

WHITNEY CENTER

2015 Disclosure Statement

Whitney Center, like all other Continuing-Care (Life care) communities in the State of Connecticut, is subject to the Public Act. No. 86-252, concerning Management of Continuing-Care Facilities (the “Act”). Pursuant to the Act, Whitney Center is registered with the Connecticut Department of Social Services (“Department”). Registration under the Act does not constitute approval, recommendation, or endorsement of the community by the Department or the State of Connecticut, nor does such registration evidence the accuracy or completeness of the information in this Disclosure Statement.

You are advised that:

- A Continuing Care contract is a financial investment and that investment may be at risk;
- The Provider’s ability to meet its contractual obligations under such contract depends on its financial performance;
- You should consult with an attorney or other professional experienced in matters relating to investments in continuing care facilities before you sign a contract for continuing care;
- The Department of Social Services does not guarantee the security of your investment; and
- The disclosure statement is not complete unless current rate schedules are provided along with the rest of the disclosure statement

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INTRODUCTION

Whitney Center brings to the people of Hamden and Greater New Haven, who are age 62 and over, a way of retirement living known as continuing care or "life care". This concept offers residents lifetime use of a Residential Living Apartment, Assisted Living Services and nursing care in the on-site Nursing Center in accordance with the terms of a Residency Agreement. Whitney Center is owned by Whitney Center, Incorporated, a Connecticut not-for-profit corporation, which is committed to serving the best interests of Whitney Center and its residents.

One of the purposes of this Disclosure Statement is to explain to prospective residents, their families, and advisors who and what is involved in the operation of Whitney Center. This Disclosure Statement was prepared on the basis of assumptions believed to be realistic as of that date. Such assumptions are, of course, subject to change and in particular are significantly affected by changes in inflation and interest rates. Because of future changes in circumstances, Whitney Center expects that minor changes in the operation of Whitney Center may be necessary.

Although we have tried to prepare this Disclosure Statement carefully and have tried to use non-technical language, it is possible that there may be some minor differences between the text in this statement and the Residency Agreement attached hereto. In the event of any differences, the provisions of the Residency Agreement shall govern.

MISSION

Whitney Center's mission is Excellence in Senior Living.

VISION

Whitney Center will be a recognized leader in senior living services, the model of innovation and quality for consumers, providers and regulatory agencies.

VALUES

In carrying out our mission as a not-for-profit organization, we abide by principles that underlie every aspect of our organization's activities. Whitney Center's employees and board members are committed to these core values:

Community

- We have a responsibility, as a corporate citizen of the greater New Haven community, to maintain collaborative relationships with our neighbors.
- We provide leadership in the aging services industry by contributing resources and experience toward the improvement of services for older adults.

Respect

- We believe that every employee and resident is an independent and self-determining individual, each worthy of the utmost respect for their voice, individuality, and accomplishments.
- We understand & appreciate that aging is a lifelong process in which learning and growth opportunities are integral to maintaining a fulfilled lifestyle.
- We promote a work and living environment that enables residents and employees to continuously enhance their various dimensions of wellness: Physical Well Being, Nutrition, Social, Emotional, Spiritual, Intellectual, and Vocational.

Excellence

- We believe in the continuous pursuit of excellence in delivering the highest quality services possible.
- We strive to be the aging services provider of choice as well as the preferred employer in our market area.

Stewardship

- Every employee and board member has a responsibility to protect the assets and the good name of Whitney Center.
- We have the responsibility to advocate for the rights of all older adults.

Teamwork

- We believe that every employee and resident has a significant role in the ongoing affairs of our community and, therefore, seek to maximize opportunities for participation in all facets of our operation.
- We believe that transparency and good communication are vital to a healthy organization.

DEFINITIONS

Activities of Daily Living (ADL) – The basic tasks of everyday life, including ambulation, bathing, dressing, eating, oral hygiene, exercise and supervision in self-administration of medications.

Assisted Living – Refers to residents who require assistance with activities of daily living and/or medication management. Assisted Living services are provided through Whitney Center’s Assisted Living Services Agency (ALSA).

Chronic & Stable – A statutory term used to describe the health status of a resident who can appropriately receive long-term care services without the need for skilled nursing. The resident’s physician typically determines whether or not the resident is Chronic & Stable through an assessment of medical, physical, cognitive and mental health conditions.

Closing – The point at which a depositor is entitled to all rights conveyed by the Residency Agreement. This usually occurs when both parties sign the Residency Agreement and Whitney Center receives the appropriate entry fee.

Level of Care Determination - Whitney Center's guidelines for evaluating the individual healthcare requirements of residents and providing health services in the most appropriate setting possible. Briefly, the process includes the following:

- An Interdisciplinary Care Team (the resident, resident's family or representative, resident's primary care physician and Center's clinical, resident service and management staff) makes recommendations based on the resident's functional abilities in ADLs; safety, and other factors along with available support from a spouse or other sources.
- The Care Team's findings are discussed with the resident and, if appropriate, the resident's family. Every reasonable effort is made to arrive at a consensus agreement as to the setting that is in the resident's best interest.
- If determined appropriate, the resident is offered assistance in relocating to an available Assisted Living apartment or Nursing Center room.

Nursing Services – Any service provided by a licensed nursing professional (i.e., clinical assessments, blood pressure checks, blood sugar checks, injections, wound care and medication management).

Per Diem Period – Under the Modified contract, refers to the period of seven hundred thirty (730) days (not necessarily consecutive) after the first one hundred (100) days (not necessarily consecutive), exclusive of any Medicare-part A coverage, for which a resident is responsible for paying the market rate for Assisted Living or Nursing Center services.

Personal Options – Whitney Center's program of personal care and companion services available to residents in addition to those offered under the Residency Agreement.

Private Duty Services – Any service outside of the Residency Agreement for which a resident contracts with a provider who is not employed by Whitney Center. Typically, such services address a number of lifestyle needs by offering both assistance with activities of daily living and companion services.

Residential Living – Refers to residents living safely in an apartment without any assistance in activities of daily living and/or medication management.

Spell of Illness – A Medicare defined term that establishes the parameters by which a resident can reside in the nursing center on a temporary basis. It is a period of consecutive days, beginning with the first day on which a Resident receives care for a specific condition, and ending after 60 consecutive days from the time the Resident stops receiving care for that condition.

I. THE PEOPLE

WHITNEY CENTER, INCORPORATED

Whitney Center, Incorporated is a Connecticut 501(c)(3) not-for-profit corporation organized for the purpose of owning and operating the Whitney Center retirement community. Its principal business address is 200 Leeder Hill Drive, Hamden, Connecticut 06517. Whitney Center, Incorporated is not affiliated with a religious, charitable, or other not-for-profit organization. Whitney Center does not own or operate any other retirement community.

No part of the earnings of Whitney Center, Incorporated may be used for the benefit of or be distributed to its officers, directors, or other private individuals except as reasonable compensation for services rendered.

The Board of Directors of Whitney Center, Incorporated consists of up to 18 members whose expertise lay in such areas as banking, law, hospital administration, and medicine. The directors receive no compensation for their services on the board. Neither the directors, nor any persons involved in the management of Whitney Center, have any proprietary interest in Whitney Center.

OFFICERS AND DIRECTORS

The Board of Directors of Whitney Center, Incorporated has the overall responsibility for Whitney Center including strategic planning and the approval of annual budgets.. People and entities referred to herein have assumed no financial responsibility for the fulfillment of agreements of Whitney Center, Incorporated.

The officers and directors of Whitney Center, Incorporated as of 6/15/15 are listed below:

Michael Carbray

Director, 90 West Todd Street, Hamden, Connecticut 06518. Mr. Carbray is General Manager at Amphenol Spectra-Strip. He is currently a member, Board of Directors Wire & Cable Manufacturers Alliance and member, Hamden Chamber of Commerce. He is founder and President of the Michael Zgradden memorial Scholarship, former Chairman of the Board of Directors Hamden Chamber of Commerce, former Planning and Zoning Commissioner Town of Hamden. (Year service commenced – 2009)

Paul Cleary

Director, 199 Totoket Road, Branford, Connecticut 06405. Mr. Cleary is Dean of Public Health, Anna M.R. Lauder Professor of Public Health, Chair, Department of Epidemiology and Public Health, Yale School of Medicine. He currently serves on the Board of Trustees, Associates of the Cushing/Whitney Medical Library and the Internal Advisory Committee, Claude D. Pepper Older Americans Independence Center at Yale

University. In 2010, Mr. Cleary received the Picker Award for Excellence in the Advancement of Patient-Centered Care. (Year service commenced – 2013)

Michael Dimenstein

Director, 50 Dogwood Circle, Woodbridge, Connecticut 06525. Mr. Dimenstein is Vice President, System Compensation and Benefits for Yale New Haven Health, the system that includes Yale-New Haven Hospital, Bridgeport Hospital, Greenwich Hospital and Northeast Medical Group. He is a member of the American Society for Healthcare Human Resources Administration of the American Hospital Association and the Society for Human Resource Management, and is a Certified Compensation Professional by World At Work. Mr. Dimenstein was appointed by Governor Dannel Malloy to the Connecticut Workers' Compensation Commission's Advisory Board. He currently serves on the Boards of Directors of Chapel Haven and Congregation Mishkan Isreal. (Year service commenced - 2011)

Robert Harrity

Director and Treasurer, 55 Knollwood Drive, North Haven, Connecticut 06473. Mr. Harrity is a Principal with Ross Institutional Investors LLC in New Haven Connecticut. He is a Senior Financial Executive with extensive international and domestic experience in investment and commercial banking. Mr. Harrity's past accomplishments include Managing Director with Citigroup/Citibank, New York, NY; Managing Director, Corporate Finance at Chemical Bank/JP Morgan Chase; Managing Director, Investment Banking at Merrill Lynch; and Vice President, Corporate Finance at The First Boston Corporation. Mr. Harrity has been a guest speaker at The Wharton School, Georgetown University and The Darden School at UVA. (Year service commenced – 2012)

Nancy Hutchings

Director, 200 Leeder Hill Drive, Hamden, Connecticut 06517. Mrs. Hutchings is a resident of Whitney Center and currently serves as President of its Residents' Council.

Jane Jervis

Director and Secretary, 36 Lincoln Street, New Haven, Connecticut 06511. Ms. Jervis has been a consultant in higher education for Antioch College, Goddard College and Biosphere II. She has been president, Lincoln-Bradley Neighborhood Association in New Haven, Connecticut; founding board member of the Home Haven / East Rock Village Association; and a reader for the Recording for the Blind and Dyslexic. Ms. Jervis's past accomplishments include CT Legislative Task Force on Aging in Place, and has chaired numerous accreditations for Northwest Association of Schools and Colleges. (Year service commenced – 2014)

Jerrold Kaplan, M.D.

Director, 49 Bishop Road, Chester, Connecticut 06412. Dr. Kaplan is owner of Kaplan Rehabilitation, LLC. He is currently Assistant Clinical Professor of Orthopedics and Rehabilitation, Yale University School of Medicine; Assistant Professor, Department of Traumatology and Emergency Medicine University of Connecticut School of Medicine in Farmington, Connecticut; and Clinical Adjunct Assistant Professor at Quinnipiac University. Dr. Kaplan is past Vice President and Medical Director of Gaylord Hospital. Dr. Kaplan is an Assistant Scout Master for Boy Scout Troop 610 in Hamden (Year service commenced 2012).

Margaret P. Mason

Director and Vice Chair, 255 Boston Street, Guilford, Connecticut 06437. Ms. Mason is a partner in the national law firm of LeClairRyan in its New Haven office. She practices

in the areas of employment advice and litigation, medical malpractice defense and general business litigation. Ms. Mason serves on the Board of Directors of New Haven Legal Assistance Association, Inc., the Board of Directors of the John B. Pierce Laboratory, and the Board of Trustees of the John B. Pierce Foundation. Ms. Mason is past president of the New Haven County Bar Association and of The Quinnipiack Club. She served on and chaired the Connecticut Statewide Grievance Committee. She is an elected member of The American Law Institute. She teaches Trial Practice at the Yale Law School. (Year service commenced 2008)

Martha Mitchell

Director, 110 Cleveland Road, New Haven, Connecticut 06515. In 2012, Ms. Mitchell retired after 38 years of holding dual faculty and service positions: at Yale School of Nursing as Associate Clinical Professor and at Yale School of Medicine as Lecturer in Psychiatry, and at the Connecticut Mental Health Center (CMHC). At CMHC she was Chief Nurse Executive for 17 years and later a lead clinician in outpatient treatment programs. She has a bachelors and masters degree in nursing, and did post-masters training in her specialty. Ms. Mitchell has been recognized for numerous professional services including Commissioner on the President's Commission on Mental Health; Chairperson, Executive Committee of Psychiatric Nursing Division, and American Nurses Association. She received the John Carroll Award from Georgetown University. (Year service commenced 2013).

Robert O'Dea

Director, 22 Pierce Lane, Madison, Connecticut 06443. Mr. O'Dea is a Financial Advisor, Vice President of Investments, Wealth Brokerage Services with Wells Fargo Advisors. He delivers comprehensive financial services to a spectrum of individuals and institutions. Mr. O'Dea has formed a productive partnership in Wealth Brokerage Services throughout Connecticut. He currently volunteers in the New Haven School System to provide financial education seminars for students, and serves as lead liaison for the Private Bank in support of the New Haven Promise. (Year service commenced 2011).

Shawn O'Sullivan

Director, 200 Squaw Lane, Guilford, Connecticut 06437. Mr. O'Sullivan is a partner at the law firm of Davis O'Sullivan & Priest, LLC in New Haven, Connecticut and practices in the areas of estate planning, probate and trust administration and taxation. He is a member of the Connecticut Bar Association and New Haven County Bar Association. (Year service commenced – 2007)

David Pearson

Ex-officio (non-voting) Immediate Past Chair, 25 Thimble Farm Road, Branford, Connecticut 06405. Dr. Pearson received his doctoral degree in epidemiology (health policy) from Yale University. He holds a Master of Public Health degree from the University of Michigan and a Bachelor of Science degree from the State University of New York at Cortland. He retired as the Everett Sackett Professor of Health Management and Policy, University of New Hampshire, and currently consults with non-profit organizations on governance and strategic management. For over two decades he was on the faculty of the Department of Epidemiology and Public Health, Yale University School of Medicine, including as associate dean. He served in the Kennedy and Johnson administrations and contributed to various legislative proposals, federal regulations and programs. Currently, Dr. Pearson is a member of the State of

Connecticut's Quality of Care Advisory Committee plus its Subcommittee on Hospital Best Practices. (Year service commenced - 2005)

Wesley Poling

Director, 24 Crestview Drive, North Haven, Connecticut 06473. Mr. Poling recently retired from Yale University as Director, Yale Graduate School Capital Giving. He is past President of Kentucky Wesleyan College. Mr. Poling currently volunteers as a tutor with New Haven Reads, and is a member, Board of Deacons with the Church of Redeemer in New Haven, and a Fellow, Berkeley College, Yale University. He is a former Treasurer, Executive Committee of the National Association of Independent Colleges and Universities, and past member, Board of Directors, Owensboro Chamber of Commerce. (Year service commenced – 2014)

Michael B. Rambarose

Director ex-officio, 26 Rustic Terrace, Portland, Connecticut 06480. Mr. Rambarose is the President & CEO of Whitney Center. He holds an undergraduate degree from Embry-Riddle Aeronautical University and an MBA from the Lubin School of Business at Pace University. Mr. Rambarose is an experienced leader, having served two terms in the U.S. Navy and over 13 years in a variety of positions with senior health care systems in New York and Connecticut. Mr. Rambarose is a Fellow of the Leading Age Academy, CARF-CCAC Surveyor and has a professional affiliation with Leading Age. (Year service commenced - 2005)

Ronald T. Rozett, M.D., M.P.H.

Director, 58 Glen Parkway, Hamden, Connecticut 06517. Dr. Rozett is a graduate of Harvard Medical School and the Harvard School of Public Health. After clinical training, he became a member of the Internal Medicine faculty of the Yale University School of Medicine. Following several years in academic medicine, he practiced medicine as a primary care internist and geriatrician in a New Haven prepaid group practice, the Community Health Care Plan, CHCP. He also served as its Medical Director for nine years. After 17 years at CHCP, he moved to a rehabilitation hospital, Gaylord Hospital, to pursue his interest in the management of chronic disease and disability and continue his work as an administrator. Most recently he has been an Executive in Residence at the Quinnipiac University School of Business, the Director of its Master of Health Administration Program, and the Medical Director of the university's Physician Assistant Program. (Year service commenced – 2009)

Anthony F. Santore, CPA

Director and Chair, 30 Marion Drive, North Haven, Connecticut 06473. Mr. Santore is a principal with Beers, Hamerman & Company, P.C. Mr. Santore serves on the Board of Governors and is Treasurer of New Haven Country Club, Inc. He is also on the Board of Directors of Fair Haven Cemetery Association. He is a member of both the American Institute of Certified Public Accountants and the Connecticut Society of Certified Public Accountants (CSCPA). He also serves on the Non Profit Committee of the CSCPA, the Development Committee of the Community Foundation of Greater New Haven, Inc., and The Amity Club. He is the former Treasurer of the United Way of Greater New Haven, Inc. and has served on the Board of Directors of the Connecticut Community Investment Corporation and City Missionary Association. (Year service commenced – 2010)

THE ASSOCIATION OF RESIDENTS

All of the residents of Whitney Center are considered members of Whitney Center's Residents' Association. Each member is entitled to one vote at all regular and special meetings of the Association; general meetings are held twice a year. The Residents' Association elects a Residents' Council which, through its various committees, conducts the ongoing business of the Association.

MANAGEMENT

The Whitney Center management team operates under the direction of its CEO and President, Michael Rambarose. The senior team comprises a Chief Financial Officer, David Ratliff, a Chief Operating Officer, Ken Sandberg, a Health Care Administrator, Peggy Joyce and a Human Resource Officer, Karyn Fryer. The remainder of the management team includes the Medical Director, department heads and other managers and supervisors.

II. THE CENTER

LOCATION

Whitney Center is located at 200 Leeder Hill Drive in Hamden, Connecticut on approximately 15 beautiful acres near Lake Whitney amidst pine trees and leafy shade trees. The uniquely-designed buildings complement an attractive, natural environment within minutes of New Haven and a wealth of intellectual, social and cultural venues that include some of the nation's finest universities, concert halls, museums, theatres and restaurants. The neighboring areas also offer shopping, professional offices, parks, golf courses and many recreational destinations.

WHITNEY CENTER

Whitney Center is a continuing care community designed to accommodate people 62 years of age or older. Whitney Center provides active residents a lifestyle designed to meet their unique needs and the freedom to pursue their personal interests. Continuing care communities, such as Whitney Center, encompass these important components: a private residence, a wide array of personal services, assisted living services, and the security of an on-site licensed skilled nursing center.

Whitney Center has 238 Residential Living Apartments in two buildings; the north building opened in 1979 (150 apartments) and the south building opened in 2011 (88

apartments), 17 Assisted Living and Memory Support apartments, and 59 skilled nursing beds. Community common areas include a cultural arts center, multiple dining venues, spa & salon, indoor heated swimming pool with spa, fitness center, wellness center, library, business center, convenience store/gift shop, bank, and parking garage.

The Nursing Center has both private and semi-private rooms and includes a recreation room, two resident lounges, a dining room, a secure patio, and access for residents to Whitney Center's full service salon, other dining venues and common areas. In addition to skilled nursing, services include inpatient and outpatient therapy including speech, occupational, and physical therapies. Restorative care is emphasized in order to help residents regain their independence and return to their apartments.

Outdoor amenities at Whitney Center include private gardens, walking trails, patios and a recently-added dog park.

ACCREDITATION

In February 1994, Whitney Center was first awarded accreditation by the Continuing Care Accreditation Commission (CCAC)/CARF in Washington, D.C. In 2013, it received reaccreditation through 2018. In 2013, Whitney Center was also accredited as a Person-Centered Long Term Care Facility.

To maintain accreditation, Whitney Center affirms its compliance with standards of excellence in governance and administration, finance, strategy and health and wellness.

Whitney Center's accreditation demonstrates to the general public and consumers that it is effectively carrying out its mission and meeting accreditation standards.

THE PERSONNEL

Whitney Center employs approximately 250 personnel led by a senior management team, department heads, and other managers. An organizational chart depicting these various departments and positions can be found in Exhibit A.

From time to time, Whitney Center may contract with additional service providers to enhance resident programs and amenities. Current partnerships include:

Alliance Rehab of Connecticut provides rehabilitative services at Whitney Center. All rehabilitative employees (physical, occupational and speech therapists) are employed by Alliance Rehab.

Whitney Center's Medical Director is employed by the Northeast Medical Group, which is part of Yale-New Haven Hospital and affiliated with Yale University School of Medicine. The Medical Director works closely with the management team to ensure that residents receive high quality care and services.

FUTURE EXPANSION PROJECTS

Strategic planning is ongoing at Whitney Center. We are exploring the addition of other health and wellness services and facilities to the Whitney Center campus, and the creation of new off-campus service programs.

CONTRACT OPTIONS

Whitney Center has contract options that allow people to become residents in whatever way is appropriate to their preferences and needs. Most new residents join the community in a residential living apartment with the ability to access other levels of care as needed. People with an immediate need for assisted living, memory support or nursing care can seek direct admission to those areas. Whitney Center takes pride in it's ability to be flexible and meet the unique needs of each resident.

Independent Living Entry Fees

Most residential living contracts require the payment of an entry fee in addition to an ongoing monthly fee. Direct admission to assisted living or nursing care does not have an entry fee. The amount of the entry fee depends on the size of the apartment and other contract options.

The Life Care Program

Residents who choose the "Life Care" contract option receive basic assisted living, memory support and nursing care with no increase to their apartment monthly fee. This is a popular option for people who want to know that they won't be hit with higher costs due to increasing long-term health care needs.

The Life Care monthly rate covers the basic semi-private room rate. There will be added expenses incurred for additional meals, supplies and therapy, or an upgrade to a private room. The specific obligations and benefits of this contract option are described in the contract - See Exhibit B. All contracts should be carefully reviewed before you sign.

The Modified Life Care Program

Whitney Center has a "Modified" contract for residents who have long term care insurance or who can self-insure future assisted living and nursing care services. Under the Modified Plan, residents pay a smaller entry or monthly fee but have more responsibility for future health care costs.

