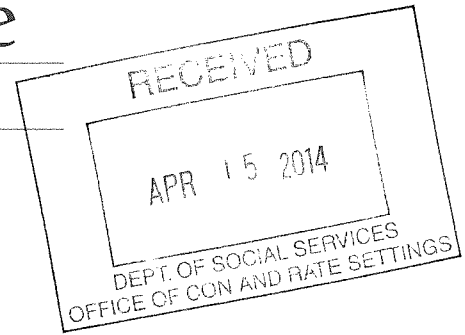




*The Right Choice*

www.piercecare.org



April 11, 2014

Rich Wysocki  
Department of Social Services  
Office of CON and Rate Setting  
25 Sigourney Street  
Hartford, CT 06106

Dear Mr. Wysocki:

Please find additional information for the 2014 Disclosure Statement submitted on February 24, 2014. Enclosed is a copy of Creamery Brook Retirement Village's 2013 year-end Financial Report, pages 20-22 Pro Forma Income Statements, and changes to pages 4 and 5, which reflect the name and information of Creamery Brook's new President and CEO.

Should you have any questions please do not hesitate to contact me.

Sincerely,

Linda Silvia  
Executive Director

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

Robert Avena, Esq.	Attorney	Flanders & Community Baptist Church
Shirley DeFlaviis	Retired – DCF State of CT.	Lebanon Baptist Church
Scot Rapoza	Computer technology	First Baptist Church
Patricia Morse	CEO	Pierce Memorial Baptist Home
Rev. Michael Crane	Pastor	First Baptist Church - Essex
Timothy Bates. Esq.	Attorney	Noank Baptist Church
William Smith	Engineer for Pratt & Whitney	Community Baptist Church
Reverend Judy Allbee	Executive Minister ABCCONN	ABCCONN Churches
Bill Sutton, Rev.	President, ABCCONN	ABCCONN Churches
Mark Kane	Manager	First Baptist Church of Norwich
John Riesen	Retired Professor	Mansfield Baptist Church
Sandy Stevens	Asst. Dir. Of Design – the Hartford	First Baptist Church of Mansfield
Charles Wyand	Teacher	Niantic Baptist Church
David Jones	Retired Teacher	Second Baptist Church of Suffield
Bill McMunn	Technical Writing & Design	First Baptist Church of Mansfield

