

CREAMERY BROOK RETIREMENT VILLAGE
36 Vina Lane
Brooklyn, Connecticut 06234

DISCLOSURE STATEMENT

January 2016

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

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INTRODUCTION

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

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

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

I. THE PEOPLE

PIERCE MEMORIAL BAPTIST HOME, INC.

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

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

OFFICERS, DIRECTORS AND TRUSTEES

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

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

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

**PIERCE MEMORIAL BAPTIST HOME
BOARD OF TRUSTEES**

Chairman

Sandra Stevens Asst, Director of Design, The Hartford – First Baptist Church of Mansfield

Vice Chairman

Mark Kane Manager – First Baptist Church of Norwich

Treasurer

David Jones Retired Teacher – Second Baptist Church of Suffield

Secretary

Rev. Mary Apicella Pastor – Federated Church of Brooklyn

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

Robert Avena, Esq.	Attorney	Flanders & Community Baptist Church
Patricia Morse	CEO	Pierce Memorial Baptist Home
Rev. Samuel Chesser	Pastor	First Baptist Church of Norwich
Reverend Judy Allbee	Executive Minister	ABCCONN Churches
David Stevens	Executive Director	First Baptist Church of Mansfield
Charles Wyand	Teacher	Niantic Baptist Church
Bill McMunn	Technical Writing & Design	First Baptist Church of Mansfield
Rev. Bonita Grubbs		ABCONN
Peter Young	Association of Educational Service Agencies	First Baptist Branford

PRESIDENT

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

THE PERSONNEL

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

RESIDENT AWARENESS

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

II. THE FACILITY

DESCRIPTION OF THE PROPERTY

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

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

HEALTH CENTER (Pierce Memorial Baptist Home)

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

Existing Apartment Units – 82	(for persons 62 or older)
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Proposed Cottages – 10	(for persons 55 or older)
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Phased Expansion of Creamery Brook Retirement Village Facilities. PierceCare has begun construction of 10 cottages (approximately 1200 - 1700 sq. ft.) and anticipates completion during 2016. Construction will be done in five phases; for each cottage that is presold, PierceCare will build two cottages. PierceCare will fund construction of the 10 cottages. PierceCare already owns the land, so there are no land acquisition costs.

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

THE SERVICES - BENEFITS INCLUDED

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

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

SERVICES REQUIRING AN ADDITIONAL CHARGE

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

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

Residents of our CCRC have independence in decisions regarding medical care and assisted living service.

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

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

CONTRACT AND FEES

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

BUSINESS EXPERIENCE

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

Through the years, Pierce Memorial Baptist Home has had a conservative board of trustees. Today up to twenty-one (21) members comprise the Board. The trustees come from the American Baptist Conference of Churches' membership and the general professional sector.

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

In 1951, Amasa and Edna Pierce gave Pierce House to the American Baptist churches of Connecticut for use as a Home for Elderly Baptists. In 1954, 15 additional rooms were added and named for Harley Nelson, Administrator from 1950 – 1957. In 1971, 30 additional rooms in the Roper-Wood Wing expanded our ministry to a total of 55 residents.

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

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

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

JUDICIAL PROCEEDINGS

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

III. THE PROPOSAL

THE CONTINUING CARE CONCEPT

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

the service is needed (with the exception of the ten prepaid lifetime days referenced above).

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

1. Continuing care residents pay an entrance fee prior to admission. The entrance fee paid is refundable in accordance to the Residency Agreement. Upon the resident's death or termination of the Residency Agreement (refund is made when the unit is reoccupied and a new entrance fee received or no later than three years from the date the contract is terminated, whichever occurs first). Ten percent (10%) of the entrance fee is used to fund the expenses of operating Pierce Memorial Baptist Home, including Creamery Brook. In addition to paying the entrance fee, the continuing care resident also pays a monthly service fee. (An additional \$278 per month applies to second persons occupying the unit). However, since the continuing care resident pays the entrance fee up front, the monthly service fee is less than monthly rental payments under a rental arrangement. The Entrance Fee is discussed further below.

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

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

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

GENERAL ADMISSION REQUIREMENTS

Five basic requirements are used to determine eligibility.

The Applicant must:

1. Meet the minimum age requirements:

Residents must be 55 years of age or older.

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

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

IMPORTANT RULES TO CONSIDER

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

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

APPLICATION PROCEDURES

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

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

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

NOTIFICATION OF AVAILABILITY

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

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

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

ENTRANCE FEE PAYMENTS

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

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

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

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

RESIDENCY AGREEMENT

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

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

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

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

MONTHLY SERVICE FEES

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

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

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

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

RESIDENTS' BENEVOLENCE FUND

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

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

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

INTEREST ON DEPOSITS

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

TERMINATION OF RESIDENCY AGREEMENT

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

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

After the resident occupies the cottage, should the resident elect to leave, or in the event of the resident's death, the resident or the resident's estate will be eligible for a refund of the Entrance Fee according to the Residency Agreement. This refund is subject to the deductions that are specified in the Residency Agreement or any credits received against the Entrance Fee. The refund is paid after the living unit is reoccupied and the Entrance Fee for that unit is paid by the new resident or no later than three years from the date the contract is terminated, whichever occurs first. Pursuant to the Residency Agreement, the release of the living unit upon permanent assignment to the health center will qualify a resident for pay-out of the refundable portion of the Entrance Fee. This refund will be used as described in Exhibit B - Section XII - E.

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

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

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

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

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

REGULATORY MATTERS

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

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

The facility is also required to meet the requirements of the Connecticut "Act Concerning Management of Continuing Care Facilities" (Public Act 86-252; Connecticut General Statutes Section 17b-520 et seq.). Under the Act, PierceCare must update the disclosure statement annually. All materials required by the Department of Social Services pursuant to P.A. 86-282, including all items listed in the table of contents on page 2 of this Disclosure Statement, have been filed with the State of Connecticut, Department of Social Services, 25 Sigourney Street, Hartford, Connecticut 06106.

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

SPECIAL OCCUPANCY ISSUES

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

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

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

FINANCIAL STATEMENTS AND PROJECTIONS

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

OPERATING BUDGET

The operating budget describes only projected current year (FYE 9/30/16) operating expenses. For a more complete analysis of projected revenues and expenses, please see the Pro Forma Statements.