The Modified Plan includes a certain amount of discounted care that typically applies to temporary care and also includes the life care benefit after 730 days of full price care. The specific obligations and benefits of this contract option are described in the contract - See Exhibit B. All contracts should be carefully reviewed before signing it.

Other Contract Options

Whitney Center, under certain circumstances, may offer other contract options that are variations of the Life Care and Modified contracts. All terms will be specified in the applicable contract or a mutually executed contract addendum.

SERVICES & AMENITIES

The services and amenities provided by Whitney Center to residents are defined below and listed in the Residency Agreement, which governs all such obligations. Further specific details are provided in the Resident Handbook.

The provision of services may be modified by Whitney Center in consultation with the Association of Residents. Whitney Center reserves the right to modify the nature and extent of services offered and give residents advance notice of any changes in services.

Dining – Whitney Center offers four distinct dining venues; Center Stage, the Bistro / Marketplace, Private Dining Room and Fireside Room Pub.

- Center Stage – Offers a formal dining atmosphere and serve a variety of lunch and dinner options. Alcoholic beverage service is available. This venue includes a display cooking area.
- Bistro / Marketplace – This informal venue offers a variety of options throughout the day and evening. The Bistro features a coffee shop & desert bar and provides a mix of made to order and pre-packaged food options.
- Private Dining Room – In addition to serving as a space for private functions, this venue is used for theme dinners or special events
- Pub – The Fireside Room offers a full pub menu to accommodate cocktails or casual meals.

Whitney Center gives residents maximum control over their dining experience through a flexible spending plan that includes a dining points allowance. Residents make their own choice about where and what to eat including a la carte pricing, take-out service and guest meals in all dining venues. More details can be found in the resident guide.

Emergency Response – Whitney Center uses a pendant-based personal emergency response system that, when activated by the resident, alerts staff who are trained in first aid and CPR.

Fitness Center – Includes a variety of exercise equipment, swimming pool and whirlpool spa for use by residents on their own or under the guidance of a fitness trainer.

Flat Laundry - Whitney Center provides weekly service for the residents' flat laundry which is washed, dried, folded, and returned within a set time. This includes sheets, pillowcases, towels, face clothes, and dishcloths.

Maintenance of the Apartment - Whitney Center maintains all common areas and provides weekly housekeeping services. Housekeeping services include cleaning, dusting, and vacuuming the interior of the apartment; washing and waxing of hard surface floors; and cleaning ovens and windows as needed. Whitney Center also performs regular maintenance and incidental repairs of appliances, mechanical, electrical, plumbing and structural systems due to normal wear and tear in the Residential Living

apartments. Any Whitney Center property damaged by a resident or guest will be repaired at the resident's expense.

Residential Living apartments are evaluated for repainting every ten years unless waived by the then current resident. A resident may request to have new carpeting installed or existing carpeting cleaned due to normal wear after ten (10) years, either of which is at Whitney Center's discretion and expense. Replacement or deep cleaning of carpeting due to damage caused by the resident or resident's guest(s) will be at the resident's expense.

The staff assists residents in arranging and moving furniture as needed during the first three months of occupancy at no charge. This assistance is possible after that time at the resident's expense.

Parking – Every resident who owns a vehicle is allocated one parking space in either the common garage or in an open lot.

Personal Options – A wellness-based program that addresses lifestyle needs by offering companion and chore-services such as housekeeping & transportation (beyond the basic service included in the Residency Agreement), shopping and escorts. Services can be obtained in lieu of, or, in addition to ALSA services. The Personal Options program is not included within the scope of the Residency Agreement and is therefore billed separately by Whitney Center under a full disclosure pricing and services agreement.

Private Duty Personnel – Residents in Residential Living apartments may hire private duty assistants (service providers not employed by Whitney Center) in accordance with Whitney Center's private duty policy.

Reception Desk – Reception desks are operating at both the South (main) and North entrances to Whitney Center to provide a variety of concierge services.

Resident Service Attendants - Whitney Center employs staff to help maintain the general safety and security of residents as well as the buildings and grounds. Resident Service Attendants also assist residents with a variety of concierge type services.

Resident Service Center – Located at the entrance of the North building, Payments of fees, maintenance work orders, transportation, and other resident-related services can all be handled at the Resident Service Center.

Residential Living Apartment – Apartments include: individually controlled heating and air conditioning; full kitchen with major appliances (refrigerator, oven/range, microwave); and, utilities (electric, water, local telephone, basic satellite television). Some apartments are equipped with a washer and dryer; those apartments without a washer and dryer, have access to common area laundry facilities.

Salon & Spa – Offers hair styling, facials, massage therapy, manicures and pedicures.

Satellite Television - Whitney Center provides a basic satellite television package as part of the monthly service fee. Residents may have options for premium packages and alternative service providers depending on the location of the Residential Living

apartment.

Telephone Service - Whitney Center provides the basic telephone line and local telephone service as part of the monthly fee. Residents can choose to subscribe to a public telephone service provider at their own cost.

Transportation - Scheduled bus or other transportation services are generally provided Monday through Saturday. Regularly scheduled transportation includes stops at area shopping centers as well as medical and other professional offices. Special events transportation may be provided at extra cost to the resident.

Wellness Center- Whitney Center helps residents monitor their health and develop personal wellness plans and programs. Wellness services include may include consultations with a licensed nurse, spiritual care coordinator, podiatrist, hearing specialist, lab technician and a mental health professional.

Wellness Programs – Refers to a variety services, fitness activities, special programs and initiatives designed to foster the health and well-being of residents through seven dimensions: physical, nutritional, social, emotional, spiritual, intellectual and vocational.

Assisted Living

Assisted Living (AL) services are an integral part of Whitney Center’s continuum of care and are provided through our Assisted Living Services Agency (ALSA). Typically, AL services are rendered when a resident requires help carrying out his or her Activities of Daily Living (ADLs), which are defined as ambulation, bathing, dressing, eating, oral hygiene, exercise and supervision in self-administration of medications.

Once a resident’s potential need is identified, Whitney Center’s clinical staff will conduct an assessment to determine exactly what services are necessary and create a care plan that ensures the proper assistance while maintaining the highest degree of independence possible. These services may be provided in either a residential apartment or a designated assisted living apartment where there is more frequent and readily available assistance with ADLs and nursing services. Ongoing assessments, conducted at least every 120 days, will help to determine the most appropriate setting. Recommendations for a change in residential status will be made by an interdisciplinary care team comprising Whitney Center’s designated staff in consultation with the resident, the resident’s family (or designated representative) and the primary care physician, in accordance with Whitney Center’s Level of Care policy. Connecticut’s Assisted Living regulations requiring anyone receiving Assisted Living services to be “chronic and stable” will help guide decisions for admission and discharge into our AL program.

When the recommendation is made to change a resident's status to AL, our staff will work closely with the resident and the resident’s family to make the transition as smooth as possible. If the resident chooses to stay in his or her apartment, , Whitney Center will provide AL services in the residential apartment, up to one hour per day, at no additional cost per Exhibit D. Any additional services deemed necessary for the resident to live safely in the residential apartment will be charged on a fee-for-service basis. If the

resident chooses to move to the recommended AL apartment, then all ADL and nursing services will be provided, at no additional cost per Exhibit D. Two additional meals each day will be added to a resident's monthly billing statement when he or she is living in a designated AL apartment. Residents will receive AL services until no longer needed or such time that the resident qualifies for skilled nursing services in our Nursing Center. Federal and state regulations determining the need for 24-hour skilled or long term custodial nursing care will guide decisions for admission and discharge to the Nursing Center.

Within our Assisted Living program, we have developed designated memory support accommodations to meet the needs of those residents with cognitive impairment. This offers a secure and home-like environment with structured activities throughout the day.

To provide respite for caregivers, Whitney Center has a day program for those residents with cognitive impairment. The program, located within our memory support service, offers structured activities throughout the day.

Under the Modified Life Care Plan, after the first one hundred (100) days (not necessarily consecutive) of service covered under the monthly service fee, the resident will pay the then per diem Assisted Living rate for care in the residential apartment or a Studio / Alcove apartment in the Memory Support wing for the following seven hundred thirty (730) days (not necessarily consecutive). Proceeds from long term care insurance policies may be applied at any time, if applicable. At the end of the two year period, the resident, if continuing to maintain single occupancy in a Residential Living Apartment, will pay the then current monthly service fee plus additional charges specified in the Residency Agreement.

Nursing Center

Whitney Center retains a physician (MD) on a consulting basis to act as medical director for the Nursing Center.

In the event a resident requires skilled nursing care as defined by federal and state regulations, he or she will move to the Nursing Center from the apartment or from a hospital with a physician's medical order. Residents of Whitney Center have priority access to the Nursing Center over nonresident applicants desiring care. In the unusual event that the Center is at maximum capacity, Whitney Center, after consultation with the resident, family and the resident's physician will locate appropriate care in another facility until the appropriate accommodations become available in the Nursing Center. Whitney Center will be financially responsible for that portion of the cost of this alternative care that would have otherwise been included as part of the resident's life care contract.

Two additional meals each day will be added to a resident's monthly billing statement when he or she is living in the Nursing Center. Visitors are welcome and encouraged to visit. Friends, relatives, or spouses may enjoy meals with residents; please inform the staff in advance.

The Nursing Center clinical team determines the appropriate care plan for the resident upon his or her move to the Nursing Center. As a part of the determination, the resident's long-term ability to return to Residential Living is evaluated. The plan of care objective is to enable the resident to attain and/or maintain the highest possible quality of life in the most appropriate setting.

Residents who are able to do so will be encouraged to return to Residential Living as soon as practicable and may be able to, if recommended by the nursing care plan, visit their apartments with the assistance of volunteers or resident hired staff arranged through the ALSA or Personal Options programs as part of the rehabilitation process.

Residents who are unable to live safely in their Residential Living Apartment may relocate, either temporarily or permanently, to the Nursing Center. The determination of permanent relocation will come only after a thorough evaluation of a resident's situation per Whitney Center's Level of Care Determination policy; this process shall be completed within 90 days following temporary assignment to the Nursing Center.

Residents who remain in the Nursing Center in a temporary status for more than 100 days per Spell of Illness while maintaining single occupancy in a Residential Living Apartment, notwithstanding the "Level of Care Determination" recommendation, will be assessed additional charges as defined in Section III.C.3 of the Residency Agreement.

Under the Modified Life Care Plan, after the first one hundred (100) days of service covered under the monthly service fee, the resident will pay the then per diem Nursing Center rate for a semi-private room for the following two years; proceeds from long term care insurance policies may be applied during this time period. At the end of the two year period, the resident will pay the then current monthly service fee plus additional charges specified in the Residency Agreement.

When a resident is the sole occupant of an Apartment, the resident's permanent relocation shall result in the release of the resident's Residential Living apartment to Whitney Center for reservation by a new resident. In case of double occupancy, the remaining resident can continue to reside in the Apartment.

Services provided in the Nursing Center are described in Exhibit E.

III. COMMUNITY ADMISSIONS

THE RESERVATION PROCESS

A prospective resident's application for residency; Whitney Center's consideration of such application; and, the manner by which an applicant becomes a resident shall be uniformly applied to all applicants in accordance with Whitney Center's fair housing and non-discrimination policies and practices.

Unless waived by Whitney Center, the applicant must meet certain financial and physical health requirements for Residential Living. Financially, the resident must have assets and income which are sufficient under foreseeable circumstances to make payment of resident's obligations under the Residency Agreement and to meet ordinary and customary living expenses after assuming residency. The resident's physical and cognitive health must be such that the resident is determined to be able to live safely and independently by a comprehensive health assessment; additionally, the resident must be free of communicable disease.

The typical reservation and qualification process asks the prospective resident to:

1. Meet with a Whitney Center Retirement Counselor to select a specific Residential Living Apartment;
2. Complete a Confidential Financial Statement and submit it with supporting documentation (tax returns, brokerage statements, etc.);
3. Provide a Personal Health History Form completed by the applicant's primary care physician;
4. Meet with a member of the Whitney Center health services staff for a comprehensive health evaluation;
5. Submit proof of health insurance that meets Whitney Center requirements as stipulated in Paragraph IX of the Residency Agreement; and,
6. Submit a fully refundable Reservation Deposit that will be applied to the eventual Entry Fee payable upon move in.

THE RESIDENCY AGREEMENT

Prospective residents are urged to review carefully the details of the Residency Agreement before signing. Prospective residents are reminded that the Residency Agreement is personal in nature and does not give any person who is not a party to the Residency Agreement any right to reside at Whitney Center or receive any services provided under the Residency Agreement; this includes a nonresident spouse. The Residency Agreement contains, among other things, the terms concerning termination

and rescission rights, rights to use of the Apartment, rights to use of Assisted Living and the Nursing Center, provisions concerning reimbursement of the entry fee, and services provided to residents. A sample Residency Agreement is attached as Exhibit B.

A resident may rescind the Residency Agreement by giving Whitney Center written notice by registered or certified mail during the right of rescission period (within thirty (30) days from the date the Agreement is signed). In such event, the resident's entry fee deposit will be returned in full without interest, less those costs specifically incurred by Whitney Center at the resident's request and described in an addendum to the Residency Agreement signed by the resident. During the right of rescission period and until the apartment selected by the resident is available for occupancy, any entry fee payments made by the resident are required by state law to be held in an escrow account.

After the thirty (30) day right of rescission period, should the resident cancel or terminate the Residency Agreement prior to occupying the apartment, the timing and amount refunded will depend upon the circumstances surrounding cancellation as set forth in Paragraphs XII.B and XII.C of the Residency Agreement.

Whitney Center may terminate the Residency Agreement only for reasons set forth in Paragraph XI of the Residency Agreement. Decisions concerning termination will be made by administrative personnel of Whitney Center with the advice of the medical director, as applicable. Unless required by a relevant statute, the resident will have no right to appeal a decision concerning termination.

In cases where personal financial resources prove inadequate, subsequent to the execution of the Residency Agreement, the resident may apply for special financial consideration by Whitney Center. Whitney Center will not ask a resident to leave solely because of justifiable inability to pay the monthly service fee. The circumstances under which a resident may remain at Whitney Center in the event of possible financial difficulty are set forth in Paragraph VIII.A. of the Residency Agreement.

ENTRY FEE AND MONTHLY SERVICE FEE

There are separate entry and monthly fees for first and second occupants. The entry fee is typically paid in two parts. An initial deposit of ten percent (usually 10%), is paid to reserve an apartment. The resident then pays the balance of the entry fee upon execution of the Residency Agreement by both parties. Monthly service fees are payable at the beginning of each month to cover current operating expenses.

The amount of the entry fee and the monthly service fees will be clearly stated in Paragraph III of the Residency Agreement.

The amount of the fees varies according to the size of Apartment, the life care option, and the entry fee refund plan selected. A price sheet of entry fee and monthly service fees is shown on the summary attached as Exhibit C. Monthly service fees may be increased by Whitney Center upon thirty (30) days written notice to the residents if Whitney Center, in its sole discretion, deems it necessary to meet the financial needs of operating Whitney

Center and to provide the required services to the residents.

Historically, average service fee increases for the past seven years have been:

<u>Year</u>	<u>Monthly Fee</u>	<u>Entry Fee</u>
2015	3.0%	0.00%
2014	3.0%	0.00%
2013	3.0%	0.00%
2012	3.0%	3.00%
2011	3.0%	3.00%
2010	3.0%	3.00%
2009	5.0%	3.00%

ENTRY FEE REFUND

Refund rules for contracts terminated before a resident moves in are set forth in Paragraph X of the Residency Agreement.

If a resident dies or withdraws after moving into Whitney Center, the resident may be eligible for partial reimbursement of the entry fee as set forth in Paragraph XII of the their Residency Agreement. Outstanding expenses and any other sums owed by the resident to Whitney Center will be deducted from any refund due. If the resident (or resident's estate) is due a refund, such refund will be made when payment of the entry fee for an apartment similar in size and fee schedule is made by a new resident, not to exceed eighteen months from termination.

The amount to be returned to the resident or the resident's estate, without interest, shall be equal to one of the following:

1. Traditional Entry Fee Option

An amount equal to the total Entry Fee paid less an administrative fee of ten percent (10%) of the Entry Fee and a two percent (2%) reduction of the original Entry Fee for each month of residency net of charges owed to Whitney Center.

2. 60% Refundable Entry Fee Option

An amount equal to the Primary Entry Fee less an administrative fee of ten percent (10%) of the Entry Fee and a two percent (2%) reduction of the original Entry Fee for each month of residency up to fifteen (15) months. Refund of the Second Person Entry Fee, if applicable, shall be calculated according to the Traditional Entry Fee Option.

3. 90% Refundable Entry Fee Option

An amount equal to the Primary Entry less an administrative fee of ten percent (10%) of the Entry Fee. Refund of the Second Person Entry Fee, if applicable, shall be calculated according to the Traditional Entry Fee Option.

APARTMENT RELOCATIONS

Residential Living residents may, at Whitney Center's discretion, relocate from one Apartment to another. The moving resident may need to pay a partial entry fee on the new unit, a transfer fee, or pay a portion of renovation expenses on their vacated unit depending on the circumstances of the move. For Life Care residents, their monthly fee while in health care will be the weighted average of their different apartment fees. All terms of the move will be reviewed with the resident in the advance of the move.

MARRIAGE AND RIGHTS OF SURVIVING SPOUSE

Married residents must each sign the Residency Agreement. Second Person Entry Fees and Second Person Monthly Service Fees will apply. If one spouse dies, the surviving spouse retains all rights as a resident and will be charged the Primary Monthly Service Fee. Entry Fee refunds, if applicable, would not be made until the surviving spouse terminates occupancy.

MARRIAGE AND SECOND PERSON AFTER OCCUPANCY

After occupancy, no person other than the resident signing the Residency Agreement may occupy the Apartment, except with written approval of the Center. Such second person must be qualified for residency in accordance with Center policy; residents may meet financial requirements jointly if their assets are joined through marriage. If a spouse or other person is accepted for residency, then both residents will sign an addendum to the resident's Residency Agreement. The Addendum will provide for payment of the then current Second Person Entry Fee; the Second Person Monthly Service Fee will commence upon occupancy by the new resident.

Two residents occupying different apartments may move into one apartment together subject to the Center's approval and review of financial eligibility criteria. Both residents must sign an Addendum to the Residency Agreement. The Addendum will provide for payment of the then current Primary and Second Person Entry Fee, less the sum of prior Entry Fees paid. If the combined prior Entry Fees are less than the then current Entry Fee for the chosen apartment, the residents must pay the difference; no refund will be issued if the combined prior Entry Fees are more than the then current Entry Fee for the chosen apartment. The Second Person Monthly Service Fee will commence upon joint occupancy.

IV. FINANCIAL STATEMENTS AND PROJECTIONS

FINANCIAL REPORTS

Whitney Center has been a successful senior living community since it opened in 1979. It can be hard to see that on our financial statements, because of how accounting rules apply to retirement communities. We sometimes report large annual losses even though we have positive cash flow.

Senior living communities like ours have special accounting rules for the treatment of initial entry fees, the down payment that residents pay when they first move in. We get all the money up front but only count some of it as income over a period of 8-12 years.

In 2013, for example, our audited statement of activity shows \$6.0 million of entry fee revenue while the audited cash flow statement shows actual entry fee receipts were \$11.9 million that year. We would have had positive income in 2013 if we were allowed to recognize all entry fees as revenue..

Another notable item is that our investment reserves have been going down the last few years. This is because we've been aggressively reducing debt for the last four years. While our unrestricted reserves went down \$3 million in 2013, we also paid off \$10 million of debt that year. Over the last 3 years, we've paid off over \$35 million of debt saving the company over \$2 million per year of interest expense.

Whitney Center strives to be completely transparent about our financial condition. We have resident members on both the board of directors and the board's finance committee. We seek resident input during our annual planning process and give residents an annual update on our budget and financial performance. Our sales team is ready to answer the questions of prospective residents or direct them to our CFO, Dave Ratliff.

FINANCIAL PROJECTION (PRO FORMA)

The following pages present pro forma financial statements for Whitney Center. The pro forma statements are based on the assumptions stated in the notes attached thereto and are projections of future activity rather than historical financial statements. The projected rates for income and expenses are not guaranteed. The percent of increase may be greater or lower based upon the increased cost to operate Whitney Center and other factors.

The pro forma projection is based upon experience and current estimates of future performance. Such estimates are, of course, dependent upon assumptions concerning many items, including inflation and interest rates, which are subject to change. It is believed that the pro forma cash flow projection reflects sound financial planning and a rational set of assumptions, based upon experience and insight.

Whitney Center, Inc.
Five Year Forecasted Statements
For the period beginning January 1, 2015

Notes to Financial Forecast:

Uncertainty of Forecast:

This forecast is based on certain assumptions about future events. Actual results are likely to vary from those forecast here, and that variance may be significant. The forecast has been prepared by management using the 2014 audit, 2015 annual budget, and other plans and projections.

The Community:

Whitney Center Inc. is a nonprofit corporation pursuant to Section 501(c)3 of the Internal Revenue Code that operates the Whitney Center retirement community in Hamden, CT. Whitney Center is governed by its board of directors, which approves the election of individual members. Day to day management is the responsibility of the CEO and other managers and department heads.

Whitney Center is a continuing care retirement community (CCRC). As a CCRC, the community includes independent living apartments, assisted living units, and nursing care beds. New residents typically pay an initial entry fee, which may be partially refundable, in addition to monthly or daily service fees and ancillary charges. Most resident contracts include a life care provision, which allows them to move to higher levels of care such as nursing with no increase in their monthly fee.

The community currently has approximately 314 units including independent living apartments, assisted care and memory support units and nursing beds. In October 2011, an expansion was completed that added new apartments, a new community center, a library, new dining areas, and a salon. Financing for this project was obtained from \$90M of tax-exempt bonds with various maturity dates through 2043. As of 12/31/14, \$39M of this debt had been paid off or is scheduled for repayment in early 2015.

Occupancy and Census:

The forecast assumes that occupancy will gradually increase over the next three years and stabilize at 92% average occupancy in late 2016. The forecast also includes assumptions about turnover that are consistent with actual results and a third-party actuarial forecast. Achieving high occupancy is a critical part of Whitney Center's business plan for the next few years.

Entry Fees:

The forecast assumes that new residents will pay entry fees consistent with current pricing and the current mix of options for refunds and health care. Entry fee prices are forecast to increase 3% per year. Actual price increases will be determined annually as part of the annual budget process.

