

# **CHESTER VILLAGE WEST**

**ANNUAL FINANCIAL FILING  
For Fiscal Year Ending December 31, 2013**

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# **Chester Woods LLC**

Financial Report  
December 31, 2013

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## Independent Auditor's Report

To the Board of Managers  
Chester Woods LLC  
Des Moines, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of Chester Woods LLC which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, changes in member's equity and cash flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chester Woods LLC as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*McGladrey LLP*

Des Moines, Iowa  
February 19, 2014

## Chester Woods LLC

### Balance Sheets

December 31, 2013 and 2012

	2013	2012
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 1,494,713	\$ 905,931
Accounts receivable	93,689	29,794
Prepaid expenses and other	137,773	156,725
Advances to affiliate, current portion	1,000,000	1,000,000
Assets whose use is limited or restricted, entrance fee escrow	14,150	7,628
<b>Total current assets</b>	<b>2,740,325</b>	2,100,078
Advances to Affiliate, less current portion	6,810,324	7,410,357
Assets Whose Use is Limited or Restricted	838,082	938,764
Operating Property, at cost, net of accumulated depreciation	7,963,235	8,216,815
	<b>\$ 18,351,966</b>	<b>\$ 18,666,014</b>
<b>Liabilities and Member's Equity</b>		
Current Liabilities		
Long-term debt, current portion	\$ 19,292	\$ -
Accounts payable, trade	199,436	143,040
Accounts payable, affiliates	99,547	75,198
Accrued expenses	215,762	222,540
Refundable deposits	14,150	5,000
Loans from residents, current portion	1,272,050	1,497,898
<b>Total current liabilities</b>	<b>1,820,237</b>	1,943,676
Long-term debt, less current portion	274,708	294,000
Note payable, affiliate	1,590,000	1,590,000
Deferred revenue	917,731	392,896
Capital expenditure reserve	343,626	450,584
Loans from residents, less current portion	13,345,611	13,280,769
<b>Total liabilities</b>	<b>18,291,913</b>	17,951,925
Member's Equity	60,053	714,089
	<b>\$ 18,351,966</b>	<b>\$ 18,666,014</b>

See Notes to Financial Statements.

**Chester Woods LLC**

**Statements of Operations**  
**Years Ended December 31, 2013 and 2012**

	2013	2012
Revenues:		
Apartment revenues	\$ 4,150,191	\$ 4,175,040
Amortization of nonrefundable entrance payments	43,755	14,704
Working capital fee	100,438	73,793
<b>Total revenues</b>	<b>4,294,384</b>	<b>4,263,537</b>
Operating expenses:		
General and administrative	1,723,364	1,787,488
Plant	1,130,420	1,227,251
Housekeeping	280,750	269,919
Dietary	884,661	890,021
Resident care	475,548	447,556
Depreciation	517,994	510,650
<b>Total operating expenses</b>	<b>5,012,737</b>	<b>5,132,885</b>
<b>(Loss) from operations</b>	<b>(718,353)</b>	<b>(869,348)</b>
Other income (expense):		
Interest income	105,365	106,534
Interest (expense)	(41,048)	(39,605)
<b>Total other income (expense)</b>	<b>64,317</b>	<b>66,929</b>
<b>Net (loss)</b>	<b>\$ (654,036)</b>	<b>\$ (802,419)</b>

See Notes to Financial Statements.

**Chester Woods LLC**

**Statements of Member's Equity  
Years Ended December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
Balance, beginning	<b>\$ 714,089</b>	<b>\$ 1,516,508</b>
Net (loss)	<b>(654,036)</b>	<b>(802,419)</b>
Balance, ending	<b>\$ 60,053</b>	<b>\$ 714,089</b>

See Notes to Financial Statements.



