

THE McAULEY

PART OF THE MERCY COMMUNITY

McAULEY CENTER, INCORPORATED

DISCLOSURE STATEMENT

June 30, 2023

(For Fiscal Year Ending June 30, 2023)

(Based on: Pre Residency Agreement to Reserve a Unit;
Residency Agreement with Lifecare Coverage Options;
Residency Agreement With One Hundred Fifty Days of Long Term Care Coverage;
Residency Agreement Without Long Term Care Coverage;
Residency Agreement for Assisted Living Services)

McAULEY CENTER, INCORPORATED

275 Steele Road

West Hartford, Connecticut 06117-2716

(860) 920-6300 Fax (860) 232-4077

In accordance with Connecticut General Statute P.A. 98-250, Section 23(a), "...the Registration of this Disclosure Statement does not constitute approval, recommendation or endorsement by the Department or State, nor does such registration evidence the accuracy or completeness of the information set out in this Disclosure Statement.

McAuley Center, Incorporated

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Per subsections of Connecticut General Statutes Sec. 17b-522:

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McAuley Center, Incorporated

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McAuley Center, Incorporated

Part A - Descriptive Disclosures

INTRODUCTION

McAuley Center, Incorporated (hereafter referred to as “The McAuley”), a continuing care retirement community was founded and originally sponsored by The Sisters of Mercy, Northeast Community, but since the Trinity merger, is now sponsored by Catholic Health Ministries (hereafter referred to as “The Sponsor”), which offers to individuals 62 years of age and older lifetime use of independent living units and certain personal services including: housekeeping, food service, transportation, 24 hour concierge, security, maintenance and health care.

Effective May, 1997, The McAuley became a primary subsidiary corporation of Mercy Community Health. Mercy Community Health is the sole member of McAuley Center Incorporated. Mercy Community Health, Inc. is a Connecticut corporation with its principal office located at 2021 Albany Avenue, West Hartford, Connecticut.

Mercy Community Health, Inc. has a Board of Directors appointed by Trinity Continuing Care Services. Mercy Community Health was founded in 1997 to integrate the facilities and campus activities of Saint Mary Home, and The McAuley on its campus in West Hartford.

Mercy Community Health was also a member of Catholic Health East, a holding company founded in 1997. Catholic Health East was a multi-institutional Catholic health system co-sponsored by religious communities to strengthen the role and identity of Catholic health ministry. The organization of Mercy Community Health and Catholic Health East does not change the existing contractual obligations between The McAuley and its residents and will have no impact on the liabilities or assets of current or future residents of The McAuley.

The former parent organization, Catholic Health East, has merged with and into Trinity Health Corporation, an Indiana not-for-profit corporation, on June 30, 2014. The new entity is known as Trinity Health. Trinity Health is sponsored by Catholic Health Ministries, a Public Juridic Person of the Holy Roman Catholic Church. Trinity Health operates a comprehensive integrated network of health services including inpatient and outpatient services, physician services, managed care coverage, home health care, long-term care, assisted living care and rehabilitation services in 22 states.

The consolidation into Trinity Health represents a significant step forward for the two systems. The entity McAuley Center, Incorporated will remain in existence and its parent corporation will still be Mercy Community Health.

McAuley Center, Incorporated

1. NAME AND ADDRESS OF PROVIDER

A Connecticut non-stock, non-profit corporation, McAuley Center, Inc. (dba The McAuley) is located at 275 Steele Road, West Hartford, Connecticut 06117-2716.

2. OFFICERS AND DIRECTORS

The Officers of the Corporation, McAuley Center, Incorporated, shall consist of the Officers and Directors of Mercy Community Health and include the President and the Secretary and Treasurer (Attachment A).

The Board of Directors of Mercy Community Health shall be appointed by Trinity Continuing Care Services and consist of at least one representative of Trinity Continuing Care Services, members of the local community or members or associates of a Roman Catholic religious congregation who need not reside in the local community.

3. BUSINESS EXPERIENCE

The Board of Directors of Mercy Community Health will have diverse backgrounds which reflect the population demographics of the community served including gender, race and ethnicity. Management of the day-to-day operations of The McAuley rests with the Executive Director who is directed by the President/Chief Executive Officer of Mercy Community Health.

4. JUDICIAL PROCEEDINGS

Not any among The McAuley, its Officers, Management Staff or the Board of Directors of Mercy Community Health described in Attachment A of this disclosure statement has been convicted of a felony or pleaded nolo contendere to a felony charge, nor held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion or misappropriation of property; nor is subject to a currently effective injunction or restrictive or remedial order of a court of record, and within the past five years has not had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, rising out of or relating to business activity or health care, including but not limited to actions affecting the operation of a foster care facility, nursing home, retirement home, home for the aged, or any facility subject to sections 17-535 to 17-550 inclusive of the Connecticut General Statutes, or a similar statute in another state or country.

5. AFFILIATION - TAX EXEMPT STATUS

The previous Sponsor, a Roman Catholic community of religious Sisters, has no financial or other legal responsibility with regard to the operations of McAuley Center, Incorporated.

The McAuley is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code as part of Group Tax Exemption 0928 – United States Conference of Catholic Bishops.

McAuley Center, Incorporated

6. LOCATION AND DESCRIPTION OF PROPERTY

The McAuley is located on a 15 plus acre tract of land in West Hartford, Connecticut, which is now owned by The McAuley. The site is immediately adjacent to Saint Joseph College and Saint Mary Home, with the land for all three institutions comprising 120 plus acres.

The McAuley contains 203 independent living units consisting of studio, one-bedroom and two-bedroom apartments and 24 assisted living units consisting of studio and one-bedroom and two bedroom apartments. The facility totals approximately 335,000 square feet, which includes approximately 74,000 square feet of common/support space.

7. BENEFITS - THE RESIDENCY AGREEMENT

Section IV of the Lifecare Residency Agreement (Attachment B-2) describes the goods and services to be provided to residents of The McAuley without any additional charge, including nursing care and other health related benefits. These Sections also describes those goods and services that are available at an additional cost.

Article I of the Assisted Living Residency Agreement (Attachment B-5) describes the goods and services to be provided to assisted living residents of The McAuley without any additional charge as well as those services available for an additional charge, including nursing care and other health related benefits. Exhibit 3 of the Assisted Living Residency Agreement describes the schedule of charges for additional services for residents with this Agreement.

Section IV of the Residency Agreement With One Hundred Fifty Days Long Term Care Coverage and the Residency Agreement Without Long Term Care Coverage (Attachments B-3 and B-4 respectively) describes the goods and services to be provided to residents of The McAuley without any additional charge and those goods and services available at an additional cost.

The McAuley has a contractual relationship with Saint Mary Home, a 353 bed multi-level health care facility, to provide nursing and other therapeutic services for The McAuley residents (Attachment C).

8. INTEREST ON DEPOSITS

The Independent Living Residency Agreements describes the payment of specified deposit amounts, which are a portion of the total entrance fee at the time the resident signs the document. The interest earned on this deposit inures to the benefit of The McAuley. (Section III. B. of the Agreements as provided in Attachments B-2, B-3 and B-4.)

The Assisted Living Residency Agreement describes the payment of a security deposit equal to one month's rental at the time the resident signs the document. The interest earned on this security deposit inures to the benefit of the resident (Attachment B-5).

9. TERMINATION OF CONTRACT

The Residency Agreements describe the conditions under which the contract may be terminated, whether before or after occupancy, by The McAuley or by the resident. (Section VI of the Agreements in Attachments B-2, B-3, and B-4).

McAuley Center, Incorporated

The resident may appeal termination of the Residency Agreement for non-medical reasons by writing to the Executive Director and Chairperson of the Board of Directors of Mercy Community Health, who will respond in writing. Termination for medical reasons may be appealed in writing by the resident's personal physician to The McAuley's Executive Director and The McAuley's Medical Director, who will respond in writing.

The Assisted Living Residency Agreement describes the conditions under which the Agreement may be terminated, whether before or after occupancy, by The McAuley (We, Us or Our) or by the Resident (You) (Article VI in Attachment B-5).

10. RIGHTS OF SURVIVING SPOUSE

The Residency Agreement sets forth the rights of a surviving spouse who is a resident of the facility, as well as the rights of a surviving spouse who is not a resident. (Section VI of the Agreements in Attachment B-2, B-3 and B-4).

The Assisted Living Residency Agreement sets forth the rights of a surviving resident, should one resident die (Article VI. Section D & E in Attachment B-5).

11. MARRIAGE OF A RESIDENT

The Residency Agreement covers the effect of a resident's marriage to another resident. If the resident marries an individual who is not a resident, and that individual wishes to reside at the facility and receive the benefits included in the continuing care contract, the individual must comply with the admission requirements covered in the Residency Agreement and pay the second person entrance fee and second person monthly maintenance fee. (Section VI. C of the Agreements in Attachments B-2, B-3, and B-4).

The Assisted Living Residency Agreement does not cover the effect of a resident's marriage to another resident.

12. DISPOSITION OF PERSONAL PROPERTY

The Residency Agreement covers the disposition of a resident's personal property in the event of death or permanent transfer to a nursing facility, or termination of the contract by The McAuley. (Section X of the Agreements in Attachments B-2, B-3 and B-4.)

The Assisted Living Residency Agreement covers the disposition of a resident's personal property in the event of death or termination of the Agreement (Article VI. H. in Attachment B-5).

13. TAX CONSEQUENCES

Payment of an entrance fee pursuant to a continuing care contract may have significant tax consequences. Any person considering such payment may wish to consult with a qualified advisor.

McAuley Center, Incorporated

Part B - Financial Disclosures

14. ESCROW ACCOUNTS

ENTRANCE FEE ESCROW ACCOUNT

The McAuley maintains an entrance fee deposit escrow account with Wilmington Trust, 1100 North Market Street, Wilmington, DE 19890, and deposits within 72 hours of receipt each entrance fee deposit or portion of an entrance fee deposit from or on behalf of a resident. Entrance fee deposits on deposit with the Escrow Agent are invested in interest bearing accounts (Attachment D). Any interest inures to the benefit of The McAuley.

RESERVE FUND ESCROW ACCOUNT

The McAuley is required to maintain a reserve fund under an investment management agreement sufficient to cover: (1) the total cost of operations of The McAuley facility for a one month period, excluding interest, depreciation, and amortization and (2) six months of debt service coverage. This requirement had been met in the past with a separate escrow account of almost \$1,000,000 in conjunction with other required debt reserves. Trinity Health had discharged the separately held loans and mortgages and established intercompany loans for these other loans and mortgages thereby eliminating the separate reserves which had been maintained. As of June 30, 2023, the separately maintained escrow account balance is slightly in excess of \$1,616,000 which meets the required reserve calculation.

15. FINANCIAL STATEMENTS

The former parent organization, Catholic Health East, has merged with and into Trinity Health Corporation, an Indiana not for profit corporation on June 30, 2014. The new entity is known as Trinity Health. Trinity Health operates a comprehensive integrated network of health services including inpatient and outpatient services, physician services, managed care coverage, home health care, long-term care, assisted living care and rehabilitation services in 22 states. The consolidation into Trinity Health represents a significant step forward for the two systems.

The entity McAuley Center, Incorporated will remain in existence and its parent corporation will still be Mercy Community Health. Our organizations have elected a year-end of June 30th and our first consolidated audit was for the period ended June 30, 2015. Attachment F includes the audited financial statements, which includes the Balance Sheets, Statements of Operations, Statements of Changes in Net Assets, and Statements of Cash Flows for the periods ended June 30, 2022 and June 30, 2023.

16. NEW FACILITY OR CONSTRUCTION

Not Applicable.

17. PRO FORMA STATEMENTS OF OPERATIONS

The pro forma statements of operations for The McAuley for the next three (3) fiscal years are contained in Attachment G.

18. CURRENT RATE SCHEDULES AND OCCUPANCY

The current rate schedule of the standard initial entrance fees and monthly service fees including ancillary fees, not included in the monthly service fee, for The McAuley is included as Attachments I-1 through I-7.

19. ENTRANCE FEES/PERIODIC CHARGES

The standard initial entrance fees and monthly service fees schedule for The McAuley is included as Attachments I-1 through I-4. A schedule of entrance fees and monthly service fees for the past five years is included as Attachment J.

The monthly rental fees for Assisted Living apartments at The McAuley are included as Attachment I-4. A schedule of monthly fees for prior years is included in Attachment J. The monthly service fees for additional Assisted Living Services is included as Attachment I-6

A schedule of the ancillary services not included in the monthly service fee is included as Attachment I-5.

A schedule of the 2023 Occupancy Rates is included as Attachment I-7.

20. DEPARTMENT OF SOCIAL SERVICES FILINGS

The McAuley has submitted to the State of Connecticut, Department of Social Services, Elderly Services Division, all materials that it understands are necessary to file, including a Disclosure Statement and Residency Agreements, which are required for compliance with State regulations on the management of continuing care facilities. These materials are available for review at:

State of Connecticut
Department of Social Services
55 Farmington Avenue
Hartford, Connecticut 06105

21. DISCLOSURE STATEMENT COVER PAGE NOTICE

The McAuley has included on its front cover of the Disclosure Statement in prominent typeface the period covered by the Disclosure Statement and the required notice:

In accordance with Connecticut General Statute P.A. 98-250, section 23(a), "...the Registration of this Disclosure Statement does not constitute approval, recommendation or endorsement by the Department or State, nor does such registration evidence the accuracy or completeness of the information set out in this Disclosure Statement.

22. CONSTRUCTION COMPLETED IN STAGES

Not Applicable.

23. ESCROW AGENT SWORN STATEMENT

The McAuley has provided the sworn statement from Wilmington Trust, as escrow agent, that the required funds have been established and maintained and is included as Attachment L.

**Officers and Board of Directors of Mercy Community Health, Inc.
as of August 2023**

Name	Title (Director unless otherwise noted)
Marcus Bowens	Treasurer
Patrick J. Johnson, Jr.	Board Chair
Christopher Clark	
Anne Kane, C.S.J.	
Patricia McKeon, RSM	
Shyamala Raman	
Gagandeep Singh, M.D.	
Mark Walker	Secretary
Jackie Harris	Ex-Officio

McAuley Center, Inc.
RESIDENCY AGREEMENTS

(See Separate Documents)

1. Pre-Residency Agreement
2. Residency Agreement – Lifecare Options
3. Residency Agreement With One Hundred Fifty Days Long Term Care Coverage
4. Residency Agreement Without Long Term Care Coverage
5. Assisted Living Residency Agreement

THE McAULEY
PART OF THE MERCY COMMUNITY†

PRE-RESIDENCY AGREEMENT

275 Steele Road, West Hartford, CT 06117-2716
Telephone 860.920.6319 FAX 860.232.4077

PRE-RESIDENCY AGREEMENT

This Pre-Residency Agreement (the “Agreement”) is entered into this _____ day of _____ between McAuley Center, Incorporated, a Connecticut non-stock corporation (“The McAuley” or “Provider”), and _____, The McAuley Prospective Resident (“Prospective Resident”). (If two persons sign this Agreement, “Prospective Resident” shall apply to both Prospective Residents, jointly and severally.)

PREAMBLE

The McAuley, a non-profit, tax-exempt corporation, is a Life Plan Community sponsored by Trinity Health Senior Communities, managed by Mercy Community Health, and is part of Trinity Health. It is located at 275 Steele Road, West Hartford, Connecticut. The McAuley is registered as a Managed Retirement Community (“MRC”) in Connecticut.

The McAuley considers all applications for residency without regard to race, creed, color, sex, religion, disability, national origin or ancestry, marital or familial status and lawful sources of income, and affords equal treatment and access to all its residents.

I. APPLICATION PROCESS

A. Once Prospective Resident has accepted the available apartment (Apartment Acceptance), Prospective Resident must secure this commitment with an Entrance Fee Deposit. The Entrance Fee Deposit for each apartment is \$10,000.00.

B. The Entrance Fee Deposit will be payable within two (2) business days of Prospective Resident accepting the available apartment. A current copy of the Disclosure Statement will be given to Prospective Resident when the Entrance Fee Deposit is collected. Provider will retain any interest earned on the Entrance Fee Deposit.

C. As part of the Application Process and within ten (10) business days of the Apartment Acceptance (see Section I. B), Prospective Resident is required to provide a confidential financial disclosure to Provider. This financial disclosure is maintained with the Prospective Resident's Pre-Residency Agreement.

D. As part of the Application Process and within thirty (30) business days of the Apartment Acceptance (see Section B), Prospective Resident is required to provide a confidential, comprehensive medical history prepared by Prospective Resident's primary care physician. This medical history is maintained with the Prospective Resident's Pre-Residency Agreement.

E. As part of the Application Process, Provider reserves the right for Provider's representative(s) to visit Prospective Resident in Prospective Resident's home. The purpose of this visit will be to determine Prospective Resident's ability to live independently while at The McAuley.

F. If applicable based on Resident Agreement type and upon receipt of the medical history and financial disclosure, Provider will schedule an appointment for Prospective Resident with The McAuley's Medical Director, a Board-certified geriatrician. Provider's Medical Director will meet with Prospective Resident to review the Prospective Resident's medical history and to conduct a medical evaluation of the Prospective Resident.

II. ADMISSION PROCESS

A. Upon receipt of the financial disclosure, medical history, notes from the in-home visit (if applicable), and the medical evaluation conducted by Provider's Medical Director (if applicable), the Provider's Entrance Committee will meet to review the Prospective Resident's Application. Membership on the Entrance Committee is determined by The McAuley's Executive Director. The decision of the Entrance Committee is final.

B. In the event that the Prospective Resident's Application is accepted, Prospective Resident will be notified of this decision in writing. The Letter of Acceptance will notify Prospective Resident of medical exclusions, if applicable and if any are noted, that will be added to the Residency Agreement in the form of an Addendum. The Letter of Acceptance will specify the Prospective Resident's Occupancy Date.

C. The Occupancy Date will be the 60th day following Prospective Resident's receipt of the Letter of Acceptance. Prospective Resident may choose to occupy the apartment prior to the Occupancy Date.

D. In the event that Prospective Resident elects not to accept the available apartment after receipt of the Letter of Acceptance, the Entrance Fee Deposit, minus an administrative fee of \$500.00, will be refunded within

five (5) business days upon Provider's receipt of written notification of Prospective Resident's decision not to accept the available apartment. In the event that Prospective Resident's Application is declined, the Entrance Fee Deposit, minus an administrative fee of \$250.00, will be refunded within five (5) business days.

III. OCCUPANCY PROCESS

A. Before the Occupancy Date, as specified in Sections II. C., Prospective Resident and Provider will execute a Residency Agreement and, if applicable, any Addendum related to the Prospective Resident's Residency Agreement.