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

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

Program Expenses	Health Center PMBH	Creamery Brook Retirement Village Independent Living	Country view Assisted Living Services Agency	Creamery Brook Cottages	Total Budget 2015-2016
Administrative Services	2,253,314	579,576	95,486	31,962	2,960,338
Nursing Services	3,067,865	-	365,500	-	3,433,365
Therapies	415,000	-	-	-	415,000
Dietary Services	657,685	460,836	-	4,174	1,122,695
Plant Operations	464,585	520,830	-	40,850	1,026,265
Housekeeping Services	140,675	65,210	-	4,075	209,960
Laundry Services	111,090	15,495	-	470	127,055
Recreation Services	89,260	85,620	-	-	174,880
Social Services	108,551	-	-	-	108,515
Chaplain Services	25,575	-	-	-	25,575
Volunteer Services	12,665	-	-	-	12,665
Adult Day Care	24,032	-	-	-	24,032
Marketing Services	-	243,580	400	-	243,980
Depreciation, Amortization	296,690	288,550	-	44,950	630,190
Interest Expense: Bonds	138,600	248,918	-	-	387,518
TOTAL PROGRAM EXPENSES	7,805,551	2,508,615	461,386	126,481	10,902,033

PRO FORMA STATEMENTS

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

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

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

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

Pierce Memorial Baptist Home, Inc.
Proforma Statement of Financial Position
For the Three Year Period Ended September 30, 2018

	Audited		Projected	
	2015	2016	2017	2018
ASSETS				
Current Assets				
Cash & Cash Equivalents	\$ 1,488,019	\$ 1,280,098	\$ 1,388,953	\$ 1,489,478
Accounts Receivable Trade	1,055,414	1,023,752	993,039	963,248
Prepaid Insurance & Service Contracts	94,868	96,765	93,862	94,801
Other Current Assets	1,330	1,370	1,411	1,453
Total Current Assets	2,639,631	2,401,984	2,477,265	2,548,980
Other Assets				
Investments	5,752,089	5,924,652	5,969,087	6,028,777
Assets Limited as to Use	2,337,334	2,360,707	2,384,314	2,408,158
Plant and Equipment, Net	9,751,729	9,633,589	9,140,723	8,622,143
Deferred Financing Costs, Net	264,219	252,169	240,119	228,069
Entry Fee Mortgage Receivable	165,475	-	-	-
Interest in Perpetual Trusts	1,418,642	1,432,828	1,447,157	1,461,628
Restricted Cash	16,311	16,800	17,303	17,822
Total Other Assets	19,705,799	19,620,746	19,198,703	18,766,598
Total Assets	\$ 22,345,430	\$ 22,022,730	\$ 21,675,969	\$ 21,315,578
LIABILITIES AND NET ASSETS				
Current Liabilities				
Bonds Payable, Current Portion	\$ 319,464	\$ 331,210	\$ 342,776	\$ 354,378
Notes Payable, Current Portion	24,999	24,999	16,666	-
Accounts Payable, Trade	195,262	197,215	199,187	201,179
Accrued Expenses	377,382	392,477	408,176	424,503
Deferred Revenue, Creamery Brook	14,651	14,651	14,651	14,651
Funds Held for Residents	16,311	16,800	17,303	17,822
Entry Fee Refund Payable	-	-	-	-
Total Current Liabilities	948,069	977,352	998,759	1,012,534
Long Term Liabilities				
Bonds Payable, Less Current Portion	10,404,125	10,072,915	9,730,139	9,375,761
Notes Payable, Less Current Portion	41,665	16,666	-	-
Security Deposits	286,022	288,882	291,771	294,689
Nonrefundable Entry Fee Payable	67,436	60,036	52,636	45,236
Refundable Entry Fee Payable	893,565	893,565	893,565	893,565
Total Long Term Liabilities	11,692,813	11,332,064	10,968,111	10,609,251
Total Liabilities	12,640,882	12,309,416	11,966,871	11,621,784
Net Assets	9,704,548	9,713,314	9,709,099	9,693,793
Total Liabilities and Net Assets	\$ 22,345,430	\$ 22,022,730	\$ 21,675,969	\$ 21,315,577

Pierce Memorial Baptist Home, Inc.
Proforma Statement of Activities
For the Three Year Period Ended September 30, 2018

	Audited 2015	2016	Projected 2017	2018
REVENUES, GAINS, AND OTHER SUPPORT				
Net Fees For Services	\$ 10,654,275	\$ 10,703,754	\$ 10,864,310	\$ 11,027,275
Interest and Dividend Income	286,062	286,200	290,493	294,850
Net Unrealized Gains (Losses) on Investments	(570,697)	-	-	-
Net Realized Gains (Losses) on Investments	32,901	-	-	-
Contributions	15,035	13,800	14,007	14,217
Other Income	-	2,640	-	-
TOTAL REVENUE	10,417,576	11,006,394	11,168,810	11,336,342
PROGRAM EXPENSES				
Administrative Services	2,065,733	2,522,378	2,560,214	2,598,617
Nursing Services	4,303,364	3,848,365	3,906,090	3,964,681
Dietary Services	1,183,982	1,122,695	1,139,535	1,156,628
Plant Operations	914,351	1,026,265	1,041,659	1,057,284
Housekeeping Services	229,447	209,960	213,109	216,306
Laundry Services	119,405	127,055	128,961	130,895
Recreation Services	206,926	194,360	197,275	200,234
Social Services	117,563	108,515	110,143	111,795
Chaplain Services	27,959	25,575	25,959	26,348
Volunteer Services	14,509	12,665	12,855	13,048
Marketing Services	224,747	243,980	247,640	251,355
Bad Debt expense	420,888	-	-	-
Depreciation and Amortization	633,039	630,190	654,916	680,630
Provider Fees	458,131	465,446	467,773	470,112
Interest	372,657	387,518	393,331	399,231
TOTAL PROGRAM EXPENSES	11,292,701	10,924,967	11,099,460	11,277,164
OTHER EXPENSES				
Investment Management Fees	58,707	60,313	61,218	62,136
Loss on Sale of Assets	3,151	-	-	-
Other Fees	12,348	12,348	12,348	12,348
TOTAL OTHER EXPENSES	74,206	72,661	73,566	74,484
Changes in Net Assets	\$ (949,331)	\$ 8,766	\$ (4,215)	\$ (15,306)

Pierce Memorial Baptist Home, Inc.
 Proforma Statement of Activities
 For the Three Year Period Ended September 30, 2018