**Chester Woods LLC**

**Statements of Cash Flows**  
**Years Ended December 31, 2013 and 2012**

	2013	2012
<b>Cash Flows from Operating Activities</b>		
Net (loss)	\$ (654,036)	\$ (802,419)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation	517,994	510,650
Amortization of nonrefundable entrance payments	(43,755)	(14,704)
Amounts released from capital expenditure reserve	(106,958)	(54,342)
Changes in operating assets and liabilities:		
Accounts receivable	(63,895)	39,072
Prepaid expenses and other	18,952	(20,044)
Accounts payable, trade and affiliates	80,745	(15,942)
Accrued expenses	(6,778)	24,214
Deferred revenue	568,590	407,600
Refundable deposits, net	9,150	(40,600)
<b>Net cash provided by operating activities</b>	<b>320,009</b>	<b>33,485</b>
<b>Cash Flows from Investing Activities</b>		
Additions to operating property	(264,414)	(232,435)
Decrease in assets whose use is limited or restricted	94,160	269,482
Advances from (to) affiliate, net	600,033	(105,586)
<b>Net cash provided by (used in) investing activities</b>	<b>429,779</b>	<b>(68,539)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from resident loans	1,705,771	1,222,800
Repayment of resident loans	(1,866,777)	(734,643)
<b>Net cash provided by (used in) financing activities</b>	<b>(161,006)</b>	<b>488,157</b>
<b>Net increase in cash and cash equivalents</b>	<b>588,782</b>	<b>453,103</b>
<b>Cash and Cash Equivalents</b>		
Beginning	905,931	452,828
Ending	\$ 1,494,713	\$ 905,931
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 41,048	\$ 39,605

See Notes to Financial Statements.

## Chester Woods LLC

### Notes to Financial Statements

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#### Note 1. Organization and Significant Accounting Policies

**Organization:** Chester Woods LLC (the Company) is a single member limited liability company which was organized to exist in perpetuity. The Company owns and operates a retirement community called Chester Village West (the Community) in Chester, Connecticut. The Company is wholly owned by Life Care Services Communities LLC (LCSC). LCSC is a wholly owned subsidiary of Life Care Companies LLC (LCC).

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

**Cash and cash equivalents:** The Company considers investments with maturities of three months or less when purchased to be cash equivalents.

**Concentrations of credit risk:** The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Accounts receivable:** Accounts receivable are stated net of doubtful accounts. Management determines the allowance for doubtful accounts by reviewing each account for its potential for collection. Accounts are routinely reviewed and are written off when deemed uncollectible. At December 31, 2013 management determined that no allowance was required.

**Assets whose use is limited or restricted:** Included in assets whose use is limited or restricted are the following reserves and escrows:

- Operating reserve escrow account, required by the state of Connecticut, equal to one month's cash operating costs of the Community, plus one year's debt service.
- Escrow accounts for Entrance Payments under Residency Agreements.
- Capital expenditure escrow for extraordinary capital repairs to the operating property, funded at management's discretion from a portion of resident fees (0% during both the years ended December 31, 2013 and 2012), as defined in the Residency Agreement.

**Operating property:** Operating property is carried at cost. Depreciation is being computed by the straight-line method over the estimated useful lives of the respective assets. The Community contains a total of 105 residential units.

**Revenue recognition:** Residents pay an Entrance Payment, net of funds previously deposited, consisting of a First Person Fee (and Second Person Fee, if applicable) and a Loan. For Residency Agreements marketed through December 2011, the nonrefundable portion of the Entrance Payment was recognized as revenue when the right to access a residential unit was established. In January 2012, the Company began to market a new Residency Agreement which redefined the First Person Fee as the portion of the Entrance Payment that is ultimately nonrefundable. For these Residency Agreements, the First Person Fee is recorded as deferred revenue and is amortized to revenue over the estimated life expectancy of the residents, adjusted annually based on the actuarially determined life expectancy of the individuals occupying the unit.

## Chester Woods LLC

### Notes to Financial Statements

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#### **Note 1. Organization and Significant Accounting Policies (Continued)**

The resident pays a working capital fee equal to two times the then-current monthly fee. When the right to access a residential unit is established, this one-time fee is recognized as income. Its use is restricted for purposes specified in the Residency Agreements.

In addition, residents pay a monthly fee, determined annually, in accordance with the Residency Agreements (Agreements). The Agreements provide that residents pay their fair share, as defined in the Agreements, of the funds required to operate the Community, which includes all operating expenses, debt service for nonresident debt, repairs and replacements, capital improvements and working capital. The monthly fee may only be used for purposes specified in the Agreements. To the extent revenues are more or less than the funds necessary to pay all such costs and expenses, the Agreements provide for adjustments to monthly fees in the subsequent periods.

Resident fees collected specifically to fund the capital expenditure escrow funds are deferred during the year collected. Revenue is recognized in the year such funds are utilized for their intended purposes.

**Income taxes:** The Company is a single member disregarded entity for income tax purposes, therefore, the income or loss of the Company is included in the income tax return of LCC. Accordingly, the financial statements make no provisions for income taxes. However, the Company may make distributions to LCC which are similar in amount to income taxes due for the Company's taxable earnings.

