

ASHLAR VILLAGE, INC.

Annual Financial Filing

FISCAL YEAR ENDING

SEPTEMBER 30, 2013

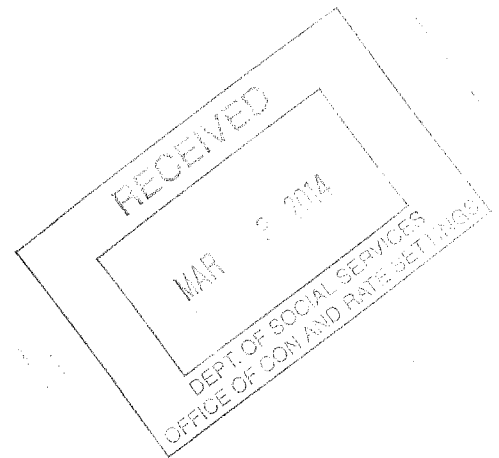


TABLE OF CONTENTS

FINANCIAL/ACTUARIAL INFORMATION	<u>Page</u>
Statement of Acturial Opinion	1
Exhibit I - Residential Turnover Rates	2
Exhibit II - Average Age of Residents	3
Exhibit III - Healthcare Utilization Rates	4
Admission Rates	4
Inpatient Days per 100	4
Exhibit IV - Occupancy Rates	5
Exhibit V - Number of Healthcare Admissions	6
Exhibit VI - Days of Care	7
Exhibit VII - Number of Permanent Transfers	8

ATTACHMENTS

- I – Entry Fee and Monthly Fee Schedules
- II – Financial Statements (Including Assumptions)
- III – Audited Financial Statements



CCRC
Actuaries, LLC

415 Main Street
Reisterstown, MD 21136-1905

Email: info@ccrcactuaries.com

Phone: 410-833-4220
Fax: 410-833-4229

Ashlar Village Retirement Community Statement of Actuarial Opinion

December 5, 2013

I, Dave Bond, am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, Managing Partner of the firm of CCRC Actuaries, LLC, and I meet the qualification standards to render Statements of Actuarial Opinion for continuing care retirement communities. I have been retained by Ashlar Village Retirement Community to render a Statement of Actuarial Opinion, in accordance with Section 17b-527 of the Regulations implementing the Continuing Care Statutes, regarding the following actuarial projections included in Ashlar Village Retirement Community's 2013 Annual Financial Filing:

- Exhibit I Residential Turnover Rates
- Exhibit II Average Age of Residents
- Exhibit III Health Care Utilization Rates
- Exhibit IV Occupancy Rates
- Exhibit V Number of Health Care Admissions
- Exhibit VI Days of Care
- Exhibit VII Number of Permanent Transfers

I have examined the above items as shown in Ashlar Village Retirement Community's Annual Financial Filing. These items are attached to this Statement of Actuarial Opinion. In the course of my review, I relied upon the accuracy and completeness of data and supporting documentation prepared by Ashlar Village Retirement Community personnel. In the course of my examination, nothing came to my attention that causes me to believe that the underlying data information is unreasonable or inappropriate. My examination included such review as I considered necessary of the data, methods, and underlying assumptions used by and the resulting actuarial projections reported by Ashlar Village Retirement Community with respect to the above items as shown in Ashlar Village Retirement Community's 2013 Annual Financial Filing.

In my opinion, the above items as shown in Ashlar Village Retirement Community's 2013 Annual Financial Filing:

- are based upon methods which are consistent with sound actuarial principles and practices; and
- are based upon methods and underlying assumptions that appear reasonable and appropriate in this instance.

Should you have any questions or concerns regarding this information, please do not hesitate to contact our office.

Respectfully,

Dave Bond, F.S.A., M.A.A.A.
Managing Partner

Ashlar Village

Exhibit I

Residential Turnover Rates

The Independent Living Unit residential turnover rates for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
12.3%	2.9%	5.9%	7.5%	8.7%	9.6%

Ashlar Village

Exhibit II

Average Age of Residents

The projected average age for the next five years for independent living residents is as follows:

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
85.6	86.0	86.4	86.6	86.7

Health Care Utilization Rates

Health care utilization rates, including admission rates and days per 100 residents by level of care for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

<u>Year</u>	Skilled Nursing Facility					<u>Days per 100 Residents</u>
	<u>Utilization Rate</u>		<u>Admission Rate</u>			
	<u>Patients</u>	<u>%</u>	<u>Patients</u>	<u>%</u>		
2013	15.4	3.4%	28.0	6.2%	1,236	
2014	15.0	3.3%	21.1	4.7%	1,197	
2015	27.0	5.5%	32.0	7.0%	2,010	
2016	40.3	7.9%	36.3	8.1%	2,887	
2017	51.1	9.7%	39.7	8.9%	3,554	
2018	59.5	11.1%	42.3	9.5%	4,052	

<u>Year</u>	Personal Care Facility					<u>Days per 100 Residents</u>
	<u>Utilization Rate</u>		<u>Admission Rate</u>			
	<u>Patients</u>	<u>%</u>	<u>Patients</u>	<u>%</u>		
2013	3.0	0.7%	9.0	2.0%	240	
2014	4.8	1.1%	11.6	2.6%	384	
2015	17.2	3.5%	20.7	4.5%	1,283	
2016	30.3	5.9%	22.3	4.9%	2,169	
2017	39.7	7.6%	23.6	5.3%	2,759	
2018	46.3	8.6%	24.5	5.5%	3,148	

Occupancy Rates

Occupancy rates for independent living units for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
94%	94%	94%	94%	94%	94%

Number of Health Care Admissions

The number of health care admissions, by level of care, for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

<u>Year</u>	<u>Skilled Nursing</u>	<u>Personal Care</u>
2013	28.0	9.0
2014	21.1	11.6
2015	32.0	20.7
2016	36.3	22.3
2017	39.7	23.6
2018	42.3	24.5

Days of Care

The number of days of care, by level of care, for the most recently completed fiscal year, and anticipated for the next five years, are as follows:

<u>Year</u>	<u>Skilled Nursing</u>	<u>Personal Care</u>
2013	5,637	1,095
2014	5,493	1,762
2015	9,843	6,285
2016	14,701	11,048
2017	18,641	14,473
2018	21,729	16,883

Number of Permanent Transfers

The number of permanent transfers to the skilled nursing or personal care facility for the most recently completed fiscal year are:

<u>Facility transferred to:</u>	<u>Transferring from:</u>		<u>Total</u>
	<u>Independent Living</u>	<u>Personal Care</u>	
Skilled Nursing	16	0	16
Personal Care	9	N/A	9

ATTACHMENT I
ENTRY FEE AND MONTHLY FEE SCHEDULES

***C*ore Services Included In the Monthly Fee:**

- ❖ Three nutritionally balanced meals each day
- ❖ Utilities (excluding phone, cable & Internet)
- ❖ Weekly housekeeping
- ❖ Weekly linen and towel service
- ❖ Transportation to doctor appointments within a 15-mile radius
- ❖ Transportation to programs and scheduled local shopping
- ❖ Daily fitness and wellness programs
- ❖ Stimulating social, recreational and therapeutic activities
- ❖ 24-hour emergency call (wrist or pendant)
- ❖ 24-hour resident care staff in the building
- ❖ 24-hour security on campus

***A*menities Included in the Monthly Fee:**

Art Gallery	Laundry Rooms
Art Studio	Library
Beauty/Barber Shop	Mail Room
Billiard Room	On-Site Parking
Convenience Store	Outdoor Patio & Terrace
Country Kitchen	Outdoor Raised Garden Plots
Exercise & Fitness	Resident Lounges
Game Room	Restaurant Style Dining & Continental Breakfast Option
Individual Storage Space	Walking Trails

Assisted Living Schedule of Fees

APT. STYLE	SQ. FT.	BASE RENT	WITH <u>LEVEL 1</u> CARE
Typical Studio	325	\$3,883	\$4,701
Deluxe Studio	351	\$4,061	\$4,879
1-Bedroom	460 - 596	\$5,404	\$6,222
1-Bedroom Corner	500	\$5,631	\$6,449
1-Bedroom Deluxe	627-650	\$6,054	\$6,872
2-Bedroom	660	\$6,638	\$7,456
2-Bedroom Deluxe	800	\$6,946	\$7,764
<i>2ND PERSON</i>		\$883	\$1,701

Personal Care Plan Options

Levels of care for each resident are determined prior to residency through a medical evaluation meeting with the assisted living nursing supervisor. They are re-evaluated every 120-days.

Level 1:	\$818*	Up to 3.5 hrs./week:	average of 30 min./day
Level 2:	\$1,636	Up to 7 hrs./week:	average of 60 min./day
Level 3:	\$2,454	Up to 10.5 hrs./week:	average of 90 min./day
Level 4:	\$3,272	Up to 14 hrs./week:	average of 120 min./day

* Each increased level of care is an additional \$818

For couples: Add the second person monthly fee of \$883 and \$818 for each level of care the second person requires.

Example: A one bedroom with first person receiving Level II care and second person receiving Level I care: \$7,040 + \$883+\$818= \$8,741

Prices shown are effective October 1, 2013, and are subject to change.

Masonicare at Ashlar Village

10/01/2013

RESIDENCE APARTMENTS	Ent. Fee 1 Person	Ent. Fee 2 People	Mo. Fee 1 Person	Mo. Fee 2 People	Square Footage
Bridgehouse/Knoll					
One bedroom/one bath	\$110,000	\$125,000	\$2,155	\$2,597	665
Two bedroom/one bath	\$160,000	\$175,000	\$2,465	\$2,907	930
Meadow Wood					
One bedroom/one bath	\$120,000	\$135,000	\$2,314	\$2,758	739
Two bedroom/1.5 bath	\$190,550	\$205,550	\$2,783	\$3,228	967
Large Two bedroom/1.5 bath	\$240,000	\$255,000	\$3,146	\$3,592	1,200
Three bedroom/1.5 bath	\$300,000	\$315,000	\$3,610	\$4,055	1,450
Notch Hill					
<u>Two bedroom</u>					
Model - 2Ba	\$250,000	\$265,000	\$3,226	\$3,686	1,130
Model - 2Bb	\$255,000	\$270,000	\$3,226	\$3,686	1,148
Model - 2Bc	\$265,000	\$280,000	\$3,226	\$3,686	1,193
<u>Two bedroom with Den</u>					
Model - 2BDa	\$310,000	\$325,000	\$3,358	\$3,819	1,486
Model - 2BDb	\$315,000	\$330,000	\$3,358	\$3,819	1,496
Model - 2BDc	\$315,000	\$330,000	\$3,358	\$3,819	1,504
<u>Three bedroom</u>					
Model - 3B	\$325,000	\$340,000	\$3,489	\$3,950	1,542
COTTAGES					
<u>One bedroom/one bath</u>					
Beech	\$125,000	\$140,000	\$1,542	\$1,740	825
Birch	\$135,000	\$150,000	\$1,666	\$1,886	865
<u>Two bedroom/one bath</u>					
Pine	\$186,000	\$201,000	\$2,051	\$2,271	1,000
Oak	\$187,000	\$202,000	\$2,060	\$2,280	1,040
<u>Two bedroom (1.5 bath)</u>					
Oak I	\$190,000	\$205,000	\$2,233	\$2,454	1,040
Traditional	\$195,000	\$210,000	\$2,300	\$2,521	1,046
Traditional II	\$201,000	\$216,000	\$2,300	\$2,521	1,196
Contemporary	\$219,000	\$234,000	\$2,551	\$2,774	1,160
Traditional III	\$220,000	\$235,000	\$2,551	\$2,774	1,185
<u>Two bedroom (two full baths)</u>					
Oak II	\$225,000	\$240,000	\$2,575	\$2,793	1,170
Willow	\$228,000	\$243,000	\$2,603	\$2,825	1,338
VILLAS					
<u>Two bedroom</u>					
Apple	\$305,000	\$320,000	\$3,060	\$3,324	1,545
Apple with walkout basement	\$320,000	\$335,000	\$3,060	\$3,324	1,545
Peach	\$315,000	\$330,000	\$3,127	\$3,391	1,600
Peach with walkout basement	\$330,000	\$345,000	\$3,127	\$3,391	1,600
<u>Two bedroom with den</u>					
Pear	\$345,000	\$360,000	\$3,358	\$3,620	1,703
Pear with walkout basement	\$360,000	\$375,000	\$3,358	\$3,620	1,703
Cherry	\$355,000	\$370,000	\$3,423	\$3,686	1,758
Cherry with walkout basement	\$370,000	\$385,000	\$3,423	\$3,686	1,758

ASHLAR VILLAGE
FISCAL YEAR 2014 MONTHLY FEE
(EFFECTIVE OCTOBER 1, 2013)

1 PERSON

2 PERSON

PHASE I

(PIONEERS-MOVE IN PRIOR TO 10/1/88)

APARTMENTS

1 Bedroom	\$1,340.00	\$1,789.00
2 Bedroom	\$1,485.00	\$1,942.00

COTTAGES

1 Bedroom	\$1,102.00	\$1,189.00
2 Bedroom	\$1,226.00	\$1,303.00
2 Bedroom Exp.	\$1,243.00	\$1,320.00

ASHLAR VILLAGE
FISCAL YEAR 2014 MONTHLY FEE
(EFFECTIVE OCTOBER 1, 2013)

	<u>1 PERSON</u>	<u>2 PERSON</u>
<u>PHASE I</u>		
(NON- PIONEERS)		
<u>APARTMENTS</u>		
1 Bedroom	\$2,006.00	\$2,548.00
2 Bedroom	\$2,143.00	\$2,696.00
<u>COTTAGES</u>		
1 Bedroom	\$1,767.00	\$1,977.00
2 Bedroom	\$1,879.00	\$2,095.00
2 Bedroom Exp.	\$1,896.00	\$2,115.00
2 Bedroom Exp. W/2 Bathrooms	\$1,972.00	\$2,189.00

ASHLAR VILLAGE
FISCAL YEAR 2014 MONTHLY FEE
(EFFECTIVE OCTOBER 1, 2013)

	<u>1 PERSON</u>	<u>2 PERSON</u>
<u>PHASE II</u>		
(NON- PIONEERS)		
<u>APARTMENTS</u>		
1 Bedroom	\$2,314.00	\$2,783.00
Larger-1 Bedroom	\$2,656.00	\$2,562.00
2 Bedroom	\$2,783.00	\$3,251.00
Larger-2 Bedroom	\$3,125.00	\$3,592.00
3 Bedroom	\$3,592.00	\$4,055.00
<u>COTTAGES</u>		
Traditional	\$2,371.00	\$2,579.00
Traditional Exp.	\$2,615.00	\$2,838.00
Contemporary	\$2,615.00	\$2,838.00

ASHLAR VILLAGE
FISCAL YEAR 2014 MONTHLY FEE
(EFFECTIVE OCTOBER 1, 2013)

(April 1, 2001 Price Structure)

	<u>1 PERSON</u>	<u>2 PERSON</u>
<u>PHASE I</u>		
(NON- PIONEERS)		
<u>APARTMENTS</u>		
1 Bedroom	\$1,995.00	\$2,437.00
2 Bedroom	\$2,143.00	\$2,585.00
<u>COTTAGES</u>		
1 Bedroom (Maple)	\$1,518.00	\$1,740.00
1 Bedroom (Birch)	\$1,666.00	\$1,887.00
2 Bedroom (Dogwood)	\$1,901.00	\$2,166.00
2 Bedroom (Pine)	\$2,051.00	\$2,271.00
2 Bedroom (Oak)	\$2,233.00	\$2,454.00
2 Bedroom (Willow)	\$2,603.00	\$2,824.00

ASHLAR VILLAGE
FISCAL YEAR 2014 MONTHLY FEE
(EFFECTIVE OCTOBER 1, 2013)

(April 1, 2001 Price Structure)

	<u>1 PERSON</u>	<u>2 PERSON</u>
<u>PHASE II</u> (NON- PIONEERS)		
<u>APARTMENTS</u>		
1 Bedroom	\$2,314.00	\$2,755.00
2 Bedroom	\$2,783.00	\$3,226.00
<u>COTTAGES</u>		
Traditional	\$2,300.00	\$2,448.00
Contemporary	\$2,551.00	\$2,774.00