	Audited 2015	2016	Projected 2017	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ (949,331)	\$ 8,766	\$ (4,215)	\$ (15,306)
Adjustments to Reconcile Change in Net Assets to Cash Used by Operating Activities:				
Net Unrealized (Gains) Losses	425,699	-	-	-
Net Realized (Gains) Losses	(32,901)	-	-	-
Depreciation & Amortization	633,039	630,190	654,916	680,630
Bad Debt Expense	420,888	-	-	-
Entry Fee Mortgage Receivable	(219,150)	-	-	-
Entry Fee Refunded	(47,532)	(7,400)	(7,400)	(7,400)
Amortization of Entry Fees	3,151	-	-	-
Loss on Sale of Asset	(4,885)	-	-	-
Interest Income on Entry Fee Mortgage Receivable				
(Increase) Decrease in:				
Accounts Receivable Trade	(649,420)	31,662	30,713	29,791
Accounts Receivable Other	2,187	-	-	-
Change in beneficial interests in perpetual trusts	144,998	(14,186)	(14,328)	(14,472)
Assets Limited as to Use	(63,996)	(23,373)	(23,607)	(23,843)
Prepaid Expenses and Other Current	(18,892)	(1,937)	2,862	(981)
Mortgage Entry Fee Receivable	-	165,475	-	-
Restricted Cash, Residents Funds	937	(489)	(503)	(519)
Increase (Decrease) in:				
Accounts Payable, trade	(6,278)	1,953	1,972	1,992
Accrued Expenses and Payroll	(67,614)	15,095	15,699	16,327
Deferred Revenue	(25,453)	-	-	-
Funds Held for Residents	(937)	489	503	519
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(455,490)</u>	<u>806,244</u>	<u>656,611</u>	<u>666,739</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net sale (purchase) of investments	28,666	(172,563)	(44,435)	(59,690)
Capital Additions	(397,213)	(500,000)	(150,000)	(150,000)
Proceeds from sale of assets	1,500	-	-	-
Security Deposits	38,316	2,860	2,889	2,918
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(328,731)</u>	<u>(669,703)</u>	<u>(191,546)</u>	<u>(206,772)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal Payment on Bond	(308,848)	(319,464)	(331,210)	(342,776)
Proceeds from note payable	-	-	-	-
Principal payments on note payable	(24,999)	(24,999)	(24,999)	(16,666)
NET CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(333,847)</u>	<u>(344,463)</u>	<u>(356,209)</u>	<u>(359,442)</u>
NET INCREASE IN CASH	<u>(1,118,068)</u>	<u>(207,921)</u>	<u>108,855</u>	<u>100,525</u>
CASH, BEGINNING OF THE YEAR	<u>2,606,087</u>	<u>1,488,019</u>	<u>1,280,098</u>	<u>1,388,953</u>
CASH, END OF THE YEAR	<u>\$ 1,488,019</u>	<u>\$ 1,280,098</u>	<u>\$ 1,388,953</u>	<u>\$ 1,489,478</u>

**PRO FORMA INCOME STATEMENT ASSUMPTIONS FOR
CREAMERY BROOK RETIREMENT VILLAGE**

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

IV. SUMMARY

1. NAME AND ADDRESS OF PROVIDER:

Creamery Brook Retirement Village
36 Vina Lane
Brooklyn, CT 06234

2. NAME AND ADDRESS OF PROVIDER:

Pierce Memorial Baptist Home
44 Canterbury Road
Brooklyn, CT 06234

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

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

Marketing Associate - Ext. 202

4. DESCRIPTION OF COMMUNITY:

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

82 - Independent Living and Assisted Living Apartments

72 - Skilled Nursing Facility (SNF) beds

10 – Cottages (proposed, 6 built)

5. MINIMUM AGE:

Cottages: 55 or older

6. AFFILIATIONS:

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

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

We are also members of:

American Health Care Association

Connecticut Association of Health Care Facilities

Association of Long Term Care Financial Managers

American Baptist Homes and Caring Ministries

Connecticut Assisted Living Association

Leading Age

Brooklyn Business Association

Northeast Chamber of Commerce

MONTHLY FEES AND REFUNDABLE ENTRANCE FEES

	<u>Monthly Fee</u>	<u>Entrance Fee</u>	<u>Declining Entrance Fee</u>
COTTAGES			
1221 SQ.FT.*	\$2,657	\$243,500	\$109,900
1686 SQ.FT.*	\$3,051	\$269,500	\$124,900

*(Approximate Square feet.)

SECOND PERSON	\$278
MONTHLY MEAL PLAN **	\$140

** (Per resident, See Addendum K)

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

The entrance fee is 90% refundable when the resident(s) move(s) from the cottage and the Entrance Fee for that cottage is received from the new resident(s) by Creamery Brook Village or no later than three years from the date the contract is terminated, whichever comes first.

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

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

7. Entrance Fees

Our cottages will be available based on the entrance fees, shown on Page 23. Individuals choosing the entrance fee option will pay a REDUCED RATE in their monthly charges as compared to persons choosing the rental option in the Creamery Brook building. (See page 23 and Exhibit G)

Entrance fees will be refundable in accordance to the Residency Agreement. In the event of death or a decision to move out of the residence, the refundable portion of the Entrance Fee will be paid once the residence is occupied by the new resident or no later than three years from the date the contract is terminated, whichever occurs first, as noted in Section XII of the Residency Agreement.

DESCRIPTION OF THE SERVICES

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

ACTIVITIES COORDINATOR

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

BEAUTY SHOP

Beauty shop services are available at an extra charge.

EMERGENCY CALL SYSTEM

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

COMMON AREAS

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

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

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

Personal Laundry Facility: washers and dryers for personal linen and garments are provided. (Residents in the cottages and select apartment locations have a washer/& dryer in their residences).

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

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

LAUNDRY SERVICE

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

FOOD SERVICE

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

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

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

FULL DISCLOSURE

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

GRATUITIES

No gratuities are allowed. Employees who accept them will be subject to discharge.

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

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

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

While in the health center, the resident will be given all required nursing care. Health center care includes basic nursing care and emergency medical care when the medical director is summoned by health center staff. The resident is responsible for payment for the services of his/her personal physician. In the event the residents personal physician or the Facility's medical director orders medication, therapy or various supplemental services for the resident's care, resident shall be responsible for the cost of such

services.

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

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

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

MAINTENANCE OF THE LIVING UNIT AND HOUSEKEEPING SERVICES

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

MONTHLY BILLING SERVICE

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

OTHER CHARGES

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

PRESCRIPTION SERVICE

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

SECURITY

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

TRANSPORTATION

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

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

THE CREAMERY BROOK RESIDENCY AGREEMENT

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

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

I. BASIC AGREEMENT

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

II. YOUR COVENANTS

A. You covenant that:

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

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

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

III. MEDICAL AND FINANCIAL EVALUATIONS

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

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

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

IV. RESIDENTIAL ACCOMMODATION

- A. Designation

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

- B. Physical Alterations Subsequent to Occupancy

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

- C. Occupancy Date

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

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

V. ENTRANCE FEE

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

VI. MONTHLY SERVICE FEE

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

VII. SERVICES PROVIDED TO YOU

A. General Description

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

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

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

B. The following optional and health care services are available at Your expense (see Exhibit L):

- 1. One main meal each day, with restaurant service in the dining room.
 - a. Join the monthly meal program – an entire month's meals (main meal each day)
 - b. Choose a main meal when you wish.
- 2. Guest meals
- 3. Transportation beyond the local area (From a livery service).
- 4. Beauty Salon/Barber Shop.
- 5. Physician services.
- 6. Physical, Occupational and Speech Therapy Services.
- 7. Non-routine maintenance.
- 8. Long distance telephone service.
- 9. Extended Cable TV service.
- 10. Health Care Services
- 11. Pierce Memorial Baptist Home in its Health Center, will make nursing services available to You on a priority basis. The nursing services are more fully described in the Disclosure Statement. You will have priority admission to the Health Center granted by the Medical Director after consultation with You, Your family or legal representative, and Your physician.