B. The balance of the Entrance Fee is payable to Provider at the time that the Residency Agreement is executed.

C. Once the Residency Agreement is executed, but at least 30 days prior to the Occupancy Date, Prospective Resident may request an extension of the Occupancy Date. Such request should be made in writing to The McAuley's Executive Director. The decision of the Provider is final.

D. During the period of time prior to the Occupancy Date, Provider's representatives will assist Prospective Resident with preparations for Prospective Resident's move to The McAuley. Provider's representative will assist Prospective Resident with various logistical issues related to the move and subsequent occupancy. In addition, Provider's representative will provide additional support including, but not limited to visits in the Prospective Resident's home, orientation to programs and services at The McAuley, and general assistance with respect to the occupancy process.

IV. TERMINATION OF AGREEMENT

A. Prospective Resident may rescind this Agreement at any time and for any reason by giving written notice to Provider (see Section V. B.).

An administrative fee will be deducted from any deposit already made to Provider as applicable and as outlined in Sections II.D. and II.E.

B. If Prospective Resident is unable to occupy the apartment due to Prospective Resident's death or due to illness, injury or incapacity, the Agreement shall terminate upon written notice to Provider. An administrative fee of \$250.00 will be deducted from any deposit already made to Provider as outlined in Sections and II.E.

C. Provider may rescind this Agreement at any time and for any reason by giving written notice to Prospective Resident (see Section V. B.). Some possible reasons may include, but not be limited to:

1. A misrepresentation on Prospective Resident's financial disclosure;
2. A disposition of Prospective Resident's assets that, in the judgment of Provider, materially impairs Prospective Resident's ability to pay future monthly service fees;
3. A decline in Prospective Resident's medical and/or cognitive condition that, in the judgment of Provider, impairs Prospective Resident's ability to live independently.

V. MISCELLANEOUS

A. Prospective Resident represents and warrants that all information that Prospective Resident has submitted or will submit to Provider, including but not limited to the Application and financial statements, is true and complete.

Prospective Resident understands and acknowledges that Provider is relying on the accuracy of such information.

B. All written notices required by this Agreement must be sent via registered or certified mail and be addressed as follows:

1. If to Prospective Resident, to Prospective Resident's most current address according to Provider's records;
2. If to Provider, to the attention of the Executive Director, The McAuley, 275 Steele Road, West Hartford, CT 06117.

Registered or certified mail shall be deemed issued when delivered or when acceptance is refused.

C. The failure of Provider in any one or more instances to insist upon strict compliance by Prospective Resident with any of the terms of this Agreement shall not be construed to be a waiver by Provider of such term(s) or of the right to insist upon strict compliance by Prospective Resident with any of the other terms of this Agreement.

D. This Agreement, including all exhibits, constitutes the entire agreement between Provider and Prospective Resident. Provider is not liable for nor bound in any manner by any statements, representations or promises made by any person representing or proposing to represent Provider unless such statements, representations, or promises are set forth in the Agreement.

E. No amendment of this Agreement will be valid unless executed in writing by both Provider and Prospective Resident. The invalidity of any restriction, condition or other provision of this Agreement will not impair or affect in any way the validity or enforceability of the remainder of this Agreement. This Agreement will be interpreted according to the laws of the State of Connecticut.

F. The MRC (The McAuley) will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection

from financial exploitation. If the Prospective Resident enters into a continuing care agreement, The MRC will afford the resident all rights and privileges under Connecticut General Statutes 17b-520 et seq. and any other applicable laws. If the Prospective Resident is entering into a rental agreement, the MRC will afford the Prospective Resident all rights and privileges under landlord tenant law, title 47a of the Connecticut General Statutes.

G. The provisions of this Agreement may be modified by Provider by providing written notification of such changes to Prospective Resident. Such changes shall be provided at least thirty (30) days in advance of the effective date.

H. This Agreement becomes valid when executed by both parties and when the Entrance Fee Deposit is placed with Provider. This Agreement remains in force until the earlier of:

1. Prospective Resident's Occupancy Date; or
2. Terminated by Prospective Resident; or
3. Terminated by Provider.

Executed at West Hartford, Connecticut

on this _____ day of _____, 20 _____

PROSPECTIVE RESIDENT(S):

THE PROVIDER:

McAuley Center, Inc.
a Connecticut not-for-profit
corporation.

(Signature)

By: _____
Its Executive Director

(Printed Name)

(Signature)

(Printed Name)

APARTMENT TYPE SELECTION

According to the terms of this Agreement, Prospective Resident is encouraged to select the type of Apartment that Prospective Resident will consider for future occupancy at The McAuley.

Apartment Type Preferred

- Studio Apartment
- One Bedroom Apartment
- One Bedroom Deluxe Apartment
- Two Bedroom Apartment
- Executive Apartment



THE McAULEY

PART OF THE MERCY COMMUNITY†

RESIDENCY AGREEMENT

275 Steele Road, West Hartford, CT 06117-2716
Telephone 860.920.6319 FAX 860.232.4077

THE McAULEY RESIDENCY AGREEMENT

This Residency Agreement (the “Agreement”) is entered into this _____ day of _____ between McAuley Center, Incorporated, a Connecticut non-stock corporation (or “The McAuley” or “Us”), and _____, (“You”).

This Agreement applies to Apartment _____ a _____ bedroom Apartment (the “Apartment”). (If more than one person intending to reside at The McAuley signs this Agreement, “You” shall apply to all, jointly and severally.)

PREAMBLE

The McAuley, a non-profit, tax-exempt corporation, is a Life Plan Community sponsored by Trinity Health Senior Communities, managed by Mercy Community Health, and is part of Trinity Health. It is located at 275 Steele Road, West Hartford, Connecticut. The McAuley is registered as a Managed Retirement Community (“MRC”) in Connecticut.

I. BASIC AGREEMENT

A. You agree to pay the Entrance Fee, Monthly Service Fee and any additional fees specified in Section III of this Agreement. In exchange for such payments, You will have the right, subject to the terms of this Agreement, for You to occupy the Apartment and to have access to General Services at The McAuley set forth in Section IV. A. and B. of this Agreement.

B. You have completed the Application and Admission process and have executed a Pre-Residency Agreement that is incorporated by reference into this Agreement.

C. Your Occupancy Date was specified by Us in your Letter of Acceptance. This Agreement must be executed by both You and Us prior to the Occupancy Date. The balance of the Entrance Fee by You will be payable to Us at the time this Agreement is executed by both You and Us.

D. Following the execution of this Agreement, but at least thirty (30) days prior to the Occupancy Date, You may request an extension of the Occupancy Date. Such request should be made in writing to Us (see Section XI. J). Our decision is final.

II. ACCOMMODATIONS AT THE COMMUNITY

A. Alterations

Any physical alteration of the Apartment by You requires the prior written approval by Us. Such alterations shall be at Your expense, and must be performed by craftsmen approved by Us. Upon death or termination of occupancy by You (or the second person if there are two people in the Apartment) We in our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by Us will be charged to You or Your estate.

B. Access

You agree that We and our employees and agents shall have the right, at all reasonable times, subject to our policy described below regarding housekeeping, maintenance and laundry services, to enter your Apartment for purposes of management, housekeeping, maintenance, health services, enforcement of applicable laws and regulations, emergency purposes, or any other reasonable purpose. Our policy is that at least one of You must remain in the Apartment while housekeeping, maintenance and laundry services are provided, unless You waive this policy in writing by executing an Environmental Services Waiver.

C. Property Protection and Insurance

We will not be responsible for the loss of any personal property due to any cause other than our gross negligence. You agree to indemnify Us for any loss or damage to our personal property and for any injury or damage to others or to the property of others resulting from the acts, omissions, negligence or fault of You or Your guests and invitees. You shall maintain both

personal liability and personal property insurance coverage in accordance with our rules and regulations and shall provide Us with a copy of that policy or proof of purchase, upon our request.

D. Moving Expenses

You will be responsible for all moving expenses associated with Your move into and out of The McAuley. In the event that You transfer Apartments during Your occupancy at The McAuley, You will be responsible for all moving expenses associated with such transfer. In the event that You, upon meeting the terms set forth by Us for carpet replacement and re-painting, should request that We provide carpet replacement and repainting for the Apartment, You will be responsible for all moving expenses associated with these services.

III. FINANCIAL ARRANGEMENTS

A. Contract Type

We offer two (2) different contract options. The contracts differ only with respect to the Entrance Fee amount and the Terms of the Entrance Fee Refund. The two (2) plans are described below.

_____ **Standard Refund Plan:** You pay a standard Entrance Fee based on Apartment type. At the time that the Agreement is terminated, You or Your Estate (or the estate of the last surviving Resident if there are two of You) may be entitled to a refund of 2/3 of the Entrance Fee. Any interest earned on the Entrance Fee will be retained by Us.

(Your initials on the line next to "Standard Refund Plan" indicates Your choice of this Contract.)

OR

_____ **Zero Refund Plan:** You pay a reduced Entrance Fee based on Apartment type. If the contract is terminated within the first fifty (50) months from the Occupancy Date, you may be entitled to a refund of the Entrance Fee paid, without interest, less two percent (2%) of that amount of each full month that you occupied the Apartment. After fifty (50) months, there will be no refund issued. Any interest earned on the Entrance Fee will be retained by Us.

(Your initials on the line next to "Zero Refund Plan" indicates Your choice of this Contract.)

B. Entrance Fee

The Entrance Fee for the Apartment is \$ _____. You paid a \$10,000.00 Entrance Fee Deposit prior to the execution of this Agreement. The balance of the Entrance Fee is payable in full on the date this Agreement is executed. Any interest earned on the Entrance Fee will be held in escrow and released pursuant to Connecticut law. Any interest earned on the Entrance Fee Deposit will be retained by Us.

C. Monthly Service Fees

The "Monthly Service Fee" for one person in the Apartment is \$ _____, and for a second person is \$ _____. You agree to pay the Monthly Service Fee beginning on the Occupancy Date (prorated for the actual number of days from the Occupancy Date to the end of the month in which the Occupancy Date occurs) and each month thereafter.

D. Adjustments

The amount of the Monthly Service Fee is Your share of our estimated monthly cost to operate The McAuley. The Monthly Service Fee may be adjusted from time to time, at our discretion, upon sixty (60) days written notice to You, to reflect changes in those costs. We will limit such adjustments to amounts necessary to maintain the financial stability of The McAuley. You agree to pay the adjusted Monthly Service Fee.

E. Additional Fees

In addition to the Monthly Service Fee, You will pay our fees for any Optional Services (as defined in Section IV. B. below) rendered at The McAuley. The fees for Optional Services as of the date this Agreement is executed are set forth in the Fee Schedule found in the *Resident Handbook*. We may, from time to time, adjust fees for any Optional Services at our discretion.

F. Monthly Statement

Upon occupancy, We will issue monthly statements to You by the tenth of each month requiring payment of the Monthly Service Fee plus fees for any Optional Services defined in Section IV. B. of this Agreement. Payment will be due within ten (10) days of receipt of the monthly statement. Any outstanding amounts owed to us ten (10) days after the due date will be charged a late fee of one and one half percent (1.5%) per month until the amount owed is paid in full. If You fail to pay the amounts charged under the terms of the Agreement and We must refer the account to an attorney or collection agency, You agree to pay all charges, expenses, court costs and attorneys fees incurred by Us, not to exceed any lawful limits.

G. Transfers

In the event that You temporarily transfer to any licensed care facility including a licensed skilled nursing facility and this Agreement is not otherwise terminated, You will continue to be obligated to pay the Monthly Service Fee to Us. Your Apartment will be held as provided in Article IV, Paragraphs C and D.

H. Surviving Resident

If this Agreement is executed by two of You and either one dies, effective on the first day of the month following the death, the surviving Resident will be obligated to pay the Monthly Service Fee for single occupancy in the Apartment.

I. Personal Obligations

We shall not be liable or responsible for any expenses, debts, or other obligations incurred by You on Your own account, nor shall it be obligated to furnish, supply, or give You any support, maintenance, board or lodging

while You are absent from The McAuley, except as may be provided in this Agreement.

J. Health Insurance

If You are sixty-five (65) years of age or older, You agree to enroll in and be covered by, at Your own expense, Medicare Part A and Part B, and Part D, or equivalent insurance coverage acceptable to Us under a public or private insurance plan. In addition, You agree to enroll in and be covered by a supplemental insurance policy to pay Medicare co-insurance and deductible amounts. If You are younger than sixty-five (65) years of age, You will enroll in and be covered by medical insurance coverage equivalent to the coverage provided under Medicare Part A and Part B.

You agree to provide proof of insurance coverage upon our request.

Any amounts paid or owing to You from federal, state, municipal, private, or supplemental insurance plans for services rendered to You by Us shall be paid to Us. You agree to diligently obtain all reimbursements, payments, proceeds or other benefits available under such plans or programs and authorizes Us to take such action as may be required to obtain and recover same. Any insurance proceeds received by Us in excess of the cost of such services shall be paid to You, or in the event of Your death, to Your estate.

K. Financial Requirements for Residency

As part of the Application and Admission Process, You completed a Financial Disclosure. Your Financial Disclosure is attached to this Agreement. You agree that as a condition of continued residency at The McAuley, You will provide on an annual basis or as requested by Us, an update of all information contained

in the Financial Disclosure on forms that will be given to You by Us.

You agree to make all reasonable efforts to conserve Your financial resources in order to enable You to meet your financial obligations under this Agreement.

IV. GENERAL SERVICES

A. Services Included in Monthly Service Fee

These services and amenities are included in the Monthly Service Fee:

1. Services:

- a. Normal repair and maintenance of the Apartment appliances that are provided by Us
- b. All utility expenses, except cable TV, internet, and telephone charges
- c. Town of West Hartford real estate taxes.
- d. Property and building insurance (Such insurance does not cover Your personal liability and Apartment furnishings. See Section II.)
- e. Trash removal from designated areas in accordance with environmental waste management laws and regulations

2. Amenities:

- a. Full kitchen facilities, including electric range, refrigerator/freezer, microwave and garbage disposal
- b. Individually controlled heating and air conditioning
- c. Blinds

- d. Emergency-alert system with call switches in each bedroom and bathroom of Apartment
- e. Smoke detector and sprinkler system in each Apartment
- f. Automatic washers and dryers located on each floor for personal laundry
- g. Apartment is pre-wired for telephones and cable television
- h. Individual mailboxes located in the Abbeylex Building.
- i. Assigned uncovered parking space for one car (This parking space is assigned *exclusively* for vehicles driven *personally* by the resident.)
- j. Storage unit

3. Dietary Services:

- a. Continental breakfast and Your choice of lunch or dinner daily in the dining room and/or café
- b. To the extent reasonably possible, food selection will be made available to You in order to accommodate some physician-ordered dietary restrictions
- c. In the event of illness or physical inability, complimentary tray delivery may be provided to your apartment upon approval of the nurse on duty

4. Housekeeping and Laundry Services:

- a. General cleaning of Apartment every other week
- b. Weekly laundry service for The McAuley-provided bed and bath linens

5. Transportation Services:

- a. Scheduled transportation services to local shopping, banking, medical appointments and religious services

6. 24-Hour Services/Coverage:

- a. 24-hour concierge service, located in the Abbeyleix Building
- b. 24-hour health staff coverage
- c. 24-hour in Apartment emergency response system

7. Social and Recreational Activities

8. Building and grounds maintenance and custodial service:

- a. Maintenance of all community buildings, common areas and grounds, including lawns, walkways and driveways
- b. All necessary repairs, maintenance and replacement of community property and equipment located in Your Apartment, in accordance with the *Resident Handbook*

9. Health Promotion Services:

- a. You may visit our Health and Wellness Office at regularly scheduled daily times for wellness counseling and blood pressure checks.

B. Optional Services available at additional expense to You as outlined in the *Resident Handbook*

- 1. Additional meals not included under Dietary Services described
- 2. Guest accommodations and meals
- 3. Additional housekeeping, maintenance, and custodial services not mentioned in the *Resident Handbook*

4. Beauty Salon/Barber Shop Services
5. Expenses incurred by Us on Your behalf that are not included in the scope of services as described
6. Access to health services in addition to those described including Medicare reimbursable services through a licensed home health care agency and assistance with transfers to nursing homes and hospitals
7. Assisted Living Services provided by The McAuley Assisted Living Services Agency to those who reside in an independent living Apartment and who have a chronic and stable condition which necessitates assistance with some activities of daily living, but who do not require skilled nursing care

C. Skilled Nursing Services

- 1. Temporary Placement:** During Your temporary stay in Saint Mary Home or other skilled nursing facility, Your right to occupy the Apartment will continue and You will continue to pay the Monthly Service Fee. Expenses incurred by You while temporarily placed in a skilled nursing facility shall be your obligation.
- 2. Permanent Placement:** We will be responsible for the cost of skilled nursing care at Saint Mary Home once the following criteria have been met:
 - a. You or Your legal representative have notified Us, in writing, that your placement in the skilled nursing facility is permanent; and
 - b. Your primary care physician has certified in writing that the permanent placement is medically necessary; and

- c. You vacate Your living unit at The McAuley as defined in Section X.
3. You have a preferred access agreement with Saint Mary Home for the provision of skilled nursing services for residents of The McAuley. You may be permanently admitted to Saint Mary Home on an order from Your personal physician after consultation with You, Your family or legal representative and Our representative. Accommodations at Saint Mary Home will be in a semi-private room. If You choose a permanent placement at Saint Mary Home and no bed is available, We will arrange for You to be placed in a skilled nursing facility in the area, reasonably acceptable to both You and Us, at the semi- private room rate, until a bed becomes available at Saint Mary Home.
4. During Your permanent stay at Saint Mary Home, You will continue to pay the Monthly Service Fee.
5. If You are permanently placed at Saint Mary Home, We will be responsible for the *per diem* semi-private rate at Saint Mary Home, all Your other expenses incurred while at Saint Mary Home shall be your obligation. If You should become eligible for a Medicare benefit or for benefits payable from Your personal long term care insurance instrument, the proceeds from Medicare or Your long term care insurance or other insurance will be applied, if applicable, to the semi-private room rate. You will be responsible for charges for all services and items provided at the skilled nursing facility in excess of those paid from Medicare or other insurance for non-covered items and services including personal expenses.

6. In the event that you receive services at Saint Mary Home, We will advance to Saint Mary Home the monthly fees that correspond to the semi-private room rate.
7. The long term care coverage (as described in Section IV.C) offered to Residents of The McAuley who are permanently placed in a skilled nursing facility can only be applied after you have been discontinued from coverage under the Medicare program and the provisions of Section IV.C.2 have been met.
8. All permanent placement decisions may be reviewed by The Mercy Community Medical Director.

D. Hospitals and Other Health Care Services

We will not provide, pay for, or indemnify You for hospital, physician, ambulance, surgical, home health care services, or for drugs, medical supplies, X-rays, laboratory and other diagnostic tests, eyeglasses or refractions, hearing aids, dentistry, dentures, inlays, orthopedic appliances, private duty nursing care, podiatric services, physical therapy, treatment for psychiatric disorders, alcoholism, or similar items or services.