ASHLAR VILLAGE
FISCAL YEAR 2014 MONTHLY FEE
(EFFECTIVE OCTOBER 1, 2013)

(February 19, 2003 Price Structure)

	<u>1 PERSON</u>	<u>2 PERSON</u>
<u>COTTAGES</u>		
<u>One Bedroom (One Bath)</u>		
Beech	\$1,518.00	\$1,740.00
Birch	\$1,666.00	\$1,887.00
<u>Two Bedroom (One Bath)</u>		
Pine	\$2,051.00	\$2,271.00
<u>Two Bedroom (One and One-Half Bath)</u>		
Oak	\$2,233.00	\$2,454.00
Traditional	\$2,300.00	\$2,521.00
Traditional II	\$2,300.00	\$2,521.00
Traditional III	\$2,551.00	\$2,774.00
Contemporary	\$2,551.00	\$2,774.00
<u>Two Bedroom (Two Full Baths)</u>		
*Oak II	\$2,575.00	\$2,792.00
Willow	\$2,602.00	\$2,824.00

*New Units effective 4/1/04

ASHLAR VILLAGE
FISCAL YEAR 2014 MONTHLY FEE
(EFFECTIVE OCTOBER 1, 2013)

(February 19, 2003 Price Structure)

	<u>1 PERSON</u>	<u>2 PERSON</u>
<u>APARTMENTS</u>		
<u>Bridgehouse</u>		
1 Bedroom	\$1,995.00	\$2,437.00
2 Bedroom	\$2,143.00	\$2,585.00
<u>Knoll</u>		
1 Bedroom	\$2,154.00	\$2,596.00
2 Bedroom	\$2,465.00	\$2,906.00
<u>Meadow Wood</u>		
1 Bedroom	\$2,314.00	\$2,755.00
2 Bedroom	\$2,783.00	\$3,237.00

ASHLAR VILLAGE
FISCAL YEAR 2014 MONTHLY FEE
(EFFECTIVE OCTOBER 1, 2013)

(4/1/04)

	<u>1 PERSON</u>	<u>2 PERSON</u>
<u>COTTAGES</u>		
<u>One Bedroom (One Bath)</u>		
Beech	\$1,474.00	\$1,689.00
Birch	\$1,617.00	\$1,832.00
<u>Two Bedroom (One Bath)</u>		
Pine	\$1,991.00	\$2,205.00
<u>Two Bedroom (One and One-Half Bath)</u>		
Oak	\$2,168.00	\$2,383.00
Traditional	\$2,233.00	\$2,448.00
Traditional II	\$2,233.00	\$2,448.00
Traditional III	\$2,477.00	\$2,693.00
Contemporary	\$2,477.00	\$2,693.00
<u>Two Bedroom (Two Full Baths)</u>		
Oak II	\$2,500.00	\$2,711.00
Willow	\$2,527.00	\$2,742.00

ASHLAR VILLAGE
FISCAL YEAR 2014 MONTHLY FEE
(EFFECTIVE OCTOBER 1, 2013)

(4/1/04)

	<u>1 PERSON</u>	<u>2 PERSON</u>
<u>APARTMENTS</u>		
<u>Bridgehouse</u>		
1 Bedroom	\$1,995.00	\$2,437.00
2 Bedroom	\$2,143.00	\$2,585.00
<u>Knoll</u>		
1 Bedroom	\$2,155.00	\$2,596.00
2 Bedroom	\$2,645.00	\$2,906.00
<u>Meadow Wood</u>		
1 Bedroom	\$2,314.00	\$2,755.00
2 Bedroom	\$2,783.00	\$3,226.00

ASHLAR VILLAGE
 FISCAL YEAR 2014 MONTHLY FEE
 (EFFECTIVE OCTOBER 1, 2013)

(1/17/06 Price Structure)

<u>COTTAGES</u>	<u>1 PERSON</u>	<u>2 PERSON</u>
<u>One Bedroom/One Bath</u>		
Beech	\$1,542.00	\$1,740.00
Birch	\$1,666.00	\$1,886.00
<u>Two Bedroom/One Bath</u>		
Pine	\$2,051.00	\$2,271.00
Oak	\$2,060.00	\$2,280.00
<u>Two Bedroom (1.5 Bath)</u>		
Oak I	\$2,233.00	\$2,454.00
Traditional	\$2,300.00	\$2,521.00
Traditional II	\$2,300.00	\$2,521.00
Traditional III	\$2,551.00	\$2,774.00
Contemporary	\$2,551.00	\$2,774.00
<u>Two Bedroom (two full baths)</u>		
Oak II	\$2,575.00	\$2,793.00
Willow	\$2,603.00	\$2,825.00

Revised Beech – to \$1,370 x .3% Increase = \$1,411.00

ASHLAR VILLAGE
FISCAL YEAR 2014 MONTHLY FEE
(EFFECTIVE OCTOBER 1, 2013)

(1/17/06 Price Structure)

	<u>1 PERSON</u>	<u>2 PERSON</u>
<u>APARTMENTS</u>		
<u>Bridgehouse/Knoll</u>		
One Bedroom/One Bath	\$2,155.00	\$2,597.00
Two Bedroom/One Bath	\$2,465.00	\$2,907.00
<u>Meadow Wood</u>		
One Bedroom/One Bath	\$2,314.00	\$2,758.00
Two Bedroom/1.5 Bath	\$2,783.00	\$3,228.00
Large Two Bedroom/1.5 Bath	\$3,146.00	\$3,592.00
Three Bedroom/1.5 Bath	\$3,610.00	\$4,055.00

ASHLAR VILLAGE
FISCAL YEAR 2014 MONTHLY FEE
(EFFECTIVE OCTOBER 1, 2013)

(1/17/06 Price Structure)

<u>VILLAS</u>	<u>1 PERSON</u>	<u>2 PERSON</u>
<u>Two Bedroom</u>		
Apple	\$3,060.00	\$3,324.00
Apple with walkout basement	\$3,060.00	\$3,324.00
Peach	\$3,127.00	\$3,391.00
Peach with walkout basement	\$3,127.00	\$3,391.00
<u>Two Bedroom with Den</u>		
Pear	\$3,358.00	\$3,620.00
Pear with walkout basement	\$3,358.00	\$3,620.00
Cherry	\$3,423.00	\$3,686.00
Cherry with walkout basement	\$3,423.00	\$3,686.00

ASHLAR VILLAGE
FISCAL YEAR 2014 MONTHLY FEE
(EFFECTIVE OCTOBER 1, 2013)

(1/17/06 Price Structure)

	<u>1 PERSON</u>	<u>2 PERSON</u>
NOTCH HILL		
<u>Two Bedroom</u>		
Model – 2 Ba	\$3,226.00	\$3,686.00
Model - 2 Bb	\$3,226.00	\$3,686.00
Model – 2 Bc	\$3,226.00	\$3,686.00
<u>Two Bedroom with Den</u>		
Model – 2Bda	\$3,358.00	\$3,819.00
Model – 2Bdb	\$3,358.00	\$3,819.00
Model – 2 Bdc	\$3,358.00	\$3,819.00
<u>Three Bedroom</u>		
Model – 3B	\$3,489.00	\$3,950.00

ATTACHMENT II

FINANCIAL STATEMENTS
(INCLUDING ASSUMPTIONS)

ASHLAR VILLAGE
CONSOLIDATED
PROJECTED STATEMENT OF OPERATIONS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 TO 2018

5 Year Forecast

	FY 2014 Budget	Projected FY 2014		FY 2015 Estimated	FY 2016 Estimated	FY 2017 Estimated	FY 2018 Estimated	FY 2019 Estimated
		Estimated	Estimated					
REVENUE								
Room & Board (1)	\$ 11,945,946	\$ 12,335,994	\$ 12,446,824	\$ 12,820,229	\$ 13,204,836	\$ 13,600,981	\$ 14,009,010	\$ 14,009,010
Earned Entry Fee	4,750,000	4,716,135	4,750,000	4,892,500	5,039,275	5,190,453	5,346,167	5,346,167
Other Operating (1)	9,981,319	10,354,020	10,280,759	10,589,182	10,906,857	11,234,063	11,571,085	11,571,085
TOTAL REVENUE	26,677,265	27,406,149	27,477,583	28,301,910	29,150,968	30,025,497	30,926,262	30,926,262
EXPENSES								
Salaries & Wages (2)	4,879,503	5,121,618	4,977,093	5,076,635	5,178,168	5,281,731	5,387,366	5,387,366
Benefits (3)	1,551,153	1,582,416	1,642,441	1,675,290	1,708,795	1,742,971	1,777,831	1,777,831
Professional Fees	3,567,511	3,206,319	3,674,574	3,784,812	3,898,356	4,015,307	4,135,766	4,135,766
Supplies & Other expenses (3)	3,365,003	2,942,292	3,465,953	3,569,932	3,677,030	3,787,340	3,900,961	3,900,961
Mgmt Fee	782,317	748,038	805,787	829,960	854,859	880,505	906,920	906,920
Depreciation & Amortization	4,321,335	4,342,551	4,450,975	4,584,504	4,722,039	4,863,700	5,009,611	5,009,611
Interest	3,052,565	3,147,075	3,144,142	3,238,466	3,335,620	3,435,689	3,538,760	3,538,760
Expense Recovery	-	-	-	-	-	-	-	-
Total Expenses	21,519,387	21,090,309	22,160,966	22,759,599	23,374,866	24,007,243	24,657,213	24,657,213
Net Income from Operations	5,157,878	6,315,840	5,316,617	5,542,312	5,776,102	6,018,254	6,269,048	6,269,048
Investment Income	1,576,769	1,576,140	1,601,569	1,680,297	1,762,962	1,849,760	1,958,898	1,958,898
Net income	\$ 6,734,647	\$ 7,891,980	\$ 6,918,186	\$ 7,222,609	\$ 7,539,064	\$ 7,868,014	\$ 8,227,946	\$ 8,227,946

ASHLAR VILLAGE
 CCRC
 PROJECTED STATEMENT OF OPERATIONS
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 TO 2019

	FY 2014 Budget	Projected		FY 2015 Estimated	FY 2016 Estimated	FY 2017 Estimated	FY 2018 Estimated	FY 2019 Estimated
		FY 2014 Estimated	FY 2014 Estimated					
REVENUE								
Room & Board (1)	\$ 11,945,946	\$ 12,335,994	\$ 12,446,824	12,820,229	13,204,836	13,600,981	14,009,010	
Earned Entry Fee	4,750,000	4,716,135	4,750,000	4,892,500	5,039,275	5,190,453	5,346,167	
Other Operating (1)	581,385	726,090	726,090	747,873	770,309	793,418	817,221	
TOTAL REVENUE	17,277,331	17,778,219	17,922,914	18,460,601	19,014,419	19,584,852	20,172,398	
EXPENSES								
Salaries & Wages (2)	2,312,884	2,444,871	2,359,142	2,406,325	2,454,451	2,503,540	2,553,611	
Benefits (3)	816,217	842,067	864,088	877,292	746,743	761,678	776,912	
Professional Fees	2,610,732	2,203,242	2,689,053	2,762,459	2,845,332	2,930,692	3,018,613	
Supplies & Other expenses (3)	2,572,616	2,271,615	2,675,716	2,749,919	2,832,416	2,917,389	3,004,910	
Mgmt Fee	402,712	449,370	483,472	495,559	510,425	525,738	541,510	
Depreciation & Amortization	3,631,041	3,651,630	3,738,819	3,845,024	3,960,374	4,079,185	4,201,561	
Amortization	-	-	-	-	-	-	-	
Interest	2,169,360	2,249,874	2,247,747	2,308,702	2,377,963	2,449,302	2,522,781	
Expense Recovery	-	-	-	-	-	-	-	
Total Expenses	14,515,562	14,112,669	15,058,038	15,445,279	15,727,706	16,167,526	16,619,900	
Net Income from Operations	2,761,769	3,665,550	2,864,876	3,015,322	3,286,713	3,417,326	3,552,498	
Investment Income	1,576,769	1,576,140	1,601,569	1,680,297	1,762,962	1,849,760	1,958,898	
Net income	\$ 4,338,538	\$ 5,241,690	\$ 4,466,445	\$ 4,695,619	\$ 5,049,675	\$ 5,267,086	\$ 5,511,396	

**ASHLAR VILLAGE
ASSISTED LIVING
PROJECTED STATEMENT OF OPERATIONS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 TO 2019**

	FY 2014	Projected	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Budget	FY 2014	Estimated	Estimated	Estimated	Estimated	Estimated
REVENUE							
Room & Board (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earned Entry Fee	-	-	-	-	-	-	-
Other Operating (1)	<u>9,399,934</u>	<u>9,627,930</u>	<u>9,554,669</u>	<u>9,841,309</u>	<u>10,136,548</u>	<u>10,440,645</u>	<u>10,753,864</u>
TOTAL REVENUE	<u>9,399,934</u>	<u>9,627,930</u>	<u>9,554,669</u>	<u>9,841,309</u>	<u>10,136,548</u>	<u>10,440,645</u>	<u>10,753,864</u>
EXPENSES							
Salaries & Wages (2)	2,566,619	2,676,747	2,617,951	2,670,310	2,723,716	2,778,191	2,833,754
Benefits (3)	734,936	740,349	778,353	797,998	962,052	981,293	1,000,919
Professional Fees	956,779	1,003,077	985,521	1,022,353	1,053,024	1,084,614	1,117,153
Supplies & Other expenses (3)	792,387	670,677	790,237	820,013	844,613	869,952	896,050
Mgmt Fee	379,605	298,668	322,315	334,401	344,433	354,766	365,409
Depreciation & Amortization	690,294	690,921	712,156	739,480	761,664	784,514	808,050
Amortization	-	-	-	-	-	-	-
Interest	883,205	897,201	896,395	929,764	957,657	986,387	1,015,978
Expense Recovery	-	-	-	-	-	-	-
Total Expenses	<u>7,003,825</u>	<u>6,977,640</u>	<u>7,102,928</u>	<u>7,314,319</u>	<u>7,647,160</u>	<u>7,839,717</u>	<u>8,037,314</u>
Net Income from Operations	2,396,109	2,650,290	2,451,741	2,526,990	2,489,389	2,600,928	2,716,550
Investment Income							
Net income	<u>\$ 2,396,109</u>	<u>\$ 2,650,290</u>	<u>\$ 2,451,741</u>	<u>\$ 2,526,990</u>	<u>\$ 2,489,389</u>	<u>\$ 2,600,928</u>	<u>\$ 2,716,550</u>

MASONICARE
 PROJECTED CONSOLIDATED BALANCE SHEETS
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 TO 2018

	As of September 30, 2013	Estimated As of September 30, 2014	Estimated As of September 30, 2015	Estimated As of September 30, 2016	Estimated As of September 30, 2017	Estimated As of September 30, 2018
Current Assets:						
Cash	\$ 2,387,893	\$ 3,234,360	\$ 2,222,856	\$ 2,438,076	1,552,377	2,094,485
Restricted Cash	683,053	682,631	682,631	682,631	682,631	682,631
Patient receivables, net	26,987,996	27,199,939	27,507,985	27,812,209	28,660,149	29,533,527
Other receivables	5,569,581	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Inventories	284,966	290,273	296,078	302,000	308,040	314,200
Prepaid expenses and other current assets	1,534,569	1,812,267	1,816,979	1,821,703	1,826,439	1,831,188
Assets whose use is limited or restricted-required for current liabilities	3,684,434	3,689,569	3,689,569	3,689,569	3,689,569	3,689,569
Due from affiliates/interfund	-	-	-	-	-	-
Total current assets	41,132,492	41,409,039	40,716,098	41,246,188	41,219,205	42,645,600
Assets whose use is limited or restricted						
By board for capital purposes	106,917,661	111,131,822	119,529,426	128,364,410	137,658,644	149,435,089
Under patient asset management and trust agreements	579,600	500,000	500,000	500,000	500,000	500,000
Under indenture agreement-held by trustee	485,367	468,000	468,000	468,000	468,000	468,000
Under trust for estimated self insurance liability	13,072,884	13,624,710	14,003,451	14,393,555	14,795,361	15,209,222
Under trust for interest rate swap obligation	-	-	-	-	-	-
By donors for specific purposes	3,778,017	3,100,916	3,100,916	3,100,916	3,100,916	3,100,916
By donors for permanent endowment funds	67,257,390	66,820,258	67,170,258	67,520,258	67,870,258	68,220,258
Total assets whose use is limited or restricted	192,090,919	195,645,706	204,772,051	214,347,139	224,393,179	236,933,485
Less: Assets whose use is limited or restricted- required for current liabilities and operating purposes	(3,684,434)	(3,689,569)	(3,689,569)	(3,689,569)	(3,689,569)	(3,689,569)
Non-current assets whose use is limited or restricted	188,406,485	191,956,137	201,082,482	210,657,570	220,703,610	233,243,916
Property and equipment, net	137,710,399	137,886,942	133,609,868	129,014,534	124,088,509	118,818,149
Unamortized financing costs	1,898,526	1,821,823	1,821,823	1,821,823	1,821,823	1,821,823
Investment in subsidiaries	-	-	-	-	-	-
Total assets	\$ 369,147,902	\$ 373,073,941	\$ 377,230,271	\$ 382,740,115	\$ 387,833,147	\$ 396,529,488

