	-	508,645	500,563
Interest	19,300	-	-	19,300	168,853
Bad debt expense	6,116	-	-	6,116	157,801
Provider fees	436,333	-	-	436,333	364,503
Total Expenses	<u>8,636,577</u>	<u>-</u>	<u>-</u>	<u>8,636,577</u>	<u>9,363,550</u>
Income From Operations	629,443	(6,178)	-	623,265	459,143
NON-OPERATING INCOME (LOSSES)					
Net realized gains (losses) on investments	(25,800)	-	9,630	(16,170)	(58,971)
Net unrealized gains (losses) on investments	869,957	-	242,095	1,112,052	(94,856)
Net unrealized gains (losses) on swap	-	-	-	-	158,040
Contributions	17,532	1,241	-	18,773	23,814
Total Non-Operating Income (Losses)	<u>861,689</u>	<u>1,241</u>	<u>251,725</u>	<u>1,114,655</u>	<u>28,027</u>
NON-OPERATING EXPENSES					
Investment management fees	50,117	-	-	50,117	50,761
Medicaid rate adjustment	-	-	-	-	100,675
Other fees	151,132	-	-	151,132	157,803
Total Non-Operating Expenses	<u>201,249</u>	<u>-</u>	<u>-</u>	<u>201,249</u>	<u>309,239</u>
Changes in Net Assets	1,289,883	(4,937)	251,725	1,536,671	177,931
Net Assets, Beginning of the Year	<u>6,234,129</u>	<u>26,760</u>	<u>2,100,297</u>	<u>8,361,186</u>	<u>8,183,251</u>
Net Assets, End of the Year	<u>\$ 7,524,012</u>	<u>\$ 21,823</u>	<u>\$ 2,352,022</u>	<u>\$ 9,897,857</u>	<u>\$ 8,361,182</u>

Pierce Memorial Baptist Home, Inc.

Statements of Functional Expenses

Year Ended September 30, 2012

(with summarized totals for the year ended September 30, 2011)

	2012						2011 Total
	Nursing Home	Independent Living	Cottages	Other Programs	Administration	Total	
Salaries	\$ 3,304,409	\$ 539,841	\$ 26,806	\$ 14,235	\$ 399,957	\$ 4,285,248	\$ 4,521,611
Retirement Services	11,547	1,585	-	-	2,147	15,279	16,568
Employee Benefits	365,493	38,999	189	336	53,094	458,111	399,275
Payroll Taxes	247,066	30,415	1,425	1,450	29,491	309,847	333,518
Fees for Services	496,781	-	-	30,687	167,052	694,520	813,932
Advertising and Marketing	44,230	84,075	6	-	-	128,311	156,757
Office Expenses	25,828	15,346	-	863	-	42,037	40,000
Utilities and Heating Oil	228,404	172,456	20,258	5,579	-	426,697	485,676
Financing Costs	79,552	270,870	-	150	-	350,572	502,224
Depreciation, Depletion, and Amortization	199,024	247,869	36,921	5,071	-	488,885	480,801
Insurance	73,728	57,738	9,556	-	23,085	164,107	227,893
Other Expenses	49,288	25,388	2,421	12,277	23,484	112,858	104,340
Repairs and Maintenance	112,403	92,336	3,866	-	4,699	213,304	213,368
Supplies	525,360	178,192	1,421	312	318	705,603	753,852
Provider Fees	436,333	-	-	-	-	436,333	364,503
Bad Debt Expense	6,116	-	-	-	-	6,116	157,801
	<u>\$ 6,205,562</u>	<u>\$ 1,755,110</u>	<u>\$ 102,869</u>	<u>\$ 70,960</u>	<u>\$ 703,327</u>	<u>\$ 8,837,828</u>	<u>\$ 9,572,119</u>

Pierce Memorial Baptist Home, Inc.