During Your stay in the Health Center, You will pay for services received at the current per diem rate, except for the ten (10) prepaid lifetime days described above in subsection A.6.(d). If at any time it is necessary for You to be transferred to the

Health Center and no bed is available, We can assist you in finding another nursing home in the area, until a bed at the Health Center becomes available. In such a case, the expense to You will not exceed that which You would have paid had You been immediately admitted to the Health Center, until Pierce Memorial has made an offer to transfer You to our Health Center.

12. Assisted Living Services.

VIII. TERMINATION BY YOU

A. Prior to Occupancy

1. Within thirty (30) days of signing this Agreement, You may terminate this Agreement by sending written notice to Us by certified or registered mail (See Exhibit D: Notice of Right to Rescind). We will refund the Entrance Fee Deposit without interest less any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within thirty (30) days from the date the certified or registered mail is received.
2. If you die at any time after the initial thirty (30) day rescission period described in section VIII.A.1. above, and before your Residence is available for occupancy, or because of illness, injury or incapacity you are unable to occupy your Residence, this Agreement will terminate upon written notice, by certified or registered mail to Us. We will refund the Entrance Fee Deposit with interest less a \$600.00 application fee and any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within sixty (60) days from the date the certified or registered mail is received.
3. After the initial thirty (30) day rescission period you may terminate this Agreement prior to occupancy for any reason other than those specified in VIII.A.1&2, by giving written notice to Us. We will refund the Entrance Fee Deposit with interest less a \$600.00 application fee and any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within thirty (30) days from our receipt of a new Entrance Fee Deposit or no later than three years from the date the contract is terminated, whichever occurs first.

B. After Occupancy

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

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

IX. TERMINATION BY US

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

1. Prior to Occupancy Date:

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

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

- (a) You fail to pay the unpaid balance of the Entrance Fee when due;
- (b) You fail to pay Monthly Service Fee or other amounts owing to Us when due, unless other mutually satisfactory arrangements have been made;
- (c) We determine that information on Your Confidential Personal Profile is materially erroneous or that any material facts affecting qualification for residency were not disclosed; or that there has been an adverse change in Your financial condition;
- (d) You fail to comply with Our Resident Rules and Regulations or the terms of this Agreement or create a situation detrimental to the health, safety or peaceful living of other residents;
- (e) You make any disposition of Your assets which, in Our judgment materially impairs Your ability to pay the Monthly Service Fee or other costs; or
- (f) We determine in consultation with our Medical Director and Your personal physician and/or family representative, to the extent feasible that:
 - (1) You have a dangerous or contagious disease or mental illness such that You are a danger to the health, safety or welfare of Yourself or others at Pierce Memorial.
 - (2) You are in need of drug rehabilitation or any other condition for which We are not licensed or for which care cannot be provided in Creamery Brook or in the Health

Center.

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

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

B. Refund of Entrance Fee

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

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

X. SPECIAL OCCUPANCY CIRCUMSTANCES

A. Rights of a Surviving Spouse/Resident

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

B. Separation

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

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

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

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

1. If occupancy of one residence is terminated, the Entrance Fee for that residence will be refunded as provided in this Agreement, Section XII.
2. If occupancy of both residences is terminated and a new unit occupied, the difference between the current Entrance Fee for the new residence and the Entrance Fees previously paid for the vacated unit will be paid to Us or refunded by Us, as applicable.
3. In the event We pay a refund to You, such payment shall be made only after the vacated residence(s) is/are occupied and the new Entrance Fee(s) is/are received by Us or no later than three years from the date the contract is terminated, whichever occurs first.
4. A double occupancy Monthly Service Fee will thereafter be in effect.

D. Visitors

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

XI. TRANSFERS

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

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

XII. REFUND OF ENTRANCE FEE

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

- C. In all cases, Your refund will be paid when your Residence is reoccupied or no later than three years from the date the contract is terminated, whichever occurs first, and We have received the then-current Entrance Fee from the new resident.
- D. All Entrance Fee refunds are subject to the following reductions:
 - (1) Any monies advanced to You by Us and to be applied against the refund; and
 - (2) Any monies owed Us under Section VI.C. of this Agreement; and any monies owed us for other services rendered by Creamery Brook or Pierce Memorial Health Center.
- E. If You are admitted to the health center, the refundable portion of the Entrance Fee will be transferred to an interest bearing account to be charged monthly for the cost of your health care. Any unused portion will be paid to your estate.
- F. In the event this Agreement is executed by two persons, the Entrance Fee refund shall be payable only on the termination of this Agreement by both of You subject to Section C above.
- G. The refund shall be paid to You (or Your estate) unless We are otherwise directed by written instruction signed by You.

XIII. TERMS OF RESIDENCE

A. Agreement Not a Lease/No Ownership Rights

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

B. Right of Entry

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

C. Disposition of Personal Property

Upon termination of this Agreement for any cause, the Residence must be vacated and all personal property removed within thirty (30) days unless special arrangements are made to extend this time frame and You agree to pay us a prorated portion of the Monthly Service Fee. We will have the right to remove and store all property left in the Residence after this time and to charge a reasonable fee for costs incurred in moving and/or storing such items. Property left in storage for ninety (90) days or more may be disposed of by Us at Your expense.

D. Responsibility for Damage

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

E. Rules and Regulations

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

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

F. Medical Insurance

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

G. Alterations

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

H. Private Duty Assistance

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

XIV. MISCELLANEOUS

A. Subordination

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

B. Assignment

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

C. Arrangement for Conservatorship

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

D. Joint and Several Liability

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

E. Notices

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

F. Interpretation of Agreement

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

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

G. Governing Law

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

Resident

Date

Print Name

Resident

Date

Print Name

Pierce Memorial Baptist Home Inc.

Date

Print Name and Title

EXHIBIT C.

	<u>Monthly Fee</u>	<u>Entrance Fee</u>	<u>Declining Entrance Fee</u>
COTTAGES			
1221 SQ.FT.*	\$2,657	\$243,500	\$109,900
1686 SQ.FT.*	\$3,051	\$269,500	\$124,900

*(Approximate Square feet.)

SECOND PERSON	\$278
MONTHLY MEAL PLAN **	\$140

** (Per resident, See Addendum K)

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

The entrance fee is 90% refundable when the resident(s) move(s) from the cottage and the Entrance Fee for that cottage is received from the new resident(s) by Creamery Brook Village or no later than three years from the date the contract is terminated, whichever occurs first.