## **PRESIDENT**

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

## **THE PERSONNEL**

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

## **RESIDENT AWARENESS**

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

**Pierce Memorial Baptist Home, Inc.  
Proforma Statement of Financial Position  
Fiscal Years Ended September 30th**

	<b>Audited 2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>ASSETS</b>						
Current Assets						
Cash & Cash Equivalents	\$ 3,406,281	\$ 3,163,998	\$ 5,017,988	\$ 7,560,255	\$ 8,704,604	\$ 9,616,842
Accounts Receivable Trade	1,343,666	1,209,299	1,088,369	979,533	881,579	890,395
Prepaid Insurance & Service Contracts	70,494	71,904	74,061	74,802	75,550	76,305
Other Current Assets	1,708	1,759	1,812	1,866	1,922	1,980
<b>Total Current Assets</b>	<b>4,822,149</b>	<b>4,446,961</b>	<b>6,182,230</b>	<b>8,616,455</b>	<b>9,663,656</b>	<b>10,585,522</b>
Other Assets						
Investments	5,603,131	5,771,225	5,814,509	5,872,654	5,931,381	6,109,322
Investments Reserved	2,341,845	2,365,263	2,368,811	752,247	759,770	782,563
Plant and Equipment (Net)	9,353,678	9,634,288	9,730,631	9,876,591	9,896,344	9,993,328
Construction in Progress	-	990,000	110,000	-	-	-
Bonding Costs (Net)	287,817	273,427	259,037	244,647	230,257	215,867
Entry fee Mortgage Receivable	219,150	221,342	223,555	225,790	228,048	234,890
Interest in Trust	1,458,229	1,472,811	1,487,539	1,502,415	1,517,439	1,562,962
Restricted Cash	13,233	13,630	14,038	14,459	14,893	15,489
<b>Total Other Assets</b>	<b>19,277,083</b>	<b>20,741,987</b>	<b>20,008,121</b>	<b>18,488,804</b>	<b>18,578,132</b>	<b>18,914,421</b>
<b>Total Assets</b>	<b>\$ 24,099,232</b>	<b>\$ 25,188,947</b>	<b>\$ 26,190,351</b>	<b>\$ 27,105,259</b>	<b>\$ 28,241,787</b>	<b>\$ 29,499,943</b>
<b>LIABILITIES AND NET ASSETS</b>						
Current Liabilities						
Bonds Payable, Current Portion	\$ 299,692	\$ 299,692	\$ 308,848	\$ 319,464	\$ 331,210	\$ 342,776
Accounts Payable, Trade	285,975	288,835	291,723	294,640	297,587	327,345
Accrued Expenses	547,110	568,994	568,994	591,754	615,424	621,579
Deferred Revenue, Current Portion	44,391	45,723	47,094	48,507	49,962	51,462
<b>Total Current Liabilities</b>	<b>1,177,168</b>	<b>1,203,244</b>	<b>1,216,660</b>	<b>1,254,366</b>	<b>1,294,184</b>	<b>1,343,162</b>
Long Term Liabilities						
Bonds Payable, Less Current Portion	11,007,033	10,707,341	10,398,493	10,079,029	9,747,819	9,405,043
Security Deposits	278,740	289,890	292,788	295,716	298,674	301,660
Deferred Revenue, Less Current Portion	1,289,607	1,243,884	1,196,790	1,148,283	1,098,320	1,046,858
Due to Residents	13,233	13,630	36,190	37,278	38,394	39,546
<b>Total Long Term Liabilities</b>	<b>12,588,613</b>	<b>12,254,745</b>	<b>11,924,262</b>	<b>11,560,306</b>	<b>11,183,207</b>	<b>10,793,107</b>
<b>Total Liabilities</b>	<b>13,765,781</b>	<b>13,457,989</b>	<b>13,140,921</b>	<b>12,814,672</b>	<b>12,477,390</b>	<b>12,136,269</b>
Net Assets	10,333,451	11,730,958	13,049,429	14,290,588	15,764,397	17,363,674
<b>Total Liabilities and Net Assets</b>	<b>\$ 24,099,232</b>	<b>\$ 25,188,947</b>	<b>\$ 26,190,351</b>	<b>\$ 27,105,259</b>	<b>\$ 28,241,787</b>	<b>\$ 29,499,943</b>

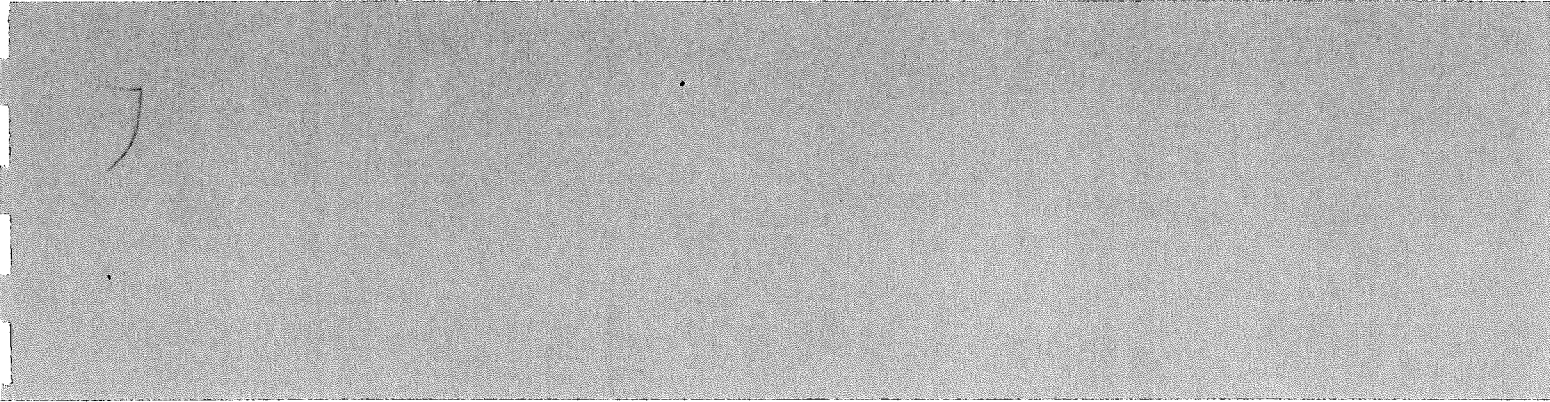
Pierce Memorial Baptist Home, Inc.  
 Proforma Statement of Activities  
 Fiscal Years Ended September 30th