In the event that You are temporarily absent from The McAuley due to hospitalization, Your right to occupy the Apartment will continue and You will remain responsible for payment of the Monthly Service Fee.

E. Private Duty Care

In the event that You wish to employ outside caregivers, companions, private duty aides or other personnel to provide services to You, You must notify the Director of Health and Wellness prior to obtaining any these services. These outside caregivers, companions, private duty aides or other personnel must comply with the personnel policies, and the rules and regulations set forth by The McAuley and The Mercy Community.

V. TERMINATION OF AGREEMENT

A. Termination by Resident

1. Prior to Occupancy

- a. You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving Us written notice by registered or certified mail. We will refund to You all fees paid to You minus an administrative fee of \$500.00.
- b. If You (or both of You if there are two of You) die before the Occupancy Date, We will terminate this Agreement upon receipt of written notification from Your legal representative. We will refund to Your estate or representative all fees paid to Us minus an administrative fee of \$500.00.
- c. If You cannot occupy the Apartment on the Occupancy Date due to illness, injury or incapacity of You (or both of You if there are two of You), We will terminate this Agreement upon receipt of written notification from You or Your legal representative by registered

or certified mail. We will refund to You all fees paid to Us minus an administrative fee of \$500.00.

- d. If for any reason the Apartment is not available for occupancy on the Occupancy Date, You may terminate this Agreement by giving Us written notice by registered or certified mail. Upon termination of the Agreement, You will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$500.00 administrative fee.
- e. If You fail to occupy the Apartment for any other reason at least thirty (30) days following the execution of this Agreement, we will refund to You all fees paid to Us minus an administrative fee of \$500.00.

2. After Occupancy

- a. You may terminate this Agreement for any reason subsequent to the Occupancy Date by giving at least one hundred twenty (120) days advance written notice of the intent to terminate this Agreement and vacate the Apartment. Notice shall be sent to Us by registered or certified mail (see Section XI. J.). The notice shall specify the date upon which You will vacate the Apartment; that date shall be no earlier than one hundred and twenty (120) days from date of notice. The actual date of termination will be the latest to occur of the date specified in the notice and the date by which all of Your personal property has been removed from the Apartment. You will be responsible for paying the Monthly Service Fee until the Apartment is vacated.
- b. Subsequent to occupancy, upon Your death, or the occurrence of an illness, hospitalization or injury, which precludes You from living at The McAuley:

- i. If You are the sole occupant of the Apartment, this Agreement will terminate when all of Your personal property has been removed from the Apartment.
 - ii. If this Agreement covers two of You, this Agreement will terminate as to the deceased or ill Resident who can no longer reside at The McAuley upon written notice of that Resident's death or notice of intent to move out. This Agreement shall remain in effect as to the surviving Resident with appropriate adjustment of the Monthly Service Fee, as set forth in Section III. B. of this Agreement.
 - iii. In the event of a Resident's death, the Resident's estate or family will only be responsible for payment of the Monthly Service Fee for a period of time not to exceed fifteen (15) days following the date of death as long as the Resident's personal property has been removed from the Apartment.
3. Entrance Fee refund procedures are set forth in Section VIII.

B. Termination by Us

We may terminate this Agreement upon the occurrence of any of the following events, by sending You a written notice:

1. Termination Prior to Occupancy Date

- a. A misrepresentation on Your Financial Disclosure;
- b. A disposition of Your assets that, in Our judgment, materially impairs Your ability to pay future Monthly Service Fees;

- c. A decline in Your medical and/or cognitive condition that, in Our judgment, impairs Your ability to live independently;
- d. You fail to pay the balance of the Entrance Fee when due.

2. Termination Subsequent to Occupancy for Non-Medical Reasons

If You default under this Agreement, We will give You written notice of Your default. You will have thirty (30) days from date of such notice to cure the default. If the default is not cured within such thirty (30) day period, this Agreement will terminate. The following shall constitute Your default:

- a. If We determine that information on the Application for Residency is erroneous or that any material facts affecting qualification for residency were not disclosed.
- b. If You (or either of You if there are two of You) fail to comply with Our rules and regulations of Us or the terms of this Agreement.
- c. If You (or either of You if there are two of You) create a situation detrimental to the health, safety or peaceful living of You, other Residents or Our staff as determined by Us.
- d. If You make any disposition of Your assets which, in Our judgment, materially impairs Your ability to pay the current or future Monthly Service Fee or other costs pursuant to this Agreement.
- e. If You fail to pay the Monthly Service Fee or other amounts owing to Us within ten (10) days of the due date, unless other mutually satisfactory arrangements have been made. It is Our intention that this Agreement shall not be terminated solely

because of financial inability to pay the fees to the extent that: a) the inability to pay is not the result of the willful action of You; and b) in Our judgment, the financial viability of The McAuley will not be jeopardized by such failure to pay amounts due. In the event that You are unable to pay Your Monthly Service Fee as described above, The McAuley will assist You in finding alternative living arrangements that, in Our assessment, will meet Your needs. During such time that We are assisting You to find alternative living arrangements, but not to exceed thirty (30) days, You will not be required to pay Your Monthly Service Fee to The McAuley. Once, in Our opinion, a suitable alternate living arrangement has been identified, the move out must occur within thirty (30) days. Moving expenses will be Your responsibility.

We reserve the right to terminate this Agreement immediately without advance notice in the event a default under b. or c. of this subsection jeopardizes the health, safety or welfare of You or other Residents of The McAuley.

3. Termination Subsequent to Occupancy for Medical Reasons

We may terminate this Agreement after occupancy, if You are in need of treatment and services for any condition for which We are not licensed or for which care is not customarily provided in The McAuley or a skilled nursing facility. If any of the above situations is determined to be temporary in nature, the Apartment will remain reserved for You and You will remain responsible for payment of the Monthly Service Fee. If it is determined that the situation is not temporary in nature,

all Our obligations and all of Your rights in this Agreement will terminate as of the date of such determination; provided, however, that any right You may have to receive a refund of any portion of the Entrance Fee in accordance with Section VIII. and Your obligations to make payments to Us for any balance that accrued prior to the termination, will survive the termination.

4. Entrance Fee

Entrance Fees shall be refunded in accordance with Section VIII of this Agreement.

VI. SPECIAL OCCUPANCY CIRCUMSTANCES

A. Death of Resident

If two of You sign this Agreement and one of You dies, this Agreement shall remain in effect as to the surviving Resident.

B. Separation

1. If two of You sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy You desire separate Apartments, one of You may remain in the Apartment and the other may transfer to another Apartment (subject to Our Internal Transfer Guidelines) upon payment of the then current monthly Service Fees and Entrance Fee pertaining to that other Apartment. In addition, the Resident securing the second

Apartment will be required to execute a new and separate Agreement. The Resident remaining in the Apartment will be obligated to pay the single occupancy Monthly Service Fee for that Apartment. There will not be a refund of any portion of the original Entrance Fee paid by both parties for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the Resident remaining in the Apartment and the refund provisions of the new Agreement will apply with respect to the Resident moving to the new Apartment.

2. If two of You sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy You both choose to reside in different Apartments, You both may transfer, subject to Apartment availability (refer to Our Internal Transfer Guidelines) upon payment of the then current Monthly Service Fee and Entrance Fee pertaining to the new Apartments. In addition, You both will be required to execute new and separate Agreements. There will not be a refund of any portion of the original Entrance Fee paid by both of You for the original Apartment at that time. The refund provisions of the new Agreements will apply with respect to both of You.
3. If two of You sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy one of You desires to leave The McAuley permanently for another residence, then the Resident leaving The McAuley will surrender all rights under this Agreement (see Termination by Resident). The remaining Resident will retain all rights under this Agreement (see Termination

by Resident). The remaining Resident will retain all rights as a Resident and will pay the single occupancy Monthly Service Fee for the Apartment. There will not be a refund of any portion of the original Entrance Fee paid by both parties for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the person remaining in the Apartment. The refund provisions of this Agreement will be operative only upon the death or termination of occupancy of the remaining Resident.

C. Resident Marriage

1. If You marry another Resident and both of You desire to reside in the same Apartment, You both may either, a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If You and the other Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by Us (subject to Our Internal Transfer Guidelines). In either case, We will honor the existing Agreement for each of You. If the Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by the two Residents, You will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once residing together, the Monthly Service Fee will be adjusted so that one of You will pay the Monthly Service Fee for the Apartment style in which the couple resides, and the second Resident will pay the Monthly Service Fee for a Studio Apartment.

2. If You marry a non-resident and You both desire to live in Your Apartment, the non-Resident must apply to Us for residency and meet all applicable Application and Admission requirements.
 - i. If the non-Resident spouse is accepted for residency, a new Residency Agreement must be executed by all parties. An applicable Monthly Service Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original Entrance Fee paid by You, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by You, Your Spouse and Us.
 - ii. If the non-Resident spouse is not accepted for residency, We and You will execute an Addendum to the Agreement with respect to living arrangements for the non-Resident spouse. An applicable Monthly Service Fee adjustment will apply. The non-Resident spouse will be subject to Our rules and regulations, as amended from time to time.

D. Special Resident Occupancy

1. If You decide to reside in the same apartment with another current Resident who previously resided in a different Apartment, You and the other Resident may either: a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If You and the other Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by Us (subject to Our Internal Transfer Guidelines).

In either case, We will honor the existing Agreement for You and for the other Resident. If the Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by the two You's, You will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once residing together, the Monthly Service Fee will be adjusted so that one of You will pay the Monthly Service Fee for the Apartment style in which the two of You reside, and the second will pay the Monthly Service Fee for a Studio Apartment.

2. If a You and a non-Resident desire to live in Your Apartment, the non-Resident must apply to Us for residency and meet all applicable Application and Admission requirements.
 - i. If the non-Resident is accepted for residency, a new Residency Agreement must be executed by You and the non-Resident. An applicable Monthly Service Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original Entrance Fee paid by You, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by You, the non-Resident, and Us.
 - ii. If the non-Resident is not accepted for residency, We and You will execute an Addendum to Your Agreement with respect to living arrangements for the non-Resident spouse. An applicable Monthly Service Fee adjustment will apply. The non-Resident will be subject to Our rules and regulations, as amended from time to time.

E. Guests

Guests staying in Resident Apartments are welcome at all times. Any visitation in the Apartment by a non-Resident for more than a two-week period in any calendar year must be arranged with, and expressly approved in writing by Us. Guest meals will be available for an additional charge that will be added to Your Monthly Statement.

VII. TRANSFER TO A DIFFERENT APARTMENT

If You wish to transfer to a different Apartment, You must notify Us in writing of the desire to transfer Apartments. A Fee of \$10,000.00 will be assessed once the transfer is approved. We will assist You with such a transfer, subject to Our Internal Transfer Guidelines. Our Internal Transfer Guidelines are incorporated by reference into, and attached as Exhibit 1 of this Agreement. When a new Apartment is available and You transfer, the Monthly Service Fee and the Entrance Fee will be adjusted to the then current charges for that Apartment type. The parties will amend this Agreement in writing prior to the transfer becoming effective to reflect such adjustments. If the current Entrance Fee for the new Apartment is less than the original Entrance Fee paid by You, there will be no refund of any portion of the Entrance Fee. All refunds will be made in accordance with Section VIII upon termination of this Agreement. We have established policies on the procedures and charges for transfers and may, from time to time, adjust this policy.

VIII. REFUND OF ENTRANCE FEE

In the event this Agreement is executed by two persons, the Entrance Fee refund Procedures set forth below in this Section shall not apply until the last of the two of You dies or this Agreement is otherwise terminated by both of You as set forth in Section V of this Agreement.

A. Prior to the Occupancy Date

1. Apartment Not Available

If for any reason the Apartment is not available for occupancy on the Occupancy Date, You may terminate this Agreement. Upon termination of the Agreement, You will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$500.00 administrative fee. Such refund will be issued within thirty (30) days of the receipt of the notice of termination.

2. Death, Illness, Injury or Incapacity of Resident

If for reason of death, illness or injury, or incapacity, You are not able to occupy Apartment on the Occupancy Date, We will refund the Entrance Fee paid, without interest, minus a \$500.00 administrative fee, within thirty (30) days of receipt of the notice required under Section V. A.1 above.

3. Termination Within Thirty (30) Days of Execution of this Agreement

You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving us written notice by registered, or certified mail. We will refund to you all fees paid to you minus an administrative fee of \$500.00.

4. If for any other reason, You are not able to or choose not to occupy Apartment on the Occupancy Date and more than thirty (30) days have passed since execution of this Agreement, We will refund the Entrance Fee paid, without interest, minus a \$500.00 administrative fee, within thirty (30) days of receipt of the notice required under Section V.A.1.

B. Subsequent to the Occupancy Date – Standard Rental Refund Plan

Standard Refund Plan

(Your initials on the line next to “Standard Refund Plan” indicates Your choice of this Contract.)

You, at the time this Agreement was executed, selected the Standard Rental Refund Plan. If this Agreement is terminated after the Occupancy Date but within the first year of occupancy, that is prior to the first anniversary of the Occupancy Date, We will refund the Entrance Fee, without interest, less two percent (2%), of that amount for each thirty (30) day periods prorated on a *per diem* basis. If this Agreement is terminated after the first anniversary of the Occupancy Date, We will refund two-thirds (66.667%) of the Entrance Fee paid. Any interest earned on the Entrance Fee will be retained by Us.

C. Subsequent to the Occupancy Date – Zero Refund Plan

Zero Refund Plan

(Your initials on the line next to “Zero Refund Plan” indicates Your choice of this Contract.)

You, at the time this Agreement was executed, selected the Zero Refund Plan. During the first fifty (50) months from the Occupancy Date, We will refund the original Entrance Fee Paid, without interest, less two percent (2%) of that amount for each full month from the Occupancy Date to the date the Apartment is vacated and empty of all personal possessions or the Agreement is terminated, whichever comes later.

Subsequent to the first fifty (50) months from the Occupancy Date, there will be zero refund of the original Entrance Fee paid by You.

D. Refund Payment

Any refunds due to You or Your estate pursuant to the prior two paragraphs will be payable within sixty (60) days following the later date when both of the following events first occur, *but in no case shall the refund be delivered to you or your estate later than three years from the date this contract is terminated:*

1. We receive an Entrance Fee for an Apartment similar in style (*e.g.* studio, one bedroom, *etc.*) to Your Apartment; and
2. We have refunded all other entrance fees due and payable pursuant

to residency agreements for like Apartment styles pursuant to residency agreements that terminated prior to the termination of this Agreement.

Notwithstanding the foregoing, We may, at our option, deduct from any Entrance Fee refund any monies advanced to You by Us and any monies owed Us under Section III of this Agreement or under any other provision of this Agreement. In the event that You have incurred charges which exceed the Entrance Fee refund balance, no refund will be issued and You or Your estate will be liable and billed for the excess amount.

We will pay any refund due hereunder to You or Your estate if You are deceased, unless We are otherwise directed by written instructions signed by You and accepted by Us.

IX. EXTENDED ABSENCE

If You are away from The McAuley for fourteen (14) or more consecutive days due to an admission into an acute care setting, a rehabilitation stay or a temporary stay in a skilled nursing facility, You will receive a daily meal credit on Your Monthly Statement for those days when You were away from The McAuley. The credit for missed meals will be calculated upon your return and will be reflected in your following months statement. Your right to occupy the Apartment and Your payment obligations will be as set forth in Section IV.D above.

X. VACATING APARTMENT

Upon termination of this Agreement, You must vacate the Apartment within thirty (30) days. For purposes of this Agreement, the Apartment will not be considered vacated until all of Your personal property is removed from the Apartment. You will be responsible for the Monthly Service Fee during this thirty (30) day period; provided, however, that if the Agreement is terminated as a result of Your death, Your estate or family will only be responsible for payment of the Monthly Service Fee for a period of time not to exceed fifteen (15) days following Your death as long as Your Apartment has been vacated. If the Apartment is not vacated within the thirty (30) days, We will have the right to remove and store all property left in the Apartment after thirty (30) days. You will be responsible for the costs incurred as a result of moving and storing such items. Property left in storage for ninety (90) days or more may be disposed of by Us at Your expense.

When You vacate the Apartment, We expect that the Apartment will be left in the same condition as of the Occupancy Date, ordinary wear and tear excluded. We may charge You for any damage to the Apartment that, at Our discretion, is deemed as not the result of ordinary wear and tear. If with Our permission, You physically altered the Apartment, We, in Our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by Us will be charged to You.

XI. MISCELLANEOUS

A. Fees Not Held in Trust

All fees paid to Us, including Entrance Fees, shall become the sole property of Us as payment for residence and services, except to the extent that Entrance Fees may be refundable under this Agreement.

B. Subordination

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

C. Property Rights

This Agreement grants You a revocable license to occupy and use space in The McAuley. This Agreement is not a lease and does not transfer or grant to You any ownership interest or rights of tenancy in real or personal property owned or leased by Us. Your rights under this Agreement, except Your rights to any refunds to which You are entitled under this Agreement, are subject to all terms and conditions of this Agreement and are subordinate to any mortgage, financing deed, deed of trust, or other financing on The McAuley.

D. Arrangements for Conservatorship

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

E. Rules and Regulations

We shall have the right to adopt or amend such reasonable policies, rules, regulations, guidelines and operating procedures (“Rules and Regulations”) as deemed necessary or desirable for proper management and operation and for the health, safety and comfort of the Residents. The *Resident Handbook* summarizes many of Our Rules and Regulations, and is incorporated by reference into this Agreement. You agree to abide by the Rules and Regulations.

F. Smoking

The McAuley is a smoke-free campus; therefore, smoking is prohibited. This applies to all areas in The McAuley, including but not limited to: The McAuley vehicles, Your apartments, apartment balconies, the front entrances to each building, all dining areas, meeting rooms, activity areas and all corridors, and all grounds belonging to The Mercy Community. This prohibition applies to everyone, including all Residents, family members, overnight guests, visitors, and private duty assistants.

G. Compliance with Laws and Regulations

We will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection from financial exploitation. We will afford You all rights and privileges under Section 17b-520 *et seq.* Connecticut General Statutes.

H. Grievance Procedure

You may present a formal complaint about any alleged violation of the Residency Agreement. The complaint must be submitted in writing and delivered to the Administrator at the address specified in Paragraph J below. Upon receipt of a formal written complaint, the Administrator or designee will respond within five (5) business days. The Administrator or designee will respond in writing after conducting an investigation. If You are not satisfied with the response, You may appeal the decision to the Executive Director of Mercy Community Health. This appeal must be made in writing and delivered to the CEO at The McAuley, 275 Steele Road, West Hartford, CT, 06117, Attn.: Executive Director. Under no circumstances will The McAuley, its Administrator, or the Executive Director of Mercy Community Health or any other agent allow or permit retaliation against a Resident who has filed a complaint.