Declining Refund Entrance Fee as follows: Equal to the original Entrance Fee paid less ten (10%) of the Entrance Fee deducted at move-in and two percent(2%) of Entrance Fee for each calendar month or part thereof that the Residence is occupied. (After a period of 45 months Your refund will decline to a zero balance). In all cases, Your refund will be paid accordance with the Residency Agreement when Your residence is reoccupied or no later than three years from the date the contact is terminated, whichever occurs first.

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

NOTICE OF RIGHT TO RESCIND

Date rescision period begins

Apartment #

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

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

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

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

Signature of Prospective Resident

Date

Signature of Prospective Resident

Date

LIVING UNIT TRANSFERS

- A. Should You desire to move to a residence comparable to Your residence, the transfer will be subject to the availability of a new residence and subject to a transfer fee.
- B. Should you transfer to a residence with a lower Entrance Fee, You will receive a refund when your original residence is occupied by a new resident or no later than three years from the date the contract is terminated, whichever occurs first, and all fees are paid. The refund will equal the difference between the two Entrance Fees in effect at the time of the original Residency Agreement less the non-refundable part of the Entrance Fee at the time of the change.
- C. Should You choose a residence with a higher Entrance Fee, an additional Entrance Fee will be charged in the amount of the difference between you original Entrance Fee herein, and the Entrance Fee for the residence with the higher Entrance fee in effect at the time of the transfer.
 - (a) Ten percent (10%) of the difference, as a deposit is payable at the time of execution of the residence transfer agreement.
 - (b) The balance of the difference is payable at the time the larger residence is available for occupancy.
- D. Should you transfer to an apartment in the main building you will receive your refund in accordance with Section XII, B, C & D.
- E. A transfer charge to cover the cost of painting and cleaning will be charged to You for all transfers. Any moving expenses will be Your responsibility.
- F. The Monthly Service Fee will be adjusted to the Monthly Service Fee in effect for the new residence.
- G. Should You enter into a living unit transfer agreement and then cancel the agreement prior to occupancy of the new living unit, You shall pay to Us a service charge of up to 2% of the Entrance Fee as a processing fee depending on statutory limits, if any, and the requirements of the Residency Agreement.

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

IMPUTED INTEREST

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

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

EXHIBIT G.

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

Creamery Brook Village	1/01/10 to 1/01/11	1/01/11 to 1/01/12	1/01/13 to 1/01/14	1/01/14 to 1/01/15	1/01/15 to 1/01/16
Pine	\$2323	\$2592	\$2618	\$2644	\$2670
Chestnut	\$2762	\$2818	\$2846	\$2874	\$2903
Maple	\$2695	\$2749	\$2776	\$2804	\$2832
Dogwood	\$2655	\$2709	\$2736	\$2763	\$2791
Birch	\$3145	\$3208	\$3240	\$3272	\$3305
Oak	\$3145	\$3208	\$3240	\$3272	\$3305
Willow	\$3145	\$3208	\$3240	\$3272	\$3305
Elm	\$3145	\$3208	\$3240	\$3272	\$3305
Spruce	\$3213	\$3277	\$3310	\$3343	\$3376

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

*Cottages at Creamery Brook

01/01/11 to 01/01/12	01/01/12 to 01/01/13	01/01/13 to 01/01/14	01/01/14 to 01/01/15	01/01/15 to 01/01/16
\$2932	\$2961	\$2991	\$3021	\$3051

ENTRANCE FEE ESCROW

PLEDGED ASSEST ACCOUNT

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

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

Entrance Fee Escrow Fund held at:

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

Pledged Asset Fund held at:

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

NOTICE TO PROSPECTIVE RESIDENT

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

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

Acknowledgment:

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

Signature of Prospective Resident

Date

Signature of Prospective Resident

Date

Signature of Legal Representative, if applicable*

Date

*State Relationship to Prospective Resident

**ACKNOWLEDGMENT OF RECEIPT
OF DISCLOSURE STATEMENT**

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

Acknowledgment:

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

Signature of Prospective Resident

Date

Signature of Prospective Resident

Date

Signature of Legal Representative, if applicable

Date

*State Relationship to Prospective Resident

EXHIBIT K

Addendum
Monthly Meal Program

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

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

I/We decline the monthly meal plan.

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

Resident

Date

Resident

Date

Creamery Brook Village Representative

Date

Optional Fees for Additional Services

Dinner Guest	\$10.00 per person
Holiday/Special Event Dinner Guest	\$15.00
Additional Soup, Salad, Dessert Or Beverage (after dinner meal)	\$1.50 each
Tray Service	\$ 3.00 per delivery, per apt.
Daily Sandwich (sign up by 11:30am)	\$ 2.00 - \$2.50
Breakfast/Lunch Program	\$330.00 monthly fee
Housekeeping/Laundry	\$ 5.00 per ¼ hour
Maintenance	\$ 5.00 per ¼ hour
Fax Outgoing	\$.75 per sheet
Copies	\$.10 per sheet
Car Cleaning/Moving [Inclement Weather]	\$25.00 per car, per season
Newspaper Delivery	Billed by Vendor
Transportation for non-scheduled Services	\$15.00 per hour and mileage at .28 cents per mile
Assisted Living Services	Based on individualized Service Care Plan

Residents are responsible for costs of services by outside providers.

SWORN STATEMENT OF THE ESCROW AGENT

Our CCRC consists of six (6) units. Creamery Brook Retirement Village did not meet this requirement for 2015.

Our annual operating budget for the CCRC is \$126,481. Currently, we have an investment portfolio valued at \$5,752,089 as of 9/30/2015, reported in our audited financial statements. Those financial statements also show a cash and cash equivalents of \$1,488,019. Combined this is a total of \$7,240,018.

The annual budget for the CCRC is \$126,481. The monthly budget is \$10,540. We believe we meet the requirement based on our current cash and cash equivalent totals.

It is our intent to set up an escrow account in 2016 with the required amount, as stipulated in the legislation.

AUDITED FINANCIAL STATEMENTS

FYE

September 30, 2015

September 30, 2014

BlumShapiro

Accounting | Tax | Business Consulting

PIERCE MEMORIAL BAPTIST HOME, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015 AND 2014

PIERCE MEMORIAL BAPTIST HOME, INC.

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Independent Auditors' Report

The Board of Trustees
Pierce Memorial Baptist Home, Inc.

We have audited the accompanying financial statements of Pierce Memorial Baptist Home, Inc. (the Home), which comprise the statement of financial position as of September 30, 2015 and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pierce Memorial Baptist Home, Inc., as of September 30, 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Pierce Memorial Baptist Home, Inc.'s 2014 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated January 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
January 25, 2016

PIERCE MEMORIAL BAPTIST HOME, INC.