In accordance with AICPA guidelines, entry fees are booked on the balance sheet as a liability and partially recognized as annual revenue over a period of years. This is similar to the way building costs are booked as assets, and then converted to annual depreciation expense. Annual entry fee cash flow has been greater than entry fee revenue in recent years.

Operating Revenue:

The forecast assumes that monthly, per diem and ancillary fees will be consistent with current rates, adjusted by inflation of 3% per year. Actual price increases will be determined annually as part of the annual budget process and may be more or less than 3%. In 2013, 2014 and 2015, most resident rates increased 3.0% effective January 1.

Operating Expenses:

The forecast assumes that operating expenses will be consistent with current costs, adjusted for occupancy and by inflation of 3% per year. Expense are reviewed as part of the annual budget process.

Income and Cash Flow

Whitney Center reports an annual loss of because accounting rules that do not allow the full amount of entry fee receipts to be recognized as revenue. The community has been using a substantial portion of entry fees to pay down debt over the last 3 years resulting in a \$38 million reduction in debt and \$2.4 million less annual interest but a reduction in unrestricted reserves from \$17 million to \$6.5 million. Whitney Center maintains a large reserve balance in unrestricted and trustee-held accounts.

Assets Limited to Use

Whitney Center's general investment fund is unrestricted. Money donated for restricted use is held separately from other accounts. A third-party trustee holds money in debt service reserve and operating reserve accounts as required by the state of Connecticut and receives monthly payments used to make semi-annual debt service payments.

Whitney Center, Inc.
Five Year Forecasted Statements
For the period beginning January 1, 2015

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>

Statements of Financial Position

Assets

Current assets:

Cash and cash equivalents	\$ 355,544	\$ 343,062	\$ 350,240	\$ 384,289	\$ 377,829
Accounts receivable, net	507,253	517,253	527,253	537,253	547,253
Other receivables	250,000	250,000	250,000	250,000	250,000
Prepaid expenses and other	292,219	292,219	292,219	292,219	292,219
Assets whose use is limited	958,472	977,641	997,194	1,017,138	1,037,481
Total current assets	<u>2,363,487</u>	<u>2,380,175</u>	<u>2,416,906</u>	<u>2,480,899</u>	<u>2,504,782</u>

Assets held by Trustee	8,397,127	8,374,127	8,353,127	8,334,127	8,317,127
Investment Accounts	6,542,097	9,036,781	10,108,752	11,122,102	12,074,486
Property, plant and equipment, net	84,498,797	81,994,559	79,442,321	76,842,083	74,193,845
Deferred marketing costs, net	2,715,819	2,129,933	1,544,047	958,161	372,275
Deferred financing costs, net	1,961,035	1,853,220	1,745,405	1,637,590	1,529,775
Other assets	-	470,538	1,016,267	1,613,054	2,259,182
Total assets	<u>106,478,362</u>	<u>106,239,332</u>	<u>104,626,825</u>	<u>102,988,016</u>	<u>101,251,472</u>

Liabilities and unrestricted net assets

Current liabilities:

Current portion of long-term debt	\$ 490,000	\$ 510,000	\$ 530,000	\$ 550,000	\$ 570,000
Accounts payable	854,837	864,837	874,837	884,837	894,837
Accrued expenses	2,898,641	2,927,627	2,956,903	2,986,472	3,016,337
Contract deposits	200,000	200,000	200,000	200,000	200,000
Total current liabilities	<u>4,443,478</u>	<u>4,502,464</u>	<u>4,561,740</u>	<u>4,621,309</u>	<u>4,681,174</u>

Long-term debt, less current portion	48,965,000	48,435,000	47,885,000	47,315,000	46,725,000
Deferred income from entry fees	40,094,420	41,350,152	40,993,643	40,644,964	40,305,657
Refundable entry fees	14,567,271	15,973,618	17,160,850	18,371,826	19,607,022
Deposits on apartments	28,710	28,710	28,710	28,710	28,710
Other Liabilities	2,493	-	-	-	-
Total liabilities	<u>108,101,371</u>	<u>110,289,944</u>	<u>110,629,943</u>	<u>110,981,809</u>	<u>111,347,563</u>

Unrestricted net assets	(1,623,009)	(4,050,612)	(6,003,118)	(7,993,793)	(10,096,091)
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Total liabilities and unrestricted net assets	<u>106,478,362</u>	<u>106,239,332</u>	<u>104,626,825</u>	<u>102,988,016</u>	<u>101,251,472</u>
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See notes to financial statements

Whitney Center, Inc.
Five Year Forecasted Statements
For the period beginning January 1, 2015

	<u>Year 1</u> <u>2015</u>	<u>Year 2</u> <u>2016</u>	<u>Year 3</u> <u>2017</u>	<u>Year 4</u> <u>2018</u>	<u>Year 5</u> <u>2019</u>
<u>Statements of Activities</u>					
Revenues and gains:					
Earned entry fees	\$ 6,465,258	\$ 6,573,259	\$ 6,659,504	\$ 6,617,534	\$ 6,576,939
Apartment revenue, net	10,783,425	11,384,973	12,023,396	12,336,824	12,658,332
Assisted Living revenue, net	1,342,245	1,382,512	1,423,987	1,466,707	1,510,708
Health Center revenue, net	3,706,236	3,962,265	4,231,642	4,362,150	4,496,894
Other operating income	757,458	804,539	854,335	884,508	915,889
Investment income and gain, net	209,607	210,202	235,218	246,043	256,321
Total revenues and gains	23,264,229	24,317,751	25,428,082	25,913,767	26,415,082
Expenses and losses:					
Salaries & wages	8,198,696	8,452,591	8,713,363	8,887,630	9,065,383
Employee benefits	1,852,400	1,947,211	2,046,643	2,128,509	2,285,834
Contract services	950,614	979,132	1,008,506	1,038,761	1,069,924
Food	1,168,059	1,251,821	1,340,415	1,394,032	1,449,793
Supplies	500,599	515,616	531,085	547,018	563,428
Ancillary health services	485,516	500,082	515,084	530,537	546,453
Utilities	1,391,229	1,432,966	1,475,955	1,520,234	1,565,841
Repairs & maintenance	377,320	388,639	400,299	412,308	424,677
Other operating expenses	1,415,463	1,457,927	1,501,665	1,546,715	1,593,116
Insurance	155,171	159,826	164,620	169,559	174,646
Depreciation and amortization	4,349,939	4,397,939	4,445,939	4,493,939	4,541,939
Interest	3,877,325	3,818,911	3,780,300	3,740,145	3,698,445
Property taxes	1,558,128	1,620,453	1,685,271	1,752,682	1,822,789
Loss on disposal of assets	50,000	51,500	53,045	54,636	56,275
Total expenses and losses	26,330,459	26,974,616	27,662,192	28,216,704	28,858,543
Net income (loss)	(3,066,230)	(2,656,865)	(2,234,110)	(2,302,938)	(2,443,461)
Unrealized gain/(loss) on investment	191,570	229,263	281,603	312,263	341,163
Change in unrestricted net assets	(2,874,660)	(2,427,603)	(1,952,507)	(1,990,675)	(2,102,298)

See notes to financial statements

Whitney Center, Inc.
Five Year Forecasted Statements
For the period beginning January 1, 2015

	Year 1	Year 2	Year 3	Year 4	Year 5
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Statements of Cash Flows</u>					
<u>Operating activities</u>					
Change in unrestricted net assets	\$ (3,066,230)	\$ (2,656,865)	\$ (2,234,110)	\$ (2,302,938)	\$ (2,443,461)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	4,349,939	4,397,939	4,445,939	4,493,939	4,541,939
Amortization of entry fees	(6,465,258)	(6,573,259)	(6,659,504)	(6,617,534)	(6,576,939)
Entry fee receipts, net of refunds	7,452,326	9,145,339	7,380,227	7,349,832	7,322,828
Gain on investments	(401,177)	(439,465)	(516,821)	(558,306)	(597,484)
<u>Other changes in operating activities</u>	-	-	-	-	-
Net cash provided by operating activities	1,869,599	3,873,688	2,415,731	2,364,993	2,246,883
<u>Investing activities</u>					
Capital expenditures	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)
Change in assets held by Trustee	5,408,432	23,000	21,000	19,000	17,000
Change in assets whose use is limited	(37,219)	(19,169)	(19,553)	(19,944)	(20,343)
Change in investments	200,000	(2,200,000)	(700,000)	(600,000)	(500,000)
<u>Capitalized marketing costs</u>	-	-	-	-	-
Net cash provided by investing activities	4,371,213	(3,396,169)	(1,898,553)	(1,800,944)	(1,703,343)
<u>Financing activities</u>					
<u>Payments on long-term debt</u>	(5,900,000)	(490,000)	(510,000)	(530,000)	(550,000)
Net cash used by financing activities	(5,900,000)	(490,000)	(510,000)	(530,000)	(550,000)
Change in cash and cash equivalents	340,813	(12,482)	7,178	34,049	(6,459)
Cash & Cash Equivalents at beginning of year	14,731	355,544	343,062	350,240	384,289
Cash & Cash Equivalents at end of year	355,544	343,062	350,240	384,289	377,829

See notes to financial statements

AUDITED FINANCIAL STATEMENTS

Whitney Center engages an outside accounting firm to prepared audited financial statements every year. Audited financial statements of Whitney Center for the years ended December 31, 2014 and 2013 and for the years ended December 31, 2012 and 2011 are attached as Exhibit F.

FUTURE HEALTH CARE SERVICE OBLIGATION

Whitney Center calculates the total present value of prepaid health care for present residents of Whitney Center including the expected discount that will be received by life care residents who will use the Health Center at a substantial discount to regular per diem rates. The calculation is based upon certain actuarial assumptions and methodology using mortality and morbidity rates taken from past actuarial reports. This calculated figure is not a current obligation but will be incurred over time as residents incur health care costs. Whitney Center's annual audit confirms this future cost will be covered by future payments and is not a current liability that would then be disclosed on the community's balance sheet.

V. REGULATORY MATTERS

REGISTRATION

Whitney Center is subject to the provision of the Connecticut Continuing-Care Facility Act - Public Act 86-252. In compliance with the Act, it has filed the following documents with the Connecticut Department on Social Services:

- (1) a current disclosure statement,
- (2) financial and actuarial information, and
- (3) escrow account verification and escrow agreements.

All documents filed are a matter of public record and may be reviewed at the Department's office at:

Department of Social Services
Elderly Services Division
25 Sigourney Street
Hartford, Connecticut 06106-5033

OPERATING RESERVE ESCROW

Whitney Center is also required to establish and maintain on a current basis an aggregate amount equal to:

- (1) all principal and interest, rental or lease payments due during the next 12 months on account of any first mortgage loan or other long-term financing; and
- (2) the total cost of operation of the community for a one-month period, excluding debt service and capital expenditures.

The Department is authorized to require a lesser amount, but Whitney Center does not now anticipate requesting such approval.

The reserve fund escrow account is established at:

US Bank
225 Asylum Street
Hartford, Connecticut 06103

INVESTMENT DIRECTION

Investment direction for the reserves will be made in accordance with the terms of the escrow agreements and in accordance with the direction of the Board of Directors upon

recommendation of the Board of Directors Investment Committee. Under the provisions of Public Act No. 86-252, operating reserve funds may not be invested in any building or health care center of any kind, or used for capital construction or improvements or for the purchase of real estate. Investment decisions will be made with an expectation of reasonable return while maintaining the security of the fund.

TAX DEDUCTIONS

Residents of Whitney Center may be allowed certain tax benefits. Historically, about 30% of life care entry fees have been deductible as a pre-paid medical expense in the year in which it is paid. Annually, a portion of monthly service fees may also be a deduction. In January of each year, Whitney Center will provide residents with information about tax deductions. All Whitney Center deductions are, of course, subject to limitations imposed by the Internal Revenue Code. It is advisable that the resident seek tax counsel before taking any of these deductions.

JUDICIAL PROCEEDINGS

No judicial proceedings have been initiated against Whitney Center, Incorporated as defined under Section 17a-362 (a) (4) of the Connecticut General Statutes or pursuant to State Regulation 17-548-3 (c) which govern the management of continuing-care facilities.

VI. EXHIBITS

EXHIBIT A: ORGANIZATIONAL CHART



WHITNEY CENTER
Organizational Table
January 2015

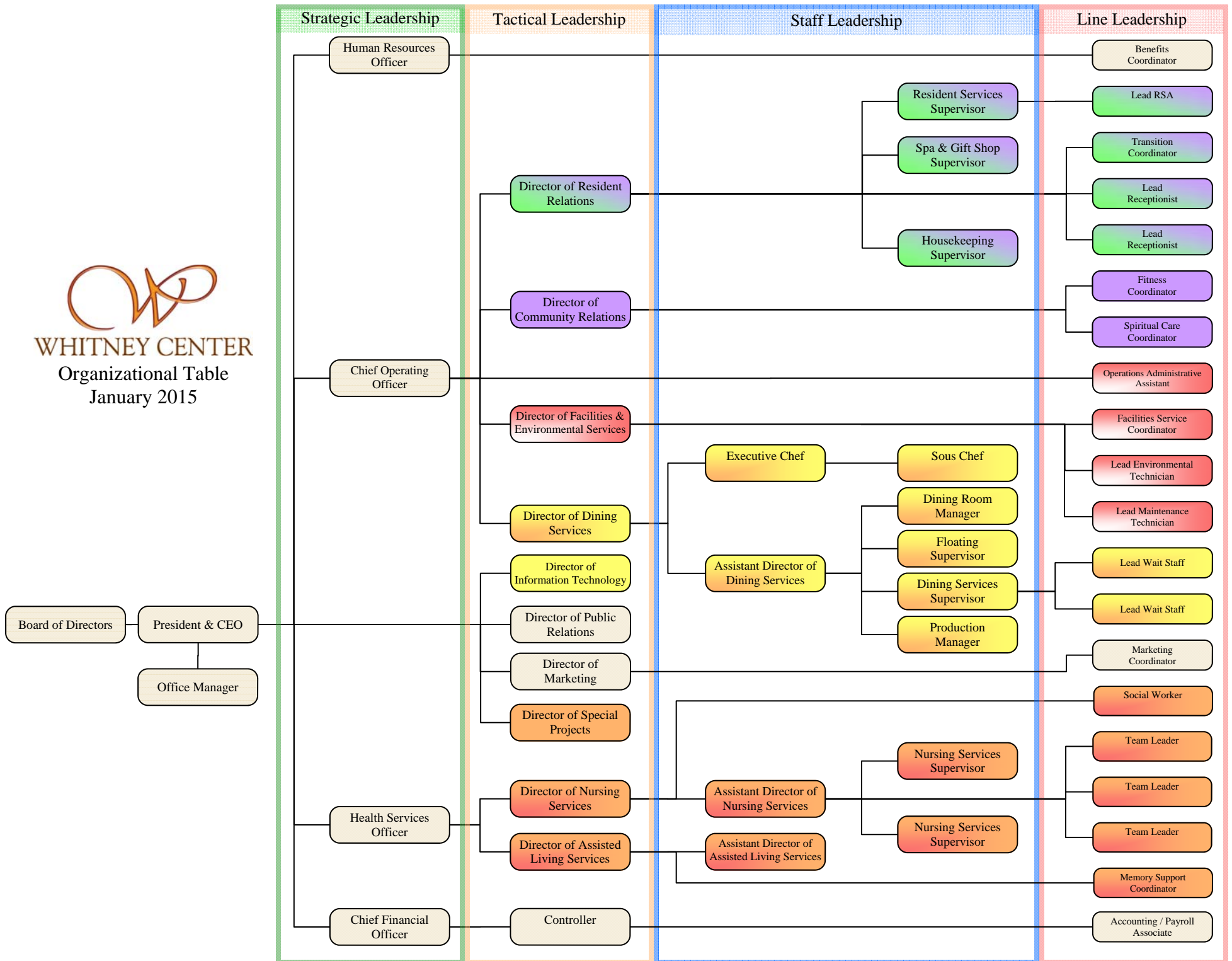


EXHIBIT B: RESIDENCY AGREEMENTS

- ❖ **Life Care**
- ❖ **Modified Life Care**

**WHITNEY CENTER
RESIDENCY AGREEMENT
LIFE CARE**

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**WHITNEY CENTER
RESIDENCY AGREEMENT
LIFE CARE**

RECITALS:

A. Whitney Center, Incorporated, (“Center”) is a not-for-profit corporation organized under the laws of the State of Connecticut. Center is exempt from the payment of federal income tax under Section 501 (c) (3) of the Internal Revenue Code.

B. _____, (“You”), being at least sixty-two (62) years of age, (or when two people are named in this Agreement, each of you and the survivor of you except as otherwise indicated) have entered into this Agreement with Center on this _____ day of _____, 20 ____.

I. CENTER OBLIGATION Center agrees to make available to you for as long as you live, subject to the terms of this Agreement, a Residential Living Apartment, (“Apartment”), No. ____, and to provide, for your lifetime, the services, utilities and furnishings (“Services”) described in Section II.A. below:

II. DESCRIPTION OF SERVICES TO BE PROVIDED

A. Center will provide for you the following services, utilities and furnishings, herein referred to as “Services” and further defined in Section II of the Disclosure Statement under Services & Amenities, without extra charge:

A flexible spending account of _____ points per quarter to be used in the various dining venues on campus;

Utilities, including: electric, water, local telephone service, and basic satellite television service;

Building and grounds maintenance;

Weekly housekeeping and flat laundry service;

Washer and dryer, either in common areas or in the Apartment;

Scheduled local transportation;

A variety of programs and activities;

On-site parking;

On-site security services;

24-hour emergency response;

Use of common areas, including: fitness center, swimming pool, whirlpool spa, library, business center and patios;

Access to Wellness Center services;

Meal delivery, when prescribed by Center’s nursing staff;

Assisted Living Services, per the Level of Care Determination, in the Residential Living Apartment or in a designated Studio or Alcove style apartment; and,

Nursing / personal care services in semi-private accommodations in the Center's licensed nursing center ("Nursing Center") for temporary stays up to one hundred (100) days per Spell of Illness and for permanent stays when the Apartment is released for resale.

Center, from time to time, may modify the nature and scope of the services outlined above. Center will notify residents in advance of any such change in service.

B. Center will provide for you the following services and features, herein referred to as "Additional Service", for an extra charge:

Additional dining;

Meal delivery for convenience;

Guest dining;

Premium television service;

Long distance phone service;

Guest accommodations;

Catering services;

Spa services;

Facsimile and copier services;

Supplemental chore services in the Apartment, such as personal laundry and handyman services;

Additional personal transportation services;

Organized travel and tickets to various attractions and events;

Assisted Living Services in the Residential Apartment when the Level of Care Determination recommends a move to a designated Assisted Living apartment;

Memory Support Day Program

Upgrade charge for one-bedroom accommodations in Assisted Living;

Upgrade charge for private accommodations in the Nursing Center;

Nursing / personal care services in the Nursing Center for temporary stays exceeding one hundred (100) days per Spell of Illness, notwithstanding the "Level of Care Determination" recommendation.

Physical, speech, and occupational therapies; and,

Other optional services as approved by Center.

III. COST TO YOU

A. Entry Fee

1. Amount of Entry Fee. Based on your selection of the _____ Entry Fee Option as indicated in Section XII.B, you agree to pay Center a Primary Entry Fee in the amount of \$_____. If two of you are residents pursuant to this Agreement, you agree to pay an additional, Second Person Entry Fee in the amount of \$_____. Your Total Entry Fee will be \$_____.

2. Payment Schedule:

a. Ten percent (10%) of the Total Entry Fee is due upon signing this Agreement, receipt of which is hereby acknowledged by Center, and to be held by First Niagara Bank, as escrow agent under the terms of an escrow agreement and subject to the laws of the State of Connecticut;

b. The balance of \$_____ of the Total Entry Fee shall be paid on or before occupancy, not to exceed ninety (90) days from the date that this Agreement is signed by both parties. Any extension of this deadline must be mutually agreed upon by you and Center in accordance with Center's policy.

B. Monthly Service Fee and Charges for Additional Service

1. Amount of Monthly Service Fee. The Primary Monthly Service Fee payable by you is \$_____. You will pay the additional Second Person Monthly Service Fee of \$_____ if two of you are residents pursuant to this Agreement. The Total Monthly Service Fee will be \$_____.

2. Payment. The Total Monthly Service Fee shall be paid in advance on the first day of each month. The first Total Monthly Service Fee, less the \$_____ Reservation / Priority Club deposit (if applicable) will be payable on the date the balance of the Total Entry Fee is due or upon occupancy, whichever is earlier. Pro-ration for a partial Monthly Service Fee, if applicable, shall be applied to the second month's payment.

3. Additional Service. Center will send you an invoice each month for any Additional Service that you received in the prior month. You agree to pay each invoice within fifteen (15) days of receipt.

4. Monthly Service Fee Increases. Center may increase the Monthly Service Fee (including any Second Person Monthly Service Fee) subject to thirty (30) days' prior written notice if Center, in its sole discretion, deems it necessary to meet the financial requirements of Center or to provide the Services to the residents.

C. Assisted Living and Nursing Center Services

1. Medical and personal care supplies;
2. Two additional meals per day;
3. If applicable, an upgrade charge for one-bedroom designated Assisted Living accommodations or private Nursing Center accommodations; and,
4. If you receive Assisted Living or Nursing Center Services on a temporary status for more than one hundred (100) days per Spell of Illness, notwithstanding the "Level of Care Determination" recommendation while maintaining single occupancy in a Residential Living apartment, you will pay:

- i. The then current LifeCare per diem rate for semi-private accommodations;
- ii. Plus your apartment Monthly Service Fee; and,
- iii. Fees for any additional service.

D. Collection

1. Late Payment Fee. A Late Payment Fee of one and one half percent (1½%) per month will be assessed on balances for Monthly Service Fees and other charges not paid by the due date. Center will continue to charge the late payment fee until any delinquent balance is paid in full.

2. Collection Costs. In the event Center must institute a legal action to collect any amounts owed to Center by you, you will be responsible for paying for the costs of such an action, including reasonable attorneys' fees and costs.

IV. TERMS OF RESIDENCY

A. Right to Occupy. Your right to occupy an Apartment at Center shall exist and continue during your lifetime unless revoked as provided for in Sections X. and XI. This Agreement grants to you a revocable privilege to occupy and use the Apartment. It does not grant you exclusive possession of any Apartment in Center. This Agreement is not a lease or easement and does not transfer or grant to you any interest in real property owned by Center. Your rights under this Agreement are not assignable and no rights or benefits under this Agreement shall inure to the use or benefit of your heirs, legatees, assignees or representatives.