Statement of Cash Flows
Year Ended September 30, 2012
(with comparative amounts for the year ended September 30, 2012)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,536,671	\$ 177,931
Adjustments to reconcile change in net assets to net cash from operating activities		
Net unrealized (gains) losses	(1,112,052)	94,856
Net unrealized (gains) losses on swap	-	(158,040)
Net realized (gains) losses	16,170	58,971
Depreciation and amortization	508,645	500,563
Changes in operating assets and liabilities		
Accounts receivable, trade	442,173	(487,323)
Accounts receivable, other	(12,075)	16,397
Prepaid expenses	(1,727)	(49,992)
Other current assets	8,833	212
Accounts payable, trade	(16,621)	(112,802)
Accrued expenses and payroll	(5,182)	3,761
Deferred revenue	445,679	(27,734)
Due to residents	(23,399)	26,523
Net Cash Flows from Operating Activities	1,787,115	43,323
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(692,343)	(1,739,450)
Proceeds from sales of investments	648,722	1,755,247
Capital additions	(92,682)	(100,510)
Construction in progress	(5,250)	-
Restricted cash	8,217	48,159
Security deposits	12,543	(7,255)
Entry fee mortgage receivable	(219,150)	-
Net Cash Flows from Investing Activities	(339,943)	(43,809)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond payments	(300,000)	(290,000)
Capitalized Bond Costs	(19,507)	-
Sewer assessment payments	(5,100)	(5,100)
Net Cash Flows from Financing Activities	(324,607)	(295,100)
Net Change in Cash and Cash Equivalents	1,122,565	(295,586)
CASH AND CASH EQUIVALENTS		
Beginning of year	3,375,249	3,670,835
End of year	\$ 4,497,814	\$ 3,375,249
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 19,150	\$ 168,649

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

1. Nature of Business

Pierce Memorial Baptist Home, Inc. is a non-profit continuing care retirement community located in Brooklyn, Connecticut. The Home provides independent living in an 83 apartment senior housing facility (Creamery Brook) and is in the process of completing 10 independent living units (The Cottages at Creamery Brook). The nursing facility currently provides 80 beds in three levels of care - 70 skilled nursing beds, 2 intermediate care beds and 8 home for the aged beds.

The Home is associated with the American Baptist Churches of Connecticut on a voluntary basis.

2. Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of the accompanying financial statements are set forth below:

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the Home. Generally, the donors of these assets permit the Home to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Temporarily restricted net assets - Net assets subject to donor imposed stipulations that may be met by actions of the Home and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support in the statement of activities.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Promises to give that are scheduled to be received after the statement of financial position date, or which are restricted by the donor to a specific purpose which has not

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

2. Summary of Significant Accounting Policies (Continued)

been met as of the statement of financial position date, are shown as increases in temporarily restricted net assets. This revenue is reclassified to unrestricted net assets when the time or purpose restrictions are met.

Statement of Cash Flows

For the purposes of the statement of cash flows, cash and cash equivalents include highly liquid investments with maturities of three months or less at the time of purchase.

Accounts Receivable

Accounts receivable, trade are for resident revenue receivables. They are stated at unpaid balances, less an allowance for doubtful accounts. The Home provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of residents to meet their obligations.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At September 30, 2012 and 2011, the allowance for uncollectible receivables was \$112,815 and \$130,000.

Entry Fee Mortgage Receivable

Entry fee mortgage receivable is for entry fees for cottages reserved with a 10 percent deposit but not yet paid by the prospective resident. These receivables are classified as long term due to the receipt of the entry fee being contingent on the prospective resident selling their current house.

Fixed Assets

Plant and equipment are recorded at cost. Depreciation is computed using the straight-line method. The lives of the property and equipment vary from 5 years for some equipment to 40 years for buildings. Generally, items with a useful life in excess of one year and with a cost of \$1,000 or more are capitalized.

Compensated Absences

It is the Home's policy to allow employees to carry over vacation time up to 5 days, and sick time up to 30 days. All accrued time is vested and is paid to the employee upon his or her termination of employment.

Resident Service Revenue

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

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

2. Summary of Significant Accounting Policies (Continued)

Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payer 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.

Uncertain Income Taxes

The Home is exempt from Federal and State income taxes under Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in the financial statements. The Home has been designated as a public charity by the Internal Revenue Service.

The Home recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Home had no uncertain tax positions that would require financial statement recognition or disclosure. The Home is no longer subject to U.S. federal, state or local income tax examinations for periods prior to September 30, 2009.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 28, 2013.

Prior Year Data

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Home's financial statements for the year ended September 30, 2011 from which the summarized information was derived. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Derivative Instruments

The Home uses interest rate swaps as hedges to eliminate interest rate risk on its variable rate demand bonds. The Home's risk management strategy is to offset fluctuations in debt service requirements due to changes in the interest rates.

Fair Value Measurements

The Home follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

2. Summary of Significant Accounting Policies (Continued)

data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation

Investments are carried at fair value.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of [income OR the change in net assets].

3. Cash and Cash Equivalents

At September 30, 2012, cash and cash equivalents consisted of the cash in checking, savings and money market accounts and Treasury Bills. Cash in excess of the Federal Deposit Insurance Company ("FDIC") limits amount to \$2,567,067 as of year end.