#### **Note 2. Related Party Transactions**

The Company has a management agreement with Life Care Services LLC (LCS), an affiliate through common ownership, for management of the Community. Under the terms of the agreement, LCS supervises the operations of the Community which also includes planning, developing, financing, marketing and accounting for the Community. Management fees of \$194,390 and \$198,928 were incurred for the years ended December 31, 2013 and 2012, respectively. Additionally, LCS has funded Community costs incurred and is subsequently reimbursed by the Company.

Home Health Care Services LLC (HHCS), an entity affiliated through common ownership, has been retained to provide in-home health care services to the residents of the Community. Fees earned by HHCS under these agreements totaled \$324,072 and \$302,377 for the years ended December 31, 2013 and 2012, respectively.

Amounts due from LCSC at December 31, 2013 and 2012 totaled \$7,810,324 and \$8,410,357, respectively. The Company's advances to LCSC are held in investments by LCSC, along with the advances of other affiliates, and are intended to ultimately be returned to the Company. Interest income on the advances of \$103,968 and \$105,586 was recognized for the years ended December 31, 2013 and 2012, respectively. At December 31, 2013, interest was charged at a rate of 1.25%.

On October 21, 2011, LCSC paid the bank, on behalf of the Company, the outstanding balance of \$1,590,000, and entered into a promissory note (Note). Under the terms of the Note, the Company will make interest payments at an annual rate of 1.19% with all unpaid interest and principal due October 21, 2016. Interest expense on the Note of \$19,025 was incurred for both years ended December 31, 2013 and 2012.

In the normal course of operations, the Company purchases from affiliates of the Company services for group purchasing, insurance, computing technology and related ancillary matters.

## Chester Woods LLC

### Notes to Financial Statements

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#### Note 3. Residency Agreements

The Company has several different Agreements that provide for both refundable and nonrefundable Entrance Payments. The refundable portion of the Entrance Payment, up to 90% for selected plans, is a loan repayable upon attainment of certain events, as defined in the Agreements. Loans from residents under all Agreements totaled \$14,617,661 and \$14,778,667 at December 31, 2013 and 2012, respectively.

#### Note 4. Operating Property

Operating property consists of the following at December 31:

	<u>2013</u>	<u>2012</u>
Land	\$ 810,638	\$ 810,638
Land improvements	802,380	802,380
Buildings and fixed equipment	11,339,705	11,007,445
Equipment	1,326,320	1,270,276
Vehicles	168,863	168,863
	<u>14,447,906</u>	<u>14,059,602</u>
Less accumulated depreciation	<u>(6,484,671)</u>	<u>(5,966,677)</u>
	7,963,235	8,092,925
Remodel projects in progress	-	123,890
<b>Total operating property</b>	<b><u><u>\$ 7,963,235</u></u></b>	<b><u><u>\$ 8,216,815</u></u></b>

#### Note 5. Long-Term Debt, Commitments and Subsequent Event

On February 1, 2007, the Company entered into a land purchase agreement. The purchase price was \$344,000 with \$294,000 outstanding at both December 31, 2013 and 2012. The contract requires monthly interest payments at an annual rate of 7%, with all unpaid interest and principal due February 1, 2014. Subsequent to year-end the long-term debt was extended to February 2024. Under the terms of the new agreement effective February 1, 2014 the contract requires monthly payments of \$3,118 at an annual rate of 5%.

Aggregate maturities of long-term debt under the new contract subsequent to December 31, 2013 are as follows:

December 31:

2014	\$ 19,292
2015	24,235
2016	25,475
2017	26,778
2018	28,148
Thereafter	170,072
	<u><u>\$ 294,000</u></u>

## **Chester Woods LLC**

### **Notes to Financial Statements**

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#### **Note 5. Long-Term Debt, Commitments and Subsequent Event (Continued)**

To meet requirements set by the Town of Chester Water Pollution Control Authority, the Company has an agreement with a bank for a letter of credit, expiring November 2014, totaling \$145,000 with no outstanding borrowings at December 31, 2013. The letter of credit is reviewed annually unless otherwise agreed upon.

#### **Note 6. Employee Benefit Plans**

Available to all eligible employees of the Company is a defined contribution employee retirement benefit plan (the Plan). The Company accrued matching contributions of \$34,694 and \$37,492 in 2013 and 2012, respectively, to be remitted to the Plan in 2014 and 2013, respectively. The Plan matches 100% of the first 3% of the participant's eligible contributions plus 50% of the next 2% of eligible contributions. The Company accrued profit sharing contributions of \$21,935 and \$19,132 in 2013 and 2012, respectively, to be remitted to the Plan in 2014 and 2013, respectively, at the discretion of the Board of Directors of LCS Holdings, Inc., the parent of LCC.