B. Right of Entry. You agree that Provider and its 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 purpose. Moreover, Center may conduct periodic inspections to ensure that the Apartment is being maintained in safe and habitable conditions. If conditions are determined to be unsafe or uninhabitable by reasonable standards, Center may take action as necessary to appropriately rectify the situation.

C. Changes to Apartment and Refurbishment

1. Notwithstanding any other provisions in this Agreement, Center may change the Apartment to meet the requirements of the law. You agree not to make any structural or physical changes to your Apartment without Center's prior written consent. All such changes must comply with applicable governmental codes and regulations. You will be responsible for the cost of any materials and labor required to make any such approved changes. You or your estate will also be responsible for restoring the original decor when your Apartment is vacated, unless Center specifically grants you an exemption from this requirement.

2. You agree that you or your estate, upon vacancy of the Apartment, will be responsible for the cost of any materials and labor required to repair major damage to the Apartment caused by you or your guests and not as a result of normal use and wear. Such refurbishment shall include replacing or repairing damaged appliances, fixtures, walls, ceilings, floor coverings, cabinets, counter tops, windows, doors, lights and locks.

D. Pets

1. Pets will be permitted in the Apartment upon approval by Center. If Center determines that the pet is not suitable, then permission to keep the pet will be denied or revoked. Pets must be controlled by owner, properly registered, and routinely inoculated. Pets are permitted only in designated areas on the grounds of Center.

2. A plan to care for the pet, in the event of your inability to do so, must be provided to Center as a condition of approval.

3. You shall be responsible for keeping the pet properly restrained at all times, for cleaning up after the pet, and for the repair of any damages to the Apartment or common areas that may be caused by the pet.

E. Removal of Property.

1. All personal property must be removed from your Apartment and Storage Bin, within thirty (30) days of relocating to another Apartment, to a designated Assisted Living apartment, to the Nursing Center, or upon termination of this Agreement.

2. Upon relocation from the Nursing Center or upon termination of this Agreement, all personal property must be removed from your Nursing Center room within twenty-four (24) hours.

3. In the event disposition of your property by will or otherwise is not made, or in the event removal is not accomplished within the applicable timeframes as set forth above, then Center may remove and store such furniture, possessions and property at your expense or that of your estate.

F. Furnishings. Furnishings within the Residential Living Apartment or Assisted Living apartments will not be provided by Center. Furnishings provided by you shall not interfere with the health, safety and general welfare of all residents.

G. Level of Care Evaluations. In accordance with Center's Level of Care Determination Policy, Center may conduct periodic health evaluations to determine whether you require Assisted Living or Nursing Center services. You consent to such evaluations and agree to cooperate with the Center's staff conducting such evaluations. If Center determines based on such an evaluation that you require Assisted Living Services, you agree to receive those services in a designated Assisted Living Apartment and pay for such services, as applicable. If Center determines based on such an evaluation that you require permanent Nursing Center services, in accordance with Section VI. below, you agree to vacate the Apartment and assume occupancy in the Nursing Center.

H. Second Person After Occupancy.

1. No person other than you may occupy the Apartment except with the express written approval of Center. Such second person must be financially qualified for residency in accordance with Center policy, unless his or her assets are legally joined with yours.

2. In the event that a spouse or other person who is not a party to this Agreement is accepted for residency after the date of this Agreement (said acceptance to be in accordance with policies governing all other residency criteria except that your spouse may be under age sixty-two (62)), you and such person shall execute an addendum to this Agreement. Such addendum shall require that you and your spouse or other person be obligated to pay the then current Primary and Second Person Entry Fees for the Apartment of your choice, less the sum of

prior Entry Fees paid. The Second Person Monthly Service Fee will commence upon occupancy by the new resident.

3. In the event that you and another Center resident wish to move into an Apartment together, you may do so subject to Center's approval and review of financial eligibility criteria. You must both sign an Addendum to this Agreement. The Addendum will provide for payment of the then current Primary and Second Person Entry Fees less the sum of prior Entry Fees paid. If the combined prior Entry Fees are less than the then current total Entry Fee for the chosen Apartment, then you must pay the difference; no refund will be issued if the combined prior Entry Fees are more than the then current Entry Fee for the chosen Apartment. The Second Person Monthly Service Fee will commence upon join occupancy.

4. If such spouse or other person is not eligible for residency, he or she will not be permitted to occupy the Apartment for more than thirty (30) days (except with the express written approval of Center), and you may terminate this Agreement as provided in Section X. of this Agreement. The rights you have, if under age sixty-two (62), with respect to the Nursing Center are set forth in Section VI.C.

I. Resident Remaining in Apartment. In the event two (2) of you occupy an Apartment under this Agreement, upon the death or relocation of one to a designated Assisted Living apartment or to the Nursing Center, the other person shall continue to be allowed to occupy the Apartment, as the primary resident, under the terms of this Agreement.

V. ASSISTED LIVING

A. In the event Center determines, per its Level of Care Determination Policy, that you require Assisted Living services, you agree to utilize the services of Assisted Living in your residential apartment or a designated Assisted Living apartment. At that time you will have to sign a service plan agreement. Some services may be billable at rates established by Center as defined in Exhibit D.

B. In order to utilize Assisted Living Services, your attending Physician must certify that your health is in a "chronic and stable" condition.

C. In the event your medical condition requires that you permanently relocate to a designated Assisted Living apartment, per Center's Level of Care Determination Policy, Center shall have the right to assign the Apartment for occupancy by others. If Center subsequently determines that you can resume occupancy in accommodations equivalent to those you previously occupied, you shall have the right to relocate to such accommodations as soon as they are available.

D. You agree to relocate from an Assisted Living apartment to the Nursing Center on either a temporary or permanent basis if the Interdisciplinary Team determines that you require Nursing Center services.

VI. NURSING CENTER

A. In the event Center determines, per its Level of Care Determination Policy, that you require nursing care, you agree to relocate on a temporary basis to the Nursing Center where

Center is licensed to provide such care. Such nursing care accommodations shall be in a semi-private room.

B. In the event your medical condition requires that you permanently relocate to the Nursing Center per Center's Level of Care Determination Policy and you are a single occupant in the Apartment, Center shall have the right to assign the Apartment for occupancy by others. If Center subsequently determines that you can resume occupancy in accommodations equivalent to those you previously occupied, you shall have the right to relocate to such accommodations as soon as they are available.

C. In the event you are under age sixty-two (62), and occupy an Apartment under this Agreement, you may relocate to the Nursing Center for care but you will be charged the then-current per diem rate being charged a non-resident until you reach age sixty-two (62). If you are at least sixty-two (62) years old, you will be entitled to services in a semi-private accommodation in the Nursing Center as described in Section II.A. without additional charge, except as described in Section III.C.

D. Relocation to the Nursing Center, whether short or long-term, requires that you sign a Nursing Center Residency Agreement. All terms and conditions therein apply until such time that you return or relocate to an Apartment.

E. In the unlikely event that Center's Nursing Center is at maximum capacity, Center, after consultation with you, your family and physician, will locate appropriate care in another area nursing center until the appropriate accommodations at Center become available.

F. Center will designate a member in good standing of a licensed Connecticut general hospital as Medical Director. The Medical Director or a qualified physician designated by him or her will be on emergency call. Center will not be responsible for the cost of your medical treatment by the Medical Director, nor will Center be responsible for the cost of medicine, drugs, prescribed therapy, and the like.

VII. REPRESENTATIONS AND WARRANTIES OF RESIDENT

You represent and warrant to Center that:

A. All facts stated on your Confidential Data Application for Residency in Center are true and complete;

B. You have not made any gift of your property in contemplation of the execution of this Agreement; and

C. Upon execution of this Agreement, you shall be at least sixty-two (62) years old or shall be the spouse of a resident at least sixty-two (62) years old.

VIII. COVENANTS BY CENTER

Center covenants and agrees:

A. That it is and shall be the declared policy of Center to operate as a charitable organization and not to terminate this Agreement solely for reason of your financial inability of to pay the Monthly Service Fee, when you establish facts to justify deferment of such charges, and deferment of such charges can (in the sole discretion of Center) be granted without impairing

the ability of Center to operate on a sound financial basis on behalf of the other residents; provided, however, that you abide by the covenants expressed in Section IX. of this Agreement and that your representations and warranties in Section VII. were true, accurate and complete;

- B. To perform its obligations under this Agreement.

IX. COVENANTS BY YOU

You agree:

- A. To comply with all reasonable operating procedures of Center as now existing or as hereafter amended;

- B. To pay the Entry Fee, Monthly Service Fee, and charges for Additional Services as provided in this Agreement;

- C. To perform your obligations under this Agreement;

- D. Within sixty (60) days following assumption of residency hereunder, to make provision by Will or otherwise, for the disposition of all your furniture, possessions and property located at the premises of Center;

- E. That you are capable of meeting the eligibility criteria for Apartment residency and have demonstrated that your assets and income are sufficient under foreseeable circumstances and after payment of your obligations under this Agreement to meet ordinary and customary living expenses after you assume occupancy;

- F. Not to impair your ability to meet financial obligations under this Agreement by transferring and/or depleting assets other than to meet ordinary and customary living expenses;

- G. Not to assume significant changes in expenses after being financially qualified by Center which could impair your ability to meet financial obligations under this Agreement;

- H. To utilize all available resources, including any refundable portion of your entrance fee as a pre-requisite to fee deferral or hardship application;

- I. To maintain coverage under Medicare Parts A, B and D, if eligible, and one supplementary health insurance policy which covers skilled nursing care at Center. If not eligible for Medicare Parts A and B, you agree to maintain a health insurance policy which covers skilled nursing care at Center substantially equivalent to skilled nursing coverage under Medicare Parts A and B; if not eligible for Medicare Part D, or if you choose not to participate in Medicare Part D, you agree to maintain a health insurance policy that provides creditable prescription drug coverage. If you change any aspect of your health insurance coverage during residency, you agree to notify Center prior to such change; Center shall determine whether or not such change constitutes adequate coverage according to the provisions herein. If Center deems that you do not have adequate coverage and such coverage is unattainable by you, you agree to self-insure and demonstrate the financial wherewithal to do so for all health care services that would have otherwise been covered by an appropriate policy; you shall execute an addendum to this Agreement acknowledging your intent to self-insure.

- J. As a resident of a designated Assisted Living apartment or the Nursing Center, you agree to diligently obtain all payments, proceeds or other benefits available to you under any federal, state, municipal, private or supplemental insurance plans or entitlements. You also agree

that any amounts paid or owing to you from such plans for services rendered by Center shall be paid to Center. Such payments are in addition to, not in lieu of, your monthly service fee, when applicable;

K. To maintain "tenant insurance" covering your personal property and liability in the amount of at least \$100,000/\$300,000;

L. To maintain automobile insurance covering bodily injury and property damage liability in the minimum amount of \$100,000/\$300,000 and uninsured motorist protection in the amount of \$300,000 as long as you own or operate a motor vehicle;

M. To maintain the Apartment in a reasonably clean, safe and livable condition; reporting any mechanical or structural failures to Center as soon as detected;

N. To provide an annual update to the insurance section of the Confidential Data Form; and,

O. To abide by all other terms of this Agreement.

X. YOUR TERMINATION AND RESCISSION RIGHTS

A. You may rescind this Agreement by giving written notice, by registered or certified mail, of rescission to Center. Upon timely rescission this Agreement will automatically be canceled. Any money paid by you to Center will be refunded to you without interest, less those costs specifically incurred by Center at your request and described in an addendum to this Agreement signed by you. You shall not be required to pay the balance of the Entry Fee before the expiration of the thirty (30) day right of rescission period.

B. After the right of rescission period, if you die prior to the date your Apartment is ready for occupancy, or because of illness, injury or incapacity you are unable to occupy your Apartment under the terms of this Agreement, this Agreement will be canceled upon written notice, by registered or certified mail, to Center. If this Agreement is canceled, any money paid by you to Center will be refunded to you or your estate, without interest, within sixty (60) days, less those costs specifically incurred by Center at your request and described in an addendum to this Agreement signed by you.

C. After the right of rescission period, and for reasons other than those set forth in Section X.B. hereof, you may cancel this Agreement prior to Closing on your Apartment upon written notice, by registered or certified mail, to Center. If this Agreement is canceled, any money paid by you will be refunded to you, without interest, upon re-sale of the Apartment or sixty (60) days, whichever is earlier, less those costs specifically incurred by Center at your request and described in an addendum to this Agreement signed by you.

D. You may terminate this Agreement for any reason after Closing. Prior to termination of this Agreement, you shall give Center one hundred twenty (120) days' written notice, and shall pay the Monthly Service Fee until the expiration of such time. You shall be entitled to reimbursement of a portion of the Entry Fee as provided, and subject to the conditions indicated in Section XII. hereof.

XI. TERMINATION BY CENTER

Center may, upon notice and opportunity to cure as hereinafter provided, revoke your right to reside at Center and terminate this Agreement upon the occurrence of any of the following events (hereinafter called "Default"):

- A. Your failure to comply with reasonable Center operating procedures now existing or hereafter amended by Center;
- B. Creation by you of disturbance within Center detrimental to yourself or to other residents and staff;
- C. Your failure to pay the unpaid balance of the Entry Fee when due;
- D. Your failure to pay any Monthly Service Fee and charges for Additional Service when due; unless other mutually satisfactory arrangements have been made;
- E. Your failure to uphold the Covenants defined in Section IX. of this Agreement;
- F. You:
 - 1. Are or become infected with a dangerous or contagious disease; or
 - 2. Develop a medical condition which the Center is not licensed to treat or which is beyond the Center's area of specialization; or
 - 3. Transfer or deplete assets other than to meet ordinary and customary expenses.

Prior to termination for any Default by you as described in Subsections A-F of this Section (except with respect to Subsections A, B or F as provided below), Center shall give you notice in writing of such Default and you shall have thirty (30) days thereafter within which to correct such Default. If you correct such Default within such time, this Agreement shall not be then terminated. If you fail to correct such Default within such time, this Agreement shall terminate at the expiration of such thirty (30) days.

In the event of an occurrence described in Subsections A, B or F of this Section and a determination by the Medical Director that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you, the staff, or other residents of Center, then such notice and or waiting period prior to termination shall not be required. Also, in the event of the occurrence of any event described in Subsections A, B or F of this Section, Center is expressly authorized by you to relocate you to an appropriate health care center and will promptly notify your representative or your personal physician.

XII. REFUND OF ENTRY FEE

A. Prior to Closing, in the event this Agreement is canceled pursuant to Sections X. and XI., Center will refund a portion of amounts paid to such date, as outlined in Sections XII.B. and XII.C.

B. After you move into Center, in the event of your death (or if there are two of you, the death of the survivor) or in the event you terminate this Agreement pursuant to Section X. or Center terminates this Agreement pursuant to Section XI. and upon the reoccupation of the next similar style Apartment, our receipt of the then-current Entry Fee paid by the new resident of that Apartment, not to exceed 18 months from the date of termination, and providing there are no other refunds due on that similar size apartment before your termination date, we will return to you or to your estate, without interest, an amount equal to one of the following:

_____ *(Initial if selected)*
1. Traditional Entry Fee Option - An amount equal to the total Entry Fee paid less an administrative fee of ten percent (10%) of the Entry Fee and a two percent (2%) reduction of the original Entry Fee for each month of residency. Any charges owed by the resident to Center will then be deducted

_____ *(Initial if selected)*
2. 60% Refundable Entry Fee Option - An amount equal to the Primary Entry Fee less an administrative fee of ten percent (10%) of the Entry Fee and a two percent (2%) reduction of the original Entry Fee for each month of residency up to fifteen (15) months. Refund of the Second Person Entry Fee, if applicable, shall be calculated according to the Traditional Entry Fee Option. Any charges owed by the resident to Center will then be deducted.

_____ *(Initial if selected)*
3. 90% Refundable Entry Fee Option - An amount equal to your Entry less an administrative fee of ten percent (10%) of the Entry Fee. Refund of the Second Person Entry Fee, if applicable, shall be calculated according to the Traditional Entry Fee Option. Any charges owed by the resident to Center will then be deducted.

C. Specifically, Center will retain a sum equal to the amount of:

1. Non-reimbursed health care expenses incurred by Center for your care (except the cost of Services described in Section II.A. of this Agreement) during the term of your residency;

2. Any Monthly Service Fees, or other sums owed by you to Center under this Agreement; and

3. Any Monthly Service Fees deferred by Center on your behalf under Section VIII.A. hereof; and

4. Any other sums owed by you to Center.

XIII. RELOCATION TO ANOTHER APARTMENT

A. If, upon Center's approval, you relocate to a different Apartment, you may be required to pay an additional fee according to Center policy. You agree to pay the cost of refurbishing the former Apartment in accordance with Section IV.C. of this Agreement.

B. If, upon Center's approval, you relocate from your original Apartment to an Apartment with a different fee structure and subsequently relocate to Assisted Living or the Nursing Center on a permanent basis, your monthly fee, the "Calculated Monthly Service Fee" will be calculated as follows:

1. The then current Monthly Service Fee for each Apartment type you have occupied is multiplied by the number of months of occupancy in each (a fraction of a month shall count as a whole month);
2. the products are then added; and,
3. the sum is divided by the total number of months that you occupied Apartments at Center.

The Calculated Monthly Service Fee shall become effective upon the date of permanent relocation to Assisted Living or the Nursing Center. A resident who relocates from Assisted Living to the Nursing Center shall continue to pay the Monthly Service Fee calculated for the relocation from the Apartment to Assisted Living.

All fees shall be subject to periodic rate increases in accordance with the Residency Agreement. Fees for Assisted Living Services, private accommodations in the Nursing Center, extra meals and medical supplies will be charged as necessary per then current published rates.

C. Upon Center's approval of your request to relocate to another Apartment, you shall sign an addendum to this Agreement which will contain the provisions of the then current Agreement.

XIV. MISCELLANEOUS

A. Entire Agreement. This Agreement, including all exhibits, constitutes the entire agreement between Center and you. Center is not liable for nor bound in any manner by any statements, representations or promises made by any person representing or proposing to represent Center unless such statements, representations, or promises are set forth in the Agreement. Any modification of the Agreement must be in writing and signed by Center and you.

B. Amendment. Services described in Section II.A. of this Agreement may not be amended unless contained in writing, executed by you and Center. Additional Service described in Section II.B. may be amended subject to thirty (30) days' written notice if Center, in its sole discretion, deems it necessary to meet the financial requirements of Center or to provide the Additional Service to the residents.

C. Partial Illegality. The invalidity of any restriction, condition or other provision of this Agreement or any part of the same, shall not impair or affect in any way the validity, enforceability, or affect the rest of this Agreement.

D. Interpretation. This Agreement will be interpreted according to the laws of the State of Connecticut and will become effective upon acceptance and execution by Center.

E. Authorization. This Agreement has been executed on Center's behalf by its duly authorized agent, and no officer, agent, or employee of Center shall have any personal liability hereunder to you under any circumstances.

F. 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.

G. Consultation. Each person considering executing the Agreement should consult with his or her tax advisor regarding the tax consequences associated with this Agreement, including the application of the imputed interest provisions of Section 7872 of the Internal Revenue Code, as amended.

H. Indemnification. Center shall not be liable for, and you agree to indemnify and hold Center harmless from and indemnify Center against, any claims, damages or expenses, including attorneys fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligence, intentional act or omission or by the negligence or intentional act or omission of your guest or invitee.

I. Subordination. You agree that all of your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages that have been or will be executed by Center, except as provided by applicable law. Upon request, you agree to execute, acknowledge and deliver to the Center's lender or lenders such further written evidence of such subordination as such lenders may reasonably require.

J. Notices. All notices required by this Agreement shall be in writing and mailed, via registered or certified mail return receipt requested, or hand delivered (i) to Center at its address as shown below, and (ii) to you at the address shown below, or after your occupancy, by depositing the notice in your Center mailbox.

Whitney Center, Inc.
200 Leeder Hill Drive
Hamden, CT 06517
Attention: _____

Resident: _____

The address to which notice must be delivered may be changed from time to time by either party by written notice to the other party.

K. Assignment. Your rights under this Agreement are personal to you and cannot be transferred or assigned by any act of you, or by a proceeding at law, or otherwise. The Agreement shall bind and inure to the benefit of Center's successors and assigns and shall bind and inure to the benefit of your heirs, executors and administrators only in accordance with its terms.

XV. RESIDENT REPRESENTATIVE(S)

A. You hereby appoint the following individual(s) as your representative(s) to act on your behalf in all situations where participation of a representative is described in the Residency Agreement or Disclosure Statement. Where there is more than one representative identified, such representatives shall act jointly, unless otherwise indicated. In the event of a disagreement among the representatives, the decisions of the first named representative shall control. Center agrees that you may, upon notice to Center, change your representative at any time.

Name: _____
 Address: _____
 Phone: _____
 Power of Attorney
 Health Care Representative
 Other (specify) _____

Name: _____
 Address: _____
 Phone: _____
 Power of Attorney
 Health Care Representative
 Other (specify) _____

XVI. ACKNOWLEDGMENTS

A. You hereby certify that you have received a copy of this Residency Agreement, Center’s most recent Disclosure Statement and the name, address and telephone number of the escrow agent, on or before the date of this Agreement.

B. You hereby certify that you have entered into this Residency Agreement with Center and agree to the terms and covenants herein as of the date identified below.

C. Center hereby agrees that it has entered into this Residency Agreement with you and agrees to the terms and covenants herein as of the date identified below.

 PRIMARY RESIDENT

 WITNESS

 SECOND RESIDENT

 WITNESS

 By: WHITNEY CENTER, INCORPORATED

 DATE

**WHITNEY CENTER
RESIDENCY AGREEMENT
MODIFIED LIFE CARE**

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**WHITNEY CENTER
RESIDENCY AGREEMENT
MODIFIED LIFE CARE**

RECITALS:

A. Whitney Center, Incorporated, (“Center”) is a not-for-profit corporation organized under the laws of the State of Connecticut. Center is exempt from the payment of federal income tax under Section 501 (c) (3) of the Internal Revenue Code.

B. _____, (“You”), being at least sixty-two (62) years of age, (or when two people are named in this Agreement, each of you and the survivor of you except as otherwise indicated) have entered into this Agreement with Center on this _____ day of _____, 20 ____.