I. Accuracy of Information

You represent and warrant that all information that You have submitted or will submit to Us, including but not limited to annual financial

statements, is true and complete. You understand and acknowledge that We are relying on such information.

J. Notices

All written notices required by this Agreement will be sufficient if addressed:

1. If to You: to Your Apartment at The McAuley;
2. If to Us, to the Administrator, The McAuley, 275 Steele Road, West Hartford, CT 06117.

Unless otherwise specified in this Agreement, all written notices shall be sent by registered or certified U.S. Mail, overnight express courier service, or messenger service and shall be deemed issued when delivered or when acceptance is refused.

K. Waiver

Our failure in any one or more instances to insist upon strict compliance by You with any of the terms of this Agreement shall not be construed to be a waiver by Us of such term(s) or of the right to insist upon strict compliance by You with any of the other terms of this Agreement.

L. Assignment

Your rights and benefits under this Agreement (except for the possible right to a refund of some part of the Entrance Fee) are not assignable

and will not inure to the use or benefit of the heirs, legatees, assignees or representatives of You, but Your obligations under this Agreement shall bind Your heirs, legatees, assignees or representatives. The Agreement shall bind and inure to the benefit of Our successors and assigns.

M. Entire Agreement

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

N. Interpretation of Agreement

No amendment of this Agreement will be valid unless executed in writing by both You and Us.

The invalidity of any restriction, condition or other provision of this Agreement will not impair or affect in any way the validity or enforceability of the remainder of this Agreement. This Agreement will be interpreted according to the laws of the State of Connecticut.

O. Counterparts

This Agreement may be executed in counterparts.

Executed at West Hartford, Connecticut on this _____ day
of _____, 20 ____.

RESIDENT(S):

(Signature)

(Printed Name)

(Signature)

(Printed Name)

THE PROVIDER:

McAuley Center, Inc.
a Connecticut not-for-profit
corporation.

By: _____
Its Administrator

EXHIBIT 1 (Internal Transfers and Guidelines)

1. Policy Statement

- A. All residents choose their independent living unit prior to occupancy. Once the resident occupies the living unit, the applicable unit is considered the resident's primary residence. From time to time, and in consideration of a number of factors, it may be necessary for the resident to move to a different independent living unit. Any internal transfer from the primary residence to another living unit at The McAuley is subject to the Internal Transfer Guidelines.
- B. Current residents who desire to change units and make these requests are also placed on a waiting list. In this case, the name is placed in the last position for the living unit type requested.
- C. In certain circumstances, a current resident of The McAuley may request a living unit change for financial or medical reasons. In this case, The McAuley will give priority placement on the applicable waiting list. Priority consideration means that the current resident will be placed in the first position on the waiting list.

2. Internal Transfer Procedure

There are four (4) possible scenarios with respect to an internal transfer of living units. The following guidelines apply to these specific unit transfers.

A. Pre-Arranged Move (Prior to Move-In) to a Different Living Unit

1. In certain circumstances, a resident may elect to move to The McAuley and into an available living unit, even if that unit is not the resident's choice.
2. In this situation, The McAuley and the resident will enter into an Addendum as part of the Residency Agreement. The Addendum will specify that the resident is entitled to move into an alternative unit and will specify the details of this relocation. In this situation, the resident will be given priority placement on the applicable living unit wait list. All moving expenses are the responsibility of the resident.

B. Planned Move (After Move-In) to a Different Living Unit

1. In certain circumstances, a resident will select a living unit and, once residing in that unit, will desire to relocate to another living unit. For example, a resident chooses a living unit with a view of the parking lot and then decides that a view of the University of Saint Joseph would be more appealing.
2. In this situation, the resident must notify the Sales Department of the desire to change living units. The resident's request will be noted on the applicable waiting list for the unit desired. At that time, the resident's name will be placed in the last position on the applicable wait list.
3. In the event that a unit comes available and the resident selects this unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new

entrance fee is less than the original entrance fee, no entrance refund will be provided to the resident. The Resident must also be aware that a change in monthly fees may also apply as a result of a living unit transfer. All moving expenses are the responsibility of the resident.

C. Required Move (after Move-In) to a Smaller Living Unit for Financial Reasons

1. In certain instances, due to a loss of financial means, it may become necessary to relocate to a smaller living unit.
2. In this situation, the resident must send a written request to relocate to the Administrator. The letter should request the living unit change and should note the size living unit that the resident is requesting. The Administrator will review the request and meet with the resident to review his/her financial position. After due consideration, if the request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.
3. If the resident's request is not approved, the resident's name will be placed on the unit wait list in the last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.

D. Required Move (after Move-In) to a Different Living Unit for Medical Reasons

1. In certain instances, due to a change in resident's medical status, it may become necessary for the resident to relocate to a different living unit.
2. In this situation, the resident must send a written request to relocate to the Administrator. The letter should request the living unit change and should note the location of the unit that the resident is requesting.
3. The Administrator will review the request and meet with the representatives of The McAuley to review the resident's change in medical status and the relocation request. After due consideration, if the resident's request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to a different living unit, the resident's monthly fee will be adjusted. If the resident relocates to a larger living unit, the resident's monthly fee will be adjusted. Further, if the resident relocates to a larger living unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.
4. If the resident's request is not approved, the resident's name will be placed on the unit wait list in the last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The resident's original entrance fee will be applied to the

entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.



THE McAULEY

PART OF THE MERCY COMMUNITY†

RESIDENCY AGREEMENT

WITH 150 DAYS LONG TERM CARE COVERAGE

275 Steele Road, West Hartford, CT 06117-2716
Telephone 860.920.6319 FAX 860.232.4077

THE McAULEY RESIDENCY AGREEMENT

This Residency Agreement (the “Agreement”) is entered into this _____ day of _____ between McAuley Center, Incorporated, a Connecticut non-stock corporation (or “The McAuley” or “Us”), and _____, (“You”).

This Agreement applies to Apartment _____ a _____ bedroom Apartment (the “Apartment”). (If more than one person intending to reside at The McAuley signs this Agreement, “You” shall apply to all, jointly and severally.)

PREAMBLE

The McAuley, a non-profit, tax-exempt corporation, is a Life Plan Community sponsored by Trinity Health Senior Communities, managed by Mercy Community Health, and is part of Trinity Health. It is located at 275 Steele Road, West Hartford, Connecticut. The McAuley is registered as a Managed Retirement Community (“MRC”) in Connecticut.

I. BASIC AGREEMENT

A. You agree to pay the Entrance Fee, Monthly Service Fee and any additional fees specified in Section III of this Agreement. In exchange for such payments, You will have the right, subject to the terms of this Agreement, for You to occupy the Apartment and to have access to General Services at The McAuley set forth in Section IV. A and B of this Agreement.

B. You have completed the Application and Admission process and have executed a Pre-Residency Agreement that is incorporated by reference into this Agreement.

C. Your Occupancy Date was specified by Us in your Letter of Acceptance. This Agreement must be executed by both You and Us prior to the Occupancy Date. The balance of the Entrance Fee by You will be payable to Us at the time this Agreement is executed by both You and Us.

D. Following the execution of this Agreement, but at least thirty (30) days prior to the Occupancy Date, You may request an extension of the Occupancy Date. Such request should be made in writing to Us (see Section XI. J) Our decision is final.

II. ACCOMMODATIONS AT THE COMMUNITY

A. Alterations

Any physical alteration of the Apartment by You requires the prior written approval by Us. Such alterations shall be at Your expense, and must be performed by craftsmen approved by Us. Upon death or termination of occupancy by You (or the second person if there are two people in the Apartment.) We in our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by Us will be charged to You or Your estate.

B. Access

You agree that We and our employees and agents shall have the right, at all reasonable times, subject to our policy described below regarding housekeeping, maintenance and laundry services, to enter your Apartment for purposes of management, housekeeping, maintenance, health services, enforcement of applicable laws and regulations, emergency purposes, or any other reasonable purpose. Our policy is that at least one of You must remain in the Apartment while housekeeping, maintenance and laundry services are provided, unless You waive this policy in writing by executing an Environmental Services Waiver.

C. Property Protection and Insurance

We will not be responsible for the loss of any personal property due to any cause other than our gross negligence. You agree to indemnify Us for any loss or damage to our personal property and for any injury or damage to others or to the property of others resulting from the acts, omissions, negligence or fault of You or Your guests and invitees. You shall maintain both

personal liability and personal property insurance coverage in accordance with our rules and regulations and shall provide Us with a copy of that policy or proof of purchase, upon our request.

D. Moving Expenses

You will be responsible for all moving expenses associated with Your move into and out of The McAuley. In the event that You transfer Apartments during Your occupancy at The McAuley, You will be responsible for all moving expenses associated with such transfer. In the event that You, upon meeting the terms set forth by Us for carpet replacement and re-painting, should request that We provide carpet replacement and repainting for the Apartment, You will be responsible for all moving expenses associated with these services.

III. FINANCIAL ARRANGEMENTS

A. Contract Type

Standard Refund Plan: You pay a standard Entrance Fee based on Apartment type. At the time that the Agreement is terminated, You or Your Estate (or the estate of the last surviving Resident if there are two of You) may be entitled to a refund of eighty percent (80%) of the Entrance Fee. Any interest earned on the Entrance Fee will be retained by Us.

B. Entrance Fee

The Entrance Fee for the Apartment is \$ _____. You paid a \$10,000.00 Entrance Fee Deposit prior to the execution of this Agreement. The balance of the Entrance Fee is payable in full on the date this Agreement is executed. Any interest earned on the Entrance Fee will be held in escrow and released pursuant to Connecticut law. Any interest earned on the Entrance Fee Deposit will be retained by Us.

C. Monthly Service Fees

The "Monthly Service Fee" for one person in the Apartment is \$ _____, and for a second person is \$ _____. You agree to pay the Monthly Service Fee beginning on the Occupancy Date (prorated for the actual number of days from the Occupancy Date to the end of the month in which the Occupancy Date occurs) and each month thereafter.

D. Adjustments

The amount of the Monthly Service Fee is Your share of our estimated monthly cost to operate The McAuley. The Monthly Service Fee may be adjusted from time to time, at our discretion, upon sixty (60) days

written notice to You, to reflect changes in those costs. We will limit such adjustments to amounts necessary to maintain the financial stability of The McAuley. You agree to pay the adjusted Monthly Service Fee.

E. Additional Fees

In addition to the Monthly Service Fee, You will pay our fees for any Optional Services (as defined in Section IV. B. below) rendered at The McAuley. The fees for Optional Services as of the date this Agreement is executed are set forth in the Fee Schedule found in the *Resident Handbook*. We may, from time to time, adjust fees for any Optional Services at our discretion.

F. Monthly Statement

Upon occupancy, We will issue monthly statements to You by the tenth of each month requiring payment of the Monthly Service Fee plus fees for any Optional Services defined in Section IV. B. of this Agreement. Payment will be due within ten (10) days of receipt of the monthly statement. Any outstanding amounts owed to us ten (10) days after the due date will be charged a late fee of one and one half percent (1.5%) per month until the amount owed is paid in full. If You fail to pay the amounts charged under the terms of the Agreement and We must refer the account to an attorney or collection agency, You agree to pay all charges, expenses, court costs and attorneys fees incurred by Us, not to exceed any lawful limits.

G. Transfers

In the event that You temporarily transfer to any licensed care facility including a licensed skilled nursing facility and this Agreement is not otherwise terminated, You will continue to be obligated to pay the Monthly Service Fee to Us. Your Apartment will be held as provided in Article IV, Paragraphs C and D.

H. Surviving Resident

If this Agreement is executed by two of You and either one dies, effective on the first day of the month following the death, the surviving Resident will be obligated to pay the Monthly Service Fee for single occupancy in the Apartment.

I. Personal Obligations

We shall not be liable or responsible for any expenses, debts, or other obligations incurred by You on Your own account, nor shall it be obligated to furnish, supply, or give You any support, maintenance, board or lodging while You are absent from The McAuley, except as may be provided in this Agreement.

J. Health Insurance

If You are sixty-five (65) years of age or older, You agree to enroll in and be covered by, at Your own expense, Medicare Part A and Part B, and Part D, or equivalent insurance coverage acceptable to Us under a public or private insurance plan. In addition, You agree to enroll in and be covered by a supplemental insurance policy to pay Medicare co-insurance and deductible amounts. If You are younger than sixty-five (65) years of age, You will enroll in and be covered by medical insurance coverage equivalent to the coverage provided under Medicare Part A and Part B.

You agree to provide proof of insurance coverage upon our request.

Any amounts paid or owing to You from federal, state, municipal, private, or supplemental insurance plans for services rendered to You by Us shall be paid to Us. You agree to diligently obtain all reimbursements, payments, proceeds

or other benefits available under such plans or programs and authorizes Us to take such action as may be required to obtain and recover same. Any insurance proceeds received by Us in excess of the cost of such services shall be paid to You, or in the event of Your death, to Your estate.

K. Financial Requirements for Residency

As part of the Application and Admission Process, You completed a financial disclosure. Your Financial Disclosure is attached to this Agreement. You agree that as a condition of continued residency at The McAuley, You will provide on an annual basis or as requested by Us, an update of all information contained in the Financial Disclosure on forms that will be given to You by Us.

You agree to make all reasonable efforts to conserve Your financial resources in order to enable You to meet your financial obligations under this Agreement.

IV. GENERAL SERVICES

A. Services Included in Monthly Service Fee

These services and amenities are included in the Monthly Service Fee:

1. **Services:**

- a. Normal repair and maintenance of the Apartment appliances that are provided by Us
- b. All utility expenses, except cable TV, internet, and telephone charges
- c. Town of West Hartford real estate taxes.
- d. Property and building insurance (Such insurance does not cover Your personal liability and Apartment furnishings. See Section II.)
- e. Trash removal from designated areas in accordance with environmental waste management laws and regulations

2. **Amenities:**

- a. Full kitchen facilities, including electric range, refrigerator/freezer, microwave and garbage disposal
- b. Individually controlled heating and air conditioning
- c. Sheer window treatments
- d. Emergency-alert system with call switches in each bedroom and bathroom of Apartment
- e. Smoke detector and sprinkler system in each Apartment
- f. Automatic washers and dryers located on each floor for personal laundry
- g. Apartment is pre-wired for telephones and cable television
- h. Individual mailboxes located in the Abbeyleix Building.

- i. Assigned uncovered parking space for one car (This parking space is assigned *exclusively* for vehicles driven *personally* by the resident.)
- j. Storage unit

3. Dietary Services:

- a. Continental breakfast and Your choice of lunch or dinner daily in the dining room and/or café
- b. To the extent reasonably possible, food selection will be made available to You in order to accommodate some physician-ordered dietary restrictions
- c. In the event of illness or physical inability, complimentary tray delivery may be provided to your apartment upon approval of the nurse on duty

4. Housekeeping and Laundry Services:

- a. General cleaning of Apartment every other week
- b. Weekly laundry service for The McAuley-provided bed and bath linens

5. Transportation Services:

- a. Scheduled transportation services to local shopping, banking, medical appointments and religious services

6. 24-Hour Services/Coverage:

- a. 24-hour concierge service, located in the Abbeyleix Building
- b. 24-hour health staff coverage
- c. 24-hour in Apartment emergency response system

7. Social and Recreational Activities

8. Building and grounds maintenance and custodial service:

- a. Maintenance of all community buildings, common areas and grounds, including lawns, walkways and driveways
- b. All necessary repairs, maintenance and replacement of community property and equipment located in Your Apartment, in accordance with the *Resident Handbook*

9. Health Promotion Services:

- a. You may visit our Health and Wellness Office at regularly scheduled daily times for wellness counseling and blood pressure checks.

B. Optional Services available at additional expense to You as outlined in the *Resident Handbook*

1. Additional meals not included under Dietary Services described in Section IV. A. 3
2. Guest accommodations and meals
3. Additional housekeeping, maintenance and custodial services not included in Sections IV. A. 1., IV. 4., and IV. A. 8
4. Beauty Salon/Barber Shop Services
5. Expenses incurred by Us on Your behalf that are not included in the scope of services as described in Section IV. A. above
6. Access to health services in addition to those described in Section IV. A. 9. above, including Medicare reimbursable services through a licensed home health care agency and assistance with transfers to nursing homes and hospitals
7. Assisted Living Services provided by The McAuley Assisted Living

Services Agency to those who reside in an independent living Apartment and who have a chronic and stable condition which necessitates assistance with some activities of daily living, but who do not require skilled nursing care

C. Skilled Nursing Services

1. As a resident of The McAuley, You have preferred access to Saint Mary Home for the provision of skilled nursing services based on the terms that follow below in the Section of the Agreement.
2. We will be responsible for the cost of skilled nursing care at Saint Mary Home for a maximum of one hundred fifty (150) days during Your lifetime. This skilled nursing coverage will only be applied after you have exhausted any Medicare benefits that may apply for each nursing home stay. In addition, this coverage only applies when You are admitted to Saint Mary Home.

Accommodations in Saint Mary Home will be in a semi-private room. Private rooms, Sub-Acute Rehabilitation Rooms and other specialty Unit Rooms are available for an additional fee. Once You have utilized Your one hundred fifty (150) days of skilled nursing benefit, You will be responsible for all skilled nursing charges at the then current applicable *per diem* rate.

3. If no bed is available at Saint Mary Home, We will arrange for You to be placed in a licensed skilled nursing facility in the area, reasonably acceptable to both You and Us, until a bed becomes available at Saint Mary Home.

While you are in a skilled nursing facility other than Saint Mary Home, because no bed is available for You, We will be responsible for the cost of the semi-private room rate at that skilled nursing facility, not to exceed the then current semi-private rate at Saint Mary Home. At such time as a bed becomes available at Saint Mary Home, You will be required to transfer to Saint Mary Home, In the event that you refuse to relocate to Saint Mary Home, We will no longer be responsible for the semi-private rate at Your current facility.

4. In the event that You are admitted to Saint Mary Home, We will advance to Saint Mary Home the fees that correspond to the semi-private room rate up to one hundred and fifty (150) days of a lifetime maximum benefit. If you choose another skilled nursing facility approved by Us because no bed is available at Saint Mary Home, you will be responsible to provide us with an invoice from the skilled nursing facility used by you for payment up to the one hundred fifty (150) days of lifetime maximum benefit in accordance with the terms in the preceding paragraph.
5. Placement in Saint Mary Home, whether temporary or permanent must be based on an order from your personal physician after consultation with You, Your family or legal representative and Us.
6. During your stay at Saint Mary Home, Your right to occupy the Apartment will continue and you will continue to pay the Monthly Service Fee.