4. Accounts Receivable

As of September 30, 2012 the allowance for uncollectible accounts was \$112,815. Receivables are considered uncollectible if full payments are not received in accordance with the contractual terms. It is the Home's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Accounts receivable, other are for various receivables that do not result from monthly billing of services.

5. Investments

Investments are stated at fair value and consist of the following at September 30:

	2012		2011	
	Unrestricted	Restricted	Unrestricted	Restricted
Cash and Cash Equivalents	\$ -	\$ 385,888	\$ -	\$ 385,927
Government Bonds	140,013	-	172,704	-
Guaranteed Investment Contracts	-	336,909	-	328,100
Corporate Bonds	243,918	-	274,389	-
Common Stocks	4,399,069	-	3,357,925	-
Mutual Funds	475,358	-	889,107	-
Real Estate Investment Trusts	694,382	-	303,535	-
	<u>\$5,952,740</u>	<u>\$ 722,797</u>	<u>\$4,997,660</u>	<u>\$ 714,027</u>

The restricted investments above are amounts maintained for a debt service reserve fund as described in Note 11.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

6. Plant and Equipment

Plant and equipment and the related accumulated depreciation are summarized as follows for the year ended September 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Pierce Home				
Capital assets being depreciated				
Buildings	\$6,289,134	\$ -	\$ -	\$6,289,134
Land improvements	161,337	-	-	161,337
Non-Movable equipment	396,546	27,981	-	424,527
Movable equipment	843,529	31,755	-	875,284
Vehicles	12,000	-	-	12,000
	<u>7,702,546</u>	<u>59,736</u>	<u>-</u>	<u>7,762,282</u>
Creamery Brook				
Capital assets being depreciated				
Buildings	8,839,221	-	-	8,839,221
Building improvements	10,998	1,125	-	12,123
Movable equipment	395,349	10,150	-	405,499
Vehicles	25,755	19,620	-	45,375
	<u>9,271,323</u>	<u>30,895</u>	<u>-</u>	<u>9,302,218</u>
The Cottages at Creamery Brook				
Capital assets being depreciated				
Buildings	<u>1,081,842</u>	<u>538,650</u>	<u>-</u>	<u>1,620,492</u>
The WhiteHouse				
Capital assets being depreciated				
Buildings	30,824	-	-	30,824
Movable equipment	3,166	-	-	3,166
	<u>33,990</u>	<u>-</u>	<u>-</u>	<u>33,990</u>
Total plant and equipment	18,089,701	629,281	-	18,718,982
Less accumulated depreciation	<u>(8,730,240)</u>	<u>(488,886)</u>	<u>-</u>	<u>(9,219,126)</u>
Net book value	<u>\$9,359,461</u>	<u>\$ 140,395</u>	<u>\$ -</u>	<u>\$9,499,856</u>
Capital assets not being depreciated				
Construction in progress	<u>\$ 645,311</u>	<u>\$ 5,250</u>	<u>\$ (536,599)</u>	<u>\$ 113,962</u>

Depreciation amounted to \$488,886 for 2012 and \$480,655 for 2011.

7. Interest in Trust

Interest in Trust represents the current value of funds held in trust for the benefit of Pierce Memorial Baptist Home, Inc. Incomes from the trusts are distributed to the home annually. The principal is reinvested.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

8. Restricted Cash

Cash is restricted for the following purposes at September 30:

	<u>2012</u>	<u>2011</u>
Resident funds	\$ 41,064	\$ 59,521
Creamery Brook security deposit	<u>198,333</u>	<u>188,093</u>
	<u>\$ 239,397</u>	<u>\$ 247,614</u>

9. Operating Leases

The Home has entered into various operating leases.

The following is a schedule by of future minimum lease payments due through the expiration of the lease terms:

<u>Fiscal Year Ended</u>	<u>Annual Payments</u>
2013	\$ 13,507
2014	5,729
2015	<u>1,758</u>
	<u>\$ 20,994</u>

Total operating lease costs were \$23,683 for 2012 and \$20,168 for 2011.

10. Deferred Revenues

Deferred revenue results from the capitalized Entry Fee required to enter the Cottages at Creamery Brook. The Entry Fee is made up of a refundable and a nonrefundable amount.