**MASONICARE
PROJECTED CONSOLIDATED BALANCE SHEETS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 TO 2018**

	Estimated As of September 30, 2013	Estimated As of September 30, 2014	Estimated As of September 30, 2015	Estimated As of September 30, 2016	Estimated As of September 30, 2017	Estimated As of September 30, 2018
Current Liabilities:						
Line of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
current maturities of long-term debt	2,563,000	2,655,000	2,765,000	2,890,000	3,015,000	3,145,000
Accounts payable and accrued expenses	9,971,962	8,954,075	8,954,075	8,954,075	8,736,447	9,015,507
Accrued salaries and related expenses	7,124,800	7,161,092	7,161,092	7,161,092	5,000,000	5,000,000
Accrued pension and post retirement benefits, current portion	2,441,919	653,362	653,362	653,362	2,000,000	2,000,000
Estimated self-insurance liabilities, current portion	1,172,901	1,172,900	1,172,900	1,172,900	1,172,900	1,172,900
Estimated settlements due to third party payers	1,527,939	2,378,694	2,378,694	2,378,694	2,378,694	2,378,694
Annuities payable, current portion	381,546	399,500	399,500	399,500	399,500	399,500
Deferred patient service and other revenues	4,372,303	2,697,708	2,697,708	2,697,708	2,697,708	2,697,708
Deposits	1,636,108	3,035,771	3,035,771	3,035,771	2,792,310	2,792,310
Total current liabilities	31,192,478	29,108,102	29,218,102	29,343,102	28,192,559	28,601,619
Assets whose use is limited or restricted						
Accrued pension and post retirement benefits, net of current portion	12,489,294	20,037,594	19,837,594	19,637,594	19,437,594	19,237,594
Interest rate swap liability	15,407,032	15,552,031	15,552,031	15,552,031	15,552,031	15,552,031
Annuities payable, net of current portion	1,982,962	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Refundable entry fees, net of current portion	37,982,453	37,292,376	36,649,876	35,860,601	34,920,148	33,823,981
Assets held for patient asset management, trust agreements and patient escrow accounts	604,777	768,132	768,132	768,132	700,000	700,000
Other Long Term Liabilities	780,326	11,725,191	11,725,191	11,725,191	11,725,191	11,725,191
Estimated self-insurance liabilities	12,211,216	-	-	-	-	-
Minority interest in consolidated subsidiary	(239,088)	29,892	236,555	449,419	668,668	894,494
Long-term debt, net of current maturities	101,556,000	100,759,000	97,994,000	95,104,000	92,089,000	88,944,000
Total liabilities	213,967,450	217,272,318	213,981,481	210,440,070	205,285,191	201,478,910
Net assets:						
Unrestricted	73,558,432	74,476,562	81,573,729	90,274,984	100,660,548	112,813,170
Temporarily restricted	2,900,403	2,800,000	2,800,000	2,800,000	2,312,348	2,312,348
Permanently restricted	78,721,617	78,525,060	78,875,060	79,225,060	79,575,060	79,925,060
Total net assets	155,180,452	155,801,622	163,248,789	172,300,044	182,547,956	195,050,578
Total liabilities and net assets	\$ 369,147,902	\$ 373,073,940	\$ 377,230,270	\$ 382,740,114	\$ 387,833,147	\$ 396,529,488

ATTACHMENT III

AUDITED FINANCIAL STATEMENTS

Masonicare

Independent Auditors' Report,
Consolidated Financial Statements, and
Supplemental Information

As of and for the Years Ended
September 30, 2013 and 2012



Saslow Lufkin & Buggy, LLP
Certified Public Accountants and Consultants

Masonicare
Independent Auditors' Report, Consolidated Financial Statements,
and Supplemental Information
As of and for the Years Ended September 30, 2013 and 2012

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets.....	5
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8
Supplemental Information:	
Consolidating Balance Sheet - 2013	38
Consolidating Balance Sheet - 2012	40
Consolidating Statement of Operations - 2013	42
Consolidating Statement of Operations - 2012	43



Independent Auditors' Report

To the Board of Trustees of Masonicare:

We have audited the accompanying consolidated financial statements of Masonicare and its subsidiaries (Masonicare), a Connecticut not-for-profit, non-stock corporation, which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Masonicare as of September 30, 2013 and 2012, the consolidated operations and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information listed within the Table of Contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Saslow Lufkin & Buggy, LLP

December 5, 2013

Masonicare
Consolidated Balance Sheets
September 30, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,387,893	\$ 2,984,483
Restricted cash	683,053	681,779
Patient accounts receivable, net of allowance for doubtful accounts of \$4,314,133 and \$3,890,209, respectively	26,987,996	27,185,910
Other receivables	5,569,581	4,856,041
Inventories	284,966	293,970
Prepaid expenses and other current assets	1,534,569	972,625
Assets whose use is limited or restricted - required for current liabilities and operating purposes	3,684,434	3,685,053
Total current assets	41,132,492	40,659,861
Assets whose use is limited or restricted:		
By Board of Trustees	106,917,661	97,510,324
Under patient asset management, trust agreements and patient escrow accounts	579,600	681,701
Under indenture agreement - held by Trustees	485,367	839,352
Under trust for estimated self-insurance liabilities	12,490,378	11,032,719
Under trust for interest rate swap obligation	-	720,000
By donors for specific purposes	3,778,017	3,533,558
By donors for permanent endowment funds	67,257,390	65,146,092
Total assets whose use is limited or restricted	191,508,413	179,463,746
Less: Assets whose use is limited or restricted - required for current liabilities and operating purposes	(3,684,434)	(3,685,053)
Non-current assets whose use is limited or restricted	187,823,979	175,778,693
Property and equipment, net	137,710,399	143,481,802
Unamortized financing costs	1,898,526	1,906,366
Recoveries of estimated insurance liabilities insured through commercial policies	582,506	428,056
Total assets	\$ 369,147,902	\$ 362,254,778

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

Masonicare
Consolidated Balance Sheets (continued)
September 30, 2013 and 2012

	2013	2012
Liabilities and Net Assets		
Current liabilities:		
Current maturities of long-term debt	\$ 2,563,000	\$ 2,435,000
Accounts payable and accrued expenses	9,971,962	8,538,524
Accrued salaries and related expenses	7,124,800	6,622,848
Accrued pension and postretirement benefits, current portion	2,441,919	2,512,558
Estimated self-insurance liabilities, current portion	1,172,901	1,172,640
Estimated settlements due to third-party payers	1,400,286	2,523,787
Annuities payable, current portion	381,546	388,049
Refundable entry fees, current portion	1,474,558	1,350,310
Deferred patient service and other revenues	2,897,745	2,750,718
Deposits	1,636,108	1,597,526
Other liabilities	127,653	1,683,077
	31,192,478	31,575,037
Accrued pension and postretirement benefits, net of current portion	12,489,294	19,022,854
Interest rate swap liability	15,407,032	20,884,267
Annuities payable, net of current portion	1,982,962	2,137,831
Refundable entry fees, net of current portion	23,606,552	29,106,876
Deferred entry fee revenues	14,375,901	12,576,923
Assets held for patient asset management, trust agreements and patient escrow accounts	604,777	658,865
Asset retirement obligation	780,326	733,976
Estimated insurance liabilities insured through commercial policies	582,506	428,056
Estimated self-insurance liabilities, net of current portion	11,628,710	10,546,415
Long-term debt, net of current maturities	101,556,000	104,245,000
	214,206,538	231,916,100
Net assets:		
Unrestricted net assets of Masonicare	73,558,432	50,658,804
Non-controlling interest in consolidated subsidiary	(239,088)	(402,867)
Total unrestricted net assets	73,319,344	50,255,937
Temporarily restricted	2,900,403	2,623,307
Permanently restricted	78,721,617	77,459,434
	154,941,364	130,338,678
Total liabilities and net assets	\$ 369,147,902	\$ 362,254,778

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

Masonicare
Consolidated Statements of Operations and Changes in Net Assets
For the Years Ended September 30, 2013 and 2012

	2013	2012
Operating revenues:		
Net patient service revenues	\$ 143,750,276	\$ 140,017,072
Resident fees	18,399,402	18,451,314
Other revenues	16,416,149	14,307,584
Provision for bad debts	(2,532,981)	(768,053)
Total operating revenues net of provision for bad debts	176,032,846	172,007,917
Operating expenses:		
Salaries and wages	95,921,946	92,869,769
Employee benefits	29,494,567	27,387,504
Supplies and other services	25,066,925	21,967,099
Professional fees	18,118,332	18,353,789
Depreciation and amortization	9,649,429	10,115,252
Interest and other fees	4,520,671	3,859,887
Total operating expenses	182,771,870	174,553,300
Loss from operations	(6,739,024)	(2,545,383)
Non-operating income:		
Contributions	3,468,014	3,203,974
Investment income	16,932,626	6,929,037
Change in fair value of interest rate swap agreement	5,477,235	17,945
Total non-operating income	25,877,875	10,150,956
Excess of revenues over expenses	19,138,851	7,605,573
(Gain) loss attributable to non-controlling interest in consolidated subsidiary	(163,780)	43,125
Excess of revenues over expenses of Masonicare	18,975,071	7,648,698
Other changes in unrestricted net assets:		
Change in unrealized (depreciation) appreciation on investments	(2,030,905)	16,013,771
Pension changes other than net periodic benefit costs	5,955,461	(2,318,816)
Gain (loss) attributable to non-controlling interest in consolidated subsidiary	163,780	(43,125)
Change in unrestricted net assets	\$ 23,063,407	\$ 21,300,528

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

Masonicare
Consolidated Statements of Operations and Changes in Net Assets (continued)
For the Years Ended September 30, 2013 and 2012

	2013	2012
Unrestricted net assets:		
Excess of revenues over expenses of Masonicare	\$ 18,975,071	\$ 7,648,698
Change in unrealized (depreciation) appreciation on investments	(2,030,905)	16,013,771
Pension changes other than net periodic benefit costs	5,955,461	(2,318,816)
Gain (loss) attributable to non-controlling interest in consolidated subsidiary	163,780	(43,125)
Change in unrestricted net assets	23,063,407	21,300,528
Temporarily restricted net assets:		
Bequests, contributions, pledges and changes in value of residual trusts	60,211	101,223
Investment income	95,856	105,508
Realized gains on sales of investments	128,394	85,703
Change in unrealized appreciation on investments	122,816	414,055
Change in annuity obligations	(11,459)	(79,848)
Net assets released from restrictions	(118,722)	(113,292)
Change in temporarily restricted net assets	277,096	513,349
Permanently restricted net assets:		
Bequests, contributions and pledges	723,876	735,943
Investment income	112,053	123,331
Realized gains on sales of investments	48,838	91,171
Change in annuity obligations	(174,825)	(264,792)
Change in fair value of perpetual trusts	440,293	1,262,174
Change in unrealized appreciation on investments	111,948	339,039
Change in permanently restricted net assets	1,262,183	2,286,866
Change in net assets	24,602,686	24,100,743
Net assets, beginning of year	130,338,678	106,237,935
Net assets, end of year	\$ 154,941,364	\$ 130,338,678

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

Masonicare
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 24,602,686	\$ 24,100,743
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,649,429	10,115,252
Pension changes other than net periodic benefit costs	(5,955,461)	2,318,816
Disposal of construction in progress	992,128	-
Provision for bad debts	2,532,981	768,053
Restricted contributions, investment income and other	(1,578,629)	(1,067,692)
Realized and unrealized gains on investments	(10,890,075)	(22,734,217)
Amortization of deferred entry fee revenues	(5,576,174)	(5,908,878)
(Gain) loss attributable to non-controlling interest in consolidated subsidiary	(163,780)	43,125
Changes in fair value of interest rate swap agreement	(5,477,235)	(17,945)
Changes in operating assets and liabilities:		
Patient accounts receivable, net	197,914	(5,908,396)
Other receivables	(713,540)	474,991
Inventories	9,004	(5,123)
Prepaid expenses and other current assets	(561,944)	(80,726)
Accounts payable and accrued expenses	1,433,438	534,459
Accrued salaries and related expenses	501,952	954,608
Accrued pension and postretirement benefits	(648,738)	(720,407)
Estimated self-insurance liabilities	1,082,556	(215,836)
Estimated settlements due to third-party payers	(1,123,501)	(710,743)
Deferred patient service and other revenues	147,027	(139,803)
Deposits	38,582	111,429
Other liabilities	(1,555,424)	(710,206)
Assets held for patient asset management, trust agreements and patient escrow accounts	(54,088)	199,628
Asset retirement obligation	46,350	27,192
	6,935,458	1,428,324
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sales of investments	106,860,965	67,933,309
Purchases of investments	(110,922,972)	(70,965,637)
Change in restricted cash	(1,274)	2,587,779
Purchases of property and equipment, net	(4,485,471)	(5,549,123)
	(8,548,752)	(5,993,672)
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from entrance fees	5,251,555	7,752,300
Refunds of entrance fees	(3,252,480)	(2,071,670)
Proceeds from long-term debt	-	33,000,000
Payments on long-term debt	(2,561,000)	(34,750,000)
Restricted contributions, investment income and other	1,578,629	1,067,692
	1,016,704	4,998,322
Net cash provided by financing activities		
Net change in cash and cash equivalents	(596,590)	432,974
Cash and cash equivalents, beginning of year	2,984,483	2,551,509
Cash and cash equivalents, end of year	\$ 2,387,893	\$ 2,984,483

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

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 1 - General

Organization - Masonicare is a not-for-profit Connecticut corporation and a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code. Masonicare is a parent holding company and support organization for its affiliate corporations (collectively referred to as Masonicare or the System). Masonicare was organized in 1995 for the benefit of providing long-range strategic and financial planning, policy development and support services for its affiliates, which provide continuing care retirement services and other housing, health care and related services to older adults. Tracing itself to its predecessor, The Masonic Charity Foundation of Connecticut, the principal purposes of the corporate system are to aid, assist or support the aged, sick or infirm Connecticut A.F.&A.M., Connecticut members of Order of Eastern Star, Prince Hall Affiliates and Connecticut members of Order of Amaranth and their families; and otherwise provide for the needs of an aging population. In furtherance of its traditional values, the mission of Masonicare is to enhance the quality of life by providing health, social and spiritual care throughout an individual's lifetime with emphasis on the needs of older persons. The affiliate corporations in the System are Masonicare Health Center (MHC), Keystone Indemnity Company (Keystone), The Masonic Charity Foundation of Connecticut, Inc. (MCF), Masonicare at Ashlar Village (MAV), Masonicare at Newtown (MAN), Masonic Management Services, Inc. (MMS) and Masonicare Home Health and Hospice (MHH&H).

Effective December 1, 2007, MHH&H formed a strategic partnership with the two homecare branches operated by Saint Francis Hospital and Medical Center. The partnership, Masonicare Partners Home Health & Hospice, includes the Greater Hartford Branch of MHH&H and Suffield branches of Saint Francis Homecare. MHH&H owns a 65% share of Masonicare Partners Home Health & Hospice with the remaining 35% owned by Saint Francis Hospital and Medical Center. MHH&H records a 65% interest in this company with the remaining 35% recorded as a non-controlling interest in consolidated subsidiary. Masonicare recorded the minority interest in MHH&H of \$239,088 and \$402,867 on the consolidated balance sheets at September 30, 2013 and 2012, respectively.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation - The consolidated financial statements include the accounts of Masonicare, Keystone, MHC, MCF, MAN, MAV, MMS (including Masonicare Primary Care Physicians and Masonicare Behavioral Health) and MHH&H (including Masonicare Partners Home Health & Hospice). Intercompany accounts and transactions have been eliminated in consolidation.