I. CENTER OBLIGATION Center agrees to make available to you for as long as you live, subject to the terms of this Agreement, a Residential Living Apartment, (“Apartment”), No. ____, and to provide, for your lifetime, the services, utilities and furnishings (“Services”) described in Section II.A. below:

II. DESCRIPTION OF SERVICES TO BE PROVIDED

A. Center will provide for you the following services, utilities and furnishings, herein referred to as “Services” and further defined in Section II of the Disclosure Statement under Services & Amenities, without extra charge:

A flexible spending account of _____ points per quarter to be used in the various dining venues on campus;

Utilities, including: electric, water, local telephone service, and basic satellite television service;

Building and grounds maintenance;

Weekly housekeeping and flat laundry service;

Washer and dryer, either in common areas or in the Apartment;

Scheduled local transportation;

A variety of programs and activities;

On-site parking;

On-site security services;

24-hour emergency response;

Use of common areas, including: fitness center, swimming pool, whirlpool spa, library, business center and patios;

Access to Wellness Center services;

Meal delivery, when prescribed by Center’s nursing staff;

Assisted Living Services in the Residential Living Apartment per the Level of Care Determination for services received outside the Per Diem Period as defined under Section III.C below.; and,

Assisted Living Services in a designated Studio or Alcove style apartment and Nursing / personal care in semi-private accommodations in the Center's licensed nursing center ("Nursing Center") for services received outside the Per Diem Period as defined under Section III.C below.

Center, from time to time, may modify the nature and scope of the services outlined above. Center will notify residents in advance of any such change in service.

B. Center will provide for you the following services and features, herein referred to as "Additional Service", for an extra charge:

Additional dining;

Meal delivery for convenience;

Guest dining;

Premium television service;

Long distance phone service;

Guest accommodations;

Catering services;

Spa services;

Facsimile and copier services;

Supplemental chore services in the Apartment, such as personal laundry and handyman services;

Additional personal transportation services;

Organized travel and tickets to various attractions and events;

Assisted Living Services in the Residential Apartment for services received outside the Per Diem Period as defined under Section III.C below when the Level of Care Determination recommends a move to a designated Assisted Living apartment;

Memory Support Day Program

Assisted Living Services in a designated Assisted Living apartment and Nursing / personal care services in semi-private accommodations in the Center's licensed nursing center ("Nursing Center") during the Per Diem Period as defined in Section III.C below;

Upgrade charge for one-bedroom accommodations in Assisted Living;

Upgrade charge for private accommodations in the Nursing Center;

Physical, speech, and occupational therapies; and,

Other optional services as approved by Center.

III. COST TO YOU

A. Entry Fee

1. Amount of Entry Fee. Based on your selection of the _____ Entry Fee Option as indicated in Section XII.B, you agree to pay Center a Primary Entry Fee in the amount of \$_____. If two of you are residents pursuant to this Agreement, you agree to pay an additional, Second Person Entry Fee in the amount of \$_____. Your Total Entry Fee will be \$_____.

2. Payment Schedule:

a. Ten percent (10%) of the Total Entry Fee is due upon signing this Agreement, receipt of which is hereby acknowledged by Center, and to be held by First Niagara Bank, as escrow agent under the terms of an escrow agreement and subject to the laws of the State of Connecticut;

b. The balance of \$_____ of the Total Entry Fee shall be paid on or before occupancy, not to exceed ninety (90) days from the date that this Agreement is signed by both parties. Any extension of this deadline must be mutually agreed upon by you and Center in accordance with Center's policy.

B. Monthly Service Fee and Charges for Additional Service

1. Amount of Monthly Service Fee. The Primary Monthly Service Fee payable by you is \$_____. You will pay the additional Second Person Monthly Service Fee of \$_____ if two of you are residents pursuant to this Agreement. The Total Monthly Service Fee will be \$_____.

2. Payment. The Total Monthly Service Fee shall be paid in advance on the first day of each month. The first Total Monthly Service Fee, less the \$_____ Reservation / Priority Club deposit (if applicable) will be payable on the date the balance of the Total Entry Fee is due or upon occupancy, whichever is earlier. Pro-ration for a partial Monthly Service Fee, if applicable, shall be applied to the second month's payment.

3. Additional Service. Center will send you an invoice each month for any Additional Service that you received in the prior month. You agree to pay each invoice within fifteen (15) days of receipt.

4. Monthly Service Fee Increases. Center may increase the Monthly Service Fee (including any Second person Monthly Service Fee) subject to thirty (30) days' prior written notice if Center, in its sole discretion, deems it necessary to meet the financial requirements of Center or to provide the Services to the residents.

C. Assisted Living and Nursing Center Services

1. After the first one hundred (100) cumulative days (not necessarily consecutive) and for a period of seven hundred thirty (730) cumulative days (not necessarily consecutive), exclusive of any Medicare-part A covered days ("Per Diem Period"), you will pay:

i. The then current market rates for Assisted Living or Nursing Center services;

- ii. Medical and personal care supplies;
 - iii. Two additional meals per day;
 - iv. If applicable, an upgrade charge for one-bedroom designated Assisted Living accommodations or private Nursing Center accommodations; and,
 - v. If you are a single occupant in the Residential Living Apartment and the Apartment is not released per the Level of Care Determination, the Monthly Service Fee in effect for the apartment pursuant to this Agreement.
2. Upon conclusion of the Per Diem Period, you will pay:
- i. The then current Monthly Service Fee in effect for the apartment pursuant to this Agreement;
 - ii. Medical and personal care supplies;
 - iii. Two additional meals per day;
 - iv. If applicable, an upgrade charge for one-bedroom designated Assisted Living accommodations or private Nursing Center accommodations; and,
 - v. If you are a single occupant in the Residential Living Apartment and the Apartment is not released per the Level of Care Determination, the Monthly Service Fee in effect for the apartment pursuant to this Agreement.

D. Collection

1. Late Payment Fee. A Late Payment Fee of one and one half percent (1½%) per month will be assessed on balances for Monthly Service Fees and other charges not paid by the due date. Center will continue to charge the late payment fee until any delinquent balance is paid in full.
2. Collection Costs. In the event Center must institute a legal action to collect any amounts owed to Center by you, you will be responsible for paying for the costs of such an action, including reasonable attorneys' fees and costs.

IV. TERMS OF RESIDENCY

A. Right to Occupy. Your right to occupy an Apartment at Center shall exist and continue during your lifetime unless revoked as provided for in Sections X. and XI. This Agreement grants to you a revocable privilege to occupy and use the Apartment. It does not grant you exclusive possession of any Apartment in Center. This Agreement is not a lease or easement and does not transfer or grant to you any interest in real property owned by Center. Your rights under this Agreement are not assignable and no rights or benefits under this Agreement shall inure to the use or benefit of your heirs, legatees, assignees or representatives.

B. Right of Entry. You agree that Provider and its 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 purpose. Moreover, Center may conduct periodic inspections to ensure that the Apartment is being maintained in safe and habitable conditions. If conditions are determined to be unsafe or uninhabitable by reasonable standards, Center may take action as necessary to appropriately rectify the situation.

C. Changes to Apartment and Refurbishment.

1. Notwithstanding any other provisions in this Agreement, Center may change the Apartment to meet the requirements of the law. You agree not to make any structural or physical changes to your Apartment without Center's prior written consent. All such changes must comply with applicable governmental codes and regulations. You will be responsible for the cost of any materials and labor required to make any such approved changes. You or your estate will also be responsible for restoring the original decor when your Apartment is vacated, unless Center specifically grants you an exemption from this requirement.

2. You agree that you or your estate, upon vacancy of the Apartment, will be responsible for the cost of any materials and labor required to repair major damage to the Apartment caused by you or your guests and not as a result of normal use and wear. Such refurbishment shall include replacing or repairing damaged appliances, fixtures, walls, ceilings, floor coverings, cabinets, counter tops, windows, doors, lights and locks.

D. Pets

1. Pets will be permitted in the Apartment upon approval by Center. If Center determines that the pet is not suitable, then permission to keep the pet will be denied or revoked. Pets must be controlled by owner, properly registered, and routinely inoculated. Pets are permitted only in designated areas on the grounds of Center.

2. A plan to care for the pet, in the event of your inability to do so, must be provided to Center as a condition of approval.

3. You shall be responsible for keeping the pet properly restrained at all times, for cleaning up after the pet, and for the repair of any damages to the Apartment or common areas that may be caused by the pet.

E. Removal of Property.

1. All personal property must be removed from your Apartment and Storage Bin, within thirty (30) days of relocating to another Apartment, to a designated Assisted Living apartment, to the Nursing Center, or upon termination of this Agreement.

2. Upon relocation from the Nursing Center or upon termination of this Agreement, all personal property must be removed from your Nursing Center room within twenty-four (24) hours.

3. In the event disposition of your property by will or otherwise is not made, or in the event removal is not accomplished within the applicable timeframes as set forth above, then Center may remove and store such furniture, possessions and property at your expense or that of your estate.

F. Furnishings. Furnishings within the Residential Living Apartment or Assisted Living apartments will not be provided by Center. Furnishings provided by you shall not interfere with the health, safety and general welfare of all residents.

G. Level of Care Evaluations. In accordance with Center's Level of Care Determination Policy, Center may conduct periodic health evaluations to determine whether you require Assisted Living or Nursing Center services. You consent to such evaluations and agree to cooperate with the Center's staff conducting such evaluations. If Center determines based on such an evaluation that you require Assisted Living Services, you agree to receive those services in a designated Assisted Living Apartment and pay for such services, as applicable. If Center determines based on such an evaluation that you require permanent Nursing Center services, in accordance with Section VI. below, you agree to vacate the Apartment and assume occupancy in the Nursing Center.

H. Second Person After Occupancy.

1. No person other than you may occupy the Apartment except with the express written approval of Center. Such second person must be financially qualified for residency in accordance with Center policy, unless his or her assets are legally joined with yours.

2. In the event that a spouse or other person who is not a party to this Agreement is accepted for residency after the date of this Agreement (said acceptance to be in accordance with policies governing all other residency criteria except that your spouse may be under age sixty-two (62)), you and such person shall execute an addendum to this Agreement. Such addendum shall require that you and your spouse or other person be obligated to pay the then current Primary and Second Person Entry Fees for the Apartment of your choice, less the sum of prior Entry Fees paid. The Second Person Monthly Service Fee will commence upon occupancy by the new resident.

3. In the event that you and another Center resident wish to move into an Apartment together, you may do so subject to Center's approval and review of financial eligibility criteria. You must both sign an Addendum to this Agreement. The Addendum will provide for payment of the then current Primary and Second Person Entry Fees less the sum of prior Entry Fees paid. If the combined prior Entry Fees are less than the then current total Entry Fee for the chosen Apartment, then you must pay the difference; no refund will be issued if the combined prior Entry Fees are more than the then current Entry Fee for the chosen Apartment. The Second Person Monthly Service Fee will commence upon join occupancy.

4. If such spouse or other person is not eligible for residency, he or she will not be permitted to occupy the Apartment for more than thirty (30) days (except with the express written approval of Center), and you may terminate this Agreement as provided in Section X. of this Agreement. The rights you have, if under age sixty-two (62), with respect to the Nursing Center are set forth in Section VI.C.

I. Resident Remaining in Apartment. In the event two (2) of you occupy an Apartment under this Agreement, upon the death or relocation of one to a designated Assisted Living apartment or to the Nursing Center, the other person shall continue to be allowed to occupy the Apartment, as the primary resident, under the terms of this Agreement.

V. ASSISTED LIVING

A. In the event Center determines, per its Level of Care Determination Policy, that you require Assisted Living services, you agree to utilize the services of Assisted Living in your residential apartment or a designated Assisted Living apartment. At that time you will be required to sign a service plan agreement. Some services may be billable at rates established by Center as defined in Exhibit D.

B. In order to utilize Assisted Living Services, your attending Physician must certify that your health is in a “chronic and stable” condition.

C. In the event your medical condition requires that you permanently relocate to a designated Assisted Living apartment, per Center’s Level of Care Determination Policy, Center shall have the right to assign the Apartment for occupancy by others. If Center subsequently determines that you can resume occupancy in accommodations equivalent to those you previously occupied, you shall have the right to relocate to such accommodations as soon as they are available.

D. You agree to relocate from an Assisted Living apartment to the Nursing Center on either a temporary or permanent basis if the Interdisciplinary Team determines that you require Nursing Center services.

VI. NURSING CENTER

A. In the event Center determines, per its Level of Care Determination Policy, that you require nursing care, you agree to relocate on a temporary basis to the Nursing Center where Center is licensed to provide such care. Such nursing care accommodations shall be in a semi-private room.

B. In the event your medical condition requires that you permanently relocate to the Nursing Center per Center’s Level of Care Determination Policy and you are a single occupant in the Apartment, Center shall have the right to assign the Apartment for occupancy by others. If Center subsequently determines that you can resume occupancy in accommodations equivalent to those you previously occupied, you shall have the right to relocate to such accommodations as soon as they are available.

C. In the event you are under age sixty-two (62), and occupy an Apartment under this Agreement, you may relocate to the Nursing Center for care but you will be charged the then-current per diem rate being charged a non-resident until you reach age sixty-two (62). If you are at least sixty-two (62) years old, you will be entitled to services in a semi-private accommodation in the Nursing Center as described in Section II.A. without additional charge, except as described in Section III.C.

D. Relocation to the Nursing Center, whether short or long-term, requires that you sign a Nursing Center Residency Agreement. All terms and conditions therein apply until such time that you return or relocate to an Apartment.

E. In the unlikely event that Center’s Nursing Center is at maximum capacity, Center, after consultation with you, your family and physician, will locate appropriate care in another area nursing center until the appropriate accommodations at Center become available.

F. Center will designate a member in good standing of a licensed Connecticut general hospital as Medical Director. The Medical Director or a qualified physician designated by him or her will be on emergency call. Center will not be responsible for the cost of your medical treatment by the Medical Director, nor will Center be responsible for the cost of medicine, drugs, prescribed therapy, and the like.

VII. REPRESENTATIONS AND WARRANTIES OF RESIDENT

You represent and warrant to Center that:

- A. All facts stated on your Confidential Data Application for Residency in Center are true and complete;
- B. You have not made any gift of your property in contemplation of the execution of this Agreement; and
- C. Upon execution of this Agreement, you shall be at least sixty-two (62) years old or shall be the spouse of a resident at least sixty-two (62) years old.

VIII. COVENANTS BY CENTER

Center covenants and agrees:

- A. That it is and shall be the declared policy of Center to operate as a charitable organization and not to terminate this Agreement solely for reason of your financial inability of to pay the Monthly Service Fee, when you establish facts to justify deferment of such charges, and deferment of such charges can (in the sole discretion of Center) be granted without impairing the ability of Center to operate on a sound financial basis on behalf of the other residents; provided, however, that you abide by the covenants expressed in Section IX. of this Agreement and that your representations and warranties in Section VII. were true, accurate and complete;
- B. To perform its obligations under this Agreement.

IX. COVENANTS BY YOU

You agree:

- A. To comply with all reasonable operating procedures of Center as now existing or as hereafter amended;
- B. To pay the Entry Fee, Monthly Service Fee, and charges for Additional Services as provided in this Agreement;
- C. To perform your obligations under this Agreement;
- D. Within sixty (60) days following assumption of residency hereunder, to make provision by Will or otherwise, for the disposition of all your furniture, possessions and property located at the premises of Center;
- E. That you are capable of meeting the eligibility criteria for Apartment residency and have demonstrated that your assets and income are sufficient under foreseeable circumstances and after payment of your obligations under this Agreement to meet ordinary and customary living expenses after you assume occupancy;
- F. Not to impair your ability to meet financial obligations under this Agreement by transferring and/or depleting assets other than to meet ordinary and customary living expenses;
- G. Not to assume significant changes in expenses after being financially qualified by Center which could impair your ability to meet financial obligations under this Agreement;

H. To utilize all available resources, including any refundable portion of your entrance fee as a pre-requisite to fee deferral or hardship application;

I. To maintain coverage under Medicare Parts A, B and D, if eligible, and one supplementary health insurance policy which covers skilled nursing care at Center. If not eligible for Medicare Parts A and B, you agree to maintain a health insurance policy which covers skilled nursing care at Center substantially equivalent to skilled nursing coverage under Medicare Parts A and B; if not eligible for Medicare Part D, or if you choose not to participate in Medicare Part D, you agree to maintain a health insurance policy that provides creditable prescription drug coverage. If you change any aspect of your health insurance coverage during residency, you agree to notify Center prior to such change; Center shall determine whether or not such change constitutes adequate coverage according to the provisions herein. If Center deems that you do not have adequate coverage and such coverage is unattainable by you, you agree to self-insure and demonstrate the financial wherewithal to do so for all health care services that would have otherwise been covered by an appropriate policy; you shall execute an addendum to this Agreement acknowledging your intent to self-insure.

J. As a resident of a designated Assisted Living apartment or the Nursing Center, you agree to diligently obtain all payments, proceeds or other benefits available to you under any federal, state, municipal, private or supplemental insurance plans or entitlements. You also agree that any amounts paid or owing to you from such plans for services rendered by Center shall be paid to Center. Such payments are in addition to, not in lieu of, your monthly service fee, when applicable;

K. To maintain "tenant insurance" covering your personal property and liability in the amount of at least \$100,000/\$300,000;

L. To maintain automobile insurance covering bodily injury and property damage liability in the minimum amount of \$100,000/\$300,000 and uninsured motorist protection in the amount of \$300,000 as long as you own or operate a motor vehicle;

M. To maintain the Apartment in a reasonably clean, safe and livable condition; reporting any mechanical or structural failures to Center as soon as detected;

N. To provide an annual update to the insurance section of the Confidential Data Form; and,

O. To abide by all other terms of this Agreement.

X. YOUR TERMINATION AND RESCISSION RIGHTS

A. You may rescind this Agreement by giving written notice, by registered or certified mail, of rescission to Center within thirty (30) days from the date of this Agreement. Upon timely rescission this Agreement will automatically be canceled. Any money paid by you to Center will be refunded to you without interest, less those costs specifically incurred by Center at your request and described in an addendum to this Agreement signed by you. You shall not be required to pay the balance of the Entry Fee before the expiration of the thirty (30) day right of rescission period.

B. After the right of rescission period, if you die prior to the date your Apartment is ready for occupancy, or because of illness, injury or incapacity you are unable to occupy your Apartment under the terms of this Agreement, this Agreement will be canceled upon written notice, by registered or certified mail, to Center and First Niagara Bank, escrow agent. If this

Agreement is canceled, any money paid by you to Center will be refunded to you or your estate, without interest, within sixty (60) days, less those costs specifically incurred by Center at your request and described in an addendum to this Agreement signed by you.

C. After the right of rescission period, and for reasons other than those set forth in Section X.B. hereof, you may cancel this Agreement prior to Closing on your Apartment upon written notice, by registered or certified mail, to Center. If this Agreement is canceled, any money paid by you will be refunded to you, without interest, upon re-sale of the Apartment or sixty (60) days, whichever is earlier, less those costs specifically incurred by Center at your request and described in an addendum to this Agreement signed by you.

D. You may terminate this Agreement for any reason after Closing. Prior to termination of this Agreement, you shall give Center one hundred twenty (120) days' written notice, and shall pay the Monthly Service Fee until the expiration of such time. You shall be entitled to reimbursement of a portion of the Entry Fee as provided, and subject to the conditions indicated in Section XII. hereof.

XI. TERMINATION BY CENTER

Center may, upon notice and opportunity to cure as hereinafter provided, revoke your right to reside at Center and terminate this Agreement upon the occurrence of any of the following events (hereinafter called "Default"):

A. Your failure to comply with reasonable Center operating procedures now existing or hereafter amended by Center;

B. Creation by you of disturbance within Center detrimental to yourself or to other residents and staff;

C. Your failure to pay the unpaid balance of the Entry Fee when due;

D. Your failure to pay any Monthly Service Fee and charges for Additional Service when due; unless other mutually satisfactory arrangements have been made;

E. Your failure to uphold the Covenants defined in Section IX. of this Agreement;

F. You:

1. Are or become infected with a dangerous or contagious disease; or
2. Develop a medical condition which the Center is not licensed to treat or which is beyond the Center's area of specialization; or
3. Transfer or deplete assets other than to meet ordinary and customary expenses.

Prior to termination for any Default by you as described in Subsections A-F of this Section (except with respect to Subsections A, B or F as provided below), Center shall give you notice in writing of such Default and you shall have thirty (30) days thereafter within which to correct such Default. If you correct such Default within such time, this Agreement shall not be then terminated. If you fail to correct such Default within such time, this Agreement shall terminate at the expiration of such thirty (30) days.

XIII. RELOCATION TO ANOTHER APARTMENT

A. If, upon Center's approval, you relocate to a different Apartment, you may be required to pay an additional fee according to Center policy. You agree to pay the cost of refurbishing the former Apartment in accordance with Section IV.C. of this Agreement.

B. If, upon Center's approval, you relocate from your original Apartment to an Apartment with a different fee structure and subsequently relocate to Assisted Living or the Nursing Center on a permanent basis, your monthly fee, the "Calculated Monthly Service Fee" will be calculated as follows:

1. The then current Monthly Service Fee for each Apartment type you have occupied is multiplied by the number of months of occupancy in each (a fraction of a month shall count as a whole month);
2. The products are then added; and,
3. The sum is divided by the total number of months that you occupied Apartments at Center.

The Calculated Monthly Service Fee shall become effective upon the date of permanent relocation to Assisted Living or the Nursing Center. A resident who relocates from Assisted Living to the Nursing Center shall continue to pay the Monthly Service Fee calculated for the relocation from the Apartment to Assisted Living.

All fees shall be subject to periodic rate increases in accordance with the Residency Agreement. Fees for Assisted Living Services, private accommodations in the Nursing Center, extra meals and medical supplies will be charged as necessary per then current published rates.

C. Upon Center's approval of your request to relocate to another Apartment, you shall sign an addendum to this Agreement which will contain the provisions of the then current Agreement.

XIV. MISCELLANEOUS

A. Entire Agreement. This Agreement, including all exhibits, constitutes the entire agreement between Center and you. Center is not liable for nor bound in any manner by any statements, representations or promises made by any person representing or proposing to represent Center unless such statements, representations, or promises are set forth in the Agreement. Any modification of the Agreement must be in writing and signed by Center and you.

B. Amendment. Services described in Section II.A. of this Agreement may not be amended unless contained in writing, executed by you and Center. Additional Service described in Section II.B. may be amended subject to thirty (30) days' written notice if Center, in its sole discretion, deems it necessary to meet the financial requirements of Center or to provide the Additional Service to the residents.