#### **Note 7. Subsequent Events**

The Company has evaluated subsequent events through February 19, 2014, the date the financial statements were available to be issued. Through that date, there were no subsequent events requiring accrual or disclosure, other than as disclosed in Note 5.

**CHESTER WOODS, INC.**

**CASH FLOW PROJECTION**

**For the Period Beginning January 1, 2014**

	<b>Year 1 2014</b>	<b>Year 2 2015</b>	<b>Year 3 2016</b>	<b>Year 4 2017</b>	<b>Year 5 2018</b>
Beginning Cash (1)	2,346,945	1,312,748	1,376,110	1,427,581	1,499,196
Interest Income (2)	1,098	807	841	878	917
Attrition Cash Flow and Admission Fees (3)	554,898	1,538,116	2,161,186	2,407,092	2,985,061
Apartment Service Fees (4)	4,101,609	4,354,492	4,709,975	5,178,072	5,677,735
Miscellaneous Income (5)	178,315	197,268	199,240	201,232	203,244
Working Capital Reserve Fees (6)	115,527	129,798	165,435	176,416	188,030
Operating Expense (7)	(4,772,608)	(5,003,881)	(5,172,421)	(5,378,656)	(5,593,853)
Capital Expenditures (8)	(768,350)	(887,172)	(1,139,825)	(847,425)	(808,034)
Debt Service (9)	(56,341)	(56,341)	(75,670)	(202,831)	(198,511)
Advance to Owners (10)	(388,346)	(209,724)	(797,290)	(1,463,162)	(2,396,815)
Net Change	(1,034,197)	63,363	51,471	71,615	57,774
<b>ENDING CASH</b>	<b>1,312,748</b>	<b>1,376,110</b>	<b>1,427,581</b>	<b>1,499,196</b>	<b>1,556,971</b>

**PRO FORMA CASH FLOW ASSUMPTIONS  
CHESTER WOODS, INC.**

- (1) Beginning Cash represents the cash on hand at the beginning of the fiscal year, as well as reserves and other assets whose use is limited.

Cash	\$1,494,713
Assets Whose Use is Limited – Current	14,150
Assets Whose Use is Limited - Long Term	838,082
Total	\$2,346,945

- (2) Interest Income is assumed to be at an annual average rate of 0.06 percent in each year.
- (3) Attrition Cash Flow and Admission Fees represents the Admission Payments paid by residents to Chester Woods, Inc. less any refund paid.
- (4) Apartment Service Fees represents the total of first and second-person monthly Service Fees for all apartments. Upon implementation of the Fair Share Allocation, the monthly Service Fees will be equal to the sum of total expenses plus any increase in reserves.
- (5) Miscellaneous Income represents revenue from meals, garage rentals, guest rooms, and beauty and barber shops adjusted upward at the same rate as apartment Service Fees.
- (6) Working Capital Reserve Fees represents a one-time non-refundable working capital fee due at closing which will be used for purposes related to Chester Village West.
- (7) Operating Expense includes the expenses for staffing, materials, and services for the entire project. These expenses are projected to increase at approximately 4.9% in year 2, 3.4% in year 3, and 4% annually thereafter.
- (8) Capital Expenditures represents the cost for the additions to or the repair or replacement of portions of the buildings and equipment.
- (9) Debt Service Payments represents principal and interest payments.
- (10) Advance to Owners represents net attrition proceeds advanced to owners for investment, subject to a minimum of 100 days cash on hand required by the bank covenants.