Basis of Reporting - The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Net Patient Service Revenues - Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue from Medicare and Medicaid accounted for approximately 59% and 61% of total net patient service revenue for each of the years ended September 30, 2013 and 2012, respectively.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents - Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less from the date of acquisition, excluding amounts whose use is limited or restricted. The Federal Depository Insurance Corporation (FDIC) insures cash balances up to \$250,000 per customer, per bank. Amounts in excess of the FDIC limits are uninsured. Most of Masonicare's banking activity is maintained with several regional banks and, from time-to-time, exceeds FDIC limits. It is Masonicare's policy to monitor these banks' financial strength on an ongoing basis.

Restricted Cash - Restricted cash consists of advanced resident deposits at MAV.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities and mutual funds are measured at fair value in the consolidated balance sheets. Assets received as donations or bequests are recorded as contributions on the date received at the estimated fair value. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in excess of revenues over expenses. The average cost method is used to determine realized gains or losses on sales of marketable equity securities.

Masonicare invests in several limited partnerships (the Investment Companies). Some of these investments are in the form of both a master and feeder fund structure. The Investment Companies invest primarily in securities of publicly traded companies, securities of privately held distressed companies, real estate ventures and other financial instruments including a variety of derivative products such as call and put options, warrants and convertible securities. These Investment Companies are not traded on an exchange and do not provide Masonicare with the ability to redeem shares on a daily basis. There is generally no secondary market for trading interests in the Investment Companies. Instead, the net asset value serves as the basis for the investor's periodic (i.e. monthly or quarterly) subscription and redemption activity pursuant to the terms of each Investment Companies' governing documents. In accordance with FASB ASC 958-10 "Consolidation" and AAG HCO-1, "Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations", Masonicare reports the carrying values of the Investment Companies at cost, which amounted to \$20,745,605 and \$19,860,933 as of September 30, 2013 and 2012, respectively. The fair values of these securities amounted to \$32,885,060 and \$29,093,029 as of September 30, 2013 and 2012, respectively. Because of the inherent uncertainty of the fair value of securities measured in good faith by the general partner, the estimated fair values of those securities may be materially higher or lower than the values that would have been used had a ready market for these securities existed. As of September 30, 2013 and 2012, Masonicare had \$1,038,223 and \$2,120,640, respectively, of unfunded commitments owed to the Investment Companies.

Other-Than-Temporary Impairments on Investments - When a decline in fair market value is deemed to be other-than-temporary, a provision for impairment is charged to non-operating income, included in other-than-temporary impairments on investments, and the cost basis of that investment is reduced.

For equity securities, Masonicare's management reviews several factors to determine whether a loss is other than temporary, such as the length of time a security is in a unrealized loss position, extent to which the fair value is less than cost, the financial condition and near term prospects of the issuer and Masonicare's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. There were no impairment losses recorded during the years ended September 30, 2013 and 2012.

For debt securities, Masonicare evaluates whether it intends to sell an impaired debt security or whether it is more likely than not that it will be required to sell an impaired debt security before recovery of the amortized cost basis. If either of these criteria are met, an impairment equal to the difference between the debt security's amortized cost and its fair value is recognized in earnings.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (continued)

For impaired debt securities that do not meet these criteria, Masonicare determines if a credit loss exists with respect to the impaired security. If a credit loss exists, the credit loss component of the impairment (i.e., the difference between the amortized cost of a security and the projected net present value of the future cash flows from the security) is recognized in earnings and the remaining portion of the impairment is recognized as a component of changes in net assets within unrealized (depreciation) appreciation on investments.

Restricted Assets - Assets whose use is limited or restricted include assets set aside by the Board of Trustees (the Board) for future capital purposes, over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets temporarily restricted by donors; assets permanently restricted by donors; patient assets and patient escrow accounts; assets held in trust for estimated self-insurance liabilities; assets held in trust for interest rate swap obligation; and assets held by trustees under a State of Connecticut Health and Educational Facilities Authority (CHEFA) Indenture Agreement.

Temporarily restricted net assets include specific purpose annuities and unrestricted residual interest trusts. Specific purpose funds may be utilized only in accordance with the purposes established by the donor. Unrestricted residual interest trusts may not be used by Masonicare until the passage of time.

Permanently restricted funds are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity. Annuity funds are included in permanently restricted funds. Annuity funds are held conditional upon Masonicare paying stipulated amounts or the income earned on contributed amounts to designated individuals. A liability has been determined based on the present value of future payments for the expected lives of each annuitant. Such payments terminate upon death of the beneficiary. Upon termination, the remaining principal becomes part of the permanent endowment funds of Masonicare.

The income earned on restricted funds is generally available for operations of Masonicare and is recorded as revenue in unrestricted net assets, unless restricted by the donor or to pay future annuity obligations at which time the income is added to the appropriate restricted net asset balance. Administration of Masonicare's restricted funds is subject to the general provisions of the Uniform Management of Institutional Funds Act (UMIFA) as updated by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under the provisions of this law, a governing board may appropriate for expenditure, for the uses and purposes for which an endowment fund is established, so much of the net appreciation as is deemed prudent based on standards established by UMIFA and UPMIFA. While a governing board must exercise ordinary business care in the appropriation of such appreciation, the general provisions of UMIFA and UPMIFA do not mandate that institutions retain endowment gains permanently. Accordingly, institutions that are subject to general UMIFA and UPMIFA provisions report gains on endowment assets as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees. However, if a specific gift instrument explicitly requires the reinvestment of appreciation, or a portion thereof, such reinvested amounts shall be classified within permanently restricted net assets.

Patient assets and escrow accounts are managed by Masonicare through asset management agreements and are utilized to pay for care and other services rendered by Masonicare. Patient assets are pooled together and each patient is credited with income earned monthly based on a percentage of patient assets to total assets in the pool.

Assets whose use is limited or restricted, with the exception of patient assets, are pooled for investment purposes. Each participating fund's equity in the pool is represented by pool units based on fair value. Investment income and gains and losses from sales of pooled investments are apportioned among the invested funds based on earnings per pool unit.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Inventories - Inventories are stated at the lower of cost or fair market value, using the first-in, first-out method.

Property and Equipment, Net - Property and equipment are stated at cost or, in the case of donated property, at the fair value at the date of the gift, less accumulated depreciation. Major improvements and betterments to existing plant and equipment are capitalized. Expenditures for maintenance and repairs, which do not extend the lives of the applicable assets, are charged to expense as incurred. Upon disposition or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and resulting gains and losses are included in the results of operations.

Depreciation expense is computed on a straight-line basis over the asset's estimated useful life, using a full month convention beginning in the month the asset is placed in service. Useful lives assigned to assets range from 5 to 40 years.

Deferred Financing Costs - Deferred financing costs have been recorded as an asset and are being amortized using the effective interest method over the term of the related financing agreement.

Excess of Revenues Over Expenses - The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized (depreciation) appreciation on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets) and certain adjustments to the pension liability.

Non-operating income included in excess of revenues over expenses consists of unrestricted contributions, investment income, including realized gains and losses and investment management fees and the change in fair value of the interest rate swap agreement.

Deferred Patient Service and Other Revenue - Deferred patient service revenue represents the amount of unamortized Medicare billings for home care services under the prospective payment methodology. Deferred patient service revenue is amortized to income on a straight-line basis over an expected 60-day treatment period. Deferred other revenue represents pre-billing of certain fees associated with MHC and MAV that are not earned until the subsequent month.

Use of Estimates - The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the estimated net realizable value of receivables from patients and third-party payers, settlement of third-party reimbursement cost reports with Medicare and Medicaid, valuation of investments, useful lives of buildings and equipment and other estimates included in actuarial calculations for deferred entry fee revenue, pension expense, postretirement healthcare costs and estimated self-insurance liabilities. Actual results could differ from those estimates.

Bad Debts - Masonicare uses the indirect method to record bad debts. Masonicare records an allowance for doubtful accounts, which is based on its estimation of bad debts, against its outstanding patient accounts receivable. This estimate is based on Masonicare's past experience with collecting its receivables and an analysis of current accounts receivable. Bad debt expense was \$2,532,981 and \$768,053 for the years ended September 30, 2013 and 2012, respectively.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Accounting Pronouncements Adopted - In May 2011, the FASB issued ASU No. 2011-04, “*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRs*”. ASU No. 2011-04 amends certain guidance in ASC 820, “*Fair Value Measurement*”. ASU No. 2011-04 expands ASC 820’s existing disclosure requirements for fair value measurements and makes other amendments. ASU No. 2011-04 is effective for interim and annual reporting periods beginning after December 15, 2011 and will be applied on a prospective basis. The provisions of ASU No. 2011-04 did not have a material impact the Masonicare’s consolidated financial statements.

In July 2011, the FASB issued ASU No. 2011-07, “*Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision of Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities*”. This guidance establishes accounting and disclosure requirements for health care entities that recognize significant amounts of patient service revenues at the time services are rendered even though the entity does not assess a patient’s ability to pay. Specifically, the guidance requires that health care entities present bad debt expense associated with net patient service revenues as an offset to net patient service revenue within the consolidated statements of operations and changes in net assets. Additionally, the guidance requires enhanced disclosure of the policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The guidance requires retrospective application to all prior periods presented. This guidance became effective for Masonicare beginning on October 1, 2012. The adoption of this guidance had no impact on Masonicare’s operating income in the consolidated statements of operations and changes in net assets, but resulted in additional disclosures in Note 13. All years included have been presented in accordance with the provisions of ASU No. 2011-07.

In July 2012, the FASB issued ASU No. 2012-01, “*Health Care Entities (Topic 954): Continuing Care Retirement Communities - Refundable Advanced Fees*”. ASU No. 2012-01 clarifies that an entity should classify an advanced fee as deferred revenue when a continuing care retirement community has a resident contract that provides for payment of the refundable advance fee upon re-occupancy by a subsequent resident, which is limited to the proceeds of re-occupancy. Refundable advanced fees that are contingent upon re-occupancy by a subsequent resident but are not limited to the proceeds of re-occupancy should be accounted for and reported as a liability. This ASU is effective for fiscal years beginning after December 15, 2012, with retrospective application required. Masonicare’s adoption of ASU No. 2012-01 did not have a material effect on the consolidated financial statements.

Accounting Pronouncements Pending Adoption - In October 2012, the FASB issued ASU No. 2012-05, “*Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*”. This guidance provides clarification on how entities classify cash receipts arising from the sale of certain donated financial assets in the statement of cash flows. This guidance is effective for Masonicare beginning October 1, 2013, with early adoption permitted. Masonicare does not expect this guidance to have a material impact on its consolidated statements of cash flows.

Reclassifications - Certain reclassifications to the 2012 consolidated financial statements have been made in order to conform with the 2013 presentation. Such reclassifications did not have a material effect on the consolidated financial statements.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 3 - Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted and classified as current assets consist of funds required for interest payable on bonds, annuities payable recorded as current liabilities and amounts approved by the Board of Trustees for operating purposes in the following year.

Assets whose use is limited or restricted are comprised as follows at September 30, 2013 and 2012:

	2013		2012	
	Cost	Fair Value (**)	Cost	Fair Value (**)
By Board of Trustees:				
Cash and cash equivalents	\$ 3,515,168	\$ 3,515,168	\$ 5,017,932	\$ 5,017,932
Marketable equity securities	76,345,534	83,194,883	67,103,295	75,339,869
Fixed income securities	19,591,327	19,412,242	14,438,764	15,192,271
Other investments	785,367	785,368	1,944,953	1,945,252
Other assets	10,000	10,000	15,000	15,000
	<u>100,247,396</u>	<u>106,917,661</u>	<u>88,519,944</u>	<u>97,510,324</u>
Under patient asset management, trust agreements and patient escrow accounts:				
Cash and cash equivalents	242,484	242,484	331,913	331,913
Other investments	330,444	330,444	331,205	331,205
Other assets	6,672	6,672	18,583	18,583
	<u>579,600</u>	<u>579,600</u>	<u>681,701</u>	<u>681,701</u>
Under indenture agreement - held by Trustees:				
Cash and cash equivalents	8,802	8,802	15,679	15,679
Fixed income securities	476,696	476,565	824,003	823,673
	<u>485,498</u>	<u>485,367</u>	<u>839,682</u>	<u>839,352</u>
Under trust for estimated self-insurance liabilities:				
Marketable equity securities	4,914,177	5,933,238	4,089,839	4,578,838
Fixed income securities	4,114,131	4,073,927	4,299,849	4,459,277
Other investments	2,377,376	2,483,213	1,847,553	1,994,604
	<u>11,405,684</u>	<u>12,490,378</u>	<u>10,237,241</u>	<u>11,032,719</u>
Under trust for interest rate swap obligation:				
Cash and cash equivalents	-	-	720,000	720,000
	<u>-</u>	<u>-</u>	<u>720,000</u>	<u>720,000</u>
By donors for specific purposes:				
Cash, cash equivalents and interest receivable	335,980	335,980	330,554	330,554
Marketable equity securities	869,027	1,376,149	723,196	1,047,624
Fixed income securities	877,943	865,900	912,339	961,274
Residual interest trusts	1,076,986	1,198,888	1,076,986	1,193,006
Other investments	1,100	1,100	1,100	1,100
	<u>3,161,036</u>	<u>3,778,017</u>	<u>3,044,175</u>	<u>3,533,558</u>
By donors for permanent endowment funds:				
Cash, cash equivalents and interest receivable	41,844	41,845	748,563	748,563
Marketable equity securities	27,002,048	27,582,663	26,539,075	26,943,557
Fixed income securities	7,059,551	7,085,662	7,004,524	7,094,819
Perpetual interest trusts	8,530,137	11,835,765	8,530,137	11,395,472
Residual interest trusts	440,159	569,173	440,159	562,231
Real estate	838,139	838,139	838,139	838,139
Other investments	19,304,143	19,304,143	17,563,311	17,563,311
	<u>63,216,021</u>	<u>67,257,390</u>	<u>61,663,908</u>	<u>65,146,092</u>
	<u>\$ 179,095,235</u>	<u>\$ 191,508,413</u>	<u>\$ 165,706,651</u>	<u>\$ 179,463,746</u>

** Included in the above fair value are alternative investments that are carried at cost. The total cost of these investments amounted to \$20,745,605 and \$19,860,933 as of September 30, 2013 and 2012, respectively. The total fair value amounted to \$32,885,060 and \$29,093,029 as of September 30, 2013 and 2012, respectively.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 3 - Assets Whose Use is Limited or Restricted (continued)

Investment income is comprised of the following for the years ended September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 4,643,822	\$ 3,146,305
Realized gains on sales of investments	12,920,980	4,352,430
Less: investment management fees	<u>(632,176)</u>	<u>(569,698)</u>
	<u>\$ 16,932,626</u>	<u>\$ 6,929,037</u>

Note 4 - Property and Equipment

Property and equipment, consists of the following at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 419,334	\$ 419,334
Land improvements	14,150,160	13,989,259
Buildings	225,039,486	221,662,173
Furniture and equipment	<u>53,850,795</u>	<u>53,070,413</u>
	293,459,775	289,141,179
Less: accumulated depreciation	<u>(158,414,486)</u>	<u>(149,171,309)</u>
	135,045,289	139,969,870
Construction in progress (estimated cost to complete - \$3,832,570)	<u>2,665,110</u>	<u>3,511,932</u>
	<u>\$ 137,710,399</u>	<u>\$ 143,481,802</u>

Depreciation expense was \$9,533,727 and \$9,492,390 for the years ended September 30, 2013 and 2012, respectively. Included in property and equipment as of September 30, 2013 and 2012, are capitalized leased assets for computer equipment with a cost of \$377,822 and related accumulated depreciation of \$376,666 for both 2013 and 2012.

For the years ended September 30, 2013 and 2012, \$3,281,706 of capitalized interest has been included within property and equipment.