C. Partial Illegality. The invalidity of any restriction, condition or other provision of this Agreement or any part of the same, shall not impair or affect in any way the validity, enforceability, or affect the rest of this Agreement.

D. Interpretation. This Agreement will be interpreted according to the laws of the State of Connecticut and will become effective upon acceptance and execution by Center.

E. Authorization. This Agreement has been executed on Center's behalf by its duly authorized agent, and no officer, agent, or employee of Center shall have any personal liability hereunder to you under any circumstances.

F. 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.

G. Consultation. Each person considering executing the Agreement should consult with his or her tax advisor regarding the tax consequences associated with this Agreement, including the application of the imputed interest provisions of Section 7872 of the Internal Revenue Code, as amended.

H. Indemnification. Center shall not be liable for, and you agree to indemnify and hold Center harmless from and indemnify Center against, any claims, damages or expenses, including attorneys fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligence, intentional act or omission or by the negligence or intentional act or omission of your guest or invitee.

I. Subordination. You agree that all of your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages that have been or will be executed by Center, except as provided by applicable law. Upon request, you agree to execute, acknowledge and deliver to the Center's lender or lenders such further written evidence of such subordination as such lenders may reasonably require.

J. Notices. All notices required by this Agreement shall be in writing and mailed, via registered or certified mail return receipt requested, or hand delivered (i) to Center at its address as shown below, and (ii) to you at the address shown below, or after your occupancy, by depositing the notice in your Center mailbox.

Whitney Center, Inc.
200 Leeder Hill Drive
Hamden, CT 06517
Attention: _____

Resident: _____

The address to which notice must be delivered may be changed from time to time by either party by written notice to the other party.

K. Assignment. Your rights under this Agreement are personal to you and cannot be transferred or assigned by any act of you, or by a proceeding at law, or otherwise. The Agreement shall bind and inure to the benefit of Center's successors and assigns and shall bind and inure to the benefit of your heirs, executors and administrators only in accordance with its

terms.

XV. RESIDENT REPRESENTATIVE(S)

A. You hereby appoint the following individual(s) as your representative(s) to act on your behalf in all situations where participation of a representative is described in the Residency Agreement or Disclosure Statement. Where there is more than one representative identified, such representatives shall act jointly, unless otherwise indicated. In the event of a disagreement among the representatives, the decisions of the first named representative shall control. Center agrees that you may, upon notice to Center, change your representative at any time.

Name: _____

Address: _____

Phone: _____

Power of Attorney

Health Care Representative

Other (specify) _____

Name: _____

Address: _____

Phone: _____

Power of Attorney

Health Care Representative

Other (specify) _____

XVI. ACKNOWLEDGMENTS

A. You hereby certify that you have received a copy of this Residency Agreement, Center’s most recent Disclosure Statement and the name, address and telephone number of the escrow agent, on or before the date of this Agreement.

B. You hereby certify that you have entered into this Residency Agreement with Center and agree to the terms and covenants herein as of the date identified below.

C. Center hereby agrees that it has entered into this Residency Agreement with you and agrees to the terms and covenants herein as of the date identified below.

PRIMARY RESIDENT

SECOND RESIDENT

By: WHITNEY CENTER, INCORPORATED

WITNESS

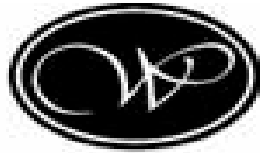
WITNESS

DATE

June 2015

EXHIBIT C: CURRENT RATE SCHEDULE

The disclosure statement is not complete unless current rate schedules are provided along with the rest of the disclosure statement.



WHITNEY CENTER

Prices Effective 1/1/2015

Dining Purchases, Flexible Spending Plan A la carte points deduction, as priced

Resident Extra Meals, Meal A Day Plan (Dining Room)

Breakfast	\$	11.00
Lunch	\$	16.00
Dinner	\$	19.00

Guest Meals in Dining Room, Meal A Day Plan (also charged sales tax)

Lunch	\$	18.00
Dinner	\$	22.00
Child Lunch	\$	9.00
Child Dinner	\$	11.00

Other Food And Drink Pricing

Bistro / Fireside Room (Pub)	A la carte, available in venue
Gift Shop	A la carte, available in venue
Tray Set-up/Delivery Charge	\$ 5.00

Guest Room (also charged local taxes)

Suite w/ Queen bed and Kitchenette	\$ 90 - \$ 100 plus local taxes
Cancellation Policy	\$ 50.00 fee may be assessed unless 24 hours notice is given
Rollaway Bed / Other Items or Services	Prices vary depending on item/service

Away Credits

Meal A Day Plan (monthly)	\$ 5.00 /day if away more than 15 days
	\$ 10.00 /day for 60+ days away
Flexible Spending Plan (quarterly, a credit to the monthly bill, with points deducted)	\$ 5.00 /day for 30-59 days away
	\$ 10.00 /day for 60+ days away
Long Duration Trips (more than 2 months, must be coordinated in advance)	\$ 600.00 /month first person
	\$ 300.00 /month second person (meals adjusted out, housekeeping reduced, and other adjustments)

Technology Fees

Monthly Internet Service (excluding sales tax)	\$ 29.95 - \$ 34.95
Unlimited Phone Plan	\$ 25.00 per month
Per-Minute Long Distance Plan	\$ 3.00 per month plus charge/minute based on tariff (approximately 8¢/minute)
Set up new computer or printer:	\$ 35.00 (no charge at move in)
Other computer/AV support:	\$ 13.00 per 15 minute increment or part

We do not provide but can refer support for tutoring, anti-virus or software installations.

Transportation Other Than Scheduled Runs

Please confirm price/availability with Resident Services department	- Local (Hamden / New Haven / North Haven): \$36 per round trip or \$20 for drop off. - Greater New Haven Area: \$72 per round trip or \$40 for drop off. - Airport/other trips - discuss with Svc Desk
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Maintenance Services

	\$ 20.00 per 30 minute increment or part thereof.
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Housekeeping Services

Light housework including ironing, oven/stove cleaning, dish washing, refrigerator cleaning, etc.	\$ 6.00 per 15 minute increment or part thereof.
Carpet/floor cleaning	\$ 7.00 per 15 minute increment/part.
Personal laundry	\$ 13.00 per load
Bed making or bed changing	\$ 4.00 per bed (once/week maximum)
Trash / cat litter removal	\$ 3.00 per load

Card, Key and Pendant Replacement

ID Cards, Replacement or Additional	\$ 25.00 per card
Keys, Replacement or Additional	\$ 5.00 per key
Emergency Call Pendant	\$ 140.00 per pendant

Other Service Fees

Returned Check Fee	\$ 35.00 per occurrence
Late Payment Fee	1.5% per month of balance due
Spa on Main Street	A la carte, available in venue
Services/Fees Not Listed Here	Available in venue or from service provider

Assisted Living Charges

Daily Rate, Alcove	\$	201.00	
Daily Rate, 1 Bedroom	\$	216.00	
Daily Rate, Alcove - Structured Care Wing	\$	294.00	
Daily Rate, 1 BR - Structured Care Wing	\$	324.00	
Admission/Readmission Fee	\$	75.00	
Assisted Living Level I	\$	340.00	,monthly
Assisted Living Level II	\$	675.00	,monthly
Assisted Living Level III	\$	1,015.00	,monthly
A La Carte Nursing Visit	\$	36.00	
A La Carte Medication Pre-Pour	\$	30.00	per week
A La Carte CNA Visit (per 15 min.)	\$	14.00	
Safety Check/Medication Reminder	\$	4.50	
Memory Support Day Care	\$	44.00	0-4 hrs per day
(Coordinate availability with AL manager,	\$	55.00	4-6 hrs per day
meals/supplies are charged extra)	\$	65.00	6+ hrs per day

Personal Options Fees (Hourly Rates):

	<u>Days</u>	<u>Eves</u>	<u>Holiday</u>
CNA, Monday - Friday	\$ 26.00	\$ 28.00	\$ 30.00 \$ 40.00
CNA, Weekends	\$ 28.00	\$ 30.00	\$ 32.00 \$ 40.00
Companion, Monday - Friday	\$ 22.00	\$ 24.00	\$ 26.00 \$ 34.00
Companion, Weekends	\$ 24.00	\$ 26.00	\$ 28.00 \$ 32.00
Driver (local area, higher for longer distance)	\$ 36.00	\$ 36.00	\$ 36.00 \$ 36.00
Travel Aide/Companion	\$ 8.00	each way	

Health Center Charges:

Private Pay Per Diem Rate	\$ 443.00	Priv	\$ 407.00	Semi
Private Room Differential	\$ 36.00			
Daily Meal Charge (2 Extra Meals)	\$ 31.00			
Therapy Rates / Other Charges	A la carte, available in Health Center			

EXHIBIT D: ASSISTED LIVING SERVICES

	Services	Assisted Living in Residential Apartment w/ use of Wellness Clinic	Assisted Living in Designated AL Apartment
C.N.A. Services	Ambulation	included	included
	Bathing	included	included
	Dressing	included	included
	Exercise	included	included
	Food preparation	included	included
	Oral hygiene	included	included
	Safety checks (q 2 hours)	included	included
	Supervision with self administration of medication	included	included
	Bowel and bladder program	included	included
Licensed Nurse Services	Assessments	included	included
	Blood Pressure checks	included; provided at Wellness Clinic	included
	Blood Sugar checks	included; provided at Wellness Clinic	included
	Injections	included; provided at Wellness Clinic	included
	Minor Wound care	included; provided at Wellness Clinic	included
	Medication Management	fee for service	included
Other	2 extra meals	extra fee	extra fee
	Ancillary supplies and services	extra fee	extra fee
	Upgrade to One-Bedroom Accommodations	N/A	extra fee

EXHIBIT E: NURSING CENTER SERVICES

	Services	
C.N.A. Services	Ambulation	included
	Bathing	included
	Dressing	included
	Exercise/range of Motion	included
	Food preparation	included
	Oral hygiene	included
	Safety checks	included
	Bowel and bladder program	included
Licensed Nurse Services	Assessments	included
	Blood Pressure checks	included
	Blood Sugar checks	included
	Injections	included
	Treatments	included
	Medication Management	included
Other	2 extra meals	extra fee
	Ancillary supplies and services	extra fee
	Upgrade to Private Accommodations	extra fee

EXHIBIT F: AUDITED FINANCIAL STATEMENTS

WHITNEY CENTER, INCORPORATED

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

WHITNEY CENTER, INCORPORATED

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Whitney Center, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Whitney Center, Incorporated (a nonprofit organization), which comprises the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of 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 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 Whitney Center, Incorporated as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

New Haven, CT
April 28, 2015

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 14,731	\$ 622,405
Accounts receivable, less allowance for doubtful accounts	497,253	566,062
Contract receivables	573,179	71,647
Other receivables	46,527	48,924
Prepaid expenses and other current assets	292,219	268,584
Assets whose use is limited	<u>921,253</u>	<u>850,801</u>
Total Current Assets	2,345,162	2,428,423
Assets Held by Trustee	13,805,559	11,950,029
Investment Accounts	6,497,796	10,384,166
Property and Equipment	86,955,035	88,998,982
Other Assets		
Deferred marketing costs, less accumulated amortization of \$1,895,543 in 2014 and \$1,309,656 in 2013	3,301,705	3,887,591
Deferred financing costs, less accumulated amortization of \$696,474 in 2014 and \$586,775 in 2013	<u>2,068,850</u>	<u>2,176,665</u>
Total Assets	<u>\$ 114,974,107</u>	<u>\$ 119,825,856</u>

The accompanying notes are an integral part of these financial statements.

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2014 AND 2013

	2014	2013
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 854,837	\$ 820,363
Accrued expenses	3,724,618	4,017,756
Contract deposits	47,202	249,011
Current portion of long-term debt	<u>4,610,000</u>	<u>--</u>
Total Current Liabilities	9,236,657	5,087,130
Long-Term Debt - less current portion	50,880,939	60,423,243
Deferred Income from Entry Fees	40,178,861	36,880,771
Refundable Entry Fees	13,397,289	11,712,905
Deposits	<u>28,710</u>	<u>29,210</u>
Total Liabilities	113,722,456	114,133,259
Total Net Assets	<u>1,251,651</u>	<u>5,692,597</u>
Total Liabilities and Net Assets	<u>\$ 114,974,107</u>	<u>\$ 119,825,856</u>

The accompanying notes are an integral part of these financial statements.

WHITNEY CENTER, INCORPORATED

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Change in Unrestricted Net Assets		
Revenues and gains		
Resident services, including amortization of entry fees of \$6,218,470 in 2014 and \$6,033,203 in 2013	\$ 20,826,475	\$ 19,990,795
Other operating revenues	696,336	662,521
Investment income	108,220	164,294
Gain on sale of investments	874,276	995,755
Contributions	<u>18,498</u>	<u>1,830</u>
Total Revenues and Gains	<u>22,523,805</u>	<u>21,815,195</u>
Expenses and losses		
Salaries and wages	7,951,508	7,962,406
Interest expense	4,711,662	5,118,706
Depreciation and amortization	4,301,939	4,210,038
Employee benefits	1,762,002	1,641,404
Property taxes	1,498,200	1,404,980
Other operating expenses	1,374,236	1,341,033
Utilities	1,350,708	1,264,730
Food	1,061,062	1,040,071
Contract services	922,926	983,546
Supplies	486,018	512,020
Ancillary health services	471,375	670,918
Repairs and maintenance	366,330	450,472
Insurance	150,651	150,551
Loss on disposal of assets	<u>25,142</u>	<u>105,781</u>
Total Expenses and Losses	<u>26,433,759</u>	<u>26,856,656</u>
Net Loss	(3,909,954)	(5,041,461)
Unrealized (Loss) Gain on Investments	<u>(530,992)</u>	<u>334,951</u>
Change in Unrestricted Net Assets	(4,440,946)	(4,706,510)
Unrestricted Net Assets - Beginning	<u>5,692,597</u>	<u>10,399,107</u>
Unrestricted Net Assets - Ending	<u>\$ 1,251,651</u>	<u>\$ 5,692,597</u>

The accompanying notes are an integral part of these financial statements.

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Change in unrestricted net assets	\$ (4,440,946)	\$ (4,706,510)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	4,301,939	4,210,038
Amortization of entry fees	(6,218,470)	(6,033,203)
Entry fees received	10,096,167	11,892,431
Net realized and unrealized gain on investments	(343,284)	(1,330,706)
Loss on disposal of assets	25,142	105,781
Other amortization	370,484	264,507
Deferred financing costs incurred	(234,974)	(216,708)
Changes in operating assets and liabilities:		
Accounts receivable	68,809	44,839
Contract receivables	(501,532)	--
Other receivables	2,397	29,782
Prepaid expenses and other	(23,635)	20,936
Accounts payable	34,474	397,534
Accrued expenses	(293,138)	(216,308)
Contract deposits	(201,809)	(135,701)
Deposits	(500)	(1,686)
Net Cash Provided by Operating Activities	<u>2,641,124</u>	<u>4,325,026</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,697,248)	(1,361,964)
Net additions to assets held by trustee	(1,898,768)	(1,025,325)
(Purchases) sales of assets whose use is limited	(9,561)	224,551
Proceeds from sales of investments	11,939,953	12,019,356
Purchases of investments	(7,727,952)	(7,987,250)
Net Cash Provided by Investing Activities	<u>606,424</u>	<u>1,869,368</u>

The accompanying notes are an integral part of these financial statements.

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Financing Activities		
Refundable entry fees received	\$ 1,741,914	\$ 2,458,000
Refunds of deposits and refundable entry fees	(637,136)	(777,369)
Repayment of long term debt	<u>(4,960,000)</u>	<u>(10,170,000)</u>
Net Cash Used in Financing Activities	<u>(3,855,222)</u>	<u>(8,489,369)</u>
Net Change in Cash and Cash Equivalents	(607,674)	(2,294,975)
Cash and Cash Equivalents - Beginning	<u>622,405</u>	<u>2,917,380</u>
Cash and Cash Equivalents - Ending	<u>\$ 14,731</u>	<u>\$ 622,405</u>
Supplemental Disclosures of Cash Flow Information		
Interest paid	<u>\$ 4,869,746</u>	<u>\$ 5,433,147</u>

The accompanying notes are an integral part of these financial statements.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Whitney Center, Incorporated (the Corporation) is a retirement community offering its residents a comprehensive range of facilities and services including a central dining room, a health center, common lounges and meeting rooms, and other amenities for retirement living. As of December 31, 2014, there were 255 apartment units, including units available for assisted living, and 59 nursing beds in the health center.

Residents pay an entry fee and a monthly service fee that entitles them to the lifetime use and privileges of the retirement community including care in the health center. Residents do not acquire any interest in the real estate and property owned by the Corporation. Management of the Corporation is vested in the Board of Directors and designated officers.

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Corporation are prepared on the accrual basis of accounting. The financial statements report information regarding financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2014 and 2013, all of the Corporation's net assets are unrestricted.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. These estimates include assessing the collectibility of accounts receivable, the extent of contractual allowances, fair value of investments, and the estimated useful lives of long lived assets, among others. Actual results could differ from those estimates.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Corporation's financial instruments classified as current assets and current liabilities (cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses) approximates fair value. The fair values of other financial instruments are disclosed in the notes below.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less at purchase. The Corporation routinely invests its surplus operating funds in a commercial sweep account. These funds generally invest in highly liquid U.S. Government and Agency obligations.

RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are stated at the amount the Corporation expects to collect from outstanding balances. The Corporation provides for losses on accounts receivable using the allowance method. The allowance is based on a review of the current status of existing receivables, historical collection experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

CONTRACT RECEIVABLES

Contract receivables include balances outstanding on completed residency agreements, including those with short-term deferred payment arrangements.

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include assets restricted in accordance with State law governing entrance fee escrow agreements, assets set aside in accordance with State law governing operating escrow and reserve funds, and assets set aside by the Board of Directors as a fund for the benefit of the residents.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS HELD BY TRUSTEE

Assets held by trustee are assets restricted pursuant to a trust indenture, relating to the Corporation's long-term debt. The specific accounts held by the trustee, in accordance with the requirements of the trust indenture as of December 31, 2014 and 2013, include a bond fund, debt service reserve fund, entrance fee escrow fund, and an operating reserve fund.

INVESTMENTS AND INVESTMENT INCOME

Investments, which consist of marketable equity securities, U.S. Government and Agency obligations, corporate bonds, and mutual funds, are measured at fair value in the statements of financial position. Investment income (including realized gains and losses on investments, interest, and dividends) is included in net income unless restricted by donor or law. Unrealized gains and losses on investments are excluded from net income. Expenses relating to investment income, including custodial fees and investment advisory fees, amounted to \$67,698 in 2014 and \$108,660 in 2013 and have been netted against investment income in the accompanying statements of activities.

Investment accounts represent assets set aside by the Board for future capital improvements and to fund operating deficits, over which the Board retains control and may at its discretion subsequently use for other purposes.

DEFERRED INCOME FROM ENTRY FEES AND REFUNDABLE ENTRY FEES

The Corporation has certain entry fee contracts that provide for refunds on a declining-scale if the contract is voluntarily terminated within 50 months (100 months for entrants before October 15, 2007) of occupancy or if the resident dies within 12 months of occupancy. There is no refund after those periods have elapsed. Entry fees from these contracts are recorded as "deferred income from entry fees" and are recognized as income over the estimated remaining life expectancy of each resident, with the expectancy reevaluated annually.

Other entry fee contracts provide for a 50 percent, 60 percent or a 90 percent refund when an entry fee is received from a resident for the same or similar apartment. The refundable portion of the entry fees from these contracts are recorded as "refundable entry fees" and are recognized in the statements of financial position as a long-term liability.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED INCOME FROM ENTRY FEES AND REFUNDABLE ENTRY FEES (CONTINUED)

The Corporation has modified contract options for those residents who wish to apply for long-term care insurance benefits or to self-insure for long-term care services in exchange for lower entry fees. Residents may terminate residency and care agreements at any time for any reason with 120 days' notice. Payments of refunds are charged against the resident's unamortized entry fee and/or refundable entry fees and any gain or loss is included in revenue or expense.

Total contractual refund obligations in the event of death at December 31, 2014 and 2013 were \$13,397,289 and \$11,712,905, respectively.

HEALTH CENTER

Health Center revenues are reported on an accrual basis in the period in which services are provided, at established rates. Arrangements with third party payors for providing service at less than established rates are reported as deductions from health center revenue on an accrual basis.

Revenues from the Medicare and Medicaid programs accounted for approximately 25 percent and 26 percent and 7 and 10 percent, respectively, of the Corporation's net Health Center revenues for the years ended December 31, 2014 and 2013.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Depreciation is provided over the estimated useful life of each asset, which ranges from three to forty years, and is computed using the straight-line method. When assets are disposed of, the asset and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the statement of activities. Construction in process is recorded at cost and consists of assets that have not yet been placed in service.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-LIVED ASSETS

The Corporation continually evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its long-lived assets or whether the remaining balance of its long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that long-lived assets should be evaluated for possible impairment, the Corporation will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. In determining the expected future cash flows, the assets will be grouped at the lowest levels for which there are cash flows. There were no impairment losses recognized during 2014 or 2013.

OBLIGATION TO PROVIDE FUTURE SERVICES

The Corporation annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entry fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entry fees, a liability is recorded (obligation to provide future services) with a corresponding charge to income. The obligation is discounted at 7.00 percent, based on the interest rate of related long-term debt.

No liability has been recorded for the years ended December 31, 2014 and 2013 because the present value of the net cost of future services and use of facilities is less than deferred revenue from entry fees. The liability was determined using currently-enacted rules, although new rules for calculating this obligation may be issued in the future because of recently enacted changes to rules regarding the recognition of obligations related to refundable entry fee contracts.

DEFERRED FINANCING COSTS

Deferred financing costs are amortized using the yield method over the term of the related financing agreements.

DEFERRED MARKETING COSTS

Deferred marketing costs represent costs incurred to secure deposits and continuing care contracts for new apartment units. These costs are amortized on a straight-line basis over the average life expectancy of the residents.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STATEMENT OF ACTIVITIES

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

INCOME TAXES

The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in the Internal Revenue Code, and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Corporation is no longer subject to income tax examinations for years prior to 2011.