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,488,019	\$ 2,606,087
Accounts receivable, trade, net of allowance	1,055,414	826,882
Accounts receivable, other	1,330	3,517
Prepaid expenses and other current assets	94,868	75,976
Restricted cash, residents' funds	16,311	17,248
Total current assets	<u>2,655,942</u>	<u>3,529,710</u>
Investments	<u>5,752,089</u>	<u>6,173,553</u>
Property and Equipment, Net	<u>9,751,729</u>	<u>9,980,407</u>
Other Assets		
Assets limited as to use	2,337,334	2,273,338
Deferred financing costs, net	264,219	276,018
Entry fee mortgage receivable	165,475	160,590
Interest in perpetual trusts	1,418,642	1,563,640
Total other assets	<u>4,185,670</u>	<u>4,273,586</u>
Total Assets	<u>\$ 22,345,430</u>	<u>\$ 23,957,256</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of bonds payable	\$ 319,464	\$ 308,848
Current portion of note payable	24,999	24,999
Accounts payable, trade	195,262	201,540
Accrued expenses	377,382	444,996
Deferred revenue	14,651	40,104
Funds held for residents	16,311	17,248
Entry fee refunds payable	-	219,150
Total current liabilities	<u>948,069</u>	<u>1,256,885</u>
Long-Term Liabilities		
Bonds payable, net of current portion	10,404,125	10,723,589
Note payable, net of current portion	41,665	66,664
Security deposits	286,022	247,706
Nonrefundable entry fees	67,436	114,968
Entry fee refunds payable, net of current portion	893,565	893,565
Total liabilities	<u>12,640,882</u>	<u>13,303,377</u>
Net Assets		
Unrestricted	7,393,401	8,150,392
Temporarily restricted	49,166	96,508
Permanently restricted	2,261,981	2,406,979
Total net assets	<u>9,704,548</u>	<u>10,653,879</u>
Total Liabilities and Net Assets	<u>\$ 22,345,430</u>	<u>\$ 23,957,256</u>

The accompanying notes are an integral part of the financial statements

PIERCE MEMORIAL BAPTIST HOME, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2015 WITH SUMMARIZED TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Health services	\$ 7,823,748	\$ -	\$ -	\$ 7,823,748
Less bad debt expense	420,888	-	-	420,888
Net health services revenue	7,402,860	-	-	7,402,860
Resident fees (apartments and cottages)	2,725,185	-	-	2,725,185
Amortization of entry fees	47,532	-	-	47,532
Adult day care	28,150	-	-	28,150
Other	29,660	-	-	29,660
Total revenues, gains and other support	10,233,387	-	-	10,233,387
Expenses				
Nursing services	4,303,364	-	-	4,212,827
Administrative services	2,065,733	-	-	2,125,830
Dietary services	1,183,982	-	-	1,062,088
Plant operations	914,351	-	-	914,767
Housekeeping services	229,447	-	-	235,492
Recreation services	206,926	-	-	197,463
Marketing services	224,747	-	-	292,575
Laundry services	119,405	-	-	132,054
Chaplain services	27,959	-	-	27,390
Social services	117,563	-	-	116,264
Volunteer services	14,509	-	-	15,271
Depreciation and amortization	633,039	-	-	554,527
Interest	372,657	-	-	384,922
Provider fees	458,131	-	-	466,728
Total expenses	10,871,813	-	-	10,738,198
Loss from Operations	(638,426)	-	-	(638,426)
Nonoperating Income (Losses)				
Net realized gains on investments	32,901	-	-	50,354
Net unrealized gains (losses) on investments	(362,370)	(63,329)	-	618,740
Change in beneficial interest in perpetual trusts	-	-	(144,998)	105,411
Net assets released from restrictions	260	(260)	-	-
Interest and dividends	270,025	16,037	-	261,819
Contributions	14,825	210	-	88,178
Total nonoperating income (losses)	(44,359)	(47,342)	(144,998)	1,124,502
Nonoperating Expenses				
Investment management fees	58,707	-	-	67,484
Loss on sale of assets	3,151	-	-	-
Other fees	12,348	-	-	10,841
Total nonoperating expenses	74,206	-	-	78,325
Changes in Net Assets	(756,991)	(47,342)	(144,998)	433,054
Net Assets - Beginning of Year	8,150,392	96,508	2,406,979	10,220,825
Net Assets - End of Year	\$ 7,393,401	\$ 49,166	\$ 2,261,981	\$ 10,653,879

The accompanying notes are an integral part of the financial statements

PIERCE MEMORIAL BAPTIST HOME, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (949,331)	\$ 433,054
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	420,888	317,396
Net unrealized (gains) losses on investments	425,699	(618,740)
Net realized gains on investments	(32,901)	(50,354)
Proceeds from entry fees	-	100,650
Entry fees refunded	(219,150)	(230,850)
Interest income on entry fee mortgage receivable	(4,885)	(4,740)
Amortization of entry fees	(47,532)	(25,441)
Loss on sale of assets	3,151	-
Depreciation and amortization	633,039	554,527
(Increase) decrease in operating assets:		
Accounts receivable, trade	(649,420)	200,017
Accounts receivable, other	2,187	18,811
Change in beneficial interests in perpetual trusts	144,998	(105,411)
Assets limited as to use	(63,996)	5,029
Prepaid expenses and other current assets	(18,892)	(3,774)
Restricted cash, residents' funds	937	(4,015)
Increase (decrease) in operating liabilities:		
Accounts payable, trade	(6,278)	(84,435)
Accrued expenses	(67,614)	(102,114)
Deferred revenue	(25,453)	17,147
Funds held for residents	(937)	4,015
Net cash provided by (used in) operating activities	<u>(455,490)</u>	<u>420,772</u>
Cash Flows from Investing Activities		
Net sale of investments	28,666	98,672
Capital additions	(397,213)	(1,169,457)
Proceeds from sale of assets	1,500	-
Security deposits	38,316	(31,034)
Net cash used in investing activities	<u>(328,731)</u>	<u>(1,101,819)</u>
Cash Flows from Financing Activities		
Bond payments	(308,848)	(274,288)
Proceeds from note payable	-	99,995
Principal payments on note	(24,999)	(8,332)
Net cash used in financing activities	<u>(333,847)</u>	<u>(182,625)</u>
Net Decrease in Cash and Cash Equivalents	(1,118,068)	(863,672)
Cash and Cash Equivalents - Beginning of Year	<u>2,606,087</u>	<u>3,469,759</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,488,019</u>	<u>\$ 2,606,087</u>
Cash Paid During the Year for Interest	\$ 373,530	\$ 353,755

The accompanying notes are an integral part of the financial statements

PIERCE MEMORIAL BAPTIST HOME, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

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

Overall occupancy levels at the Home for the years ended September 30, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Skilled care	88%	94%
Independent living	92%	84%

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

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

Cash and Cash Equivalents

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

Resident Funds

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

PIERCE MEMORIAL BAPTIST HOME, INC.

NOTES TO THE FINANCIAL STATEMENTS

Accounts Receivable and Allowance for Uncollectible Receivables

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

The Home provides an allowance for doubtful accounts based on prior experience and management's assessment of the collectability of specific accounts. The allowance for doubtful accounts was \$200,000 and \$290,000 at September 30, 2015 and 2014, respectively.