The Home's contract for the Cottages at Creamery Brook requires the prospective resident to pay a reservation fee of ten percent of the total entrance fee for the unit reserved. Reservation deposits received from prospective residents are refundable within 30 days of signing the residency agreement and 60 days subsequent to occupancy date with written notice. After which time the deposit is considered a non refundable portion of the resident's entry fee and recorded as deferred revenue. Non refundable entrance fees are amortized using the straight-line method into operating revenues over the computed life expectancy of each resident or (in the case of the couple) the younger spouse.

The remaining 90 percent of the resident's entrance fee is due prior to move in, upon occupancy or within 60 days of signing the residency agreement, whichever comes first. In the event of the resident's termination of the agreement, the 90 percent of the entrance fee will be refunded upon the receipt of re-occupancy fees of the unit. The refundable portion of the resident's entry fee is recorded as deferred revenue. Refundable entrance fees are amortized using the straight-line method into operating revenues over the life of the cottage (40 years) beginning when the resident is charged their first monthly service fee.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

10. Deferred Revenues (Continued)

Amounts classified as the current portion of deferred entry fees represent the estimated amount of entrance fees that will be amortized into operating revenues over the next year. The long-term portion of deferred entry fees represents unamortized fees not expected to be amortized within the next year due to life expectancy estimates and the portion of deferred entry fee revenue subject to contractually refundable provision.

These amounts at September 30, 2012 are as follow:

	<u>Current</u>	<u>Long Term</u>
Non-refundable deferred entry fees	\$ 33,297	114,758
Refundable deferred entry fees	<u>11,094</u>	<u>1,219,240</u>
	<u>\$ 44,391</u>	<u>\$ 1,333,998</u>

Entry Fees recognized as revenue amounted to \$42,013 in 2012 and \$28,271 in 2011.

11. Bonding Costs

The Home incurred capitalizable financing costs of \$643,874. This amount is being amortized over the life of the bonds. Amortization expense for the next five years is as follows:

<u>Fiscal Year Ended</u>	<u>Amortization Expense</u>
2013	\$ 19,760
2014	19,760
2015	19,760
2016	19,760
2017	<u>19,760</u>
	<u>\$ 98,800</u>

Amortization expense was \$19,762 for 2011 and \$19,762 for 2012. Accumulated amortization as of September 30, 2012 is \$165,962.

12. Bonds Payable

A. 1999 Variable Rate Demand Revenue Bonds – CDA – Original Amount \$5,660,000

The 1999 Variable Rate Demand Revenue Bonds, dated January 21, 1999, are 30 year bonds that bear interest at a weekly rate and are payable monthly. The bonds are subject to conversion to a fixed rate exercised at the direction of the Home.

In accordance with the terms of the bond indenture, the Home must maintain a debt service reserve fund in the amount of \$328,100 to be used by the trustee in the event of default of payments of principal or interest on the bonds. These funds are included as part of "Investments Reserved" on the Home's Statement of Financial Position.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

12. Bonds Payable (Continued)

The bonds are secured with a mortgage lien on all of the land and improvements owned by the Home in Brooklyn, Connecticut in the name of the Connecticut Development Authority. The Home has also granted a security interest in substantially all of its other assets and income. The Home has delivered a title insurance policy to the trustee in an amount equal to the principal amount of the bonds.

B. 2008 Variable Rate Demand Revenue Bonds, Series A – CHEFA – Original Amount \$8,575,000

These bonds, in the original amount of \$8,575,000 are dated January 1, 2008 and were issued by the Home for purposes of refinancing 1999 Taxable Variable Rate Demand Bonds.

These 34 year bonds will initially bear interest at a weekly rate, and are payable monthly. The bonds are subject to conversion to a fixed rate exercised at the direction of the Home. During 2011, the Home ended an Interest Swap Agreement with a third party bank whereby the Home was paying no more than 2.618% per annum.

In accordance with the terms of the bond indenture, the Home must maintain a debt service reserve fund in the amount of \$385,875 to be used by the trustee in the event of default of payments of principal or interest on the bonds. These funds are included as part of “Investments Reserved” on the Home’s Statement of Financial Position.

The bonds are secured with a mortgage lien in the name of the Connecticut Health and Educational Facility Authority on all of the land and improvements owned by the Home in Brooklyn, Connecticut. The Home has also granted a security interest in substantially all of its other assets and income excluding the Home’s endowment funds. The Home has delivered a title insurance policy to the trustee in an amount equal to the principal amount of the bonds.