During 2013, Masonicare disposed of \$2,343,091 in construction in progress costs related to older projects.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 5 - Unamortized Financing Costs

Unamortized financing costs consist of the following at September 30, 2013 and 2012:

	2013	2012
Deferred financing costs	\$ 2,273,035	\$ 2,308,592
Less: accumulated amortization	(374,509)	(402,226)
	\$ 1,898,526	\$ 1,906,366

Amortization expense related to deferred financing costs was \$69,349 and \$82,543, for the years ended September 30, 2013 and 2012, respectively.

Note 6 - Long-Term Debt

On October 23, 2007 and pursuant to a loan agreement dated as of October 1, 2007, Masonicare issued to CHEFA bonds in the amount of \$116,065,000 for the purpose of financing the expansion of and renovations to the facilities at MAV and MHC. This bond issuance also constitutes a refinancing of the CHEFA 1998 Revenue Bonds (Series A and Series B) issued debt. The bond issuance is in the form of Masonicare Issue, Series C and Masonicare Issue, Series D financing. Masonicare Issue, Series C and Series D are variable rate demand revenue bonds in the amounts of \$81,065,000 and \$35,000,000, respectively, with both series bonds maturing on July 1, 2037. The variable interest rates on the bonds are based upon the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. The bonds were originally secured by an irrevocable letter of credit expiring on, October 31, 2012, issued by Wells Fargo Bank, National Association (formerly Wachovia Bank, National Association). On September 5, 2012, Masonicare entered into a three year agreement with Manufacturers and Traders Trust Company (M&T Bank) to provide a substitute letter of credit in connection with the issuance of the bonds. On October 16, 2007, Masonicare entered into an interest rate swap agreement relating to the aggregate principal amount of the Series C bonds as more fully described in Note 20.

On September 5, 2012 and pursuant to a loan agreement dated September 1, 2012, Masonicare issued to CHEFA bonds in the amount of \$33,000,000 (Series E bonds) for the purpose of refinancing the previously issued Series D bonds. Masonicare Issue, Series E bonds are variable rate demand revenue bonds that mature on July 31, 2037. The variable interest rates on the bonds are based upon 78% of the 30 day LIBOR rate plus 150 basis points. Masonicare has entered into a Direct Purchase agreement with Webster Bank for Webster Bank to purchase 100% of the bonds issued. As of September 30, 2012, Masonicare incurred losses of \$513,437 related to the restructuring of the Series D debt.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 6 - Long-Term Debt (continued)

Long-term debt consists of the following at September 30, 2013 and 2012:

	2013	2012
CHEFA Revenue Bonds:		
Series C - 3.06% to 7.96% term bonds due 2037 (inclusive of swap)	\$ 71,965,000	\$ 73,680,000
Series E - 4.50% term bonds due 2037	32,154,000	33,000,000
	104,119,000	106,680,000
Less: current maturities	(2,563,000)	(2,435,000)
	\$ 101,556,000	\$ 104,245,000

Under the indenture agreements, the Obligated Group (i.e.: Masonicare, MHC, MAN, MAV, MCF and MHH&H) is required to make monthly deposits with the Trustees (U.S. Bank for Series C and Webster Bank for Series E) to fund future principal and interest payments. The agreements also place limits on additional borrowings and further require the Obligated Group to maintain a specified debt service coverage ratio. The Obligated Group was in compliance with these covenants for the years ended September 30, 2013 and 2012.

The annual maturities of long-term debt in each of the succeeding five years and thereafter are as follows:

2014	\$ 2,563,000
2015	2,673,000
2016	2,787,000
2017	2,907,000
2018	3,033,000
Thereafter	90,156,000
	\$ 104,119,000

Funds held by Trustees under the indenture agreement are as follows at September 30, 2013 and 2012:

	2013	2012
Principal and interest funds, held by Fidelity	\$ 28,777	\$ 410,039
Principal and interest funds, held by Webster Bank	8,240	-
Principal and interest funds, held by U.S. Bank	448,350	429,313
	\$ 485,367	\$ 839,352

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 7 - Line of Credit

Masonicare has entered into a revolving line of credit agreement with M&T Bank for \$10,000,000. Advances under the line of credit bear interest at the higher of a 4% interest rate or the Eurodollar rate plus 175 basis points. The agreement expires upon mutual consent of both parties. As of September 30, 2013 and 2012, Masonicare did not have any outstanding amounts drawn against this line of credit.

Note 8 - Self-Insurance Liabilities

Masonicare is self-insured for its long-term care professional and general liability exposure through Keystone, a wholly-owned subsidiary domiciled in Vermont. Keystone provides claims-made coverage of \$13,000,000 per claim with an annual aggregate of \$16,000,000 for professional and general liability insurance subject to reinsurance. Masonicare has employed independent actuaries to estimate the ultimate costs of the settlement of claims under the program, which approximate \$7,018,340 and \$6,215,303 at September 30, 2013 and 2012, respectively. Accrued professional and general liability reserves are discounted at a rate of 3% as of September 30, 2013 and 2012 and in management's opinion provide an adequate reserve for loss contingencies.

Masonicare also self-insures the deductible portion of workers compensation claims. The self-insured deductible amount is \$250,000 from January 1, 2001 through January 1, 2005 and \$350,000 from January 1, 2005 to February 28, 2009. Effective March 1, 2009, Masonicare has purchased a pre-funded large deductible policy from a commercial carrier with a deductible limit of \$350,000 per claim and a \$4,300,000 aggregate limit (\$4,200,000 through March 1, 2010). Masonicare has established an irrevocable trust to hold assets, accumulate income and pay settled claims and expenses related to the workers' compensation program for the self-insured deductibles. Masonicare has employed independent actuaries to estimate the ultimate costs of the deductible portion of workers compensation claims, which approximate \$4,610,370 and \$4,331,112 at September 30, 2013 and 2012, respectively. Accrued workers compensation reserves have been discounted at a rate of 3% at September 30, 2013 and 2012 and in management's opinion provide an adequate reserve for loss contingencies. Effective February 24, 2009, Masonicare obtained a surety bond to secure its future obligations of the self-insured deductible program. To effectuate the surety bond agreement Masonicare has provided \$300,000 in collateral, which is held in trust at J.P Morgan Chase Bank N.A. and is included within assets under trust for self-insurance liabilities within the consolidated balance sheets as of September 30, 2013 and 2012, respectively. In addition, Masonicare is required to pre-fund a loss escrow account with the commercial carrier for the large deductible policy. Amounts held in escrow by the commercial carrier total \$3,618,968 and \$2,900,486 as of September 30, 2013 and 2012, respectively, and are carried within other receivables on the consolidated balance sheets.

Effective January 1, 2007, Masonicare self-insured liabilities related to medical coverage on its employees and dependents (covered members) up to \$100,000 per covered member. Masonicare procured a stop loss policy with CIGNA Healthcare for coverage in excess of \$100,000 per covered member. Masonicare recorded liabilities in accordance with the program of \$1,172,901 and \$1,172,640 as of September 30, 2013 and 2012, respectively. Masonicare paid claims and administrative fees related to this program of \$16,121,916 and \$15,348,702 for the years ended September 30, 2013 and 2012, respectively.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 9 - Lease Commitments

Masonicare leases certain real estate and equipment under several non-cancelable operating leases. Future minimum rental payments under non-cancelable operating leases with initial terms in excess of one year are as follows at September 30, 2013:

2014	\$	636,449
2015	\$	573,654
2016	\$	497,418
2017	\$	376,197
2018	\$	118,966

Total rent expense under all operating leases was approximately \$694,902 and \$854,094 for the years ended September 30, 2013 and 2012, respectively.

Note 10 - Pension and Other Postretirement Benefits

Masonicare has a defined benefit pension plan that provides retirement benefits for all eligible employees. To be eligible for the plan, the employee must work for a participating affiliate as defined in the plan agreement, be at least 21 years of age, and have completed a full year of service with at least 1,000 hours worked in that year. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

In July 2002, the Board of Trustees voted to freeze the defined benefit pension plan effective December 31, 2002. Upon freezing of the plan, all participants became 100% vested in their account balances. Benefits will be fully payable upon retirement or termination.

Masonicare also provides other postretirement health care benefits for retired employees. Employees may become eligible for health care benefits if they retire after attaining specified age and service requirements while they worked for Masonicare. The cost of such benefits is accrued during an employee's years of service. Generally, Masonicare pays a portion (or all) of the plan costs and the retirees pay premiums based on age and services at retirement. Employees hired after December 31, 1999 are not eligible for postretirement health benefits. During September 2009, the Board of Trustees voted to amend the medical plan. As part of the amendment to the medical plan, certain retiree contributions will increase and the medical plan will no longer be available to future retirees hired prior to January 1, 2000.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 10 - Pension and Other Postretirement Benefits (continued)

The valuation dates are September 30, 2013 and 2012 and pertinent information relating to these plans is as follows:

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 37,667,477	\$ 33,317,167	\$ 4,271,634	\$ 4,024,294
Participant contributions	-	-	41,770	46,475
Service cost	268,090	216,476	12,162	10,184
Interest cost	1,333,688	1,443,318	156,913	179,039
Actuarial (gain) loss	(4,337,082)	4,437,481	(622,283)	269,521
Benefits paid	(2,479,570)	(1,746,965)	(252,852)	(257,879)
	<u>\$ 32,452,603</u>	<u>\$ 37,667,477</u>	<u>\$ 3,607,344</u>	<u>\$ 4,271,634</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 20,403,699	\$ 17,405,433	\$ -	\$ -
Actual return on plan assets	1,390,272	2,730,217	-	-
Employer contributions	1,814,333	2,015,014	211,082	211,404
Participant contributions	-	-	41,770	46,475
Benefits paid	(2,479,570)	(1,746,965)	(252,852)	(257,879)
	<u>\$ 21,128,734</u>	<u>\$ 20,403,699</u>	<u>\$ -</u>	<u>\$ -</u>
Fair value of plan assets at end of year	<u>\$ 21,128,734</u>	<u>\$ 20,403,699</u>	<u>\$ -</u>	<u>\$ -</u>
Accrued liability	<u>\$ (11,323,869)</u>	<u>\$ (17,263,778)</u>	<u>\$ (3,607,344)</u>	<u>\$ (4,271,634)</u>

Significant assumptions are as follows as of September 30, 2013 and 2012:

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Weighted average assumptions:				
Discount rate on Qualified Plan	4.80%	3.80%	4.80%	3.80%
Discount rate on Supplemental Executive Retirement Plan	1.60%	2.50%	N/A	N/A
Expected return on plan assets	7.00%	7.00%	N/A	N/A
Rate of compensation increase	5.00%*	5.00%*	N/A	N/A
Health care cost trend rate:				
Initial health care cost trend rate	N/A	N/A	7.50%	7.50%
Ultimate health care cost trend rate	N/A	N/A	5.00%	5.00%
Number of years to ultimate rate	N/A	N/A	4 years	4 years

* Relates to Supplemental Executive Retirement Plan only.

The discount rate is the rate at which obligations could be effectively settled and is based on high-grade bond yields after allowing for call and default risk. The expected rate of return on assets for the defined benefit pension plan is determined by adding expected inflation to expected long-term returns. The salary increase rate is a long-term rate based on current expectations of future pay increases.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 10 - Pension and Other Postretirement Benefits (continued)

The health care cost trend rate assumption has a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	<u>1-Percentage Point Increase</u>	<u>1-Percentage Point Decrease</u>
Effect on total of service and interest cost components	\$ 13,100	\$ 11,600
Effect on postretirement benefit obligation	\$ 272,000	\$ 241,000

Components of net periodic benefit costs are as follows for the years ended September 30, 2013 and 2012:

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Service cost	\$ 268,090	\$ 216,476	\$ 12,162	\$ 10,184
Interest cost	1,333,688	1,443,318	156,913	179,039
Expected return on plan assets	(1,365,924)	(1,184,862)	-	-
Amortization of prior service cost	-	-	(436,572)	(436,572)
Actuarial loss recognized	<u>1,275,779</u>	<u>1,132,484</u>	<u>132,542</u>	<u>117,391</u>
	<u>\$ 1,511,633</u>	<u>\$ 1,607,416</u>	<u>\$ (134,955)</u>	<u>\$ (129,958)</u>

Amounts recorded in unrestricted net assets as of September 30, 2013, not yet amortized as components of net periodic benefit costs are as follows:

Unamortized prior service credit	\$ (2,791,010)
Unamortized actuarial loss	<u>13,577,918</u>
Amount recognized as a reduction in unrestricted net assets	<u>\$ 10,786,908</u>

The amortization of the above items expected to be recognized in net periodic costs for the year ended September 30, 2014 is \$503,420.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 10 - Pension and Other Postretirement Benefits (continued)

The fair values of Masonicare's pension plan assets as of September 30, by asset category classified as Level 1, 2 and 3 as defined in Note 19 are as follows:

2013	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash, cash equivalents and interest receivable	\$ 750,032	\$ -	\$ -	\$ 750,032
Equity securities:				
Consumer discretionary	476,456	-	-	476,456
Consumer staples	255,621	-	-	255,621
Energy	241,878	-	-	241,878
Financials	648,765	-	-	648,765
Health care	376,929	-	-	376,929
Industrials	357,109	-	-	357,109
Information technology	530,557	-	-	530,557
Materials	-	-	-	-
Other	18,623	-	-	18,623
Corporate bond:				
Industrial	-	16,764	-	16,764
Mutual and other equity funds:				
Fixed income taxable bond	7,177,192	-	-	7,177,192
U.S. equity	4,714,127	-	-	4,714,127
International	2,585,930	-	-	2,585,930
Global real estate	672,412	-	-	672,412
Absolute return	1,828,818	-	-	1,828,818
Commodities	477,521	-	-	477,521
	<u>\$ 21,111,970</u>	<u>\$ 16,764</u>	<u>\$ -</u>	<u>\$ 21,128,734</u>

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 10 - Pension and Other Postretirement Benefits (continued)

2012	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash, cash equivalents and interest receivable	\$ 508,776	\$ -	\$ -	\$ 508,776
Equity securities:				
Consumer discretionary	306,557	-	-	306,557
Consumer staples	278,801	-	-	278,801
Energy	288,859	-	-	288,859
Financials	526,916	-	-	526,916
Health care	377,921	-	-	377,921
Industrials	299,330	-	-	299,330
Information technology	524,705	-	-	524,705
Materials	62,861	-	-	62,861
Utilities	40,169	-	-	40,169
Corporate bond:				
Industrial	-	17,430	-	17,430
Mutual and other equity funds				
Fixed income taxable bond	7,969,109	-	-	7,969,109
U.S. equity	4,307,220	-	-	4,307,220
International	2,043,388	-	-	2,043,388
Global real estate	649,015	-	-	649,015
Absolute return	1,811,414	-	-	1,811,414
Commodities	391,228	-	-	391,228
	<u>\$ 20,386,269</u>	<u>\$ 17,430</u>	<u>\$ -</u>	<u>\$ 20,403,699</u>

The investment objectives for the defined benefit pension plan is to obtain a favorable relative return for the entire fund, consistent with preservation of capital emphasizing some income generation and long-term growth. While some risk is warranted pursuing long-term growth of capital, consistent annual returns with low volatility in investment performance are desirable.

Masonicare expects to contribute approximately \$1,811,919 to its pension plan, \$309,000 to its postretirement plan and \$321,000 to its supplemental executive retirement plan in fiscal year 2014. The costs and related obligations of the supplemental executive retirement plan are included within the pension benefit tables set forth above.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 10 - Pension and Other Postretirement Benefits (continued)

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

	<u>Pension Benefits</u>	<u>Other Postretirement Benefits</u>
2014	\$ 4,219,000	\$ 266,000
2015	\$ 3,094,000	\$ 287,000
2016	\$ 3,003,000	\$ 299,000
2017	\$ 1,961,000	\$ 313,000
2018	\$ 2,676,000	\$ 322,000
Thereafter	\$ 12,686,000	\$ 1,539,000

Masonicare offers to substantially all of its employees a defined contribution plan with various investment options. To be eligible, an employee must have completed 90 days of service and be at least 21 years old. Total defined contribution pension expense was \$1,464,560 and \$1,477,458 for the years ended September 30, 2013 and 2012, respectively.

Note 11 - Entrance Fees

MAV residents are provided living accommodations, other facilities and services and certain medical care in exchange for payment of entrance fees and monthly service charges. Deferred entry fee revenue represents the amount of unamortized initial entry fees paid by residents of MAV. Deferred entry fee revenue amounts are amortized to income on a straight-line basis over the shorter of the estimated remaining residential life expectancies of the individual residents or the maximum refund period.