Net Resident Service Revenue

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

Investment Valuation and Income Recognition

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

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

Property and Equipment

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

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

Property and equipment expenditures in excess of \$1,000 are capitalized.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount of an asset may not be recoverable. The Home records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. No impairment changes were recognized as of September 30, 2015.

PIERCE MEMORIAL BAPTIST HOME, INC.

NOTES TO THE FINANCIAL STATEMENTS

Assets Limited as to Use

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

Contributions

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

Deferred Financing Costs

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

Entry Fee Mortgage Receivable

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

Asset Retirement Obligations

The Home accounts for asset retirement obligations (ARO) in accordance with GAAP, which defines conditional ARO as a legal obligation to perform an asset retirement activity in which the timing or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with the respect to the timing or method of settlement of the ARO does not defer recognition of a liability. The fair value of the ARO is recorded on a discounted basis and accreted over time for the change in fair value. At September 30, 2015, the Home has not identified any conditional ARO requiring accrual.

Compensated Absences

It is the Home's policy to allow employees to carry over all unused vacation time. Accrued unused vacation time will not be paid at separation, except for eligible employees who have been employed continuously by the Home for more than six months and have worked out the required notice period. Employees who have met these requirements will be paid out for any unused vacation time upon separation not to exceed the equivalent of one time their annual accrual.

PIERCE MEMORIAL BAPTIST HOME, INC.

NOTES TO THE FINANCIAL STATEMENTS

Security Deposits

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

Functional Allocations of Expenses

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

Nursing Home User Fee

The Connecticut Legislature passed a law requiring that, effective July 1, 2005, nursing homes in Connecticut pay a user fee for all patients except Medicare patients. Additionally, the legislation provided for a significant increase in the daily payment rates for Medicaid patients. The user fee was \$21.02 for the years ended September 30, 2015 and 2014.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Financial statement areas where management applies the use of estimates consist primarily of the allowance for doubtful accounts, amortization of entrance fees, and the useful lives of property and equipment. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable. However, actual results could differ from those estimates.

Income Taxes

The Home is a not-for-profit organization described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes pursuant to Section 501(a) of the Code.

Reclassifications

Certain 2014 amounts have been reclassified in order to conform to the current year presentation.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through January 25, 2016, which represents the date the financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

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

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

PIERCE MEMORIAL BAPTIST HOME, INC.

NOTES TO THE FINANCIAL STATEMENTS

The Home grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Medicaid	56%	62%
Medicare	13%	7%
Third-party payor	22%	15%
Private	9%	16%
	<u>100%</u>	<u>100%</u>

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

NOTE 4 - INVESTMENTS

As of September 30, 2015 and 2014, investments consist of the following:

	<u>2015</u>	<u>2014</u>
Common stocks	\$ 4,270,919	\$ 4,758,711
Mutual funds - equity	4,176	4,470
Mutual funds - fixed income	1,249,108	1,238,641
Exchange traded funds	160,927	105,280
Corporate bonds	66,959	66,451
	<u>\$ 5,752,089</u>	<u>\$ 6,173,553</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 161,337	\$ 161,337
Building and improvements	17,724,850	17,568,415
Equipment	2,678,513	2,477,458
Construction in progress	57,676	36,556
	<u>20,622,376</u>	<u>20,243,766</u>
Less accumulated depreciation	<u>(10,870,647)</u>	<u>(10,263,359)</u>
Property and Equipment, Net	<u>\$ 9,751,729</u>	<u>\$ 9,980,407</u>

Depreciation expense totaled \$621,806 and \$542,728 for the years ended September 30, 2015 and 2014, respectively.

Construction in progress is for ongoing projects at the Home and renovation of the assisted living facility.

PIERCE MEMORIAL BAPTIST HOME, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - ASSETS LIMITED AS TO USE

Assets limited as to use at September 30, 2015 and 2014 are comprised of cash held for residents' security deposits and collateral for the Home's mortgage, as indicated by the table below. Pursuant to the terms of the mortgage, the Home is required to pledge cash and investments with a minimum market value of \$1,680,000 until certain improvements are completed and the entire facility reaches 94% occupancy. As of September 30, 2015 and 2014, assets limited as to use consist of the following:

	<u>2015</u>	<u>2014</u>
Security deposits		
Cash and cash equivalents	\$ 286,022	\$ 247,706
Pledged assets:		
Cash and cash equivalents	127,970	54,660
Certificates of deposit	905,370	705,672
Mutual funds - fixed income	344,817	296,902
Corporate bonds	673,155	968,398
Total pledged assets	<u>2,051,312</u>	<u>2,025,632</u>
Assets Limited As to Use	<u>\$ 2,337,334</u>	<u>\$ 2,273,338</u>

NOTE 7 - INTEREST IN PERPETUAL TRUSTS

The Home is an income beneficiary of three perpetual trusts whose assets are held and managed by financial institutions. The Home's interests in the fair value of the trusts are recorded as permanently restricted net assets and the Home's share of the change in the fair value of the trusts' assets are recognized as a change in permanently restricted net assets on the statement of activities and changes in net assets. The following is a schedule of the Home's interest in perpetual trusts for the years ended September 30, 2015 and 2014.

	<u>Lund Trust</u>	<u>Darrow Trust</u>	<u>Butts Trust</u>	<u>Total</u>
Interest in perpetual trusts - 9/30/2013	\$ 1,295,965	\$ 46,739	\$ 115,525	\$ 1,458,229
Change in value	<u>80,886</u>	<u>18,337</u>	<u>6,188</u>	<u>105,411</u>
Interest in perpetual trusts - 9/30/2014	1,376,851	65,076	121,713	1,563,640
Change in value	<u>(147,389)</u>	<u>577</u>	<u>1,814</u>	<u>(144,998)</u>
Interest in Perpetual Trusts - 9/30/2015	<u>\$ 1,229,462</u>	<u>\$ 65,653</u>	<u>\$ 123,527</u>	<u>\$ 1,418,642</u>

The Home received distributions from the trusts for the years ended September 30, 2015 and 2014, of \$131,171 and \$92,372, respectively.

PIERCE MEMORIAL BAPTIST HOME, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - OPERATING LEASES

The Home has entered into various operating leases, the majority of which are on a month-to-month basis. In December 2012, the Home entered into a lease agreement with a vendor for two copier machines that runs through November 2016. Future minimum lease payments are \$8,256 and \$1,376 for the years ending September 30, 2016 and 2017, respectively.

Total operating lease costs were \$27,396 and \$32,743 for the years ended September 30, 2015 and 2014, respectively.

NOTE 9 - COTTAGE ENTRY FEES

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

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

Nonrefundable entry fees recognized as revenue (including termination income) amounted to \$47,532 and \$25,441 for the years ended September 30, 2015 and 2014, respectively.