**CHESTER WOODS, INC.**

**FORECASTED STATEMENT OF REVENUES AND EXPENSES**

	<b>Year 1 2014</b>	<b>Year 2 2015</b>	<b>Year 3 2016</b>	<b>Year 4 2017</b>	<b>Year 5 2018</b>
<b>OPERATING REVENUES</b>					
Earned Entrance Fee Income	83,170	194,553	330,767	488,854	657,404
Apartment Service Fees	4,101,609	4,354,492	4,709,975	5,178,072	5,677,735
Working Capital Reserve Fees	115,527	129,798	165,435	176,416	188,030
Interest Income	1,098	807	841	878	917
Other Income	178,315	197,268	199,240	201,232	203,244
<b>TOTAL REVENUES</b>	<b>4,479,719</b>	<b>4,876,918</b>	<b>5,406,258</b>	<b>6,045,452</b>	<b>6,727,330</b>
<b>OPERATING EXPENSES:</b>					
G&A	(1,778,313)	(1,889,815)	(1,933,792)	(2,010,482)	(2,090,952)
Plant	(1,265,955)	(1,316,593)	(1,369,257)	(1,424,027)	(1,480,988)
Housekeeping	(306,310)	(318,562)	(331,305)	(344,557)	(358,339)
Dietary	(924,689)	(961,676)	(1,000,143)	(1,040,149)	(1,081,755)
Resident Care	(497,341)	(517,235)	(537,924)	(559,441)	(581,819)
Partner Expenses	0	0	0	0	0
Interest Expense	(18,921)	(18,921)	(38,250)	(93,411)	(89,091)
Depreciation	(531,324)	(574,372)	(617,992)	(677,913)	(737,763)
<b>TOTAL EXPENSES</b>	<b>(5,322,853)</b>	<b>(5,597,174)</b>	<b>(5,828,662)</b>	<b>(6,149,980)</b>	<b>(6,420,707)</b>
<b>REVENUE OVER EXPENSE (DEFICIT)</b>	<b>(843,134)</b>	<b>(720,257)</b>	<b>(422,405)</b>	<b>(104,528)</b>	<b>306,623</b>



## **CHESTER WOODS, INC.**

### **CAPITAL COST AMORTIZATION ASSUMPTIONS**

Recognition of amortization and depreciation expense commenced on January 1, 1995.

The basis for amortization assumptions for the provider's capital costs includes the following:

- a. Fixed Assets: Estimated depreciation expense for the forecasted period was computed on the straight-line method using an estimated 40-year life for the building and a 3 - 25 year life for building improvements, land improvements, and equipment additions.
- b. Amortization Expense: Certain costs associated with marketing and start-up of the project are deferred and amortized over the assumed building life of 40 years. The costs of acquiring initial contracts are amortized over the average resident's life expectancy.

### **ENTRANCE FEE REVENUE RECOGNITION**

In November 2011, Chester Village West began to market a new Residency Agreement which redefined the First Person Fee as the portion of the Entrance Payment that is ultimately nonrefundable. For these Residency Agreements, the First Person Fee is recorded as deferred revenue and is amortized into income over the estimated life expectancy of the residents, adjusted annually based on the actuarially determined life expectancy of the individuals occupying the unit.

Prior to November 2011, the Nonrefundable Entrance Payment was recognized as revenue when the right to access a residential unit was established through the closing of the transaction.

**CHESTER VILLAGE WEST**  
**Chester, Connecticut**  
**CURRENT RATE SCHEDULE**  
**New Residents**  
**(as of 01/01/2014)**

**ADMISSION PAYMENTS**

<b><u>Unit Type</u></b>	<b><u>Amount</u></b>
<b><u>One-Level Apartments</u></b>	
A - 1 Bedroom	\$164,000
B - 1 Bedroom w/ Den	199,500
C - 2 Bedroom	249,900
D - 2 Bedroom Deluxe	269,900
D1 - 2 Bedroom Custom	289,900
E - 2 Bedroom w/ Den	342,500
<b><u>Maplewood Homes (Single Story Homes with Attached Garage)</u></b>	
F - 1 Bedroom with Den	341,000
G - 2 Bedroom	415,000
H - 2 Bedroom with Den	441,000
I - 2 Bedroom w/ Den w/ 2 car garage	443,000

Admission Payments represent the total of the Entrance Fee and the Loan amount. There are no 2<sup>nd</sup> person Entrance Fees.

**MONTHLY SERVICE FEES**

<b><u>Unit Type</u></b>	<b><u>Amount</u></b>
<b><u>One-Level Apartments</u></b>	
A - 1 Bedroom	\$3,295
B - 1 Bedroom w/ Den	3,776
C - 2 Bedroom	4,271
D - 2 Bedroom Deluxe	4,395
D1 - 2 Bedroom Custom	4,532
E - 2 Bedroom w/ Den	4,581
<b><u>Maplewood Homes (Single Story Homes with Attached Garage)</u></b>	
F - 1 Bedroom with Den	3,940
G - 2 Bedroom	4,532
H - 2 Bedroom with Den	4,729
I - 2 Bedroom w/ Den w/ 2 car garage	4,924
Second Person Fee	978

**RESIDENTIAL TURNOVER RATES  
CHESTER WOODS, INC.**

The residential turnover rate is calculated by dividing the number of apartments released by the average number of occupied apartments.