	Audited					
	2013	2014	2015	2016	2017	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Change in Net Assets	\$ 435,594	\$ 1,397,507	\$ 1,318,471	\$ 1,241,159	\$ 1,473,809	\$ 1,599,277
Adjustments to Reconcile Change in Net Assets to Cash Used by Operating Activities:						
Net Unrealized (Gains) Losses	(85,948)	(35,831)	(34,040)	(32,338)	(30,721)	(31,950)
Net Realized (Gains) Losses	(311,741)	(312,209)	(343,429)	(377,772)	(415,550)	(457,105)
Depreciation & Amortization	516,294	591,656	600,531	609,539	618,682	627,962
Deferred financing costs, written off	470,277	-	-	-	-	-
(Increase) Decrease in:						
Accounts Receivable	(301,907)	134,367	120,930	108,837	97,953	(8,816)
Trade	9,314	(1,410)	(2,157)	(741)	(748)	(755)
Prepaid Insurance and Service Contracts	50,454	(14,582)	(14,728)	(14,875)	(15,024)	(45,523)
Change in beneficial interests in perpetual trusts	822	(51)	(53)	(54)	(56)	(58)
Other Current Assets						
Increase (Decrease) in:						
Accounts Payable, trade	139,484	2,860	2,888	2,917	2,946	29,759
Accrued Expenses and Payroll	81,277	21,884	-	22,760	23,670	6,155
Other Current Liabilities	(45,241)	-	-	-	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>958,679</b>	<b>1,784,190</b>	<b>1,648,413</b>	<b>1,559,431</b>	<b>1,754,961</b>	<b>1,718,947</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Net sale (purchase) of investments	983,321	156,528	330,637	1,968,529	380,022	288,141
Capital Additions	(241,364)	(857,876)	(682,484)	(741,108)	(624,045)	(710,556)
Construction In Progress	-	(990,000)	880,000	110,000	-	-
Funding of limited use assets	(1,660,758)	-	-	-	-	-
Restricted Cash	-	(397)	(409)	(421)	(434)	(596)
Security Deposits	79,408	11,150	2,899	2,928	2,957	2,987
Entry Fee Mortgage Receivable	-	(2,192)	(2,213)	(2,236)	(2,258)	(6,841)
Deferred Revenue	-	(44,391)	(45,722)	(47,094)	(48,507)	(49,963)
Due to Residents'	-	397	22,560	1,086	1,118	1,152
<b>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(839,393)</b>	<b>(1,726,781)</b>	<b>505,268</b>	<b>1,291,684</b>	<b>(291,147)</b>	<b>(475,676)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Bond Payments	(12,417,275)	(299,692)	(299,692)	(308,848)	(319,464)	(331,033)
Capitalized Bond Costs	(275,467)	-	-	-	-	-
New bond financing	11,454,000	-	-	-	-	-
<b>NET CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(1,238,742)</b>	<b>(299,692)</b>	<b>(299,692)</b>	<b>(308,848)</b>	<b>(319,464)</b>	<b>(331,033)</b>
<b>NET INCREASE IN CASH</b>	<b>(1,119,456)</b>	<b>(242,283)</b>	<b>1,853,989</b>	<b>2,542,267</b>	<b>1,144,350</b>	<b>912,237</b>
<b>CASH, BEGINNING OF THE YEAR</b>	<b>4,525,737</b>	<b>3,406,281</b>	<b>3,163,998</b>	<b>5,017,988</b>	<b>7,560,255</b>	<b>8,704,604</b>
<b>CASH, END OF THE YEAR</b>	<b>\$ 3,406,281</b>	<b>\$ 3,163,998</b>	<b>\$ 5,017,988</b>	<b>\$ 7,560,255</b>	<b>\$ 8,704,604</b>	<b>\$ 9,616,842</b>