D. Hospitals and Other Health Care Services

We will not provide, pay for, or indemnify You for hospital, physician, ambulance, surgical, home health care services, or for drugs, medical supplies, X-rays, laboratory and other diagnostic tests, eyeglasses or refractions, hearing aids, dentistry, dentures, inlays, orthopedic appliances, private duty nursing care, podiatric services, physical therapy, treatment for psychiatric disorders, alcoholism, or similar items or services.

In the event that You are temporarily absent from The McAuley due to hospitalization, Your right to occupy the Apartment will continue and You will remain responsible for payment of the Monthly Service Fee.

E. Private Duty Care

In the event that You wish to employ outside caregivers, companions, private duty aides or other personnel to provide services to You, You must notify the Director of Health and Wellness prior to obtaining any these services. These outside caregivers, companions, private duty aides or other personnel must comply with the personnel policies, and the rules and regulations set forth by The McAuley and The Mercy Community.

V. TERMINATION OF AGREEMENT

A. Termination by Resident

1. Prior to Occupancy

- a. You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving Us written notice by registered or certified mail. We will refund to You all fees paid to You minus an administrative fee of \$1,000.00.
- b. If You (or both of You if there are two of You) die before the Occupancy Date, We will terminate this Agreement upon receipt of written notification from Your legal representative. We will refund to Your estate or representative all fees paid to Us minus an administrative fee of \$500.00.
- c. If You cannot occupy the Apartment on the Occupancy Date due to illness, injury or incapacity of You (or both of You if there are two of You), We will terminate this Agreement upon receipt of written notification from You or Your legal representative by registered or certified mail. We will refund to You all fees paid to Us minus an administrative fee of \$500.00.
- d. If for any reason the Apartment is not available for occupancy on the Occupancy Date, You may terminate this Agreement by giving Us written notice by registered or certified mail. Upon termination of the Agreement, You will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$500.00 administrative fee.
- e. If You fail to occupy the Apartment for any other reason at least thirty (30) days following the execution of this Agreement, we will refund to You all fees paid to Us minus an administrative fee of \$1,000.00.

2. After Occupancy

- a. You may terminate this Agreement for any reason subsequent to the Occupancy Date by giving at least one hundred twenty (120) days advance written notice of the intent to terminate this Agreement and vacate the Apartment. Notice shall be sent to Us by registered or certified mail (see Section XI. J.). The notice shall specify the date upon which You will vacate the Apartment; that date shall be no earlier than one hundred and twenty (120) days from date of notice. The actual date of termination will be the latest to occur of the date specified in the notice and the date by which all of Your personal property has been removed from the Apartment. You will be responsible for paying the Monthly Service Fee until the Apartment is vacated.
- b. Subsequent to occupancy, upon Your death, or the occurrence of an illness, hospitalization or injury, which precludes You from living at The McAuley:
 - i. If You are the sole occupant of the Apartment, this Agreement will terminate when all of Your personal property has been removed from the Apartment.
 - ii. If this Agreement covers two of You, this Agreement will terminate as to the deceased or ill Resident who can no longer reside at The McAuley upon written notice of that Resident's death or notice of intent to move out. This Agreement shall remain in effect as to the surviving Resident with appropriate adjustment of the Monthly Service Fee, as set forth in Section III. B. of this Agreement.

iii. In the event of a Resident's death, the Resident's estate or family will only be responsible for payment of the Monthly Service Fee for a period of time not to exceed fifteen (15) days following the date of death as long as the Resident's personal property has been removed from the Apartment.

3. Entrance Fee refund procedures are set forth in Section VIII.

B. Termination by Us

We may terminate this Agreement upon the occurrence of any of the following events, by sending You a written notice:

1. Termination Prior to Occupancy Date

- a. A misrepresentation on Your Financial Disclosure;
- b. A disposition of Your assets that, in Our judgment, materially impairs Your ability to pay future Monthly Service Fees;
- c. A decline in Your medical and/or cognitive condition that, in Our judgment, impairs Your ability to live independently;
- d. You fail to pay the balance of the Entrance Fee when due.

2. Termination Subsequent to Occupancy for Non-Medical Reasons

If You default under this Agreement, We will give You written notice of Your default. You will have thirty (30) days from date of such notice to cure the default. If the default is not cured within such thirty (30) day

period, this Agreement will terminate. The following shall constitute Your default:

- a. If We determine that information on the Application for Residency is erroneous or that any material facts affecting qualification for residency were not disclosed.
- b. If You (or either of You if there are two of You) fail to comply with Our rules and regulations of Us or the terms of this Agreement.
- c. If You (or either of You if there are two of You) create a situation detrimental to the health, safety or peaceful living of You, other Residents or Our staff as determined by Us.
- d. If You make any disposition of Your assets which, in Our judgment, materially impairs Your ability to pay the current or future Monthly Service Fee or other costs pursuant to this Agreement.
- e. If You fail to pay the Monthly Service Fee or other amounts owing to Us within ten (10) days of the due date, unless other mutually satisfactory arrangements have been made. It is Our intention that this Agreement shall not be terminated solely because of financial inability to pay the fees to the extent that:
 - a) the inability to pay is not the result of the willful action of You; and
 - b) in Our judgment, the financial viability of The McAuley will not be jeopardized by such failure to pay amounts due. In the event that You are unable to pay Your Monthly Service Fee as described above, The McAuley will assist You in finding alternative living arrangements that, in Our assessment, will meet Your needs. During such time that We are assisting You to find alternative living arrangements, but not to exceed thirty

(30) days, You will not be required to pay Your Monthly Service Fee to The McAuley. Once, in Our opinion, an suitable alternate living arrangement has been identified, the move out must occur within thirty (30) days. Moving expenses will be Your responsibility.

We reserve the right to terminate this Agreement immediately without advance notice in the event a default under b. or c. of this subsection jeopardizes the health, safety or welfare of You or other Residents of The McAuley.

3. Termination Subsequent to Occupancy for Medical Reasons

We may terminate this Agreement after occupancy, if You are in need of treatment and services for any condition for which We are not licensed or for which care is not customarily provided in The McAuley or a skilled nursing facility. If any of the above situations is determined to be temporary in nature, the Apartment will remain reserved for You and You will remain responsible for payment of the Monthly Service Fee. If it is determined that the situation is not temporary in nature, all Our obligations and all of Your rights in this Agreement will terminate as of the date of such determination; provided, however, that any right You may have to receive a refund of any portion of the Entrance Fee in accordance with Section VIII. and Your obligations to make payments to Us for any balance that accrued prior to the termination, will survive the termination.

4. Entrance Fee

Entrance Fees shall be refunded in accordance with Section VIII of this Agreement.

VI. SPECIAL OCCUPANCY CIRCUMSTANCES

A. Death of Resident

If two of You sign this Agreement and one of You dies, this Agreement shall remain in effect as to the surviving Resident.

B. Separation

1. If two of You sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy You desire separate Apartments, one of You may remain in the Apartment and the other may transfer to another Apartment (subject to Our Internal Transfer Guidelines) upon payment of the then current monthly Service Fees and Entrance Fee pertaining to that other Apartment. In addition, the Resident securing the second Apartment will be required to execute a new and separate Agreement. The Resident remaining in the Apartment will be obligated to pay the single occupancy Monthly Service Fee for that Apartment. There will not be a refund of any portion of the original Entrance Fee paid by both parties for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the Resident remaining in the Apartment and the refund

provisions of the new Agreement will apply with respect to the Resident moving to the new Apartment.

2. If two of You sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy You both choose to reside in different Apartments, You both may transfer, subject to Apartment availability (refer to Our Internal Transfer Guidelines) upon payment of the then current Monthly Service Fee and Entrance Fee pertaining to the new Apartments. In addition, You both will be required to execute new and separate Agreements. There will not be a refund of any portion of the original Entrance Fee paid by both of You for the original Apartment at that time. The refund provisions of the new Agreements will apply with respect to both of You.

3. If two of You sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy one of You desires to leave The McAuley permanently for another residence, then the Resident leaving The McAuley will surrender all rights under this Agreement (see Termination by Resident). The remaining Resident will retain all rights under this Agreement (see Termination by Resident). The remaining Resident will retain all rights as a Resident and will pay the single occupancy Monthly Service Fee for the Apartment. There will not be a refund of any portion of the original Entrance Fee paid by both parties for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the person remaining in the Apartment. The refund provisions of this Agreement will be operative only upon the death or termination of occupancy of the remaining Resident.

C. Resident Marriage

1. If You marry another Resident and both of You desire to reside in the same Apartment, You both may either, a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If You and the other Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by Us (subject to Our Internal Transfer Guidelines). In either case, We will honor the existing Agreement for each of You. If the Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by the two Residents, You will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once residing together, the Monthly Service Fee will be adjusted so that one of You will pay the Monthly Service Fee for the Apartment style in which the couple resides, and the second Resident will pay the Monthly Service Fee for a Studio Apartment.

2. If You marry a non-resident and You both desire to live in Your Apartment, the non-Resident must apply to Us for residency and meet all applicable Application and Admission requirements.
 - i. If the non-Resident spouse is accepted for residency, a new Residency Agreement must be executed by all parties. An applicable Monthly Service Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original

- Entrance Fee paid by You, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by You, Your Spouse and Us.
- ii. If the non-Resident spouse is not accepted for residency, We and You will execute an Addendum to the Agreement with respect to living arrangements for the non- Resident spouse. An applicable Monthly Service Fee adjustment will apply. The non-Resident spouse will be subject to Our rules and regulations, as amended from time to time.

D. Special Resident Occupancy

1. If You decide to reside in the same apartment with another current Resident who previously resided in a different Apartment, You and the other Resident may either: a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If You and the other Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by Us (subject to Our Internal Transfer Guidelines). In either case, We will honor the existing Agreement for You and for the other Resident. If the Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by the two Yous, You will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once residing together, the Monthly Service Fee will be adjusted so that one of You will pay the Monthly Service Fee for the Apartment style in which the two of You reside, and the second will pay the Monthly Service Fee for a Studio Apartment.

2. If a You and a non-Resident desire to live in Your Apartment, the non-Resident must apply to Us for residency and meet all applicable Application and Admission requirements.
 - i. If the non-Resident is accepted for residency, a new Residency Agreement must be executed by You and the non-Resident. An applicable Monthly Service Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original Entrance Fee paid by You, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by You, the non-Resident, and Us.
 - ii. If the non-Resident is not accepted for residency, We and You will execute an Addendum to Your Agreement with respect to living arrangements for the non-Resident spouse. An applicable Monthly Service Fee adjustment will apply. The non-Resident will be subject to Our rules and regulations, as amended from time to time.

E. Guests

Guests staying in Resident Apartments are welcome at all times. Any visitation in the Apartment by a non-Resident for more than a two-week period in any calendar year must be arranged with, and expressly approved in writing by Us. Guest meals will be available for an additional charge that will be added to Your Monthly Statement.

VII. TRANSFER TO A DIFFERENT APARTMENT

If You wish to transfer to a different Apartment, You must notify Us in writing of the desire to transfer Apartments. A Fee of \$10,000.00 will be assessed once the transfer is approved. We will assist You with such a transfer, subject to Our Internal Transfer Guidelines. Our Internal Transfer Guidelines are incorporated by reference into, and attached as Exhibit 1 of this Agreement. When a new Apartment is available and You transfer, the Monthly Service Fee and the Entrance Fee will be adjusted to the then current charges for that Apartment type. The parties will amend this Agreement in writing prior to the transfer becoming effective to reflect such adjustments. If the current Entrance Fee for the new Apartment is less than the original Entrance Fee paid by You, there will be no refund of any portion of the Entrance Fee. All refunds will be made in accordance with Section VIII upon termination of this Agreement. We have established policies on the procedures and charges for transfers and may, from time to time, adjust this policy.

VIII. REFUND OF ENTRANCE FEE

In the event this Agreement is executed by two persons, the Entrance Fee refund Procedures set forth below in this Section shall not apply until the last of the two of You dies or this Agreement is otherwise terminated by both of You as set forth in Section V of this Agreement.

A. Prior to the Occupancy Date

1. Apartment Not Available

If for any reason the Apartment is not available for occupancy on the Occupancy Date, You may terminate this Agreement. Upon termination of the Agreement, You will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$500.00 administrative fee. Such refund will be issued within thirty (30) days of the receipt of the notice of termination.

2. Death, Illness, Injury or Incapacity of Resident

If for reason of death, illness or injury, or incapacity, You are not able to occupy Apartment on the Occupancy Date, We will refund the Entrance Fee paid, without interest, minus a \$500.00 administrative fee, within thirty (30) days of receipt of the notice required under Section V. A.1 above.

3. Termination Within Thirty (30) Days of Execution of this Agreement

You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving us written notice by registered, or certified mail. We will refund to you all fees paid to you minus an administrative fee of \$1,000.00.

4. If for any other reason, You are not able to or choose not to occupy Apartment on the Occupancy Date and more than thirty (30) days have passed since execution of this Agreement, We will refund the Entrance Fee paid, without interest, minus a \$1,000.00 administrative fee, within thirty (30) days of receipt of the notice required under Section V.A.1.

B. Subsequent to the Occupancy Date – Standard Rental Refund Plan

Standard Refund Plan

You, at the time this Agreement was executed, selected the Standard Refund Plan. During the first twenty-four month (24) months from the Occupancy Date, there will be a refund of eighty percent (80%) of the original entrance fee paid, less four percent (4%) of that amount for each full month from the Occupancy Date to the date the Apartment is vacated (and empty of all personal possessions) or the Agreement is terminated, whichever comes later. Any interest earned on the Entrance Fee will be retained by us.

In situations involving serious deterioration of your health requiring nursing home placement or your death (or, if there are two of you, the nursing home placement or death of both of you) during the first twenty-four (24) months from the Occupancy Date, there will be an eighty percent (80%) refund, without interest, of the original Entrance Fee paid by the You.

Subsequent to the first twenty-four (24) months from the Occupancy Date, there will be an eighty percent (80%) refund, without interest, of the original Entrance Fee paid by You.

C. Refund Payment

Any refunds due to You or Your estate pursuant to the prior two paragraphs will be payable within sixty (60) days following the later date when both of the following events first occur, *but in no case shall the refund be delivered to you or your estate later than three years from the date this contract is terminated:*

1. We receive an Entrance Fee for an Apartment similar in style (*e.g.* studio, one bedroom, *etc.*) to Your Apartment; and
2. We have refunded all other entrance fees due and payable pursuant to residency agreements for like Apartment styles pursuant to residency agreements that terminated prior to the termination of this Agreement.

Notwithstanding the foregoing, We may, at our option, deduct from any Entrance Fee refund any monies advanced to You by Us and any monies owed Us under Section III of this Agreement or under any other provision of this Agreement. In the event that You have incurred charges which exceed the Entrance Fee refund balance, no refund will be issued and You or Your estate will be liable and billed for the excess amount.

We will pay any refund due hereunder to You or Your estate if You are deceased, unless We are otherwise directed by written instructions signed by You and accepted by Us.

IX. EXTENDED ABSENCE

If You are away from The McAuley for fourteen (14) or more consecutive days due to an admission into an acute care setting, a rehabilitation stay or a temporary stay in a skilled nursing facility, You will receive a daily meal credit on Your Monthly Statement for those days when You were away from The McAuley. The credit for missed meals will be calculated upon your return and will be reflected in your following months statement. Your right to occupy the Apartment and Your payment obligations will be as set forth in Section IV.D above.

X. VACATING APARTMENT

Upon termination of this Agreement, You must vacate the Apartment within thirty (30) days. For purposes of this Agreement, the Apartment will not be considered vacated until all of Your personal property is removed from the Apartment. You will be responsible for the Monthly Service Fee during this thirty (30) day period; provided, however, that if the Agreement is terminated as a result of Your death, Your estate or family will only be responsible for payment of the Monthly Service Fee for a period of time not to exceed fifteen (15) days following Your death as long as Your Apartment has been vacated. If the Apartment is not vacated within the thirty (30) days, We will have the right to remove and store all property left in the Apartment after thirty (30) days. You will be responsible for the costs incurred as a result of moving and storing such items. Property left in storage for ninety (90) days or more may be disposed of by Us at Your expense.

When You vacate the Apartment, We expect that the Apartment will be left in the same condition as of the Occupancy Date, ordinary wear and tear excluded. We may charge You for any damage to the Apartment that, at Our discretion, is deemed as not the result of ordinary wear and tear. If with Our permission, You physically altered the Apartment, We, in Our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by Us will be charged to You.

XI. MISCELLANEOUS

A. Fees Not Held in Trust

All fees paid to Us, including Entrance Fees, shall become the sole property of Us as payment for residence and services, except to the extent that Entrance Fees may be refundable under this Agreement.

B. Subordination

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

C. Property Rights

This Agreement grants You a revocable license to occupy and use space in The McAuley. This Agreement is not a lease and does not

transfer or grant to You any ownership interest or rights of tenancy in real or personal property owned or leased by Us. Your rights under this Agreement, except Your rights to any refunds to which You are entitled under this Agreement, are subject to all terms and conditions of this Agreement and are subordinate to any mortgage, financing deed, deed of trust, or other financing on The McAuley.

D. Arrangements for Conservatorship

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

E. Rules and Regulations

We shall have the right to adopt or amend such reasonable policies, rules, regulations, guidelines and operating procedures (“Rules and Regulations”) as deemed necessary or desirable for proper management and operation and for the health, safety and comfort of the Residents. The *Resident Handbook* summarizes many of Our Rules and Regulations, and is incorporated by reference into this Agreement. You agree to abide by the Rules and Regulations.

F. Smoking

The McAuley is a smoke-free campus; therefore, smoking is prohibited. This applies to all areas in The McAuley, including but not

limited to: The McAuley vehicles, Your apartments, apartment balconies, the front entrances to each building, all dining areas, meeting rooms, activity areas and all corridors, and all grounds belonging to The Mercy Community. This prohibition applies to everyone, including all Residents, family members, overnight guests, visitors, and private duty assistants.

G. Compliance with Laws and Regulations

We will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection from financial exploitation. We will afford You all rights and privileges under Section 17b-520 *et seq.* Connecticut General Statutes.

H. Grievance Procedure

You may present a formal complaint about any alleged violation of the Residency Agreement. The complaint must be submitted in writing and delivered to the Executive Director at the address specified in Paragraph J below. Upon receipt of a formal written complaint, the Executive Director or designee will respond within five (5) business days. The Executive Director or designee will respond in writing after conducting an investigation. If You are not satisfied with the response, You may appeal the decision to the Chief Executive Officer (CEO) of Mercy Community Health. This appeal must be made in writing and delivered to the CEO at The McAuley, 275 Steele Road, West Hartford, CT, 06117, Attn.: Chief Executive Officer. Under no circumstances will The McAuley, its Executive Director, or the CEO or any other agent allow or permit retaliation against a Resident who has filed a complaint.