C. Annual Payments on Debt

All interest on these bonds has been expensed during this fiscal year. These bonds are payable as follows:

Fiscal Year Ended	1999 Bonds	2008 Bonds	Total
2013	\$ 190,000	\$ 125,000	\$ 315,000
2014	195,000	130,000	325,000
2015	200,000	135,000	335,000
2016	210,000	140,000	350,000
2017	215,000	150,000	365,000
Thereafter	3,190,000	7,390,000	10,580,000
Less current portion	(190,000)	(125,000)	(315,000)
	<u>\$4,010,000</u>	<u>\$7,945,000</u>	<u>\$ 11,955,000</u>

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

12. Bonds Payable (Continued)

D. Debt Covenants

Pursuant to the terms of the bond indenture for the 1999 Variable Rate Demand Bonds and the 2008 Variable Rate Demand Bonds, the Home is required to maintain certain defined debt service coverage ratios and 200 days cash on hand.

13. Sewer and Water Line Assessments

The Home was assessed a total of \$102,000 for a sewer assessment for both the nursing home facility and the administrator's house located on the property. The first payment was due on February 1, 1993, with subsequent annual installments, plus interest at 2% per annum, due each February 1. The assessment was paid in full on February 1, 2012.

14. Net Assets

Temporarily restricted net assets are available for the following purposes:

	2012	2011
Brooklyn collaborative	\$ 323	\$ 1,309
Dementia program	16,307	16,307
Donor restricted gifts	5,193	9,144
	<u>\$ 21,823</u>	<u>\$ 26,760</u>

15. Pension Expense

The Home has a defined contribution pension plan. The plan qualifies as a 401(k) plan. As a result a participant may elect to defer a percentage of their compensation each year. The Board may make matching contributions up to 4% of the covered payroll for the 2012 calendar year. Amounts in each participant's account are fully vested after six years of service.

Pension expense for 2011 amounted to \$16,568 and 2012 expense was \$15,279.

16. Contractual Allowances with Third-Party Payers

Pierce Memorial Baptist Home, Incorporated provides service to certain residents under various third-party payer agreements. The amounts and percentages of resident revenue derived from residents solely living in the nursing home covered under these agreements are as follows:

	Gross Revenues			Contractual Adjustments	
	Percent of Total Revenues	Amount	Anticipated Reimbursement	Amount	Percent of Related Gross Revenues
Private	14%	\$ 1,156,221	\$ 1,156,221	\$ -	0%
Medicaid	70%	5,965,968	4,261,182	1,704,786	29%
Medicare	16%	1,343,187	1,343,187	-	0%
	<u>100%</u>	<u>\$ 8,465,376</u>	<u>\$ 6,760,590</u>	<u>\$ 1,704,786</u>	<u>29%</u>

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

17. Fair Value Measurements

The following table presents the Home's fair value hierarchy for those assets and liabilities measured at fair value as of September 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash equivalents	\$ -	\$ -	\$ -	\$ -
Government bonds	140,013	-	-	140,013
Corporate bonds	243,918	-	-	243,918
Common stocks	4,399,069	-	-	4,399,069
Mutual funds	475,358	-	-	475,358
Real estate investment trusts	694,382	-	-	694,382
	<u>\$5,952,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,952,740</u>
Assets limited as to use				
Cash equivalents	\$ 385,888	\$ -	\$ -	\$ 385,888
Guaranteed investment contracts	336,909	-	-	336,909
	<u>\$ 722,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722,797</u>

17. Credit Concentration

The Home extends credit to residents of the facility, who come mainly from the State of Connecticut. Approximately 72% of its September 30, 2012 trade receivables are due from the State of Connecticut Medicaid program and 45% of its total revenues after contractual adjustments were from this program. Revenue is derived from private pay sources as well as Medicaid and Medicare funding.

18. Medicaid Rate Adjustment

The Medicaid rates paid to reimburse the Home are subject to audit. The prior period adjustment recorded as a non-operating expense of \$100,675 in 2011 is for a retroactive change in Medicaid rates for the fiscal years 2006-2009.

ADDENDUM

Monthly Meal Program

Resident of The Cottages at Creamery Brook can choose the option of having one main meal each day, in the dining room by joining the monthly meal program for an additional \$140 per resident or they can choose a main meal when they wish for an additional \$10 per meal. Please refer to page 37 in the Disclosure Statement.

I/We accept the monthly meal plan for an additional \$140 per resident, which will be added to the Monthly Service Fee. This includes one main meal each day, in the dining room.

I/We decline the monthly meal plan.

I/We understand and accept the terms of this Meal Program. I/We understand this addendum will become part of my/our Residency Agreement.

Resident

Date

Resident

Date

Creamery Brook Village Representative

Date