**Pierce Memorial Baptist Home, Inc.  
Proforma Statement of Activities  
Fiscal Years Ended September 30th**

	2013 Audited	2014 Total	2015 Total	2016 Total	2017 Total	2018 Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>						
Net Fees For Services	\$ 10,239,244	\$ 12,226,228	\$ 12,287,359	\$ 12,348,796	\$ 12,719,260	\$ 12,973,645
Interest and Dividend Income	177,745	221,000	223,210	225,442	227,697	234,527
Net Unrealized Gains (Losses) on Investment	35,494	35,831	34,040	32,338	30,721	31,950
Net Realized Gains (Losses) on Investments	311,741	312,209	343,429	377,772	415,550	457,105
Contributions	150,393	15,600	15,756	15,914	16,073	16,394
Other Income	49,529	34,140	34,652	35,172	35,699	36,413
<b>TOTAL REVENUE</b>	<b>10,964,146</b>	<b>12,845,008</b>	<b>12,938,446</b>	<b>13,035,434</b>	<b>13,444,999</b>	<b>13,750,034</b>
<b>PROGRAM EXPENSES</b>						
Administrative Services	1,405,463	1,161,464	1,178,886	1,196,569	1,214,518	1,232,736
Nursing Services	4,500,984	4,354,275	4,419,589	4,485,883	4,553,171	4,621,469
Assisted Living	318,163	472,299	479,383	486,574	493,873	501,281
Dietary Services	1,052,109	1,208,970	1,227,105	1,245,512	1,264,195	1,283,158
Plant Operations	833,764	1,094,968	1,111,393	1,128,064	1,144,985	1,162,160
Housekeeping Services	289,394	340,135	345,237	350,416	355,672	361,007
Laundry Services	128,444	152,784	155,076	157,402	159,763	162,159
Recreation Services	178,638	217,559	220,822	224,134	227,496	230,908
Social Services	120,095	113,255	114,954	116,678	118,428	120,204
Chaplain Services	26,111	28,012	28,432	28,858	29,291	29,730
Volunteer Services	14,610	17,225	17,483	17,745	18,011	18,281
Adult Day Care	22,230	25,195	25,573	25,957	26,346	26,741
Marketing Services	273,632	301,400	305,921	310,510	315,168	319,896
Bad Debt expense	26,791	50,000	51,511	52,284	53,068	53,864
Depreciation and Amortization	516,294	591,656	600,531	609,539	618,682	627,962
Interest & Letter of Credit Fees	223,888	418,730	425,011	431,386	437,857	444,425
<b>TOTAL PROGRAM EXPENSES</b>	<b>9,930,610</b>	<b>10,547,927</b>	<b>10,706,907</b>	<b>10,867,511</b>	<b>11,030,524</b>	<b>11,195,981</b>
<b>OTHER EXPENSES</b>						
Investment Management Fees	41,999	70,650	71,710	72,786	73,878	74,986
Other Fees	555,942	828,924	841,358	853,978	866,788	879,790
<b>TOTAL OTHER EXPENSES</b>	<b>597,941</b>	<b>899,574</b>	<b>913,068</b>	<b>926,764</b>	<b>940,666</b>	<b>954,776</b>
Changes in Net Assets	\$ 435,595	\$ 1,397,507	\$ 1,318,471	\$ 1,241,159	\$ 1,473,809	\$ 1,599,277