I. Accuracy of Information

You represent and warrant that all information that You have submitted or will submit to Us, including but not limited to annual financial statements, is true and complete. You understand and acknowledge that We are relying on such information.

J. Notices

All written notices required by this Agreement will be sufficient if addressed:

1. If to You: to Your Apartment at The McAuley;
2. If to Us, to the Executive Director, The McAuley, 275 Steele Road, West Hartford, CT 06117.

Unless otherwise specified in this Agreement, all written notices shall be sent by registered or certified U.S. Mail, overnight express courier service, or messenger service and shall be deemed issued when delivered or when acceptance is refused.

K. Waiver

Our failure in any one or more instances to insist upon strict compliance by You with any of the terms of this Agreement shall not be construed to be a waiver by Us of such term(s) or of the right to insist upon strict compliance by You with any of the other terms of this Agreement.

L. Assignment

Your rights and benefits under this Agreement (except for the possible right to a refund of some part of the Entrance Fee) are not assignable and will not inure to the use or benefit of the heirs, legatees, assignees or representatives of You, but Your obligations under this Agreement shall bind Your heirs, legatees, assignees or representatives. The Agreement shall bind and inure to the benefit of Our successors and assigns.

M. Entire Agreement

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

N. Interpretation of Agreement

No amendment of this Agreement will be valid unless executed in writing by both You and Us.

The invalidity of any restriction, condition or other provision of this Agreement will not impair or affect in any way the validity or enforceability of the remainder of this Agreement. This Agreement will be interpreted according to the laws of the State of Connecticut.

O. Counterparts

This Agreement may be executed in counterparts.

Executed at West Hartford, Connecticut on this _____ day
of _____, 20 ____ .

RESIDENT(S):

THE PROVIDER:

McAuley Center, Inc.
a Connecticut not-for-profit
corporation.

(Signature)

By: _____
Its Executive Director

(Printed Name)

(Signature)

(Printed Name)

EXHIBIT 1 (Internal Transfers and Guidelines)

1. Policy Statement

- A. All residents choose their independent living unit prior to occupancy. Once the resident occupies the living unit, the applicable unit is considered the resident's primary residence. From time to time, and in consideration of a number of factors, it may be necessary for the resident to move to a different independent living unit. Any internal transfer from the primary residence to another living unit at The McAuley is subject to the Internal Transfer Guidelines.
- B. Current residents who desire to change units and make these requests are also placed on a waiting list. In this case, the name is placed in the last position for the living unit type requested.
- C. In certain circumstances, a current resident of The McAuley may request a living unit change for financial or medical reasons. In this case, The McAuley will give priority placement on the applicable waiting list. Priority consideration means that the current resident will be placed in the first position on the waiting list.

2. Internal Transfer Procedure

There are four (4) possible scenarios with respect to an internal transfer of living units. The following guidelines apply to these specific unit transfers.

A. Pre-Arranged Move (Prior to Move-In) to a Different Living Unit

1. In certain circumstances, a resident may elect to move to The McAuley and into an available living unit, even if that unit is not the resident's choice.
2. In this situation, The McAuley and the resident will enter into an Addendum as part of the Residency Agreement. The Addendum will specify that the resident is entitled to move into an alternative unit and will specify the details of this relocation. In this situation, the resident will be given priority placement on the applicable living unit wait list. All moving expenses are the responsibility of the resident.

B. Planned Move (After Move-In) to a Different Living Unit

1. In certain circumstances, a resident will select a living unit and, once residing in that unit, will desire to relocate to another living unit. For example, a resident chooses a living unit with a view of the parking lot and then decides that a view of the University of Saint Joseph would be more appealing.
2. In this situation, the resident must notify the Sales Department of the desire to change living units. The resident's request will be noted on the applicable waiting list for the unit desired. At that time, the resident's name will be placed in the last position on the applicable wait list.
3. In the event that a unit comes available and the resident selects this unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new

entrance fee is less than the original entrance fee, no entrance refund will be provided to the resident. The Resident must also be aware that a change in monthly fees may also apply as a result of a living unit transfer. All moving expenses are the responsibility of the resident.

C. Required Move (after Move-In) to a Smaller Living Unit for Financial Reasons

1. In certain instances, due to a loss of financial means, it may become necessary to relocate to a smaller living unit.
2. In this situation, the resident must send a written request to relocate to the Executive Director. The letter should request the living unit change and should note the size living unit that the resident is requesting. The Executive Director will review the request and meet with the resident to review his/her financial position. After due consideration, if the request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.
3. If the resident's request is not approved, the resident's name will be placed on the unit wait list in the last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.

D. Required Move (after Move-In) to a Different Living Unit for Medical Reasons

1. In certain instances, due to a change in resident's medical status, it may become necessary for the resident to relocate to a different living unit.
2. In this situation, the resident must send a written request to relocate to the Executive Director. The letter should request the living unit change and should note the location of the unit that the resident is requesting.
3. The Executive Director will review the request and meet with the representatives of The McAuley to review the resident's change in medical status and the relocation request. After due consideration, if the resident's request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to a different living unit, the resident's monthly fee will be adjusted. If the resident relocates to a larger living unit, the resident's monthly fee will be adjusted. Further, if the resident relocates to a larger living unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.
4. If the resident's request is not approved, the resident's name will be placed on the unit wait list in the last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The resident's original entrance fee will be applied to the

entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.



THE McAULEY

PART OF THE MERCY COMMUNITY†

RESIDENCY AGREEMENT WITHOUT LONG TERM CARE COVERAGE

275 Steele Road, West Hartford, CT 06117-2716
Telephone 860.920.6319 FAX 860.232.4077

THE McAULEY RESIDENCY AGREEMENT

This Residency Agreement (the “Agreement”) is entered into this _____ day of _____ between McAuley Center, Incorporated, a Connecticut non-stock corporation (or “The McAuley” or “Us”), and _____, (“You”).

This Agreement applies to Apartment _____ a _____ bedroom Apartment (the “Apartment”). (If more than one person intending to reside at The McAuley signs this Agreement, “You” shall apply to all, jointly and severally.)

PREAMBLE

The McAuley, a non-profit, tax-exempt corporation, is a Life Plan Community sponsored by Trinity Health Senior Communities, managed by Mercy Community Health, and is part of Trinity Health. It is located at 275 Steele Road, West Hartford, Connecticut. The McAuley is registered as a Managed Retirement Community (“MRC”) in Connecticut.

I. BASIC AGREEMENT

A. You agree to pay the Entrance Fee, Monthly Service Fee and any additional fees specified in Section III of this Agreement. In exchange for such payments, You will have the right, subject to the terms of this Agreement, for You to occupy the Apartment and to have access to General Services at The McAuley set forth in Section IV. A and B of this Agreement.

B. You have completed the Application and Admission process and have executed a Pre-Residency Agreement that is incorporated by reference into this Agreement.

C. Your Occupancy Date was specified by Us in your Letter of Acceptance. This Agreement must be executed by both You and Us prior to the Occupancy Date. The balance of the Entrance Fee by You will be payable to Us at the time this Agreement is executed by both You and Us.

D. Following the execution of this Agreement, but at least thirty (30) days prior to the Occupancy Date, You may request an extension of the Occupancy Date. Such request should be made in writing to Us (see Section XI. J) Our decision is final.

II. ACCOMMODATIONS AT THE COMMUNITY

A. Alterations

Any physical alteration of the Apartment by You requires the prior written approval by Us. Such alterations shall be at Your expense, and must be performed by craftsmen approved by Us. Upon death or termination of occupancy by You (or the second person if there are two people in the Apartment.) We in our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by Us will be charged to You or Your estate.

B. Access

You agree that We and our employees and agents shall have the right, at all reasonable times, subject to our policy described below regarding housekeeping, maintenance and laundry services, to enter your Apartment for purposes of management, housekeeping, maintenance, health services, enforcement of applicable laws and regulations, emergency purposes, or any other reasonable purpose. Our policy is that at least one of You must remain in the Apartment while housekeeping, maintenance and laundry services are provided, unless You waive this policy in writing by executing an Environmental Services Waiver.

C. Property Protection and Insurance

We will not be responsible for the loss of any personal property due to any cause other than our gross negligence. You agree to indemnify Us for any loss or damage to our personal property and for any injury or damage to others or to the property of others resulting from the acts, omissions, negligence or fault of You or Your guests and invitees. You shall maintain both

personal liability and personal property insurance coverage in accordance with our rules and regulations and shall provide Us with a copy of that policy or proof of purchase, upon our request.

D. Moving Expenses

You will be responsible for all moving expenses associated with Your move into and out of The McAuley. In the event that You transfer Apartments during Your occupancy at The McAuley, You will be responsible for all moving expenses associated with such transfer. In the event that You, upon meeting the terms set forth by Us for carpet replacement and re-painting, should request that We provide carpet replacement and repainting for the Apartment, You will be responsible for all moving expenses associated with these services.

III. FINANCIAL ARRANGEMENTS

A. Contract Type

Standard Refund Plan: You pay a standard Entrance Fee based on Apartment type. At the time that the Agreement is terminated, You or Your Estate (or the estate of the last surviving Resident if there are two of You) may be entitled to a refund of the Entrance Fee as described in this Agreement. Any interest earned on the Entrance Fee will be retained by Us.

B. Entrance Fee

The Entrance Fee for the Apartment is \$ _____. You paid a \$10,000.00 Entrance Fee Deposit prior to the execution of this Agreement. The balance of the Entrance Fee is payable in full on the date this Agreement is executed. Any interest earned on the Entrance Fee will be held in escrow and released pursuant to Connecticut law. Any interest earned on the Entrance Fee Deposit will be retained by Us.

C. Monthly Service Fees

The "Monthly Service Fee" for one person in the Apartment is \$ _____, and for a second person is \$ _____. You agree to pay the Monthly Service Fee beginning on the Occupancy Date (prorated for the actual number of days from the Occupancy Date to the end of the month in which the Occupancy Date occurs) and each month thereafter.

D. Adjustments

The amount of the Monthly Service Fee is Your share of our estimated monthly cost to operate The McAuley. The Monthly Service Fee may be adjusted from time to time, at our discretion, upon sixty (60) days

written notice to You, to reflect changes in those costs. We will limit such adjustments to amounts necessary to maintain the financial stability of The McAuley. You agree to pay the adjusted Monthly Service Fee.

E. Additional Fees

In addition to the Monthly Service Fee, You will pay our fees for any Optional Services (as defined in Section IV. B. below) rendered at The McAuley. The fees for Optional Services as of the date this Agreement is executed are set forth in the Fee Schedule found in the *Resident Handbook*. We may, from time to time, adjust fees for any Optional Services at our discretion.

F. Monthly Statement

Upon occupancy, We will issue monthly statements to You by the tenth of each month requiring payment of the Monthly Service Fee plus fees for any Optional Services defined in Section IV. B. of this Agreement. Payment will be due within ten (10) days of receipt of the monthly statement. Any outstanding amounts owed to us ten (10) days after the due date will be charged a late fee of one and one half percent (1.5%) per month until the amount owed is paid in full. If You fail to pay the amounts charged under the terms of the Agreement and We must refer the account to an attorney or collection agency, You agree to pay all charges, expenses, court costs and attorneys fees incurred by Us, not to exceed any lawful limits.

G. Transfers

In the event that You temporarily transfer to any licensed care facility including a licensed skilled nursing facility and this Agreement is not otherwise terminated, You will continue to be obligated to pay the Monthly Service Fee to Us. Your Apartment will be held as provided in Article IV, Paragraphs C and D.

H. Surviving Resident

If this Agreement is executed by two of You and either one dies, effective on the first day of the month following the death, the surviving Resident will be obligated to pay the Monthly Service Fee for single occupancy in the Apartment.

I. Personal Obligations

We shall not be liable or responsible for any expenses, debts, or other obligations incurred by You on Your own account, nor shall it be obligated to furnish, supply, or give You any support, maintenance, board or lodging while You are absent from The McAuley, except as may be provided in this Agreement.

J. Health Insurance

If You are sixty-five (65) years of age or older, You agree to enroll in and be covered by, at Your own expense, Medicare Part A and Part B, and Part D, or equivalent insurance coverage acceptable to Us under a public or private insurance plan. In addition, You agree to enroll in and be covered by a supplemental insurance policy to pay Medicare co-insurance and deductible amounts. If You are younger than sixty-five (65) years of age, You will enroll in and be covered by medical insurance coverage equivalent to the coverage provided under Medicare Part A and Part B.

You agree to provide proof of insurance coverage upon our request.

Any amounts paid or owing to You from federal, state, municipal, private, or supplemental insurance plans for services rendered to You by Us shall be paid to Us. You agree to diligently obtain all reimbursements, payments, proceeds

or other benefits available under such plans or programs and authorizes Us to take such action as may be required to obtain and recover same. Any insurance proceeds received by Us in excess of the cost of such services shall be paid to You, or in the event of Your death, to Your estate.

K. Financial Requirements for Residency

As part of the Application and Admission Process, You completed a financial disclosure. Your Financial Disclosure is attached to this Agreement. You agree that as a condition of continued residency at The McAuley, You will provide on an annual basis or as requested by Us, an update of all information contained in the Financial Disclosure on forms that will be given to You by Us.

You agree to make all reasonable efforts to conserve Your financial resources in order to enable You to meet your financial obligations under this Agreement.

IV. GENERAL SERVICES

A. Services Included in Monthly Service Fee

These services and amenities are included in the Monthly Service Fee:

1. **Services:**

- a. Normal repair and maintenance of the Apartment appliances that are provided by Us
- b. All utility expenses, except cable TV, internet, and telephone charges
- c. Town of West Hartford real estate taxes.
- d. Property and building insurance (Such insurance does not cover Your personal liability and Apartment furnishings. See Section II.)
- e. Trash removal from designated areas in accordance with environmental waste management laws and regulations

2. **Amenities:**

- a. Full kitchen facilities, including electric range, refrigerator/freezer, microwave and garbage disposal
- b. Individually controlled heating and air conditioning
- c. Sheer window treatments
- d. Emergency-alert system with call switches in each bedroom and bathroom of Apartment
- e. Smoke detector and sprinkler system in each Apartment
- f. Automatic washers and dryers located on each floor for personal laundry
- g. Apartment is pre-wired for telephones and cable television
- h. Individual mailboxes located in the Abbeyleix Building.

- i. Assigned uncovered parking space for one car (This parking space is assigned *exclusively* for vehicles driven *personally* by the resident.)
- j. Storage unit

3. Dietary Services:

- a. Continental breakfast and Your choice of lunch or dinner daily in the dining room and/or café
- b. To the extent reasonably possible, food selection will be made available to You in order to accommodate some physician-ordered dietary restrictions
- c. In the event of illness or physical inability, complimentary tray delivery may be provided to your apartment upon approval of the nurse on duty

4. Housekeeping and Laundry Services:

- a. General cleaning of Apartment every other week
- b. Weekly laundry service for The McAuley-provided bed and bath linens

5. Transportation Services:

- a. Scheduled transportation services to local shopping, banking, medical appointments and religious services

6. 24-Hour Services/Coverage:

- a. 24-hour concierge service, located in the Abbeyleix Building
- b. 24-hour health staff coverage
- c. 24-hour in Apartment emergency response system

7. Social and Recreational Activities

8. Building and grounds maintenance and custodial service:

- a. Maintenance of all community buildings, common areas and grounds, including lawns, walkways and driveways
- b. All necessary repairs, maintenance and replacement of community property and equipment located in Your Apartment, in accordance with the *Resident Handbook*

9. Health Promotion Services:

- a. You may visit our Health and Wellness Office at regularly scheduled daily times for wellness counseling and blood pressure checks.

B. Optional Services available at additional expense to You as outlined in the *Resident Handbook*

- 1. Additional meals not included under Dietary Services described in Section IV. A. 3
- 2. Guest accommodations and meals
- 3. Additional housekeeping, maintenance and custodial services not included in Sections IV. A. 1., IV. 4., and IV. A. 8
- 4. Beauty Salon/Barber Shop Services
- 5. Expenses incurred by Us on Your behalf that are not included in the scope of services as described in Section IV. A. above
- 6. Access to health services in addition to those described in Section IV. A. 9. above, including Medicare reimbursable services through a licensed home health care agency and assistance with transfers to nursing homes and hospitals
- 7. Assisted Living Services provided by The McAuley Assisted Living

Services Agency to those who reside in an independent living Apartment and who have a chronic and stable condition which necessitates assistance with some activities of daily living, but who do not require skilled nursing care

C. Skilled Nursing Services

1. As a resident of The McAuley, You have preferred access to Saint Mary Home for the provision of skilled nursing services for residents of The McAuley.
2. During your temporary stay in a skilled nursing facility, including Saint Mary Home, your right to occupy the Apartment will continue and you will continue to pay the Monthly Rental Fee. Expenses incurred by You while temporarily placed in a skilled nursing facility shall be your obligation.

D. Hospitals and Other Health Care Services

We will not provide, pay for, or indemnify You for hospital, physician, ambulance, surgical, home health care services, or for drugs, medical supplies, X-rays, laboratory and other diagnostic tests, eyeglasses or refractions, hearing aids, dentistry, dentures, inlays, orthopedic appliances, private duty nursing care, podiatric services, physical therapy, treatment for psychiatric disorders, alcoholism, or similar items or services.

In the event that You are temporarily absent from The McAuley due to hospitalization, Your right to occupy the Apartment will continue and You will remain responsible for payment of the Monthly Service Fee.

E. Private Duty Care

In the event that You wish to employ outside caregivers, companions, private duty aides or other personnel to provide services to You, You must notify the Director of Health and Wellness prior to obtaining any these services. These outside caregivers, companions, private duty aides or other personnel must comply with the personnel policies, and the rules and regulations set forth by The McAuley and The Mercy Community.

V. TERMINATION OF AGREEMENT

A. Termination by Resident

1. Prior to Occupancy

- a. You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving Us written notice by registered or certified mail. We will refund to You all fees paid to You minus an administrative fee of \$1,000.00.
- b. If You (or both of You if there are two of You) die before the Occupancy Date, We will terminate this Agreement upon receipt of written notification from Your legal representative. We will refund to Your estate or representative all fees paid to Us minus an administrative fee of \$500.00.

- c. If You cannot occupy the Apartment on the Occupancy Date due to illness, injury or incapacity of You (or both of You if there are two of You), We will terminate this Agreement upon receipt of written notification from You or Your legal representative by registered or certified mail. We will refund to You all fees paid to Us minus an administrative fee of \$500.00.
- d. If for any reason the Apartment is not available for occupancy on the Occupancy Date, You may terminate this Agreement by giving Us written notice by registered or certified mail. Upon termination of the Agreement, You will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$500.00 administrative fee.
- e. If You fail to occupy the Apartment for any other reason at least thirty (30) days following the execution of this Agreement, we will refund to You all fees paid to Us minus an administrative fee of \$1,000.00.