Refundable entry fees are refundable in the event of termination of the Residency Agreement or upon the resident's death (up to 96 months) at a declining rate based on length of stay as provided by the Residency Agreements. Residential life expectancies are determined annually by reference to appropriate actuarial tables.

Based upon MAV's existing fee structure and management's expectation that future monthly service charges will be reflective of related operating costs, MAV is not required to record a liability for its obligation to provide future services and facilities to current residents.

Note 12 - Third-Party Payer Reimbursement

Masonicare has agreements with third-party payers that provide for payments to MHC, MAN, MHH&H and Masonicare Partners Home Health and Hospice at amounts different from their established rates.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 12 - Third-Party Payer Reimbursement (continued)

A summary of the payment arrangements with major third-party payers follows:

Medicare - Services rendered to Medicare program beneficiaries are reimbursed under a variety of reimbursement methodologies. The acute care beds of MHC are reimbursed on a Diagnostic Related Group (DRG) Prospective Payment System (PPS) methodology. Reimbursement amounts differ based on diagnosis and acuity level. The geriatric medical psychiatric beds of MHC began being paid on the Inpatient Psychiatric Facility Prospective Payment System effective October 1, 2005. Services are reimbursed based on patient diagnosis along with clinical and functional factors. The long-term care beds in MHC and MAN are reimbursed using the Resource Utilization Groups (RUGS) PPS methodology. This PPS method reimburses services rendered to Medicare program beneficiaries based on a diagnosis and clinical and rehab care given is determined through the minimum data set (MDS) evaluation.

Medicare reimburses for outpatient services (non-home health) on either a cost basis or a blend of cost and fee schedules, and to a much larger extent, on a rate per case outpatient prospective payment Ambulatory Payment Classification (APC) system.

Medicare reimburses home health services on a home health PPS methodology. Under home health PPS, an agency receives a fixed amount of reimbursement which covers all services (with a limited number of exceptions) provided to a patient for a specific treatment episode of 60 days. The reimbursement rate is developed based on the clinical, functional and service needs specific to the individual patient. The prospective rate is wage-adjusted based on where the service is provided as opposed to where the agency is located, and is subject to a variety of final claim adjustments, which modify the payment based on actual utilization and level of clinical and functional severity reported at the end of the episode. Medicare reimburses hospice services on a per diem basis based on level of care.

Medicaid - The Department of Social Services of the State of Connecticut (DSS), the State agency responsible for the administration of the State Medicaid program, is currently applying a prospective rate system in establishing Medicaid rates for its state-aided patients in long-term care facilities. The system categorizes costs into five major groupings and the facilities' actual costs are compared to state maximums and the lower amounts determine reimbursement. The base period used to compute the rates is to be updated every two to four years. The Connecticut legislature has overridden this rebasing and rates continue to be based on 1996 costs, updated by a defined percentage as established by the legislature. This update has consistently been less than the level of inflation. The State of Connecticut is currently reimbursing home health providers for services rendered to Medicaid home health beneficiaries based on fixed fee for service rates. For fiscal year 2010, the State of Connecticut implemented a hospice benefit that is reimbursed on a per diem basis.

DSS had instituted a user fee, which requires all long term care facilities to pay an amount per non-Medicare patient day back to the State. Rates paid to these facilities were adjusted through a formula that was compared to the costs for fiscal year 2003 but capped with a maximum amount of increase. MAN received this maximum amount. MHC was being paid through an interim rate agreed between MHC and the State. Interim rate facilities had rate increases calculated based upon a formula. MHC received the maximum this formula allowed. MAN and MHC were granted special interim rates by the State effective July 1, 2007. These rates are subject to review and adjustment if actual allowable costs are less than the rates paid.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 12 - Third-Party Payer Reimbursement (continued)

Filing Requirements - Each entity must file annual Medicare and Medicaid cost reports (excluding MHH&H). Masonicare as the corporate parent, files a home office cost report with Medicare in order to define the cost of services to each of the other cost reporting entities. Although there is no direct reimbursement for the home office, the allocated costs to the other cost reporting entities are incorporated into their respective Medicare cost reports.

As a result of audits by the Medicare and Medicaid intermediaries, the cost reports may be subject to audit adjustments and retroactive settlements. Masonicare has recorded provisions for future audits and related estimated settlement amounts. In the opinion of management, no material adjustments are expected to result from future audit settlements.

Medicare cost reports for MHC have been settled through September 30, 2009 and Medicare cost reports for MAN, MHH&H and Masonicare Partners Home Health and Hospice have been settled through September 30, 2011. The Medicaid cost reports for MHC and MAN have been reviewed by DSS through September 30, 2006 and 2009, respectively. During 2011, DSS initiated a routine full field audit of MHC's 2006 Medicaid cost report. The final results had insignificant adjustments.

The health care 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 health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that Masonicare is in compliance with fraud and abuse regulations as well as other applicable governmental laws and regulations. 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.

Revenue from Medicare and Medicaid programs accounted for approximately 61% and 58% of Masonicare's net patient revenue for the years ended September 30, 2013 and 2012, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2013 net patient service revenues increased by approximately \$1,000,000 due to a reduction in Medicare reserves previously estimated that are no longer considered necessary as a result of decreased settlements on Recovery Audit Contractor (RAC) audits.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 13 - Revenues from Services to Patients

The following summarizes net patient service revenues, for the years ended September 30, 2013 and 2012:

<u>2013</u>	<u>Self-Pay</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>Commercial</u>	<u>Hospice & Other</u>	<u>Total</u>
Gross revenues from services to patients	\$ 21,110,702	\$ 51,317,078	\$ 68,262,907	\$ 15,733,000	\$ 27,070,207	\$ 183,493,894
Contractual allowances	-	(6,526,964)	(27,878,421)	(5,055,521)	(282,712)	(39,743,618)
Net revenues from services to patients	<u>\$ 21,110,702</u>	<u>\$ 44,790,114</u>	<u>\$ 40,384,486</u>	<u>\$ 10,677,479</u>	<u>\$ 26,787,495</u>	<u>\$ 143,750,276</u>
					<u>Hospice & Other</u>	<u>Total</u>
<u>2012</u>	<u>Self-Pay</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>Commercial</u>		
Gross revenues from services to patients	\$ 20,287,735	\$ 50,429,677	\$ 65,774,478	\$ 13,460,511	\$ 25,307,104	\$ 175,259,505
Contractual allowances	-	(6,106,621)	(24,725,770)	(4,156,971)	(253,071)	(35,242,433)
Net revenues from services to patients	<u>\$ 20,287,735</u>	<u>\$ 44,323,056</u>	<u>\$ 41,048,708</u>	<u>\$ 9,303,540</u>	<u>\$ 25,054,033</u>	<u>\$ 140,017,072</u>

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most third-party payers are different from established billing rates of Masonicare and these differences are accounted for as contractual allowances.

Net patient service revenue is reported at the estimated net realizable amounts from third-party payors, patients and others for services rendered. Masonicare has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, per diem payments and discounted charges, including estimated retroactive settlements under payment agreements with third-party payors.

Masonicare recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Provisions for adjustments to net patient service revenue are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. For uninsured patients, Masonicare recognizes revenue based on its internal rates. On the basis of historical experience, a significant portion of Masonicare's uninsured patients will be unable or unwilling to pay for the services provided. Thus, Masonicare records a provision for bad debts related to uninsured patients in the period the services are provided.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 13 - Revenues from Services to Patients (continued)

Patient accounts receivable are based on gross charges and stated at net realizable value. Accounts receivable are reduced by an allowance for contractual adjustments, based on expected payment rates from payors under current reimbursement methodologies, and also by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, Masonicare analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate appropriate allowance for doubtful accounts and provision for bad debts based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage and other collection indicators. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for contractual adjustments and allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, Masonicare analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and co-payment balances due for which third-party coverage exists for part of the bill), Masonicare records a provision for bad debts in the period of service on the basis of its past experience.

Masonicare's allowance for doubtful accounts for self-pay patients was approximately 75% and 60% of self-pay accounts receivable as of September 30, 2013 and 2012, respectively. Masonicare's write-offs predominantly relate to self-pay balances and totaled \$1.5 million and \$1.9 million for fiscal year 2013 and 2012, respectively.

Note 14 - Endowments

Masonicare's endowment consists of funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor restrictions.

Masonicare has interpreted the relevant laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees. Masonicare considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of Masonicare and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of Masonicare; and (7) the investment policies of Masonicare.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 14 - Endowments (continued)

Temporarily restricted net assets are available for the following purposes at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Residual interest trusts not available for Masonicare's purposes until the expiration of the trusts	\$ 1,198,888	\$ 1,193,006
Investments held to support annuity contractual obligations that are not available for Masonicare's purposes until the expiration of income interest	222,154	92,474
Support of MAV residents	1,031,278	973,895
Support for scholarship activities	448,083	363,932
	<u>\$ 2,900,403</u>	<u>\$ 2,623,307</u>

Permanently restricted net assets consist of the following at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Investments held in perpetuity, the income from which is dedicated to support Masonicare's activities	\$ 63,965,223	\$ 63,101,167
Investments held in perpetuity, the income from which is dedicated to support annuity contractual obligations	1,743,347	1,785,513
Investments held in perpetuity, the income from which is dedicated to support MHH&H activities	1,177,282	1,177,282
Fair value of perpetual trusts	11,835,765	11,395,472
	<u>\$ 78,721,617</u>	<u>\$ 77,459,434</u>

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or relevant law requires Masonicare to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. As of September 30, 2013 and 2012, there were no funds that were below the level required by donor or law.

Return Objectives and Risk Parameters - Masonicare's investment and spending policies for endowment assets attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, Masonicare's investment and spending policies for endowment assets attempts to provide preservation of capital, growth after inflation, capital appreciation and compliance with bond covenants. In addition, the objectives include adequate liquidity with limited volatility.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 14 - Endowments (continued)

Spending Policy - Prior to September 2009 MCF's investment portfolio allocation policy for long-term returns (Spending Policy) provided that the appropriation of funds from principal and or earnings to support annual operational losses of Masonicare. Subsequent to September 2009 and primarily due to unfavorable investment returns within the global equity markets, MCF's Board of Directors and Masonicare's Board of Trustees approved the expenditure of up to \$20 million of invested assets to ensure compliance with Masonicare's bond covenants. As of September 30, 2013 and 2012, \$13,015,592 is due to the permanent endowment assets for this appropriation. None of the \$20 million appropriated has been expended as of September 30, 2013 and 2012.

For fiscal periods beginning October 1, 2009 Masonicare's Spending Policy is to support Masonicare's strategic plan initiatives and operational objectives by making available a minimum of 0% up to maximum of 23.5% annually of the 3 year rolling average of the unrestricted portfolio's market value measured as of May 31st. The annual percentage allocation may only exceed 0% in years that the unrestricted investment portfolio's market value has not incurred a decline from the prior year market value as measured as of May 31st. To comply with this Spending Policy the Investment Committee provides recommendations of the annual percentage allocation to the Board of Trustees based on its evaluation of management's proposal for how the appropriated funds will be utilized including consideration of the projected impact on the investment portfolio. Management presents its proposals at the beginning of each year's internal budget process. Additional requests may be submitted by management to the Investment Committee for evaluation at other times during the year due to timing or extraordinary circumstances for recommendation to the Board of Trustees. The Board of Trustees also approves additional amounts to be withdrawn from funds which are restricted to certain uses pursuant to donor stipulation that are subject to appropriation and expenditure for the relevant specified uses.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 14 - Endowments (continued)

Changes in endowment net assets for the years ended September 30, 2013 and 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at October 1, 2011	\$ 66,342,051	\$ 2,109,958	\$ 75,172,568	\$ 143,624,577
Investment return:				
Investment income	6,063,200	191,211	1,476,676	7,731,087
Net change in market value	14,838,789	414,055	339,039	15,591,883
Change in annuity obligations	-	(79,848)	(264,792)	(344,640)
Contributions	3,203,974	101,223	735,943	4,041,140
Released from restrictions	-	(113,292)	-	(113,292)
Net settlements on swap collateral and line of credit	11,536,034	-	-	11,536,034
Operations support and settlements	(5,635,173)	-	-	(5,635,173)
Affiliate allocated investment income	1,555,992	-	-	1,555,992
Other changes	(394,543)	-	-	(394,543)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at September 30, 2012	97,510,324	2,623,307	77,459,434	177,593,065
Investment return:				
Investment income	14,761,716	224,250	601,184	15,587,150
Net change in market value	(2,320,114)	122,816	111,948	(2,085,350)
Change in annuity obligations	-	(11,459)	(174,825)	(186,284)
Contributions	3,468,014	60,211	723,876	4,252,101
Released from restrictions	-	(118,722)	-	(118,722)
Net settlements on swap collateral and line of credit	720,000	-	-	720,000
Operations support and settlements	(7,573,994)	-	-	(7,573,994)
Affiliate allocated investment income	1,576,140	-	-	1,576,140
Other changes	(1,224,425)	-	-	(1,224,425)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at September 30, 2013	<u>\$ 106,917,661</u>	<u>\$ 2,900,403</u>	<u>\$ 78,721,617</u>	<u>\$ 188,539,681</u>

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 15 - Concentrations of Credit Risk

MHC, MAN, MHH&H and Masonicare Partners Home Health and Hospice grant credit without collateral to certain patients, most of whom are insured under third-party payer agreements. The composition of patient and resident receivables before allowances for doubtful accounts consists of the following at September 30, 2013 and 2012:

	2013	2012
Medicare	43 %	34 %
Medicaid	37	46
Private pay and other	20	20
	100 %	100 %

Note 16 - Income Taxes

Masonicare, MHC, Keystone, MCF, MAN, MAV and MHH&H qualify as tax-exempt corporations under Section 501(c)(3) of the Internal Revenue Code. MMS is a taxable corporation. Income tax expense was immaterial for the years ended September 30, 2013 and 2012.

Masonicare accounts for uncertain tax positions in accordance with certain provisions of FASB ASC 740, which provides a framework for how companies should recognize, measure, present and disclose uncertain tax positions in their financial statements. Under FASB ASC 740, Masonicare may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Masonicare did not record any unrecognized tax benefits for the years ended September 30, 2013 and 2012. Masonicare anticipates that it will not have a change in unrecognized tax benefits during the next twelve months that would have a material impact on the consolidated financial statements.

Masonicare's policy is to recognize interest and penalties related to income taxes as a component of general and administrative expenses. As of September 30, 2013 and 2012 and for the years then ended, Masonicare did not record any penalties or interest associated with unrecognized tax benefits.

All U.S. federal tax years from 2011 onwards are eligible for audit by the IRS.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 17 - Functional Expenses

Masonicare provides health and social care services to the aging population, primarily residents of Connecticut. Expenses related to providing these services for the years ended September 30, 2013 and 2012 are as follows:

	2013	2012
Program services	\$ 67,436,000	\$ 79,930,551
Support services	30,020,461	30,703,655
General and administrative	85,315,409	63,919,094
	\$ 182,771,870	\$ 174,553,300

Note 18 - Commitments, Contingencies and Other Obligations

Masonicare is involved in various legal actions arising in the normal course of business. Although the ultimate outcome is not determinable at this time, management, after taking into consideration advice of legal counsel, believes that the resolution of these pending matters will not have a material adverse effect, individually or in the aggregate, upon the consolidated balance sheets and the related consolidated statements of operations and changes in net assets and cash flows.

During March 2005, the FASB issued Interpretation No. 47 which clarifies the term “conditional asset retirement obligation” as used in FASB ASC 410-20, “*Asset Retirement Obligations*”. FASB ASC 410-20 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets such as facilities containing asbestos, when the amount of the liability can be reasonably estimated. Management is currently evaluating the fair market value of its Asset Retirement Obligation (ARO), relating to its various facilities. An ARO liability of \$780,326 and \$733,976 has been established as of September 30, 2013 and 2012, respectively. Management will continue to evaluate its exposure to asbestos removal and adjust the ARO for the fair value of the associated costs.