**O'CONNOR  
DAVIES**



**PKF**

**Pierce Memorial Baptist Home, Inc.**

Financial Statements

For the Year Ended September 30, 2013



**Independent Auditors' Report**

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

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

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinion***

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

***Report on Summarized Comparative Information***

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

*O'Connor Davies, LLP*

Wethersfield, Connecticut  
February 28, 2014

**Pierce Memorial Baptist Home, Inc.**

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

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

Pierce Memorial Baptist Home, Inc.

Statements of Activities  
 Year Ended September 30, 2013  
 (with summarized totals for the year ended September 30, 2012)

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

**Pierce Memorial Baptist Home, Inc.**

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

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

# Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements  
September 30, 2013

## 1. Description of Organization

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

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

### **Tax Exempt Status**

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

## 2. Summary of Significant Accounting Policies

### ***Use of Estimates***

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

### ***Basis of Presentation***

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

## Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements  
September 30, 2013

### 2. Summary of Significant Accounting Policies (continued)

#### ***Contributions***

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

#### ***Fair Value Measurements***

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

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

#### ***Cash and Cash Equivalents***

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

#### ***Accounting for Uncertainty in Income Taxes***

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

#### ***Assets Limited as to Use***

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

#### ***Allowance for Uncollectible Receivables***

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

**Pierce Memorial Baptist Home, Inc.**

Notes to Financial Statements  
September 30, 2013

**2. Summary of Significant Accounting Policies (continued)**

***Resident Funds***

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

***Land, Building and Equipment***

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

Building and improvements	40 years
Equipment	3-20 years

***Impairment of Long-Lived Assets***

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

***Entry Fee Mortgage Receivable***

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

***Deferred Financing Costs***

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



## **Pierce Memorial Baptist Home, Inc.**

Notes to Financial Statements  
September 30, 2013

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Asset Retirement Obligations***

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

#### ***Prior Year Data***

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

#### ***Investment Income Recognition***

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

#### ***Compensated Absences***

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

#### ***Net Resident Service Revenue***

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

## Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements  
September 30, 2013

### 2. Summary of Significant Accounting Policies (continued)

#### ***Deferred Revenues***

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

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

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

#### ***Functional Allocations of Expenses***

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

#### ***Advertising Costs***

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

#### ***Subsequent Events Evaluation by Management***

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

**Pierce Memorial Baptist Home, Inc.**

Notes to Financial Statements  
September 30, 2013

**3. Concentrations of Credit Risk**

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

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

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

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

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

**4. Assets Limited as to Use**

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

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

**Pierce Memorial Baptist Home, Inc.**

Notes to Financial Statements  
September 30, 2013

**5. Functional Expenses**

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

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

**6. Land, Building, and Equipment, net**

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

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

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

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

**Pierce Memorial Baptist Home, Inc.**

Notes to Financial Statements  
September 30, 2013

**7. Investments**

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

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

**8. Interest in Trust**

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

**9. Operating Leases**

The Home has entered into various operating leases.

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

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

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

**Pierce Memorial Baptist Home, Inc.**

Notes to Financial Statements  
September 30, 2013

**10. Deferred Revenues**

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

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

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

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

**11. Deferred Financing Costs**

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

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

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

**12. Bonds Payable**

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

**Pierce Memorial Baptist Home, Inc.**

Notes to Financial Statements  
September 30, 2013

**12. Bonds Payable (continued)**

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

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

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

**13. Contingencies**

**Health Care Revenue and Regulatory Compliance**

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

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

**Pierce Memorial Baptist Home, Inc.**

Notes to Financial Statements  
September 30, 2013

**14. Pension Expense**

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

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

**15. Net Patient Revenue Services**

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

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

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