RETIREMENT PLAN

The Corporation maintains a defined contribution retirement plan that covers all eligible employees. The plan includes a Corporation matching contribution as follows:

- A 100% matching contribution to the contribution made by a participating employee for contributions up to 3% of annual salary.
- A 50% matching contribution to additional contributions made by a participating employee for contributions up to 2% of annual salary.

For 2014 and 2013, contributions to the plan amounted to \$153,350 and \$133,487, respectively.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PRESENTATION OF INSURANCE CLAIMS AND RELATED INSURANCE RECOVERIES

The Corporation follows the provisions of Accounting Standards Update (ASU) 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which indicates that health care entities should not net insurance recoveries against the related claim liabilities. As of December 31, 2014 and 2013, the Corporation recorded \$44,025 and \$24,095, respectively in both prepaid expenses and other current assets and accrued expenses representing the Corporation's workers' compensation claims covered by insurance for losses in excess of the Corporation's deductible amounts.

SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through April 28, 2015, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure as of December 31, 2014, have been incorporated into these financial statements.

NOTE 2 - ACCOUNTS RECEIVABLE

At December 31, accounts receivable from third-party payors and patients consisted of the following:

	2014	2013
Medicaid	\$ 29,640	\$ 20,654
Medicare	139,454	236,467
Private pay	225,114	204,903
Other third party payors	<u>113,045</u>	<u>114,038</u>
	507,253	576,062
Less allowance for doubtful accounts	<u>10,000</u>	<u>10,000</u>
	<u>\$ 497,253</u>	<u>\$ 566,062</u>

The Corporation provides health care services to its patients and generally does not require collateral or other security in providing these services; however, they do routinely obtain assignment of patients' benefits payable under their individual health care insurance programs, plans or policies.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments at December 31 are summarized as follows:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Assets whose use is limited				
Cash and equivalents	\$ 34,962	\$ 34,962	\$ 25,402	\$ 25,402
Mutual funds	<u>552,500</u>	<u>886,291</u>	<u>552,548</u>	<u>825,399</u>
	<u>\$ 587,462</u>	<u>\$ 921,253</u>	<u>\$ 577,950</u>	<u>\$ 850,801</u>
	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Long-term investments:				
Cash and equivalents	\$ 170,845	\$ 170,845	\$ 510,200	\$ 510,200
Mutual funds	629,237	606,452	1,225,099	1,163,863
U.S. Government and Agency obligations	845,900	894,149	1,815,933	1,878,284
Corporate bonds	1,043,905	1,036,290	1,205,409	1,207,602
Marketable equity securities	<u>3,283,748</u>	<u>3,790,060</u>	<u>4,511,432</u>	<u>5,624,217</u>
	<u>\$ 5,973,635</u>	<u>\$ 6,497,796</u>	<u>\$ 9,268,073</u>	<u>\$ 10,384,166</u>

RISKS AND UNCERTAINTIES

The Corporation's investment securities are subject to exposure to various risks such as interest rate risk, financial market risk, and credit risk. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the value of investment securities reported in the Corporation's financial statements.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENT

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 Corporation 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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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.

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. When, as a practical expedient, an investment is measured at fair value on the basis of net asset value, its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

Following is a description of the valuation techniques used for investments measured at fair value.

Mutual Funds - Valued based on the closing quote prices listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

U.S. Government Securities and Agency Obligations – Valued based on quoted prices in active markets, and are generally categorized in Level 1 of the fair value hierarchy.

Corporate Bonds - Valued using recently executed transactions, market price quotations (where observable), bond spreads or other available data. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond swap spreads, and other available inputs. Corporate obligations are generally categorized in Level 2 of the fair value hierarchy.

Equity Securities - Valued based on the closing quote prices listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

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

There have been no changes in the methodologies used at December 31, 2014 and 2013.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents information about the Corporation's investments, including assets whose use is limited, measured at fair value:

	December 31, 2014		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	\$ 205,807	\$ --	\$ 205,807
Mutual funds	1,492,743	--	1,492,743
U.S. Government and Agency obligations	894,149	--	894,149
Corporate bonds	--	1,036,290	1,036,290
Marketable equity securities	<u>3,790,060</u>	<u>--</u>	<u>3,790,060</u>
	<u>\$ 6,382,759</u>	<u>\$ 1,036,290</u>	<u>\$ 7,419,049</u>

	December 31, 2013		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	\$ 535,602	\$ --	\$ 535,602
Mutual funds	1,989,262	--	1,989,262
U.S. Government and Agency obligations	1,878,284	--	1,878,284
Corporate bonds	--	1,207,602	1,207,602
Marketable equity securities	<u>5,624,217</u>	<u>--</u>	<u>5,624,217</u>
	<u>\$ 10,027,365</u>	<u>\$ 1,207,602</u>	<u>\$ 11,234,967</u>

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

	2014	2013
Land and land improvements	\$ 711,382	\$ 691,715
Buildings	113,594,730	112,481,379
Furniture, fixtures and equipment	4,577,276	4,160,326
Vehicles	231,784	239,784
Capital projects	<u>54,510</u>	<u>--</u>
	119,169,682	117,573,204
Less accumulated depreciation and amortization	<u>32,214,647</u>	<u>28,574,222</u>
	<u>\$ 86,955,035</u>	<u>\$ 88,998,982</u>

NOTE 5 - ASSETS HELD BY TRUSTEE

In accordance with the Town of Hamden, Connecticut Revenue Bonds (Whitney Center Project), Series 2009, the Corporation maintains the following accounts with a trustee:

BOND FUND

The Corporation is required to maintain a bond fund, and within such fund a Debt Service account. The balance of the Debt Service Account at December 31, 2014 and 2013 was \$2,590,879 and \$2,401,084, respectively.

DEBT SERVICE RESERVE FUND

The Corporation is required to maintain a debt service reserve fund in an amount equal to the maximum annual debt service requirement for the Series A Bonds and an amount equal to twelve months of interest due on the Series B Bonds and the Series C Bonds. Funds on deposit in these accounts shall be applied to make up any deficiencies in the Bond Fund with respect to payments on the bonds. The balance of the debt service reserve funds at December 31, 2014 and 2013 was \$4,642,248 and \$5,015,710, respectively.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 5 - ASSETS HELD BY TRUSTEE (CONTINUED)

ENTRANCE FEE ESCROW FUND

The entrance fee escrow fund is funded with initial entrance fees from the project. Funds in the entrance fee escrow fund shall be used to pay interest and principal amounts to redeem a portion of the Series B Bonds. The balance of the entrance fee escrow fund at December 31, 2014 and 2013 was \$5,128,432 and \$3,199,235, respectively.

OPERATING RESERVE FUND

The Corporation is also required to maintain an operating reserve fund, which shall be funded in an amount equal to the Corporation's operating reserve requirement. Funds in the operating reserve fund shall be used for debt service or any operating expenses, to the extent that the Corporation does not have other funds available for the payment of such expenses.

If at any time the amount on deposit in the operating reserve fund is less than the operating reserve requirement, the Corporation shall pay to the trustee the amount necessary to restore the balance in the operating reserve fund as soon as practicable, but not later than twelve months after the date the deficiency was created. The operating escrow requirement at December 31, 2014 and 2013 was approximately \$1,450,000 and \$1,452,000, respectively. The balance of the operating reserve fund at December 31, 2014 and 2013 was \$1,444,000 and \$1,334,000, respectively. The Corporation will deposit additional funds with the trustee in 2015 to make the operating reserve fund equal to the current requirement.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	2014	2013
Town of Hamden Revenue Bonds (Whitney Center Project) Series 2009		
Fixed Rate Revenue Bonds Series 2009A	\$ 46,695,000	\$ 46,695,000
Entrance Fee Principal Redemption Bonds Series 2009B	5,405,000	10,365,000
Adjustable Rate Revenue Bonds Series 2009C	<u>3,700,000</u>	<u>3,700,000</u>
	55,800,000	60,760,000
Less, current portion	4,610,000	--
Less, unamortized original issue discount	<u>309,061</u>	<u>336,757</u>
Long-term portion	<u>\$ 50,880,939</u>	<u>\$ 60,423,243</u>

In December 2009, the Corporation issued \$89,895,000 (par value) of Town of Hamden, Connecticut Facility Revenue Bonds (Whitney Center Project), Series 2009 (2009 Bonds) at an aggregate original issue discount of \$915,454.

As indicated above, the Series 2009 Bonds include three series of bonds. The Series 2009A fixed rate revenue bonds have interest rates ranging from 7.625 percent to 7.75 percent, and mandatory annual sinking fund redemptions beginning in 2015 and extending through final maturity in 2043.

The Series 2009B entrance fee principal redemption bonds have an interest rate at 6.755% associated with \$4,140,000 due January 1, 2015 and \$1,265,000 due January 1, 2018. Both are subject to redemption prior to maturity in whole or part from new unit entrance fees in chronological order based on maturity. In November 2013, the Corporation solicited up to \$4 million of holders of the Series 2009B bonds due January 1, 2015 to exchange their bonds for 2013 bonds with identical terms except that the maturity date would be January 1, 2018. As of February 19, 2014, the offer was accepted by \$1,265,000 of 2009B bondholders. The interest rate, redemption provisions, and all other terms except maturity date for the Series 2013 bonds due in 2018 are the same as the original Series 2009B bonds they replaced.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6 - LONG-TERM DEBT (CONTINUED)

During 2014, the Corporation redeemed \$4,960,000 of the Series 2009B Bonds, out of funds in the entrance fee escrow fund. During 2013, the Corporation redeemed \$10,170,000 of the Series 2009B Bonds, with \$9,828,742 out of funds in the entrance fee escrow fund and \$341,258 out of funds from in the 2009B debt service fund. In January 2015, the Corporation redeemed \$4,140,000 of the Series 2009B Bonds, out of funds in the entrance fee escrow fund. In April 2015, the Corporation redeemed \$1,265,000 of the Series 2009B Bonds, out of funds in the entrance fee escrow fund.

The Series 2009C adjustable rate revenue bonds have an initial interest rate of 7.25%, subject to resetting on January 1, 2016, and a mandatory maturity of 2043 that is subject to redemption prior to maturity in whole or in part from new unit entrance fees beginning January 1, 2016 after the redemption of Series 2009B.

Financing costs associated with the issuance of the Series 2009 Bonds, and the related exchange offer in 2013, totaling \$2,998,414, have been deferred and are being amortized over the term of the bonds. In addition, the original issue discount of \$915,454 has been capitalized and is being amortized on a yield method over the term of the bonds. At December 31, 2014, the unamortized original issuance discount was \$309,061, and the total outstanding principal balance was \$55,800,000. At December 31, 2013, the unamortized original issuance discount was \$336,757, and the total outstanding principal balance was \$60,760,000.

The Series 2009 Bonds are collateralized by (i) a first mortgage lien on the Corporation's main operating facility, (ii) a security interest in all personal property, fixtures, and equipment, (iii) a security interest in the gross revenues of the Corporation, and (iv) an assignment of the Corporation's rights under its residency agreements.

The Loan Agreement (and Security Agreement) and related Trust Indenture to the Series 2009 Bonds (as amended November 1, 2013) also provides for, among other requirements, the maintenance of certain financial and operational covenants. Among those covenants is the maintenance of a minimum debt service coverage ratio, a days' cash on hand ratio, and marketing and occupancy targets. As of December 31, 2014, the Corporation was in compliance with the days' cash on hand, and the marketing and occupancy targets ratios. The minimum debt service coverage ratio was not applicable as the initial testing date had not been reached.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Total interest charged to operations for the years ended December 31, 2014 and 2013 was \$4,711,662 and \$5,136,455, respectively.

The State of Connecticut requires that continuing care facilities maintain a reserve fund, which consists of one year's debt service requirements plus one month's operating costs. As of December 31, 2014 and 2013, the Corporation had established the required reserve funds, which consist of U.S. Government obligations, common stocks and money market funds. These funds are not available for current operating purposes. The total reserve requirement was approximately \$6.1 million at December 31, 2014 and \$6.5 million at December 31, 2013. The balance in these funds amounted to \$6,048,248 and \$6,349,711 at December 31, 2014 and 2013, respectively. Such amounts have been classified as assets held by trustee on the statements of financial position.

Scheduled maturities of long-term debt at December 31, are as follows:

<u>Years ending</u> <u>December 31,</u>	
2015	\$ 4,610,000
2016	505,000
2017	545,000
2018	1,850,000
2019	630,000
Thereafter	<u>47,660,000</u>
	<u>\$ 55,800,000</u>

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 7 - FUNCTIONAL EXPENSES

The Corporation provides services to residents including independent living, skilled nursing, and assisted living. Expenses related to providing these services for the years ended December 31, as follows:

	<u>2014</u>	<u>2013</u>
Program services	\$ 22,489,357	\$ 23,097,374
Management, general and administrative	<u>3,919,260</u>	<u>3,653,501</u>
	<u>\$ 26,408,617</u>	<u>\$ 26,750,875</u>

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Whitney Center, Incorporated

We have audited the financial statements of Whitney Center, Incorporated as of and for the years ended December 31, 2014 and 2013, and our report thereon dated April 28, 2015, which expressed an unqualified opinion on those financial statements, appears on pages 1-2. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information, Schedule I – Comparison of Statements of Activities, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Marcum LLP

New Haven, CT
April 28, 2015

WHITNEY CENTER, INCORPORATED

SCHEDULE I – COMPARISON OF STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013	Increase (Decrease)	
			Dollar Change	Percent Change
Changes in Unrestricted Net Assets				
Revenues and Gains:				
Resident services	\$ 20,826,475	\$ 19,990,795	\$ 835,680	4%
Other operating revenues	696,336	662,521	33,815	5%
Investment income	108,220	164,294	(56,074)	-34%
Gain on sale of investments	874,276	995,755	(121,479)	-12%
Contributions and other	18,498	1,830	16,668	911%
Total Revenues and Gains	<u>22,523,805</u>	<u>21,815,195</u>	<u>708,610</u>	<u>3%</u>
Expenses and Losses:				
Administrative and general	3,260,203	3,044,215	215,988	7%
Housekeeping and laundry	830,772	817,984	12,788	2%
Utilities	1,350,708	1,264,730	85,978	7%
Plant and security	1,382,386	1,479,476	(97,090)	-7%
Dining services	2,747,108	2,764,498	(17,390)	-1%
Health Center services	3,257,415	3,786,428	(529,013)	-14%
Assisted living and wellness	843,896	761,016	82,880	11%
Resident services	462,326	457,400	4,926	1%
Employee benefits	1,762,002	1,641,404	120,598	7%
Depreciation and amortization	4,301,939	4,210,038	91,901	2%
Interest expense	4,711,662	5,118,706	(407,044)	-8%
Property taxes	1,498,200	1,404,980	93,220	7%
Loss on disposals of assets	25,142	105,781	(80,639)	-76%
Total Expenses and Losses	<u>26,433,759</u>	<u>26,856,656</u>	<u>(422,897)</u>	<u>-2%</u>
Net Loss	<u>\$ (3,909,954)</u>	<u>\$ (5,041,461)</u>	<u>\$ 1,131,507</u>	<u>-22%</u>

See independent auditors' report on supplementary information.

WHITNEY CENTER, INCORPORATED

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2012 AND 2011

WHITNEY CENTER, INCORPORATED

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Whitney Center, Incorporated

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Whitney Center, Incorporated (a nonprofit organization), which comprises the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, and cash flows for the years 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of 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 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 Whitney Center, Incorporated as of December 31, 2012 and 2011, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

New Haven, CT
May 28, 2013

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,917,380	\$ 1,675,414
Accounts receivable, less allowance for doubtful accounts	610,901	420,420
Contract receivables	71,647	836,964
Other receivables	78,706	56,829
Prepaid expenses and other	289,520	241,711
Assets whose use is limited	<u>955,216</u>	<u>692,381</u>
Total Current Assets	4,923,370	3,923,719
Assets Held by Trustee	10,884,582	27,623,065
Investment Accounts	13,245,824	16,582,929
Property and Equipment	91,366,950	90,289,706
Other Assets		
Deferred marketing costs, less accumulated amortization of \$723,769 in 2012 and \$140,896 in 2011	4,473,478	4,930,211
Deferred financing costs, less accumulated amortization of \$465,451 in 2012 and \$328,784 in 2011	<u>2,081,282</u>	<u>2,217,949</u>
	<u>\$ 126,975,486</u>	<u>\$ 145,567,579</u>

The accompanying notes are an integral part of these financial statements.

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2012 AND 2011

	2012	2011
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 422,829	\$ 352,344
Accrued expenses	4,234,064	4,584,514
Contract deposits	<u>384,712</u>	<u>272,387</u>
Total Current Liabilities	5,041,605	5,209,245
Long-Term Debt	70,450,061	89,271,878
Deferred Income from Entry Fees	31,368,488	26,483,867
Refundable Entry Fees	8,411,716	6,615,274
Deposits	<u>30,896</u>	<u>40,279</u>
Total Liabilities	115,302,766	127,620,543
Unrestricted Net Assets	<u>11,672,720</u>	<u>17,947,036</u>
	<u>\$ 126,975,486</u>	<u>\$ 145,567,579</u>

The accompanying notes are an integral part of these financial statements.

WHITNEY CENTER, INCORPORATED

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Change in Unrestricted Net Assets		
Revenues and gains		
Resident services, including amortization of entry fees of \$4,791,460 in 2012 and \$4,023,778 in 2011	\$ 17,717,367	\$ 15,177,836
Other operating revenues	594,371	502,445
Investment income	248,327	211,511
Gain on sale of investments	731,362	775,804
Contributions	2,150	10,306
Total Revenues and Gains	<u>19,293,577</u>	<u>16,677,902</u>
Expenses and losses		
Salaries and wages	7,376,439	6,479,616
Employee benefits	1,477,801	1,361,876
Contract services	1,073,962	790,119
Food	877,485	819,402
Supplies	502,439	507,805
Ancillary health services	499,818	496,061
Utilities	1,163,431	980,031
Repairs and maintenance	351,224	408,966
Other operating expenses	1,180,552	435,108
Insurance	167,143	131,309
Depreciation and amortization	4,166,815	2,297,863
Interest expense	5,680,034	2,212,119
Property taxes	1,316,461	905,760
Loss on disposal of assets	75,601	138,495
Total Expenses and Losses	<u>25,909,205</u>	<u>17,964,530</u>
Net Loss	(6,615,628)	(1,286,628)
Unrealized Gain (Loss) on Investments	<u>341,312</u>	<u>(1,258,522)</u>
Change in Unrestricted Net Assets	(6,274,316)	(2,545,150)
Unrestricted Net Assets - Beginning	<u>17,947,036</u>	<u>20,492,186</u>
Unrestricted Net Assets - Ending	<u>\$ 11,672,720</u>	<u>\$ 17,947,036</u>

The accompanying notes are an integral part of these financial statements.

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash Flows from Operating Activities		
Change in unrestricted net assets	\$ (6,274,316)	\$ (2,545,150)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	4,166,815	2,297,863
Amortization of entry fees	(4,791,460)	(4,023,778)
Entry fees received	10,526,247	14,620,050
Net realized and unrealized loss (gain) on investments	(1,072,674)	482,718
Loss on disposal of assets	75,601	138,495
Other amortization	279,850	174,356
Deferred marketing costs incurred	(126,140)	(911,798)
Changes in operating assets and liabilities:		
Accounts receivable	(190,481)	223,730
Contract receivables	765,317	(836,964)
Other receivables	(21,877)	14,796
Prepaid expenses and other	(47,809)	73,177
Accounts payable	70,485	59,074
Accrued expenses	(350,450)	235,523
Contract deposits	112,325	237,997
Deposits	(9,383)	(290,895)
Net Cash Provided by Operating Activities	<u>3,112,050</u>	<u>9,949,194</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(4,736,787)	(29,613,133)
Net withdrawals from assets held by trustee	16,738,483	18,593,885
Purchases of assets whose use is limited	(194,670)	(22,802)
Proceeds from sales of investments	19,045,564	20,419,632
Purchases of investments	<u>(14,703,950)</u>	<u>(20,162,277)</u>
Net Cash Provided by (Used in) Investing Activities	<u>16,148,640</u>	<u>(10,784,695)</u>

The accompanying notes are an integral part of these financial statements.

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash Flows from Financing Activities		
Refundable entry fees received	\$ 2,578,450	\$ 2,851,560
Refunds of deposits and refundable entry fees	(1,632,174)	(1,159,782)
Repayment of long term debt	<u>(18,965,000)</u>	<u> --</u>
Net Cash (Used in) Provided by Financing Activities	<u>(18,018,724)</u>	<u>1,691,778</u>
Net Change in Cash and Cash Equivalents	1,241,966	856,277
Cash and Cash Equivalents - Beginning	<u>1,675,414</u>	<u>819,137</u>
Cash and Cash Equivalents - Ending	<u>\$ 2,917,380</u>	<u>\$ 1,675,414</u>
Supplemental Disclosures of Cash Flow Information		
Interest paid	<u>\$ 6,260,575</u>	<u>\$ 6,284,724</u>

The accompanying notes are an integral part of these financial statements.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Whitney Center, Incorporated (the Corporation) is a retirement community offering its residents a comprehensive range of facilities and services including a central dining room, a health center, common lounges and meeting rooms, and other amenities for retirement living. As of December 31, 2012, there were 247 apartment units, including units available for assisted living, and 59 nursing beds in the health center.

Residents pay an entry fee and a monthly service fee that entitles them to the lifetime use and privileges of the retirement community including care in the health center. Residents do not acquire any interest in the real estate and property owned by the Corporation. Management of the Corporation is vested in the Board of Directors and designated officers.

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Corporation are prepared on the accrual basis of accounting. The financial statements report information regarding financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2012 and 2011, all of the Corporation's net assets are unrestricted.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Corporation's financial instruments classified as current assets and current liabilities (cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses) approximates fair value. The fair values of other financial instruments are disclosed in the notes below.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less at purchase. The Corporation routinely invests its surplus operating funds in a commercial sweep account. These funds generally invest in highly liquid U.S. Government and Agency obligations.

RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are stated at the amount the Corporation expects to collect from outstanding balances. The Corporation provides for losses on accounts receivable using the allowance method. The allowance is based on a review of the current status of existing receivables, historical collection experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

CONTRACT RECEIVABLES

Contract receivables include balances outstanding on completed residency agreements, including those with short-term deferred payment arrangements.

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include assets restricted in accordance with State law governing entrance fee escrow agreements, assets set aside in accordance with State law governing operating escrow and reserve funds, and assets set aside by the Board of Directors as a fund for the benefit of the residents.