2. After Occupancy

- a. You may terminate this Agreement for any reason subsequent to the Occupancy Date by giving at least one hundred twenty (120) days advance written notice of the intent to terminate this Agreement and vacate the Apartment. Notice shall be sent to Us by registered or certified mail (see Section XI. J.). The notice shall specify the date upon which You will vacate the Apartment; that date shall be no earlier than one hundred and twenty (120) days from date of notice. The actual date of termination will be the latest to occur of the date specified in the notice and the date by which all of Your personal property has been removed from the Apartment. You will be responsible for paying the Monthly Service Fee until the Apartment is vacated.

- b. Subsequent to occupancy, upon Your death, or the occurrence of an illness, hospitalization or injury, which precludes You from living at The McAuley:
 - i. If You are the sole occupant of the Apartment, this Agreement will terminate when all of Your personal property has been removed from the Apartment.
 - ii. If this Agreement covers two of You, this Agreement will terminate as to the deceased or ill Resident who can no longer reside at The McAuley upon written notice of that Resident's death or notice of intent to move out. This Agreement shall remain in effect as to the surviving Resident with appropriate adjustment of the Monthly Service Fee, as set forth in Section III. B. of this Agreement.
 - iii. In the event of a Resident's death, the Resident's estate or family will only be responsible for payment of the Monthly Service Fee for a period of time not to exceed fifteen (15) days following the date of death as long as the Resident's personal property has been removed from the Apartment.

- 3. Entrance Fee refund procedures are set forth in Section VIII.

B. Termination by Us

We may terminate this Agreement upon the occurrence of any of the following events, by sending You a written notice:

1. Termination Prior to Occupancy Date

- a. A misrepresentation on Your Financial Disclosure;

- b. A disposition of Your assets that, in Our judgment, materially impairs Your ability to pay future Monthly Service Fees;
- c. A decline in Your medical and/or cognitive condition that, in Our judgment, impairs Your ability to live independently;
- d. You fail to pay the balance of the Entrance Fee when due.

2. Termination Subsequent to Occupancy for Non-Medical Reasons

If You default under this Agreement, We will give You written notice of Your default. You will have thirty (30) days from date of such notice to cure the default. If the default is not cured within such thirty (30) day period, this Agreement will terminate. The following shall constitute Your default:

- a. If We determine that information on the Application for Residency is erroneous or that any material facts affecting qualification for residency were not disclosed.
- b. If You (or either of You if there are two of You) fail to comply with Our rules and regulations of Us or the terms of this Agreement.
- c. If You (or either of You if there are two of You) create a situation detrimental to the health, safety or peaceful living of You, other Residents or Our staff as determined by Us.
- d. If You make any disposition of Your assets which, in Our judgment, materially impairs Your ability to pay the current or future Monthly Service Fee or other costs pursuant to this Agreement.
- e. If You fail to pay the Monthly Service Fee or other amounts owing to Us within ten (10) days of the due date, unless other mutually satisfactory arrangements have been made. It is

Our intention that this Agreement shall not be terminated solely because of financial inability to pay the fees to the extent that: a) the inability to pay is not the result of the willful action of You; and b) in Our judgment, the financial viability of The McAuley will not be jeopardized by such failure to pay amounts due. In the event that You are unable to pay Your Monthly Service Fee as described above, The McAuley will assist You in finding alternative living arrangements that, in Our assessment, will meet Your needs. During such time that We are assisting You to find alternative living arrangements, but not to exceed thirty (30) days, You will not be required to pay Your Monthly Service Fee to The McAuley. Once, in Our opinion, an suitable alternate living arrangement has been identified, the move out must occur within thirty (30) days. Moving expenses will be Your responsibility.

We reserve the right to terminate this Agreement immediately without advance notice in the event a default under b. or c. of this subsection jeopardizes the health, safety or welfare of You or other Residents of The McAuley.

3. Termination Subsequent to Occupancy for Medical Reasons

We may terminate this Agreement after occupancy, if You are in need of treatment and services for any condition for which We are not licensed or for which care is not customarily provided in The McAuley or a skilled nursing facility. If any of the above situations is determined to be temporary in nature, the Apartment will remain reserved for You and You will remain responsible for payment of the Monthly Service

Fee. If it is determined that the situation is not temporary in nature, all Our obligations and all of Your rights in this Agreement will terminate as of the date of such determination; provided, however, that any right You may have to receive a refund of any portion of the Entrance Fee in accordance with Section VIII. and Your obligations to make payments to Us for any balance that accrued prior to the termination, will survive the termination.

4. Entrance Fee

Entrance Fees shall be refunded in accordance with Section VIII of this Agreement.

VI. SPECIAL OCCUPANCY CIRCUMSTANCES

A. Death of Resident

If two of You sign this Agreement and one of You dies, this Agreement shall remain in effect as to the surviving Resident.

B. Separation

1. If two of You sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy You desire separate Apartments, one of You may remain in the Apartment and the other may transfer to another Apartment (subject to Our Internal Transfer Guidelines) upon payment of the then current monthly Service Fees and Entrance Fee pertaining to that

other Apartment. In addition, the Resident securing the second Apartment will be required to execute a new and separate Agreement. The Resident remaining in the Apartment will be obligated to pay the single occupancy Monthly Service Fee for that Apartment. There will not be a refund of any portion of the original Entrance Fee paid by both parties for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the Resident remaining in the Apartment and the refund provisions of the new Agreement will apply with respect to the Resident moving to the new Apartment.

2. If two of You sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy You both choose to reside in different Apartments, You both may transfer, subject to Apartment availability (refer to Our Internal Transfer Guidelines) upon payment of the then current Monthly Service Fee and Entrance Fee pertaining to the new Apartments. In addition, You both will be required to execute new and separate Agreements. There will not be a refund of any portion of the original Entrance Fee paid by both of You for the original Apartment at that time. The refund provisions of the new Agreements will apply with respect to both of You.

3. If two of You sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy one of You desires to leave The McAuley permanently for another residence,

then the Resident leaving The McAuley will surrender all rights under this Agreement (see Termination by Resident). The remaining Resident will retain all rights under this Agreement (see Termination by Resident). The remaining Resident will retain all rights as a Resident and will pay the single occupancy Monthly Service Fee for the Apartment. There will not be a refund of any portion of the original Entrance Fee paid by both parties for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the person remaining in the Apartment. The refund provisions of this Agreement will be operative only upon the death or termination of occupancy of the remaining Resident.

C. Resident Marriage

1. If You marry another Resident and both of You desire to reside in the same Apartment, You both may either, a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If You and the other Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by Us (subject to Our Internal Transfer Guidelines). In either case, We will honor the existing Agreement for each of You. If the Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by the two Residents, You will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once residing together, the Monthly Service Fee will be adjusted so that one of You will pay the Monthly Service Fee for the Apartment style in which the couple

resides, and the second Resident will pay the Monthly Service Fee for a Studio Apartment.

2. If You marry a non-resident and You both desire to live in Your Apartment, the non-Resident must apply to Us for residency and meet all applicable Application and Admission requirements.
 - i. If the non-Resident spouse is accepted for residency, a new Residency Agreement must be executed by all parties. An applicable Monthly Service Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original Entrance Fee paid by You, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by You, Your Spouse and Us.
 - ii. If the non-Resident spouse is not accepted for residency, We and You will execute an Addendum to the Agreement with respect to living arrangements for the non- Resident spouse. An applicable Monthly Service Fee adjustment will apply. The non-Resident spouse will be subject to Our rules and regulations, as amended from time to time.

D. Special Resident Occupancy

1. If You decide to reside in the same apartment with another current Resident who previously resided in a different Apartment, You and the other Resident may either: a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If You and the other

Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by Us (subject to Our Internal Transfer Guidelines). In either case, We will honor the existing Agreement for You and for the other Resident. If the Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by the two Yous, You will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once residing together, the Monthly Service Fee will be adjusted so that one of You will pay the Monthly Service Fee for the Apartment style in which the two of You reside, and the second will pay the Monthly Service Fee for a Studio Apartment.

2. If You and a non-Resident desire to live in Your Apartment, the non-Resident must apply to Us for residency.
 - i. If the non-Resident is accepted for residency, a new Residency Agreement must be executed by You and the non-Resident. An applicable Monthly Service Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original Entrance Fee paid by You, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by You, the non-Resident, and Us.
 - ii. If the non-Resident is not accepted for residency, We and You will execute an Addendum to Your Agreement with respect to living arrangements for the non-Resident spouse. An applicable Monthly Service Fee adjustment will apply. The non-Resident will be subject to Our rules and regulations, as amended from time to time.

E. Guests

Guests staying in Resident Apartments are welcome at all times. Any visitation in the Apartment by a non-Resident for more than a two-week period in any calendar year must be arranged with, and expressly approved in writing by Us. Guest meals will be available for an additional charge that will be added to Your Monthly Statement.

VII. TRANSFER TO A DIFFERENT APARTMENT

If You wish to transfer to a different Apartment, You must notify Us in writing of the desire to transfer Apartments. A Fee of \$10,000.00 will be assessed once the transfer is approved. We will assist You with such a transfer, subject to Our Internal Transfer Guidelines. Our Internal Transfer Guidelines are incorporated by reference into, and attached as Exhibit 1 of this Agreement. When a new Apartment is available and You transfer, the Monthly Service Fee and the Entrance Fee will be adjusted to the then current charges for that Apartment type. The parties will amend this Agreement in writing prior to the transfer becoming effective to reflect such adjustments. If the current Entrance Fee for the new Apartment is less than the original Entrance Fee paid by You, there will be no refund of any portion of the Entrance Fee. All refunds will be made in accordance with Section VIII upon termination of this Agreement. We have established policies on the procedures and charges for transfers and may, from time to time, adjust this policy.

VIII. REFUND OF ENTRANCE FEE

In the event this Agreement is executed by two persons, the Entrance Fee refund Procedures set forth below in this Section shall not apply until the last of the two of You dies or this Agreement is otherwise terminated by both of You as set forth in Section V of this Agreement.

A. Prior to the Occupancy Date

1. Apartment Not Available

If for any reason the Apartment is not available for occupancy on the Occupancy Date, You may terminate this Agreement. Upon termination of the Agreement, You will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$500.00 administrative fee. Such refund will be issued within thirty (30) days of the receipt of the notice of termination.

2. Death, Illness, Injury or Incapacity of Resident

If for reason of death, illness or injury, or incapacity, You are not able to occupy Apartment on the Occupancy Date, We will refund the Entrance Fee paid, without interest, minus a \$500.00 administrative fee, within thirty (30) days of receipt of the notice required under Section V. A.1.

3. Termination Within Thirty (30) Days of Execution of this Agreement

You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving us written notice by registered, or certified mail. We will refund to you all fees paid to you minus an administrative fee of \$1,000.00.

4. If for any other reason, You are not able to or choose not to occupy Apartment on the Occupancy Date and more than thirty (30) days have passed since execution of this Agreement, We will refund the Entrance Fee paid, without interest, minus a \$1,000.00 administrative fee, within thirty (30) days of receipt of the notice required under Section V.A.1.

B. Subsequent to the Occupancy Date – Standard Rental Refund Plan

Standard Refund Plan

You, at the time this Agreement was executed, selected the Standard Refund Plan. During the first twenty-four month (24) months from the Occupancy Date, there will be a refund of the original entrance fee paid, less four percent (4%) of that amount for each full month from the Occupancy Date to the date the Apartment is vacated (and empty of all personal possessions) or the Agreement is terminated, whichever comes later. Any interest earned on the Entrance Fee will be retained by us.

In situations involving serious deterioration of your health requiring nursing home placement or your death (or, if there are two of you, the nursing home placement or death of both of you) during the first twenty-four (24) months from the Occupancy Date, there will be a full refund, without interest, of the original Entrance Fee paid by the You.

Subsequent to the first twenty-four (24) months from the Occupancy Date, there will be a full refund, without interest, of the original Entrance Fee paid by You.

C. Refund Payment

Any refunds due to You or Your estate pursuant to the prior two paragraphs will be payable within sixty (60) days following the later date when both of the following events first occur, *but in no case shall the refund be delivered to you or your estate later than three years from the date this contract is terminated:*

1. We receive an Entrance Fee for an Apartment similar in style (*e.g.* studio, one bedroom, *etc.*) to Your Apartment; and
2. We have refunded all other entrance fees due and payable pursuant to residency agreements for like Apartment styles pursuant to residency agreements that terminated prior to the termination of this Agreement.

Notwithstanding the foregoing, We may, at our option, deduct from any Entrance Fee refund any monies advanced to You by Us and any monies

owed Us under Section III of this Agreement or under any other provision of this Agreement. In the event that You have incurred charges which exceed the Entrance Fee refund balance, no refund will be issued and You or Your estate will be liable and billed for the excess amount.

We will pay any refund due hereunder to You or Your estate if You are deceased, unless We are otherwise directed by written instructions signed by You and accepted by Us.

IX. EXTENDED ABSENCE

If You are away from The McAuley for fourteen (14) or more consecutive days due to an admission into an acute care setting, a rehabilitation stay or a temporary stay in a skilled nursing facility, You will receive a daily meal credit on Your Monthly Statement for those days when You were away from The McAuley. The credit for missed meals will be calculated upon your return and will be reflected in your following months statement. Your right to occupy the Apartment and Your payment obligations will be as set forth in Section IV.D above.

X. VACATING APARTMENT

Upon termination of this Agreement, You must vacate the Apartment within thirty (30) days. For purposes of this Agreement, the Apartment will not be considered vacated until all of Your personal property is removed from the Apartment. You will be responsible for the Monthly Service Fee during this thirty (30) day period; provided, however, that if

the Agreement is terminated as a result of Your death, Your estate or family will only be responsible for payment of the Monthly Service Fee for a period of time not to exceed fifteen (15) days following Your death as long as Your Apartment has been vacated. If the Apartment is not vacated within the thirty (30) days, We will have the right to remove and store all property left in the Apartment after thirty (30) days. You will be responsible for the costs incurred as a result of moving and storing such items. Property left in storage for ninety (90) days or more may be disposed of by Us at Your expense.

When You vacate the Apartment, We expect that the Apartment will be left in the same condition as of the Occupancy Date, ordinary wear and tear excluded. We may charge You for any damage to the Apartment that, at Our discretion, is deemed as not the result of ordinary wear and tear. If with Our permission, You physically altered the Apartment, We, in Our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by Us will be charged to You.

XI. MISCELLANEOUS

A. Fees Not Held in Trust

All fees paid to Us, including Entrance Fees, shall become the sole property of Us as payment for residence and services, except to the extent that Entrance Fees may be refundable under this Agreement.

B. Subordination

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

C. Property Rights

This Agreement grants You a revocable license to occupy and use space in The McAuley. This Agreement is not a lease and does not transfer or grant to You any ownership interest or rights of tenancy in real or personal property owned or leased by Us. Your rights under this Agreement, except Your rights to any refunds to which You are entitled under this Agreement, are subject to all terms and conditions of this Agreement and are subordinate to any mortgage, financing deed, deed of trust, or other financing on The McAuley.

D. Arrangements for Conservatorship

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

E. Rules and Regulations

We shall have the right to adopt or amend such reasonable policies, rules, regulations, guidelines and operating procedures (“Rules and

Regulations”) as deemed necessary or desirable for proper management and operation and for the health, safety and comfort of the Residents. The *Resident Handbook* summarizes many of Our Rules and Regulations, and is incorporated by reference into this Agreement. You agree to abide by the Rules and Regulations.

F. Smoking

The McAuley is a smoke-free campus; therefore, smoking is prohibited. This applies to all areas in The McAuley, including but not limited to: The McAuley vehicles, Your apartments, apartment balconies, the front entrances to each building, all dining areas, meeting rooms, activity areas and all corridors, and all grounds belonging to The Mercy Community. This prohibition applies to everyone, including all Residents, family members, overnight guests, visitors, and private duty assistants.

G. Compliance with Laws and Regulations

We will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection from financial exploitation. We will afford You all rights and privileges under Section 17b-520 *et seq.* Connecticut General Statutes.

H. Grievance Procedure

You may present a formal complaint about any alleged violation of the Residency Agreement. The complaint must be submitted in writing and

delivered to the Executive Director at the address specified in Paragraph J below. Upon receipt of a formal written complaint, the Executive Director or designee will respond within five (5) business days. The Executive Director or designee will respond in writing after conducting an investigation. If You are not satisfied with the response, You may appeal the decision to the Chief Executive Officer (CEO) of Mercy Community Health. This appeal must be made in writing and delivered to the CEO at The McAuley, 275 Steele Road, West Hartford, CT, 06117, Attn.: Chief Executive Officer. Under no circumstances will The McAuley, its Executive Director, or the CEO or any other agent allow or permit retaliation against a Resident who has filed a complaint.

I. Accuracy of Information

You represent and warrant that all information that You have submitted or will submit to Us, including but not limited to annual financial statements, is true and complete. You understand and acknowledge that We are relying on such information.

J. Notices

All written notices required by this Agreement will be sufficient if addressed:

1. If to You: to Your Apartment at The McAuley;
2. If to Us, to the Executive Director, The McAuley, 275 Steele Road, West Hartford, CT 06117.

Unless otherwise specified in this Agreement, all written notices shall be sent by registered or certified U.S. Mail, overnight express courier service, or messenger service and shall be deemed issued when delivered or when acceptance is refused.

K. Waiver

Our failure in any one or more instances to insist upon strict compliance by You with any of the terms of this Agreement shall not be construed to be a waiver by Us of such term(s) or of the right to insist upon strict compliance by You with any of the other terms of this Agreement.

L. Assignment

Your rights and benefits under this Agreement (except for the possible right to a refund of some part of the Entrance Fee) are not assignable and will not inure to the use or benefit of the heirs, legatees, assignees or representatives of You, but Your obligations under this Agreement shall bind Your heirs, legatees, assignees or representatives. The Agreement shall bind and inure to the benefit of Our successors and assigns.

M. Entire Agreement

This Agreement, including all exhibits, constitutes the entire agreement between Us and You. We are not liable for nor bound in any manner by any statements, representations or promises made by any

person representing or proposing to represent Us unless such statements, representations, or promises are set forth in the Agreement. Any modification of the Agreement must be in writing and signed by Us and You.

N. Interpretation of Agreement

No amendment of this Agreement will be valid unless executed in writing by both You and Us.

The invalidity of any restriction, condition or other provision of this Agreement will not impair or affect in any way the validity or enforceability of the remainder of this Agreement. This Agreement will be interpreted according to the laws of the State of Connecticut.

O. Counterparts

This Agreement may be executed in counterparts.

Executed at West Hartford, Connecticut on this _____ day
of _____, 20 ____ .

RESIDENT(S):

THE PROVIDER:

McAuley Center, Inc.
a Connecticut not-for-profit
corporation.