Note 19 - Fair Values

Effective October 1, 2008 Masonicare adopted FASB ASC 820-10 “*Fair Value Measurements and Disclosures*”, which defines fair value, establishes framework for measuring fair value in accounting principles generally accepted in the United States and expands disclosures about fair value measurements. FASB ASC 820 does not require any new fair value measurements but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. The new definition of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability, which is referred to as the exit price. The standards provide guidance on how to measure fair value, when required, under existing accounting standards and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels (Level 1, 2 and 3).

Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets that Masonicare has the ability to access at the measurement date.

Level 2 - Observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 19 - Fair Values (continued)

Level 3 - Unobservable inputs reflecting Masonicare's estimates of the assumptions that market participants could use in pricing the asset or liability (including assumptions about risk).

Management determines the appropriate classification of its investments in all securities at the time of purchase and re-evaluates such determination at each balance sheet date. Masonicare has classified its investments in available for sale securities as Level 1, 2 and 3 as follows:

<u>2013</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Cash, cash equivalents and interest receivable	\$ 4,144,279	\$ -	\$ -	\$ 4,144,279
Equity securities:				
Basic industries	4,492,795	-	-	4,492,795
Capital goods	22,881	-	-	22,881
Communication services	282,072	-	-	282,072
Consumer discretionary	5,578,069	-	-	5,578,069
Consumer staples	2,439,791	-	-	2,439,791
Energy	2,407,374	-	-	2,407,374
Financials	6,733,134	-	-	6,733,134
Health Care	4,292,262	-	-	4,292,262
REITS	189,040	-	-	189,040
Technology	5,154,396	-	-	5,154,396
Utilities	207,940	-	-	207,940
U.S. mutual funds	39,684,722	-	-	39,684,722
International mutual funds	18,167,201	-	-	18,167,201
Public services	20,620	-	-	20,620
Other assets	30,498,598	-	-	30,498,598
Debt securities:				
U.S. government obligations	2,580,184	-	-	2,580,184
U.S. government agencies	1,055,071	-	-	1,055,071
Corporate bonds - industrial	3,391,402	-	-	3,391,402
Corporate bonds - utilities	184,210	-	-	184,210
Corporate bonds - finance	3,761,800	-	-	3,761,800
Mortgage backed securities	5,077,708	-	-	5,077,708
Municipal bonds	40,088	-	-	40,088
Taxable bond fund	14,922,283	-	-	14,922,283
Other assets	736,435	-	-	736,435
Perpetual interest trusts	11,835,765	-	-	11,835,765
Residual interest trusts	-	1,768,061	-	1,768,061
Other invested assets	-	1,255,765	10,000	1,265,765
Total	\$ 167,900,120	\$ 3,023,826	\$ 10,000	\$ 170,933,946

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 19 - Fair Values (continued)

2012	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash, cash equivalents and interest receivable	\$ 7,164,641	\$ -	\$ -	\$ 7,164,641
Equity securities:				
Basic industries	3,407,769	-	-	3,407,769
Communication services	213,313	-	-	213,313
Consumer discretionary	3,182,250	-	-	3,182,250
Consumer staples	1,973,507	-	-	1,973,507
Energy	2,376,473	-	-	2,376,473
Financials	4,989,854	-	-	4,989,854
Health Care	3,440,707	-	-	3,440,707
REITS	180,215	-	-	180,215
Technology	4,363,703	-	-	4,363,703
Utilities	383,079	-	-	383,079
Other assets	3,644,541	-	-	3,644,541
U.S. mutual funds	37,123,343	-	-	37,123,343
International mutual funds	13,292,578	-	-	13,292,578
Other assets	14,846,458	-	-	14,846,458
Debt securities:				
U.S. government obligations	1,689,290	-	-	1,689,290
U.S. government agencies	1,088,443	-	-	1,088,443
Corporate bonds - industrial	3,442,262	-	-	3,442,262
Corporate bonds - finance	4,255,930	-	-	4,255,930
Mortgage backed securities	6,014,298	-	-	6,014,298
Municipal bonds	122,516	-	-	122,516
Taxable bond fund	24,471,944	-	-	24,471,944
Other assets	1,476,224	-	-	1,476,224
Perpetual interest trusts	11,395,472	-	-	11,395,472
Residual interest trusts	-	1,755,237	-	1,755,237
Other invested assets	1,672,006	1,621,760	15,000	3,308,766
Total	\$ 156,210,816	\$ 3,376,997	\$ 15,000	\$ 159,602,813

Investment in Investment Companies, carried at cost, are excluded from the above and amount to \$20,574,467 and \$19,860,933 as of September 30, 2013 and 2012, respectively.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 19 - Fair Values (continued)

The following table provides a summary of changes in the fair value of Masonicare's interest rate swap liability, classified as Level 3, for the year ended September 30, 2013 and 2012:

	2013	2012
Beginning balance at October 1	\$ 20,884,267	\$ 20,902,212
Total realized and unrealized gains included in earnings	(5,477,235)	(17,945)
Ending balance at September 30	\$ 15,407,032	\$ 20,884,267

The fair value of the interest rate swap liability is based on information provided by Merrill Lynch, Wells Fargo, PNC and Deutsche Bank. The fair value estimate considers the underlying notional debt principal amounts and the current interest rates paid by Masonicare and Merrill Lynch, Wells Fargo, PNC and Deutsche Bank under the swap contract.

The following methods and assumptions were used by Masonicare in estimating the fair value of its other financial instruments:

Cash and Cash Equivalents - The carrying amount reported in the consolidated balance sheets for cash and cash equivalents approximates its fair value.

Long-Term Debt - Fair values of Masonicare's long-term debt are based on current traded value. The fair value of the long-term debt approximates the carrying amount reported in the consolidated balances sheets as of September 30, 2013 and 2012.

Receivables and Payables - The fair value of receivables and payables approximates the carrying amount reported in the consolidated balance sheets as of September 30, 2013 and 2012.

Note 20 - Derivatives

Masonicare uses derivative instruments, specifically an interest rate swap, to manage its exposure to changes in the interest rate on its CHEFA Series C variable rate bond as further described in Note 6. The use of derivative instruments exposes Masonicare to additional risks related to this derivative instrument, including market risk, credit risk and termination risk as described below. Masonicare has defined risk management practices to mitigate these risks, as appropriate.

On April 4, 2012 Masonicare restructured the interest rate swap agreement with Merrill Lynch. The interest rate swap was divided into four separate transactions, adding three additional swap providers. The interest rate swap restructuring allowed Masonicare to reduce its cash collateral posting requirements by increasing the overall thresholds. In addition, at the close of the transaction, Merrill Lynch returned \$9,400,000 of outstanding collateral.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 20 - Derivatives (continued)

Masonicare and Merrill Lynch (A-, Baa1) executed an amendment to the existing Swap Agreement which included a new threshold amount of \$7,000,000. Masonicare and Merrill Lynch also executed and amended the existing confirmation that eliminated cash flows, which started accruing on April 4, 2012 through July 1, 2020. As a result of such amendment, Masonicare paid an upfront payment to Merrill Lynch of \$14,134,000 and the current fixed rate will be adjusted from 3.76% to 3.854% starting on July 1, 2020.

Masonicare and Wells Fargo Bank (AA-, Aa3) executed an interest rate swap effective April 4, 2012 through April 3, 2019 (7 years) based on 47.5% of the outstanding notional amount for the first five years and 75% for the last two years. The transaction included an upfront payment from Wells Fargo Bank to Masonicare which was used to pay Merrill Lynch for a partial amendment on the identical notional schedule of the next 7 years. Wells Fargo Bank agreed to a \$7,500,000 collateral threshold.

Masonicare and PNC Bank (A, A2) executed an interest rate swap effective April 4, 2012 through April 5, 2017 (5 years) based on 27.5% of the outstanding notional amount during this time period. Such transaction included an upfront payment from PNC Bank to Masonicare, which was used to pay Merrill Lynch for a partial termination on the identical notional schedule of the next 5 years. PNC Bank agreed to a \$3,500,000 collateral threshold.

Masonicare and Deutsche Bank (A+, Aa3) executed an interest rate swap effective April 4, 2012 through July 1, 2020 (8.25 years) based on 25% of the outstanding notional for the first seven years and 100% for the remaining life of the swap. Such transaction included an upfront payment from Deutsche Bank to Masonicare, which was used to pay Merrill Lynch for a partial termination on the identical notional schedule. Deutsche Bank agreed to a \$5,000,000 collateral threshold.

Market risk represents the potential adverse effect on the fair value and cash flow of a derivative instrument due to changes in interest rates or rate spreads. Market risk is managed through ongoing monitoring of interest rate exposure based on set parameters regarding the type and degree of market risk that Masonicare will accept. Credit risk is the risk that the counterparties on a derivative instrument may be unable to perform its obligation during the term of the contract. When the fair value of a derivative contract is positive, the counterparties owe Masonicare, which creates credit risk. Credit risk is managed by setting stringent requirements for qualified counterparties at the date of execution of a derivative transaction and requiring counterparties to post collateral in the event of a credit rating downgrade or if the fair value of the derivative contract exceeds a negotiated threshold.

Termination risk represents the risk that Masonicare may be required to make a significant payment to the counterparties, if the derivative contract is terminated early. Termination risk is assessed at onset by performing a statistical analysis of the potential for a significant termination payment under various scenarios designed to encompass expected interest rate changes over the life of the proposed contract. The test measures the ability to make a termination payment without a significant impairment to Masonicare's ability to meet its debts or liquidity covenants.

Masonicare
Notes to the Consolidated Financial Statements
As of and for the Years Ended September 30, 2013 and 2012

Note 20 - Derivatives (continued)

In connection with the issuance of the CHEFA Series C bonds, Masonicare entered into an interest rate swap agreement (swap agreement) as detailed above to synthetically fix the interest payment. Under the swap agreement, Masonicare makes fixed payments to the counterparties to the swap agreement and receives variable rate payments equal to 67% of the monthly LIBOR rate, which was approximately .18% and .22% as of September 30, 2013 and 2012, respectively. The difference between the actual variable rate on the debt and the rate of 67% of LIBOR is recorded by Masonicare as an increase or decrease of interest expense depending on the relationship of the rate of 67% of LIBOR to the actual variable rate on the debt. The fair value of the interest rate swap (a liability of \$15,407,032 and \$20,884,267 as of September 30, 2013 and 2012, respectively) has been recorded in the accompanying consolidated balance sheets as a long-term liability. The swap agreement expires on July 1, 2037 and is secured by \$0 and \$720,000 of assets as of September 30, 2013 and 2012, respectively, under trust with the swap counterparties.

Management has not designated the swap agreement as a hedging instrument. The change in fair value of the interest rate swap agreement of \$5,477,235 and \$17,945 for the years ended September 30, 2013 and 2012, respectively, is recorded in the consolidated statements of operations and changes in net assets as a component of non-operating income.

Note 21 - Supplemental Cash Flow Information

	<u>2013</u>	<u>2012</u>
Cash paid during the year for interest	<u>\$ 3,406,201</u>	<u>\$ 3,115,918</u>

Note 22 - Subsequent Events

Subsequent events have been evaluated through December 5, 2013, the date through which procedures were performed to prepare the consolidated financial statements for issuance. Management believes there are no subsequent events having a material impact on the consolidated financial statements.

**Masonicare
Consolidating Balance Sheet
September 30, 2013**

Masonicare	Masonicare Health Center	The Masonic Charity Foundation of Connecticut, Inc.	Masonicare at Newtown, Inc.	Masonicare at Ashlar Village, Inc.	Home Health Care Services*	Eliminations	Subtotal Obligated Group	Keystone Indemnity Company, Ltd.	Masonic Management Services, Inc.	Eliminations	Total
\$ 1,401,891	\$ 2,070	\$ 6,039	\$ 200	\$ 1,800	\$ 360,665	\$ -	\$ 1,772,665	\$ 615,128	\$ 100	\$ -	\$ 2,387,893
-	-	-	-	683,053	-	-	683,053	-	-	-	683,053
-	13,402,271	-	4,329,918	1,748,889	7,670,824	-	27,151,902	-	(163,906)	-	26,987,996
3,986,133	1,515	4,610	-	682,350	34,983	-	4,709,591	809,477	50,513	-	5,569,581
-	239,925	-	24,085	20,956	-	-	284,966	-	-	-	284,966
349,719	362,765	30,528	124,643	228,436	344,635	-	1,440,726	53,417	40,426	-	1,534,569
<u>3,280,000</u>	<u>-</u>	<u>404,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,684,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,684,434</u>
9,017,743	14,008,546	445,611	4,478,846	3,365,484	8,411,107	-	39,727,337	1,478,022	(72,867)	-	41,132,492
-	-	106,917,661	-	-	1,347,864	(1,347,864)	106,917,661	-	-	-	106,917,661
-	555,316	-	24,284	-	-	-	579,600	-	-	-	579,600
485,367	-	-	-	-	-	-	485,367	-	-	-	485,367
300,000	-	-	-	-	-	-	300,000	12,190,378	-	-	12,490,378
-	-	3,778,017	-	-	-	-	3,778,017	-	-	-	3,778,017
-	-	<u>67,257,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,257,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,257,390</u>
785,367	555,316	177,953,068	24,284	-	1,347,864	(1,347,864)	179,318,035	12,190,378	-	-	191,508,413
<u>(3,280,000)</u>	<u>-</u>	<u>(404,434)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,684,434)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,684,434)</u>
(2,494,633)	555,316	177,548,634	24,284	-	1,347,864	(1,347,864)	175,633,601	12,190,378	-	-	187,823,979
12,373,181	28,566,964	89,609	8,199,861	86,717,343	1,631,652	-	137,578,610	-	131,789	-	137,710,399
1,800,961	10,597	11,291	8,542	67,135	-	-	1,898,526	-	-	-	1,898,526
582,506	-	-	-	-	-	-	582,506	-	-	-	582,506
<u>26,582,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,581,018)</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>-</u>
<u>\$ 47,861,776</u>	<u>\$ 43,141,423</u>	<u>\$ 178,095,145</u>	<u>\$ 12,711,533</u>	<u>\$ 90,149,962</u>	<u>\$ 11,390,623</u>	<u>\$ (27,928,882)</u>	<u>\$ 355,421,580</u>	<u>\$ 13,668,400</u>	<u>\$ 58,922</u>	<u>\$ (1,000)</u>	<u>\$ 369,147,902</u>

Hospice and Masonicare Partners Home Health & Hospice.

See accompanying Independent Auditors' Report.

Masonicare
Consolidating Balance Sheet (continued)
September 30, 2013

Masonicare	Masonicare Health Center	Charity Foundation of Connecticut, Inc.	Masonicare at Newtown, Inc.	Masonicare at Ashlar Village, Inc.	Home Health Care Services*	Eliminations	Subtotal Obligated Group	Keystone Indemnity Company, Ltd.	Masonic Management Services, Inc.	Eliminations	Total
\$ 2,563,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,563,000	\$ -	\$ -	\$ -	\$ 2,563,000
1,138,071	2,982,563	93,602	1,348,034	1,124,921	2,965,878	-	9,653,069	107,923	210,970	-	9,971,962
1,260,449	2,192,756	80,350	609,652	339,805	2,122,028	-	6,605,040	-	519,760	-	7,124,800
2,441,919	-	-	-	-	-	-	2,441,919	-	-	-	2,441,919
1,172,901	-	-	-	-	-	-	1,172,901	-	-	-	1,172,901
-	292,789	-	27,955	-	1,079,542	-	1,400,286	-	-	-	1,400,286
-	-	381,546	-	-	-	-	381,546	-	-	-	381,546
-	-	-	-	1,474,558	-	-	1,474,558	-	-	-	1,474,558
-	74,262	-	-	1,511,547	1,311,936	-	2,897,745	-	-	-	2,897,745
1,345	170,331	-	278,905	1,185,527	-	-	1,636,108	-	-	-	1,636,108
4,153	2,878	-	5,784	18,448	96,390	-	127,653	-	-	-	127,653
8,581,838	5,715,579	555,498	2,270,330	5,654,806	7,575,774	-	30,353,825	107,923	730,730	-	31,192,478
12,489,294	-	-	-	-	-	-	12,489,294	-	-	-	12,489,294
15,407,032	-	-	-	-	-	-	15,407,032	-	-	-	15,407,032
-	-	1,982,962	-	-	-	-	1,982,962	-	-	-	1,982,962
-	-	-	-	23,606,552	-	-	23,606,552	-	-	-	23,606,552
-	-	-	-	14,375,901	-	-	14,375,901	-	-	-	14,375,901
-	575,886	-	28,891	-	-	-	604,777	-	-	-	604,777
-	680,327	-	99,999	-	-	-	780,326	-	-	-	780,326
582,506	-	-	-	-	-	-	582,506	-	-	-	582,506
4,610,370	-	-	-	-	-	-	4,610,370	7,018,340	-	-	11,628,710
101,556,000	-	-	-	-	-	-	101,556,000	-	-	-	101,556,000
143,227,040	6,971,792	2,538,460	2,399,220	43,637,259	7,575,774	-	206,349,545	7,126,263	730,730	-	214,206,538
(95,365,264)	36,169,631	93,934,665	10,312,313	46,512,703	4,053,937	(27,928,882)	67,689,103	6,542,137	(671,808)	(1,000)	73,558,432
-	-	-	-	-	(239,088)	-	(239,088)	-	-	-	(239,088)
(95,365,264)	36,169,631	93,934,665	10,312,313	46,512,703	3,814,849	(27,928,882)	67,450,015	6,542,137	(671,808)	(1,000)	73,319,344
-	-	2,900,403	-	-	-	-	2,900,403	-	-	-	2,900,403
-	-	78,721,617	-	-	-	-	78,721,617	-	-	-	78,721,617
(95,365,264)	36,169,631	175,556,685	10,312,313	46,512,703	3,814,849	(27,928,882)	149,072,035	6,542,137	(671,808)	(1,000)	154,941,364
\$ 47,861,776	\$ 43,141,423	\$ 178,095,145	\$ 12,711,533	\$ 90,149,962	\$ 11,390,623	\$ (27,928,882)	\$ 355,421,580	\$ 13,668,400	\$ 58,922	\$ (1,000)	\$ 369,147,902

* Hospice and Masonicare Partners Home Health & Hospice.