The 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>
12.88%	15.27%	15.07%	14.75%	14.44%	14.17%

**AVERAGE AGE OF RESIDENTS  
CHESTER WOODS, INC.**

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

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
86.43	86.44	86.28	86.19	86.15

**HEALTH CARE UTILIZATION RATES  
CHESTER WOODS, INC.**

**This facility does not have an on-site health center. Therefore, this page projects the need for health care by the CCRC population, not health center utilization at the facility.**

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>	<u>Utilization Rate</u>	<u>Admission Rate</u>	<u>Days per 100 Residents*</u>
FY 2013	3.11%	3.11%	0
FY 2014	5.64%	5.64%	723
FY 2015	9.18%	5.35%	1,827
FY 2016	10.98%	5.10%	2,406
FY 2017	11.77%	4.89%	2,675
FY 2018	12.12%	4.74%	2,805

\*Only one level of care -- skilled nursing.

**OCCUPANCY RATES  
CHESTER WOODS, INC.**

Occupancy 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>
73.92%	75.97%	78.10%	81.43%	86.19%	90.95%

**NUMBER OF HEALTH CARE ADMISSIONS  
CHESTER WOODS, INC.**

**This facility does not have an on-site health center. Therefore, this page projects the need for health care by the CCRC population, not health center utilization at the facility.**

The number of health care admissions pursuant to continuing-care contracts for the most recently completed fiscal year, and anticipated for the next five years, is as follows:

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
3	6	6	6	6	6

**DAYS OF CARE  
CHESTER WOODS, INC.**

**This facility does not have an on-site health center. Therefore, this page projects the need for health care by the CCRC population, not health center utilization at the facility.**

The days of care per year 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>
0	750	1,962	2,716	3,207	3,550



**NUMBER OF PERMANENT TRANSFERS  
CHESTER WOODS, INC.**

The number of permanent transfers to an off-site health center in fiscal year ending December 31, 2013 was three (3) residents.

**STATEMENT OF CASH FLOWS  
CHESTER WOODS, INC.**

For a statement of cash flows for the community see Exhibit B of this annual financial filing.



## Statement of Actuarial Opinion

I, Gregory T. Zebolsky, am associated with the firm Milliman and am a Member of the American Academy of Actuaries and meet its qualification standards to issue statements of Actuarial Opinion for Continuing Care Retirement Communities. I have been retained by Life Care Services to develop resident population projections and to review certain items in the financial projections contained in the December 31, 2013 financial filing for StoneRidge. The items we reviewed include exhibits E through K and the projection of selected items in exhibit B, all of which relate to the actuarial population projections. The items we reviewed on exhibit B include only apartment service fees, health center revenue (net of life care discount), and entrance fee receipts, net of refunds. We have not reviewed other items in exhibit B.

This is the actuarial certification as described in Section 17a-373-6(i)(2) of the regulations implementing the Connecticut Continuing Care Statutes. The actuarial methodology used in these projections conforms to Actuarial Standard of Practice No. 3, "Practices Relating to Continuing Care Retirement Communities" adopted September, 2007 by the Actuarial Standards Board.

In performing my review and developing the population projections, I have relied on resident data, financial statements, and the residency agreements provided by Life Care Services. I performed no audit or independent verification of the information furnished. I have reviewed the resident data furnished for reasonableness and consistency.

I have examined the data, actuarial assumptions, and actuarial methods used in determining the population projections, the related numbers in exhibits E through K, and the specific items on exhibit B referred to above. In my opinion, these projections and other items:

- i. are based on data and actuarial assumptions that are reasonable and appropriate under the circumstances, and
- ii. are computed using methods consistent with sound actuarial principles and practices.

Gregory T. Zebolsky, F.S.A., M.A.A.A.

I, Christie Buckrop, Actuarial Finance Analyst of Life Care Services, hereby affirm that the resident data, financial projection worksheet, and other summaries and analyses relating to data prepared for and submitted to Gregory T. Zebolsky, Consulting Actuary with Milliman, in support of his actuarial opinion for StoneRidge as of December 31, 2013, were prepared under my direction and to the best of my knowledge and belief, are substantially accurate and complete.

Christie Buckrop, Actuarial Finance Analyst

May 28, 2014

EXHIBIT M