NOTE 10 - LONG-TERM DEBT

On March 1, 2013, the Home entered into a loan agreement with the State of Connecticut Health and Educational Facilities Authority (CHEFA) to refinance its existing 1999 and 2008 Demand Revenue Bonds through the issuance of new revenue bonds in the amount of \$11,454,000. The bonds mature on April 1, 2038 and bear interest at a rate of 3.39%. Principal and interest on the bonds is payable monthly. CHEFA assigned its interest in the note to People's Bank. The bonds are secured by the Home's property and equipment and its pledged assets (See Note 6) and are subject to various financial and nonfinancial covenants. During the year ended September 30, 2015, the Home was not in compliance with one of its financial covenants and received a waiver from the bank related to this covenant violation.

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

PIERCE MEMORIAL BAPTIST HOME, INC.

NOTES TO THE FINANCIAL STATEMENTS

Long-term debt consisted of the following as of September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Bonds payable	\$ 10,723,589	\$ 11,032,437
Note payable to CL&P	66,664	91,663
Less current portion	<u>(344,463)</u>	<u>(333,847)</u>
Total Long-Term Debt	<u>\$ 10,445,790</u>	<u>\$ 10,790,253</u>

Expected maturities on long-term debt are as follows:

<u>Year Ending September 30</u>	<u>Bonds Payable</u>	<u>CL&P Note</u>	<u>Total</u>
2016	\$ 319,464	\$ 24,999	\$ 344,463
2017	331,210	24,999	356,209
2018	342,776	16,666	359,442
2019	354,378	-	354,378
2020	366,605	-	366,605
Thereafter	<u>9,009,156</u>	<u>-</u>	<u>9,009,156</u>
	<u>\$ 10,723,589</u>	<u>\$ 66,664</u>	<u>\$ 10,790,253</u>

NOTE 11 - AFFILIATED ORGANIZATION

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

Effective August 1, 2015, the Home and Connecticut Baptist entered into a similar service agreement in which Connecticut Baptist has agreed to lease to the Home, on a part-time basis, the services of its Accounts Receivable Director. In consideration for these services, the Home has agreed to reimburse Connecticut Baptist for fifty percent of the Accounts Receivable Director's annual salary, payroll taxes and benefits through February 28, 2017.

Total expenditures under these contracts were \$161,136 and \$92,725 for the years ended September 30, 2015 and 2014, respectively.

PIERCE MEMORIAL BAPTIST HOME, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - RETIREMENT PLAN

A qualified 401(k) retirement plan is maintained for employees. Under this plan, employees who have reached 21 years of age and have completed at least one year of service are eligible to contribute up to the maximum allowable under the appropriate tax law. For the years ended September 30, 2015 and 2014, the Home made a discretionary matching contribution equal to 50% of employees' contributions into the plan, up to 4% of compensation. The Home's expense for this plan was \$22,054 and \$21,933 for the years ended September 30, 2015 and 2014, respectively.

NOTE 13 - FAIR VALUE MEASUREMENTS

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

Level 1

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

Level 2

Inputs to the valuation methodology include:

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

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

Level 3

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

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

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

Common Stocks

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

Mutual Funds

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

Exchange Traded Funds

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

PIERCE MEMORIAL BAPTIST HOME, INC.

NOTES TO THE FINANCIAL STATEMENTS

Corporate Bonds

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

Interest in Perpetual Trusts

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

There have been no changes in the methodologies used at September 30, 2015 and 2014.

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

The following tables set forth by level within the fair value hierarchy, the Home's assets at fair value at September 30, 2015 and 2014:

Description	September 30, 2015	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Common stock	\$ 4,270,919	\$ 4,270,919	\$ -	\$ -
Mutual funds:				
Equities	4,176	4,176	-	-
Fixed income	1,593,925	1,593,925	-	-
Exchange traded funds	160,927	160,927	-	-
Corporate bonds	740,114	-	740,114	-
Interest in perpetual trusts	1,418,642	-	-	1,418,642
Total Assets at Fair Value	<u>\$ 8,188,703</u>	<u>\$ 6,029,947</u>	<u>\$ 740,114</u>	<u>\$ 1,418,642</u>

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

There were no transfers between levels of investments during the years ended September 30, 2015 and 2014.

PIERCE MEMORIAL BAPTIST HOME, INC.

NOTES TO THE FINANCIAL STATEMENTS

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

	Interest in Perpetual Trusts	
	2015	2014
Balance - beginning of year	\$ 1,563,640	\$ 1,458,229
Change in value of perpetual trust assets	<u>(144,998)</u>	<u>105,411</u>
Balance - End of Year	<u>\$ 1,418,642</u>	<u>\$ 1,563,640</u>

NOTE 14 - CASH FLOWS

Supplemental Disclosure of Noncash Operating Activities

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

During 2014, the Home also acquired a note receivable from a new resident that represented a portion of the refundable mortgage entry fee due to the Home in the amount of \$155,850. This amount has not yet been collected as of September 30, 2015. This amount does not include unpaid interest of \$9,625 and \$4,740 as of September 30, 2015 and 2014, respectively.

NOTE 15 - HEALTHCARE INDUSTRY

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

PIERCE MEMORIAL BAPTIST HOME, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

PIERCE MEMORIAL BAPTIST HOME, INC.

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Independent Auditors' Report

The Board of Trustees
Pierce Memorial Baptist Home, Inc.

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matter

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

Report on Summarized Comparative Information

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

Change in Accounting Principle

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

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
January 26, 2015

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

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

The accompanying notes are an integral part of the financial statements

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

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

The accompanying notes are an integral part of the financial statements

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

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

The accompanying notes are an integral part of the financial statements

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

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

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

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

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

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

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS

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

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

NOTE 5 - PROPERTY AND EQUIPMENT

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

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

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

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

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ASSETS LIMITED AS TO USE

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

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

NOTE 7 - INTEREST IN PERPETUAL TRUSTS

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

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

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - INTEREST IN PERPETUAL TRUSTS (Continued)

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

NOTE 8 - OPERATING LEASES

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

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

NOTE 9 - COTTAGE ENTRY FEES

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

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

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

NOTE 10 - LONG-TERM DEBT

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

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM DEBT (Continued)

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

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

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

Expected maturities on long-term debt are as follows:

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

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - AFFILIATED ORGANIZATION

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

NOTE 12 - RETIREMENT PLAN

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

NOTE 13 - FAIR VALUE MEASUREMENTS

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - FAIR VALUE MEASUREMENTS (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 13 - FAIR VALUE MEASUREMENTS (Continued)

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

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

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

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

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

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

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - CASH FLOWS

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

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

NOTE 15 - HEALTHCARE INDUSTRY

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

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE

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

PIERCE MEMORIAL BAPTIST HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE (Continued)

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

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

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

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

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

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