ASSETS HELD BY TRUSTEE

Assets held by trustee are assets restricted pursuant to a trust indenture, relating to the Corporation's long-term debt. The specific accounts held by the trustee, in accordance with the requirements of the trust indenture as of December 31, 2012, include a construction fund, construction retainage fund, bond fund, capitalized interest fund, debt service reserve fund, operating reserve fund, and an entrance fee escrow fund.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND INVESTMENT INCOME

Investments, which consist of marketable equity securities, U.S. Treasury obligations, bond funds and mutual funds, are measured at fair value in the statements of financial position. Investment income (including realized gains and losses on investments, interest, and dividends) is included in net income unless restricted by donor or law. Unrealized gains and losses on investments are excluded from net income. Expenses relating to investment income, including custodial fees and investment advisory fees, amounted to \$93,701 in 2012 and \$154,286 in 2011 and have been netted against investment income in the accompanying statements of activities.

Investment accounts represent assets set aside by the Board for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

DEFERRED INCOME FROM ENTRY FEES AND REFUNDABLE ENTRY FEES

The Corporation has certain entry fee contracts that provide for refunds on a declining-scale if the contract is voluntarily terminated within 50 months (100 months for entrants before October 15, 2007) of occupancy or if the resident dies within 12 months of occupancy. There is no refund after those periods have elapsed. Entry fees from these contracts are recorded as “deferred income from entry fees” and are recognized as income over the estimated remaining life expectancy of each resident, with the expectancy reevaluated annually.

Other entry fee contracts provide for a 50 percent, 60 percent or a 90 percent refund when an entry fee is received from a resident for the same or similar apartment. The refundable portion of the entry fees from these contracts are recorded as “refundable entry fees” and are recognized as income over the remaining depreciable life of the facility, which is approximately 9 years for units in the original building and 23 years for other units, at December 31, 2012.

The Corporation introduced modified contract options beginning October 15, 2007 for those residents who wish to apply for long-term care insurance benefits or to self-insure for long-term care services in exchange for lower entry fees.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED INCOME FROM ENTRY FEES AND REFUNDABLE ENTRY FEES

Residents may terminate residency and care agreements at any time for any reason with 120 days' notice. Payments of refunds are charged against the resident's unamortized entry fee and/or refundable entry fees and any gain or loss is included in revenue or expense.

Total contractual refund obligations in the event of death at December 31, 2012 and 2011 were \$9,685,329 and \$7,819,829 respectively.

HEALTH CENTER

Health Center revenues are reported on an accrual basis in the period in which services are provided, at established rates. Arrangements with third party payors for providing service at less than established rates are reported as deductions from health center revenue on an accrual basis.

Revenues from the Medicare and Medicaid programs accounted for approximately 24 percent and 28 percent and 14 and 9 percent, respectively, of the Corporation's net Health Center revenues for the years ended December 31, 2012 and 2011.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Depreciation is provided over the estimated useful life of each asset, which ranges from three to forty years, and is computed using the straight-line method. When assets are disposed of, the asset and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the statement of activities. Construction in process is recorded at cost and consists of assets that have not yet been placed in service.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-LIVED ASSETS

The Corporation continually evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its long-lived assets or whether the remaining balance of its long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that long-lived assets should be evaluated for possible impairment, the Corporation will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. In determining the expected future cash flows, the assets will be grouped at the lowest levels for which there are cash flows.

OBLIGATION TO PROVIDE FUTURE SERVICES

The Corporation annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entry fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entry fees, a liability is recorded (obligation to provide future services) with a corresponding charge to income. The obligation is discounted at 5.50 percent, based on the expected long-term rate of return on investments.

No liability has been recorded for the years ended December 31, 2012 and 2011 because the present value of the net cost of future services and use of facilities is less than deferred revenue from entry fees.

DEFERRED FINANCING COSTS

Deferred financing costs are amortized using the yield method over the term of the related financing agreements.

DEFERRED MARKETING COSTS

Deferred marketing costs represent costs incurred to secure deposits and continuing care contracts for new apartment units. These costs will continue to be capitalized for up to one year from the completion of the construction, and amortized to expense on a straight-line basis over the average life expectancy of the residents.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STATEMENT OF ACTIVITIES

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

INCOME TAXES

The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in the Internal Revenue Code, and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Corporation is no longer subject to income tax examinations for years prior to 2009.

RETIREMENT PLAN

The Corporation maintains a defined contribution retirement plan that covers all eligible employees. The plan includes a Corporation matching contribution as follows:

- A 100% matching contribution to the contribution made by a participating employee for contributions up to 3% of annual salary.
- A 50% matching contribution to additional contributions made by a participating employee for contributions up to 2% of annual salary.

For 2012 and 2011, contributions to the plan amounted to \$116,594 and \$145,572, respectively.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through May 28, 2013, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure as of December 31, 2012, have been incorporated into these financial statements.

RECLASSIFICATIONS

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

ADOPTION OF NEW ACCOUNTING STANDARDS

Presentation of Insurance Claims and Related Insurance Recoveries

During the year ended December 31, 2012, the Corporation adopted the provisions of Accounting Standards Update (ASU) 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which further clarifies that health care entities should not net insurance recoveries against the related claim liabilities. In connection with the Corporation's adoption of ASU 2010-24, the Corporation recorded an increase in both prepaid expenses and accrued expenses of \$66,278 and \$42,790 as of December 31, 2012 and 2011, respectively. The increases represent the Corporation's workers' compensation claims covered by insurance for losses in excess of the Corporation's deductible amounts. The adoption of ASU 2010-24 had no impact on the Corporation's net assets, results of operations, or cash flows.

Accounting for Refundable Entrance Fees

In July 2012, the Financial Accounting Standards Board published ASU 2012-01, *Health Care Entities (Topic 954): Continuing Care Retirement Communities – Refundable Advance Fees*, which clarifies the accounting treatment for refundable entrance fee contracts. ASU 2012-01 is effective for fiscal periods beginning after December 15, 2013, and the amendments in ASU 2012-01 should be applied retrospectively by recording a cumulative-effect adjustment to opening net assets as of the beginning of the earliest period presented. If adoption of the change also triggers changes with respect to the recognition or measurement of an obligation to provide future services, the effect of that change should also be included in the cumulative-effect adjustment. The Corporation is evaluating the effect of this pronouncement on its financial statements.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 2 - ACCOUNTS RECEIVABLE

At December 31, accounts receivable from third-party payors and patients consisted of the following:

	2012	2011
Medicaid	\$ 61,951	\$ 67,160
Medicare	205,719	91,678
Private pay	233,789	226,858
Other third party payors	<u>119,442</u>	<u>44,724</u>
	620,901	430,420
Less allowance for doubtful accounts	<u>10,000</u>	<u>10,000</u>
	<u>\$ 610,901</u>	<u>\$ 420,420</u>

The Corporation provides health care services to its patients and generally does not require collateral or other security in providing these services; however, they do routinely obtain assignment of patients' benefits payable under their individual health care insurance programs, plans or policies.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments at December 31 are summarized as follows:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Assets whose use is limited				
Cash and equivalents	\$ 288,227	\$ 288,227	\$ 71,451	\$ 71,451
Mutual funds	<u>492,640</u>	<u>666,989</u>	<u>493,570</u>	<u>620,930</u>
	<u>\$ 780,867</u>	<u>\$ 955,216</u>	<u>\$ 565,021</u>	<u>\$ 692,381</u>

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Long-term investments:				
Cash and equivalents	\$ 391,969	\$ 391,969	\$ 1,992,402	\$ 1,992,402
Mutual funds	2,037,498	2,048,664	2,331,735	1,926,025
U.S. Government and Agency obligations	2,692,347	2,955,983	3,504,524	3,725,085
Corporate bonds	1,447,496	1,513,994	1,977,452	2,154,575
Marketable equity securities	<u>5,796,870</u>	<u>6,335,214</u>	<u>6,191,495</u>	<u>6,784,842</u>
	<u>\$ 12,366,180</u>	<u>\$ 13,245,824</u>	<u>\$ 15,997,608</u>	<u>\$ 16,582,929</u>

RISKS AND UNCERTAINTIES

The Corporation's investment securities are subject to exposure to various risks such as interest rate risk, financial market risk, and credit risk. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the value of investment securities reported in the Corporation's financial statements.

FAIR VALUE MEASUREMENT

The Corporation has established a framework for measuring fair value, based on a fair value hierarchy contained in Accounting Standards Codification (ASC) 820 that is intended to increase consistency and comparability in fair value measurements and related disclosures. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology based on unadjusted quoted market prices in active markets for identical assets that are accessible at the measurement date.
- Level 2 – Inputs to the valuation methodology that include quoted market prices that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

The asset 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 Corporation's policy is to recognize significant transfers between levels at the beginning of the reporting period.

Following is a description of the valuation techniques used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

- The Corporation values investments in securities that are freely traded and listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.
- The fair values of U.S. government and agency obligations are generally based on quoted prices in active markets, and are generally categorized in Level 1 of the fair value hierarchy.
- The fair value of corporate obligations is estimated using recently executed transactions, market price quotations (where observable), bond spreads or other available data. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond swap spreads, and other available inputs. Corporate obligations are generally categorized in Level 2 of the fair value hierarchy.

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

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents information about the Corporation's investments measured at fair value:

	December 31, 2012		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	\$ 680,196	--	\$ 680,196
Mutual funds	2,715,653	--	2,715,653
U.S. Government and Agency obligations	2,955,983	--	2,955,983
Corporate bonds		1,513,994	1,513,994
Marketable equity securities	6,335,214	--	6,335,214
	\$ 12,687,046	\$ 1,513,994	\$ 14,201,040
	December 31, 2011		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	\$ 2,063,853	--	\$ 2,063,853
Mutual funds	2,546,955	--	2,546,955
U.S. Government and Agency obligations	3,725,085	--	3,725,085
Corporate bonds		2,154,575	2,154,575
Marketable equity securities	6,784,842	--	6,784,842
	\$ 15,120,735	\$ 2,154,575	\$ 17,275,310

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

	2012	2011
Land and land improvements	\$ 658,071	\$ 657,307
Buildings	111,623,599	107,326,603
Furniture, fixtures and equipment	3,945,526	3,642,707
Vehicles	231,784	250,635
Construction in process	--	56,300
	<u>116,458,980</u>	<u>111,933,552</u>
Less accumulated depreciation and amortization	<u>25,092,030</u>	<u>21,643,846</u>
	<u>\$ 91,366,950</u>	<u>\$ 90,289,706</u>

In November 2004, the Corporation's Board of Directors authorized the engagement of a development consultant, and other consultants including architects, construction managers, and financial and market feasibility analysts to explore the options available to it for repositioning certain of its facilities to be more competitive in the market place. Subsequently, the design and approval for a project consisting of a new seven story building that would include 87 residential living units, activity areas, a first floor connector, a new community center, and a two story parking facility was completed. In December 2009, permanent financing for the project was secured through the Town of Hamden, through the release of Series 2009 Revenue Bonds. The project was completed and opened in September 2011.

The master plan for the project included the replacement of its skilled nursing facility with a new Long Term Care Center to provide a more modern, social, environmental model for health and wellness services.

Pre-selling of the new residential living units began in November 2007, and continues with marketing the remaining available units since construction began in the first quarter of 2010. Prospective resident deposits and interest held in individual accounts totaled approximately \$120,000 and \$664,000 at December 31, 2012 and 2011, respectively.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 5 - ASSETS HELD BY TRUSTEE

In accordance with the Town of Hamden, Connecticut Revenue Bonds (Whitney Center Project), Series 2009, the Corporation maintains the following accounts with a trustee:

CONSTRUCTION FUND

Under the terms of the trust indenture, the Corporation was required to maintain a construction fund with the proceeds from the Series 2009 bond offering. The funds were used to finance a portion of the project as detailed in the Loan Agreement (and Security Agreement) with the Town of Hamden. At the completion of the project in 2012, the construction fund was closed and the remaining amounts in the construction fund were transferred to the Bond Fund and applied to redeem any Series B Bonds outstanding. The balance of the construction fund at December 31, 2012 and 2011 was \$0 and \$2,924,092, respectively.

CONSTRUCTION RETAINAGE FUND

The Corporation established a construction retainage fund in 2010, in accordance with a Retainage Escrow Agreement dated October 19, 2010. The account is funded in an amount equal to the construction retainage on the Project. The balance of the construction retainage fund at December 31, 2012 and 2011 was \$0 and \$1,566,699, respectively.

BOND FUND

The Corporation is required to maintain a bond fund, and within such fund a Capitalized Interest Account and Debt Service accounts. The Capitalized Interest Account was originally funded in an amount equal to pay interest on the bonds for a period of twenty-four months. The balance of the Capitalized Interest Account at December 31, 2012 and 2011 was \$418,242 and \$3,183,469, respectively. The balance of the Debt Service Accounts at December 31, 2012 and 2011 was \$2,529,914 and \$0, respectively.

Funds in the Capitalized Interest Account will be applied solely to pay interest on the bonds. If funds in the Capitalized Interest Account have been exhausted, the Series A Debt Service Account, the Series B Debt Service Account and the Series C Debt Service Account will contain the payments by the Corporation in respect of the debt service requirements, and shall be applied on each payment date to the principal and interest on each of the Series A Bonds, Series B Bonds, and the Series C Bonds.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 5 - ASSETS HELD BY TRUSTEE (CONTINUED)

DEBT SERVICE RESERVE FUND

The Corporation is required to maintain a debt service reserve fund in an amount equal to the maximum annual debt service requirement for the Series A Bonds and an amount equal to twelve months of interest due on the Series B Bonds and the Series C Bonds. Funds on deposit in these accounts shall be applied to make up any deficiencies in the Bond Fund with respect to payments on the bonds. The balance of the debt service reserve funds at December 31, 2012 and 2011 was \$5,603,683 and \$6,783,426, respectively.

OPERATING RESERVE FUND

The Corporation is also required to maintain an operating reserve fund, which shall be funded in an amount equal to the Corporation's operating reserve requirement. Funds in the operating reserve fund shall be used for debt service or any operating expenses, to the extent that the Corporation does not have other funds available for the payment of such expenses.

If at any time the amount on deposit in the operating reserve fund is less than the operating reserve requirement, the Corporation shall pay to the trustee the amount necessary to restore the balance in the operating reserve fund as soon as practicable, but not later than twelve months after the date the deficiency was created. The operating escrow requirement at December 31, 2012 and 2011 was approximately \$1,334,000 and \$1,301,000, respectively. The balance of the operating reserve fund at December 31, 2012 and 2011 was \$1,074,000 and \$1,074,000, respectively. In March 2013, the Corporation deposited additional funds with the trustee to make the operating reserve fund equal to the current requirement.

ENTRANCE FEE ESCROW FUND

The Corporation established the entrance fee escrow fund in 2011, which shall be funded with initial entrance fees from the project. Funds in the entrance fee escrow fund shall be used to pay interest and principal amounts to redeem a portion of the Series B Bonds. The balance of the entrance fee escrow fund at December 31, 2012 and 2011 was \$1,258,742 and \$12,091,378 respectively.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2012</u>	<u>2011</u>
Town of Hamden Revenue Bonds (Whitney Center Project) Series 2009		
Fixed Rate Revenue Bonds Series 2009A	\$ 46,695,000	\$ 46,695,000
Entrance Fee Principal Redemption Bonds Series 2009B	20,535,000	39,500,000
Adjustable Rate Revenue Bonds Series 2009C	<u>3,700,000</u>	<u>3,700,000</u>
	70,930,000	89,895,000
Less, unamortized original issue discount	<u>479,940</u>	<u>623,122</u>
	<u>\$ 70,450,061</u>	<u>\$ 89,271,878</u>

In December 2009, the Corporation issued \$89,895,000 (par value) of Town of Hamden, Connecticut Facility Revenue Bonds (Whitney Center Project), Series 2009 (2009 Bonds) at an aggregate original issue discount of \$915,454.

As indicated above, the 2009 Bonds include three series of bonds. The Series 2009A fixed rate revenue bonds have interest rates ranging from 7.625 percent to 7.75 percent, and mandatory annual sinking fund redemptions beginning in 2015 and extending through final maturity in 2043.

The Series 2009B entrance fee principal redemption bonds have interest rates at 6.125% associated with \$28,000,000 due January 1, 2014 and at 6.75% associated with \$11,500,000 due January 1, 2015. Both are subject to redemption prior to maturity in whole or part from new unit entrance fees in chronological order based on maturity. During 2012, the Corporation redeemed \$18,965,000 of the Series 2009B Bonds, with \$17,548,935 out of funds in the entrance fee escrow fund and \$1,416,065 out of funds from in the 2009B debt service fund. In January 2013, the Corporation redeemed \$1,600,000 of the Series 2009B Bonds, with \$1,258,742 out of funds in the entrance fee escrow fund and \$341,258 out of funds from in the 2009B debt service fund. In April 2013, the Corporation redeemed \$2,855,000 of the Series 2009B Bonds, out of funds in the entrance fee escrow fund.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The Series 2009C adjustable rate revenue bonds have an initial interest rate of 7.25%, subject to resetting on January 1, 2016, and a mandatory maturity of 2043 that is subject to redemption prior to maturity in whole or in part from new unit entrance fees beginning January 1, 2016 after the redemption of Series 2009B.

Financing costs associated with the issuance of the 2009 Bonds totaling \$2,546,732 have been deferred and are being amortized over the term of the bonds. In addition, the original issue discount of \$915,454 has been capitalized and is being amortized on a yield method over the term of the bonds. At December 31, 2012, the unamortized original issuance discount was \$479,940, and the total outstanding principal balance was \$70,930,000. At December 31, 2011, the unamortized original issuance discount was \$623,122, and the total outstanding principal balance was \$89,895,000.

The 2009 Bonds are collateralized by (i) a first mortgage lien on the Corporation's main operating facility, (ii) a security interest in all personal property, fixtures, and equipment, (iii) a security interest in the gross revenues of the Corporation, and (iv) an assignment of the Corporation's rights under its residency agreements.

The Loan Agreement (and Security Agreement) and related Trust Indenture to the 2009 Bonds also provides for, among other requirements, the maintenance of certain financial and operational covenants. Among those covenants is a cumulative cash loss from operations covenant, maintenance of a minimum debt service coverage ratio, a days' cash on hand ratio, and marketing and occupancy targets. As of December 31, 2012, the Corporation was in compliance with the cumulative cash loss from operations covenant; and the days' cash on hand ratio. The minimum debt service coverage ratio was not applicable as the initial testing date had not been reached. The Corporation was not in compliance with the marketing target covenant and the occupancy target covenant, but was in compliance with the Loan Agreement by taking required follow up action as required under the Loan Agreement.

Total interest on the long-term debt was as follows for the years ended December 31:

	2012	2011
Interest cost:		
Capitalized	\$ --	\$ 4,200,250
Charged to operations	<u>5,680,034</u>	<u>2,212,119</u>
	<u>\$ 5,680,034</u>	<u>\$ 6,412,369</u>

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The State of Connecticut requires that continuing care facilities maintain a reserve fund, which consists of one year's debt service requirements plus one month's operating costs. As of December 31, 2012 and 2011, the Corporation had established the required reserve funds, which consist of U.S. Government obligations, common stocks and money market funds. These funds are not available for current operating purposes. The total reserve requirement was approximately \$7.0 million at December 31, 2012 and \$8.1 million at December 31, 2011. The balance in these funds amounted to \$6,716,003 and \$7,869,994 at December 31, 2012 and 2011, respectively. Such amounts have been classified as assets held by trustee on the statements of financial position.

Scheduled maturities of long-term debt at December 31, is as follows:

Years ending <u>December 31,</u>	
2013	\$ --
2014	9,035,000
2015	11,970,000
2016	505,000
2017	545,000
Thereafter	<u>48,875,000</u>
	<u>\$ 70,930,000</u>

NOTE 7 - FUNCTIONAL EXPENSES

The Corporation provides services to residents including independent living, skilled nursing, and assisted living. Expenses related to providing these services for the years ended December 31 follow:

	<u>2012</u>	<u>2011</u>
Program services	\$ 22,186,973	\$ 15,669,007
Management, general and administrative	<u>3,646,631</u>	<u>2,157,028</u>
	<u>\$ 25,833,604</u>	<u>\$ 17,826,035</u>



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Whitney Center, Incorporated

We have audited the financial statements of Whitney Center, Incorporated as of and for the years ended December 31, 2012 and 2011, and our report thereon dated May 28, 2013, which expressed an unqualified opinion on those financial statements, appears on pages 1-2. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information, Schedule I – Comparison of Statements of Activities, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Marcum LLP

New Haven, CT
May 28, 2013



WHITNEY CENTER, INCORPORATED

SCHEDULE I – COMPARISON OF STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011	Increase (Decrease)	
			Dollar Change	Percent Change
Changes in Unrestricted Net Assets				
Revenues and gains:				
Resident services	\$ 17,717,367	\$ 15,177,836	\$ 2,539,531	17%
Other operating revenues	594,371	502,445	91,926	18%
Investment income	248,327	211,511	36,816	17%
Gain on sale of investments	731,362	775,804	(44,442)	-6%
Contributions and other	2,150	10,306	(8,156)	-79%
Total Revenues and Gains	<u>19,293,577</u>	<u>16,677,902</u>	<u>2,615,675</u>	<u>16%</u>
Expenses and losses:				
Administrative and general	2,846,032	1,940,284	905,748	47%
Housekeeping and laundry	754,011	846,872	(92,861)	-11%
Utilities	1,163,431	980,031	183,400	19%
Plant and security	1,444,918	1,032,160	412,758	40%
Dining services	2,437,298	2,187,853	249,445	11%
Health Center services	3,302,266	2,977,363	324,903	11%
Assisted living and wellness	798,082	748,099	49,983	7%
Resident services	446,455	335,755	110,700	33%
Employee benefits	1,477,801	1,361,876	115,925	9%
Depreciation and amortization	4,166,815	2,297,863	1,868,952	81%
Interest expense	5,680,034	2,212,119	3,467,915	157%
Property taxes	1,316,461	905,760	410,701	45%
Loss on Disposals of Assets	75,601	138,495	(62,894)	-45%
Total Expenses	<u>25,909,205</u>	<u>17,964,530</u>	<u>7,944,675</u>	<u>44%</u>
Net Loss	<u>\$ (6,615,628)</u>	<u>\$ (1,286,628)</u>	<u>\$ (5,329,000)</u>	<u>414%</u>

See auditors' report on supplementary information.