See accompanying Independent Auditors' Report.

**Masonicare
Consolidating Balance Sheet
September 30, 2012**

Masonicare	Masonicare Health Center	The Masonic Charity Foundation of Connecticut, Inc.	Masonicare at Newtown, Inc.	Masonicare at Ashlar Village, Inc.	Home Health Care Services*	Eliminations	Subtotal Obligated Group	Keystone Indemnity Company, Ltd.	Masonic Management Services, Inc.	Eliminations	Total
\$ 2,432,549	\$ 3,586	\$ 18,275	\$ 200	\$ 7,365	\$ 2,950	\$ -	\$ 2,464,925	\$ 519,458	\$ 100	\$ -	\$ 2,984,483
-	-	-	-	681,779	-	-	681,779	-	-	-	681,779
-	14,386,017	-	4,215,107	1,492,874	7,028,016	-	27,122,014	-	63,896	-	27,185,910
2,987,499	2,520	(393)	-	1,391,650	48,146	-	4,429,422	398,989	27,630	-	4,856,041
-	201,304	-	71,710	20,956	-	-	293,970	-	-	-	293,970
182,535	270,883	29,176	96,045	91,932	244,533	-	915,104	57,419	102	-	972,625
3,280,000	-	405,053	-	-	-	-	3,685,053	-	-	-	3,685,053
8,882,583	14,864,310	452,111	4,383,062	3,686,556	7,323,645	-	39,592,267	975,866	91,728	-	40,659,861
-	-	97,510,324	-	-	1,542,864	(1,542,864)	97,510,324	-	-	-	97,510,324
-	638,861	-	42,840	-	-	-	681,701	-	-	-	681,701
839,352	-	-	-	-	-	-	839,352	-	-	-	839,352
334,319	-	-	-	-	-	-	334,319	10,698,400	-	-	11,032,719
720,000	-	-	-	-	-	-	720,000	-	-	-	720,000
-	-	3,533,558	-	-	-	-	3,533,558	-	-	-	3,533,558
-	-	65,146,092	-	-	-	-	65,146,092	-	-	-	65,146,092
1,893,671	638,861	166,189,974	42,840	-	1,542,864	(1,542,864)	168,765,346	10,698,400	-	-	179,463,746
(3,280,000)	-	(405,053)	-	-	-	-	(3,685,053)	-	-	-	(3,685,053)
(1,386,329)	638,861	165,784,921	42,840	-	1,542,864	(1,542,864)	165,080,293	10,698,400	-	-	175,778,693
12,932,859	31,206,968	102,076	8,972,858	88,880,098	1,242,432	-	143,337,291	-	144,511	-	143,481,802
1,806,337	10,925	11,547	8,726	68,831	-	-	1,906,366	-	-	-	1,906,366
428,056	-	-	-	-	-	-	428,056	-	-	-	428,056
26,582,018	-	-	-	-	-	(21,174,158)	5,407,860	-	-	(5,407,860)	-
<u>\$ 49,245,524</u>	<u>\$ 46,721,064</u>	<u>\$ 166,350,655</u>	<u>\$ 13,407,486</u>	<u>\$ 92,635,485</u>	<u>\$ 10,108,941</u>	<u>\$ (22,717,022)</u>	<u>\$ 355,752,133</u>	<u>\$ 11,674,266</u>	<u>\$ 236,239</u>	<u>\$ (5,407,860)</u>	<u>\$ 362,254,778</u>

*Hospice and Masonicare Partners Home Health & Hospice.

See accompanying Independent Auditors' Report.

Masonicare
Consolidating Balance Sheet (continued)
September 30, 2012

Masonicare	Masonicare Health Center	The Masonic Charity Foundation of Connecticut, Inc.	Masonicare at Newtown, Inc.	Masonicare at Ashlar Village, Inc.	Home Health Care Services*	Eliminations	Subtotal Obligated Group	Keystone Indemnity Company, Ltd.	Masonic Management Services, Inc.	Eliminations	Total
\$ 2,435,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,435,000	\$ -	\$ -	\$ -	\$ 2,435,000
1,119,010	2,277,856	89,747	1,053,812	1,043,807	2,828,866	-	8,413,098	52,103	73,323	-	8,538,524
1,354,445	1,957,343	53,056	573,993	313,677	1,941,818	-	6,194,332	-	428,516	-	6,622,848
2,512,558	-	-	-	-	-	-	2,512,558	-	-	-	2,512,558
1,172,640	-	-	-	-	-	-	1,172,640	-	-	-	1,172,640
-	292,789	-	27,955	-	2,203,043	-	2,523,787	-	-	-	2,523,787
-	-	388,049	-	-	-	-	388,049	-	-	-	388,049
-	-	-	-	1,350,310	-	-	1,350,310	-	-	-	1,350,310
-	72,253	-	-	1,404,491	1,273,974	-	2,750,718	-	-	-	2,750,718
1,097	171,192	-	269,562	1,155,675	-	-	1,597,526	-	-	-	1,597,526
1,369,590	187,983	-	-	125,504	-	-	1,683,077	-	-	-	1,683,077
9,964,340	4,959,416	530,852	1,925,322	5,393,464	8,247,701	-	31,021,095	52,103	501,839	-	31,575,037
19,022,854	-	-	-	-	-	-	19,022,854	-	-	-	19,022,854
20,884,267	-	-	-	-	-	-	20,884,267	-	-	-	20,884,267
-	-	2,137,831	-	-	-	-	2,137,831	-	-	-	2,137,831
-	-	-	-	29,106,876	-	-	29,106,876	-	-	-	29,106,876
-	-	-	-	12,576,923	-	-	12,576,923	-	-	-	12,576,923
-	624,011	-	34,854	-	-	-	658,865	-	-	-	658,865
-	656,027	-	77,949	-	-	-	733,976	-	-	-	733,976
428,056	-	-	-	-	-	-	428,056	-	-	-	428,056
4,331,112	-	-	-	-	-	-	4,331,112	6,215,303	-	-	10,546,415
104,245,000	-	-	-	-	-	-	104,245,000	-	-	-	104,245,000
158,875,629	6,239,454	2,668,683	2,038,125	47,077,263	8,247,701	-	225,146,855	6,267,406	501,839	-	231,916,100
(109,630,105)	40,481,610	83,599,231	11,369,361	45,558,222	2,264,107	(22,717,022)	50,925,404	5,406,860	(265,600)	(5,407,860)	50,658,804
-	-	-	-	-	(402,867)	-	(402,867)	-	-	-	(402,867)
(109,630,105)	40,481,610	83,599,231	11,369,361	45,558,222	1,861,240	(22,717,022)	50,522,537	5,406,860	(265,600)	(5,407,860)	50,255,937
-	-	2,623,307	-	-	-	-	2,623,307	-	-	-	2,623,307
-	-	77,459,434	-	-	-	-	77,459,434	-	-	-	77,459,434
(109,630,105)	40,481,610	163,681,972	11,369,361	45,558,222	1,861,240	(22,717,022)	130,605,278	5,406,860	(265,600)	(5,407,860)	130,338,678
\$ 49,245,524	\$ 46,721,064	\$ 166,350,655	\$ 13,407,486	\$ 92,635,485	\$ 10,108,941	\$ (22,717,022)	\$ 355,752,133	\$ 11,674,266	\$ 236,239	\$ (5,407,860)	\$ 362,254,778

Hospice and Masonicare Partners Home Health & Hospice.

See accompanying Independent Auditors' Report.

Masonicare
Consolidating Statement of Operations
For the Year Ended September 30, 2013

Masonicare	Masonicare Health Center	The Masonic Charity Foundation of Connecticut, Inc.	Masonicare at Newtown, Inc.	Masonicare at Ashlar Village, Inc.	Home Health Care Services*	Eliminations	Subtotal Obligated Group	Keystone Indemnity Company, Ltd.	Masonic Management Services, Inc.	Eliminations	Total
\$ -	\$ 60,569,239	\$ -	\$ 16,100,635	\$ (16)	\$ 62,714,137	\$ (132,767)	\$ 139,251,228	\$ -	\$ 4,499,048	\$ -	\$ 143,750,276
-	1,981,600	-	-	16,417,802	-	-	18,399,402	-	-	-	18,399,402
1,273,690	2,923,846	116,645	4,220,604	9,611,023	401,807	(1,686,905)	16,860,710	914,600	805,406	(2,164,567)	16,416,149
-	(1,718,414)	-	(514,579)	-	(299,988)	-	(2,532,981)	-	-	-	(2,532,981)
1,273,690	63,756,271	116,645	19,806,660	26,028,809	62,815,956	(1,819,672)	171,978,359	914,600	5,304,454	(2,164,567)	176,032,846
11,116,132	31,294,319	546,785	9,135,034	4,907,636	33,428,996	-	90,428,902	-	5,493,044	-	95,921,946
3,146,246	11,503,155	129,744	3,247,576	1,462,819	9,069,153	-	28,558,693	-	935,874	-	29,494,567
2,360,361	9,732,037	1,354,147	3,221,297	2,998,018	5,918,661	(175,845)	25,408,676	495,053	354,345	(1,191,149)	25,066,925
1,468,789	6,282,827	134,247	2,790,769	3,380,815	5,490,857	(1,643,827)	17,904,477	201,948	985,325	(973,418)	18,118,332
1,281,258	2,690,222	19,785	1,055,108	4,301,201	269,907	-	9,617,481	-	31,948	-	9,649,429
197,932	803,171	263,743	294,703	2,961,122	-	-	4,520,671	-	-	-	4,520,671
(7,627,708)	2,938,823	48,756	933,681	610,800	2,708,452	-	(387,196)	-	387,196	-	-
11,943,010	65,244,554	2,497,207	20,678,168	20,622,411	56,886,026	(1,819,672)	176,051,704	697,001	8,187,732	(2,164,567)	182,771,870
(10,669,320)	(1,488,283)	(2,380,562)	(871,508)	5,406,398	5,929,930	-	(4,073,345)	217,599	(2,883,278)	-	(6,739,024)
-	-	3,468,014	-	-	-	-	3,468,014	-	-	-	3,468,014
(155)	-	14,761,716	-	1,576,915	-	-	16,338,476	594,150	-	-	16,932,626
5,477,235	-	-	-	-	-	-	5,477,235	-	-	-	5,477,235
5,477,080	-	18,229,730	-	1,576,915	-	-	25,283,725	594,150	-	-	25,877,875
(5,192,240)	(1,488,283)	15,849,168	(871,508)	6,983,313	5,929,930	-	21,210,380	811,749	(2,883,278)	-	19,138,851
-	-	-	-	-	(163,780)	-	(163,780)	-	-	-	(163,780)
\$ (5,192,240)	\$ (1,488,283)	\$ 15,849,168	\$ (871,508)	\$ 6,983,313	\$ 5,766,150	\$ -	\$ 21,046,600	\$ 811,749	\$ (2,883,278)	\$ -	\$ 18,975,071

ospice and Masonicare Partners Home Health & Hospice.

See accompanying Independent Auditors' Report.

Masonicare
Consolidating Statement of Operations
For the Year Ended September 30, 2012

Masonicare	Masonicare Health Center	The Masonic Charity Foundation of Connecticut, Inc.	Masonicare at Newtown, Inc.	Masonicare at Ashlar Village, Inc.	Home Health Care Services*	Eliminations	Subtotal Obligated Group	Keystone Indemnity Company, Ltd.	Masonic Management Services, Inc.	Eliminations	Total
-	\$ 60,763,079	\$ -	\$ 15,551,776	\$ (469)	\$ 59,982,292	\$ (577,659)	\$ 135,719,019	\$ -	\$ 4,298,053	\$ -	\$ 140,017,072
-	1,962,006	-	-	16,489,308	-	-	18,451,314	-	-	-	18,451,314
1,248,671	1,943,180	80,644	3,987,821	8,628,371	480,140	(1,547,370)	14,821,457	871,273	766,666	(2,151,812)	14,307,584
800,000	(1,268,984)	-	(100,984)	-	(198,085)	-	(768,053)	-	-	-	(768,053)
2,048,671	63,399,281	80,644	19,438,613	25,117,210	60,264,347	(2,125,029)	168,223,737	871,273	5,064,719	(2,151,812)	172,007,917
9,013,883	30,916,107	503,963	9,418,753	4,817,584	33,399,254	-	88,069,544	-	4,800,225	-	92,869,769
2,450,856	11,067,016	118,628	3,182,485	1,371,819	8,376,938	-	26,567,742	-	819,762	-	27,387,504
2,129,599	9,433,804	1,450,522	3,043,066	2,876,309	5,942,757	(2,027,259)	22,848,798	(140,651)	520,094	(1,261,142)	21,967,099
1,006,677	5,526,126	164,149	2,781,687	3,287,193	5,512,971	(97,770)	18,181,033	165,968	897,458	(890,670)	18,353,789
1,254,532	2,787,239	59,958	1,150,097	4,576,848	254,506	-	10,083,180	-	32,072	-	10,115,252
175,059	701,959	226,040	253,281	2,503,548	-	-	3,859,887	-	-	-	3,859,887
(7,469,945)	2,859,324	47,507	927,584	613,267	2,671,500	-	(350,763)	-	350,763	-	-
8,560,661	63,291,575	2,570,767	20,756,953	20,046,568	56,157,926	(2,125,029)	169,259,421	25,317	7,420,374	(2,151,812)	174,553,300
(6,511,990)	107,706	(2,490,123)	(1,318,340)	5,070,642	4,106,421	-	(1,035,684)	845,956	(2,355,655)	-	(2,545,383)
-	-	3,203,974	-	-	-	-	3,203,974	-	-	-	3,203,974
2,851	-	5,084,070	-	1,556,565	-	-	6,643,486	285,551	-	-	6,929,037
17,945	-	-	-	-	-	-	17,945	-	-	-	17,945
20,796	-	8,288,044	-	1,556,565	-	-	9,865,405	285,551	-	-	10,150,956
(6,491,194)	107,706	5,797,921	(1,318,340)	6,627,207	4,106,421	-	8,829,721	1,131,507	(2,355,655)	-	7,605,573
-	-	-	-	-	43,125	-	43,125	-	-	-	43,125
(6,491,194)	\$ 107,706	\$ 5,797,921	\$ (1,318,340)	\$ 6,627,207	\$ 4,149,546	\$ -	\$ 8,872,846	\$ 1,131,507	\$ (2,355,655)	\$ -	\$ 7,648,698

Masonicare Partners Home Health & Hospice.

See accompanying Independent Auditors' Report.