(Signature)

By: _____
Its Executive Director

(Printed Name)

(Signature)

(Printed Name)

EXHIBIT 1 (Internal Transfers and Guidelines)

1. Policy Statement

- A. All residents choose their independent living unit prior to occupancy. Once the resident occupies the living unit, the applicable unit is considered the resident's primary residence. From time to time, and in consideration of a number of factors, it may be necessary for the resident to move to a different independent living unit. Any internal transfer from the primary residence to another living unit at The McAuley is subject to the Internal Transfer Guidelines.
- B. Current residents who desire to change units and make these requests are also placed on a waiting list. In this case, the name is placed in the last position for the living unit type requested.
- C. In certain circumstances, a current resident of The McAuley may request a living unit change for financial or medical reasons. In this case, The McAuley will give priority placement on the applicable waiting list. Priority consideration means that the current resident will be placed in the first position on the waiting list.

2. Internal Transfer Procedure

There are four (4) possible scenarios with respect to an internal transfer of living units. The following guidelines apply to these specific unit transfers.

A. Pre-Arranged Move (Prior to Move-In) to a Different Living Unit

1. In certain circumstances, a resident may elect to move to The McAuley and into an available living unit, even if that unit is not the resident's choice.
2. In this situation, The McAuley and the resident will enter into an Addendum as part of the Residency Agreement. The Addendum will specify that the resident is entitled to move into an alternative unit and will specify the details of this relocation. In this situation, the resident will be given priority placement on the applicable living unit wait list. All moving expenses are the responsibility of the resident.

B. Planned Move (After Move-In) to a Different Living Unit

1. In certain circumstances, a resident will select a living unit and, once residing in that unit, will desire to relocate to another living unit. For example, a resident chooses a living unit with a view of the parking lot and then decides that a view of the University of Saint Joseph would be more appealing.
2. In this situation, the resident must notify the Sales Department of the desire to change living units. The resident's request will be noted on the applicable waiting list for the unit desired. At that time, the resident's name will be placed in the last position on the applicable wait list.
3. In the event that a unit comes available and the resident selects this unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new

entrance fee is less than the original entrance fee, no entrance refund will be provided to the resident. The Resident must also be aware that a change in monthly fees may also apply as a result of a living unit transfer. All moving expenses are the responsibility of the resident.

C. Required Move (after Move-In) to a Smaller Living Unit for Financial Reasons

1. In certain instances, due to a loss of financial means, it may become necessary to relocate to a smaller living unit.
2. In this situation, the resident must send a written request to relocate to the Executive Director. The letter should request the living unit change and should note the size living unit that the resident is requesting. The Executive Director will review the request and meet with the resident to review his/her financial position. After due consideration, if the request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.
3. If the resident's request is not approved, the resident's name will be placed on the unit wait list in the last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.

D. Required Move (after Move-In) to a Different Living Unit for Medical Reasons

1. In certain instances, due to a change in resident's medical status, it may become necessary for the resident to relocate to a different living unit.
2. In this situation, the resident must send a written request to relocate to the Executive Director. The letter should request the living unit change and should note the location of the unit that the resident is requesting.
3. The Executive Director will review the request and meet with the representatives of The McAuley to review the resident's change in medical status and the relocation request. After due consideration, if the resident's request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to a different living unit, the resident's monthly fee will be adjusted. If the resident relocates to a larger living unit, the resident's monthly fee will be adjusted. Further, if the resident relocates to a larger living unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.
4. If the resident's request is not approved, the resident's name will be placed on the unit wait list in the last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The resident's original entrance fee will be applied to the

entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.



THE McAULEY

PART OF THE MERCY COMMUNITY†

RESIDENCY AGREEMENT ASSISTED LIVING

275 Steele Road, West Hartford, CT 06117-2716
Telephone 860.920.6319 FAX 860.232.4077

THE McAULEY ASSISTED LIVING RESIDENCY AGREEMENT

This Residency Agreement (the “Agreement”) is entered into this _____ day of _____ between McAuley Center, Incorporated, a Connecticut non-stock corporation (or “The McAuley” or “Us”), and _____, (“You”) or _____ (“Designated Representative”).

This Agreement applies to Apartment _____: a _____ bedroom Apartment. If more than one person is signing this Residency Agreement, “You” or “Your” refers to each of you individually and both of you together.”

PREAMBLE

The McAuley, a non-profit, tax-exempt corporation, is a Life Plan Community sponsored by Trinity Health Senior Communities, managed by Mercy Community Health, and is part of Trinity Health. It is located at 275 Steele Road, West Hartford, Connecticut. The McAuley is registered as a Managed Retirement Community (“MRC”) in Connecticut.

This Residency Agreement applies to your rental of an apartment in The McAuley and sets forth Your Obligations as a resident of The McAuley.

ARTICLE I ACCOMMODATIONS

A. Apartment

You will occupy the Apartment number identified in Exhibit 1 of this Residency Agreement (the “Apartment”). You may move into the Apartment as of the occupancy date listed in Exhibit 1 (“the Occupancy Date”).

If the Apartment is for double occupancy, You acknowledge that You have chosen and consented to a double occupancy apartment. If You prefer a single occupancy Apartment and notify Us in writing of this preference, Your name will be placed on a waiting list, in order of receipt of notice, to fill future vacancies in Our single occupancy apartments.

B. Furnishings Provided

Your Apartment will be furnished with a private bathroom and full kitchen. You are responsible for all other furnishings, and You may furnish and decorate Your Apartment according to Your own individual tastes and preferences as long as You do not interfere with Our safety standards. Please refer to the Resident Handbook for more information.

C. Emergency Response

Your Apartment will include a 24-hour emergency call system, which includes individual smoke detectors and a sprinkler system. It also will be equipped with one or more emergency pull cords to alert staff to any emergencies that may arise. We will provide 24-hour staffing at the Abbeyleix concierge desk. The staff will provide emergency response to the emergency call system, including obtaining emergency medical assistance and notification of

Your Designated Representative or other designated family member(s) and personal physician. The costs associated with any and all types of medical treatment including emergency medical assistance, will be borne by You or Your insurer and are not included in the Rental Fee set forth in Exhibit 1.

D. Utilities

All utility expenses, except cable TV, internet and telephone charges are included in the monthly fee.

E. Parking

Parking is available outside The McAuley building in assigned parking spaces.

F. Common Facilities

As a resident of The McAuley, You are welcome to share, with all other residents, access to all common areas.

G. Core Services

In addition to the accommodations and access to common areas, Your Rental Fee also includes the following “core services”

1. Meals

We provide three nutritionally well-balanced meals per day served at designated hours in the assisted living community dining room. If You are away from The McAuley for fourteen (14) or more consecutive days due to an admission into an acute care setting, a rehabilitation stay or a temporary stay in a skilled nursing facility, You may apply for a meal credit. Meal credits are not available if You choose to dine out or are absent from The McAuley for fewer than fourteen (14) consecutive days. Take-out meals are available for an additional

charge if You are unable to come to the dining room. You may invite guests for meals, at an additional charge, on a space - available basis, provided You make reservations in advance.

2. Transportation

Scheduled transportation services to local shopping, banking, medical appointments and religious services.

3. Housekeeping

We will provide weekly basic housekeeping services. In addition, We will provide a thorough, heavy-duty cleaning once per year. You can arrange for additional or more frequent housekeeping services for an additional charge.

4. Maintenance

We will do any routine repairs and chore services for routine domestic tasks in Your Apartment. We will take care of all grounds keeping and exterior maintenance, including landscaping, snow removal from sidewalks and parking areas, painting, exterior window cleaning, and regularly scheduled rubbish removal from designated locations. You will securely wrap all rubbish and garbage and shall regularly take all rubbish and garbage to containers provided by Us at designated locations.

5. Laundry

We will provide and launder bed and bath linens (towels and sheets) on a weekly basis. If required more frequently, an additional charge will apply. You are free to use our laundry facilities with or without

assistance. Personal laundry service may be included in the one hour per day of assistance. If additional assistance is required, an additional fee will apply.

6. Social and Recreational Activities

Our staff will arrange for a variety of social and recreational activities.

H. Assisted Living Services and Other Health Care Services

You may receive up to one hour per day of personal care provided by a Certified Nursing Assistant. The hour of personal care will be delivered in intervals of time after the care plan has been completed and agreed on by You and the Supervisor of Assisted Living. Other assisted living services are available to You from the ALSA at an additional cost. You will need to execute a separate agreement for the provision of assisted living services (the “Agreement for Assisted Living Services”).

In the event that You wish to employ outside caregivers, companions, private duty aides or other personnel to provide services to You, You must notify the Director of Health and Wellness prior to obtaining any these services. These outside caregivers, companions, private duty aides or other personnel must comply with the personnel policies, and the rules and regulations set forth by The McAuley and The Mercy Community.

I. Additional Charges

Additional charges for items and services not included in Your Rental Fee are listed in your Resident Handbook.

ARTICLE II FINANCIAL ARRANGEMENTS

A. Rental Fee

Upon occupancy, We will issue monthly statements to You by the tenth of each month requiring payment of the Monthly Rental Fee plus fees for any Optional Services defined in Article I Section I.

B. Rate Changes

The amount of the Monthly Service Fee is Your share of our estimated monthly cost to operate The McAuley. The Monthly Service Fee may be adjusted from time to time, at our discretion, upon sixty (60) days written notice to You, to reflect changes in those costs. We will limit such adjustments to amounts necessary to maintain the financial stability of The McAuley. You agree to pay the adjusted Monthly Service Fee.

C. Payment Schedule

Prior to or on the Occupancy Date, You shall pay Us an amount equal to one month's Rental Fee. This advance payment shall be prorated accordingly, and the residual amount will be credited to the following month's Rental Fee. If You have paid a reservation fee, that fee has been applied to the first month's Rental Fee. Thereafter the Rental Fee shall be due 10 days from receipt of the monthly statement.

D. Late Payment Charge

Payment will be due within ten (10) days of receipt of the monthly statement. Any outstanding amounts owed to us ten (10) days after the due date will be charged a late fee of one and one half percent (1.5%) per month until the amount owed is paid in full. If You fail to pay the amounts charged under

the terms of the Agreement and We must refer the account to an attorney or collection agency, You agree to pay all charges, expenses, court costs and attorney's fees incurred by Us, not to exceed any lawful limits.

E. Fees in the Event of an Apartment Hold

If You temporarily transfer to another facility or are otherwise away from Your Apartment for medical reasons (e.g., temporary hospitalization), We will hold Your Apartment for Your return, as described in Article VI, paragraph I.

1. Single Occupancy

If you do not return for up to fourteen (14) consecutive days, you will continue to be responsible for the Rental Fee. After the fourteenth (14th) day, You will be responsible for the Rental Fee; however, You may request a meal credit for the time away in excess of fourteen (14) days.

2. Double Occupancy

If two persons occupy Your Apartment and one of You is permanently transferred to another facility, Your Rental Fee will be adjusted to reflect single occupancy.

F. Refunds

- 1.** If this Agreement is terminated at any time on or after the Occupancy Date, We will refund any payments to which You are entitled within thirty (30) days of the last day of the month in which this Agreement is terminated. In no case, however, will a refund be made before Your Apartment is vacated in the event this Residency Agreement is

terminated or before You have settled any outstanding bills for services rendered or arranged through Us.

2. If You die, or are prevented by a medical or cognitive change in Your health from occupying the Apartment prior to the Occupancy Date, We will refund the first month's Rental Fee and the Security Deposit, provided that We receive written notice of death or significant change in health on or before the Occupancy Date. Refunds will be made within 30 days of Our receipt of the required written notice.
3. In the event that You terminate this Agreement before the Occupancy Date for any reason other than death or significant change in health, We will refund the first month's Rental Fee and the Security Deposit, less a charge of \$1000.00, provided that You give written notice of termination no later than 10 days prior to the Occupancy Date. This \$1000.00 charge is intended to compensate Us for the inability to market the Unit during the time it has been reserved for You, for costs associated with remarketing the Apartment and processing costs.
4. In the event of Your death, We shall return any applicable refund to Your estate, or as otherwise required by law.
5. If We discontinue operations, any advance payments for services that You have not received shall be refunded to You within thirty (30) days of closure, whether or not such refund is requested.

G. Security Deposit

Upon signing this Residency Agreement, You agree to deposit with Us the sum of \$_____ (the "Security Deposit") as security for performance

of Your obligations under the Residency Agreement. The Security Deposit equals one month's Rental Fee. Within thirty (30) days after termination of the Residency Agreement, We will return the Security Deposit with interest to You after deducting any outstanding fees or charges in accordance with Connecticut law. We may deduct from Your Security Deposit the cost of any repairs or replacements required in connection with any damage, beyond normal wear and tear, which We determine in Our sole discretion to be Your responsibility. In no event may You apply the Security Deposit to the last month's rental.

H. Financial Requirements for Residency and Notification of Exhausted Assets

We will review Your financial status at least yearly. To assist Us in Our review, You agree, upon request, to update the financial disclosure form that You submitted for admission to Us. You agree to make all reasonable efforts to conserve Your financial resources to enable You to meet Your financial obligations under this Residency Agreement.

You further agree to notify Us at such time as You have spent down income and assets so that You have funds available for only six (6) months of the Rental Fee. You further agree not to impair Your ability to meet these obligations. In addition, You agree not to transfer assets or income, other than for ordinary living expenses, so as to impair Your eventual eligibility for benefits under Title XIX of the Social Security Act (Medicaid) in the event You require skilled nursing services. If You are unsure whether a contemplated transaction will place You in jeopardy of violating this Residency Agreement, contact Us for assistance.

ARTICLE III YOUR RIGHTS AND OBLIGATIONS

A. Monthly Rental Charges

You will pay the Rental Fee and all other charges in accordance with this Residency Agreement.

B. Maintenance of the Apartment

You will maintain the Apartment in a clean, sanitary and orderly condition. We reserve the right to determine in Our sole discretion whether You are complying with this obligation.

C. Damage

You will reimburse Us for the repair or replacement of fixtures (including carpeting) if Your Apartment is damaged beyond normal wear and tear. In addition, You agree to reimburse Us for any loss or damage to Our real or personal property (whether located within Your Apartment or not) caused either intentionally or negligently by You or by Your guest or invitees.

D. Alterations; Waste

You may not cause or permit any alterations, additions or changes to any part of Your Apartment without first obtaining Our written consent. All such alterations, additions or changes shall be at Your expense and shall become Our property. If You alter Your Apartment, You must return it to its original condition at Your expense, or pay for the labor required to have it done prior to terminating this Residency Agreement.

E. Subletting; Assignment

You may not sublet the Apartment or any part of the Apartment or assign this Agreement to any party.

F. Designation of Family Members and Physician

You will provide Us with the name(s), including address and telephone number of one or more designated family members to be contacted in an emergency and to be consulted regarding any need for assisted living or other health services (with Your consent) and with the name, address and telephone number of Your primary care physician.

G. Pets

You may maintain a small and orderly pet upon the written approval of and on terms and special conditions prescribed by Us. You will be responsible for ensuring that any pet is properly cared for and that Your pet does not create any disturbance or otherwise constitute a nuisance. You agree to comply with Our “Pet Policy,” which is published in the *Resident Handbook*.

H. Guests

You may invite guests to The McAuley. Guest accommodations are available in a guest apartment, on a first come, first served, prior reservation basis. We will charge a daily guest room rate. A “guest” is anyone staying overnight who has not signed this Residency Agreement. If You wish to have a guest stay in Your Apartment, You may do so provided You obtain Our prior approval. A guest’s stay in Your Apartment is limited to a total of fourteen (14) days within any six (6) month period. All guests are subject to Our rules and regulations and have no rights under this Residency Agreement. Guests are not permitted to stay in your apartment while you are away on vacation. Exceptions may be

made during your hospitalization or short term rehab stay, with the discretion and approval of the Executive Director.

I. Right to Occupancy and Use

You (and the person sharing the Apartment, if applicable) have the exclusive right to occupy the Apartment. You have the non-exclusive right to use community areas together with all other persons entitled to use such areas, including but not limited to all other Residents, guests, and Our employees and agents.

J. Services

You will have access to all services described in Article I. It is expressly agreed and understood that some services and programs, including transportation and recreational and social programs, may be accessed only on a space-available or first come, first served basis.

K. Community Rules and Regulations

We have established certain rules and regulations for the proper management and operation of the community and the health, safety and comfort of the residents. These rules and regulations are contained in the *Resident Handbook* which is incorporated into and made part of the Agreement. You agree to observe and abide by these rules and regulations. We reserve the right to modify the rules and regulations at any time. By signing this Residency Agreement, You acknowledge that You have received a copy of Our *Resident Handbook*.

L. Appropriateness

You acknowledge and agree that the Apartment is appropriate for occupancy

by persons who can live independently, if necessary with assistance from our an Assisted Living Services Agency, Home Health Agency or other qualified provider, but that the Apartment is not appropriate for occupancy by persons who need 24-hour skilled nursing care or whose physical, mental or psychological condition otherwise results in their inability to live appropriately in a residential setting. You agree that You will vacate the Apartment upon 30 days' notice, or lesser notice if an emergency exists, if it is determined by Us in Our sole discretion that Your physical, mental, or psychological condition is no longer appropriate for continued residency in the Apartment.

M. Property Interest

This Residency Agreement shall give You no property rights to The McAuley or any of Our assets. In addition, You shall have no right to any of Our personal property, including any of its furnishings and fixtures in Your Apartment and in common areas.

N. Miscellaneous

You will not make or permit any loud or disturbing noises; cause odors or disturbances; place foreign matter in toilets or sinks; obstruct or permit to be obstructed sidewalks, driveways, walkways, hallways or parking areas; cause any damage to the exterior of the residence; store flammable materials; leave rubbish or personal articles in hallways, common areas, or the exterior premises or grounds; install exterior antennas or aerials without Our consent; park cars in areas other than as designated by Us; change or add locks except with Our written consent; use the Apartment or the community areas other than for residential and usual and customary social and recreational purposes or in any manner that is offensive, improper, or contrary to any law or ordinance or in violation of The Residents' Handbook; or default under the

terms of Your Agreement for the Provision of Assisted Living Services.

O. Bill of Rights You are entitled to all of the rights set for the in the Managed Residential Community Residents' Bill of Rights.

ARTICLE IV THE McAULEY'S RIGHTS AND OBLIGATIONS

A. The Apartment, Facilities and Services

We will provide and maintain the Apartment, facilities and services as described in Article I.

B. Maintenance

We will maintain the building, community areas, heating and air conditioning, electrical, plumbing, and septic system in good and reasonable operating condition and shall maintain the exterior premises and grounds in good and reasonable repair.

C. Right of Entry

Our employees or agents may enter Your Apartment at reasonable times with your consent, which consent shall not unreasonably be withheld, in order to provide services to You, to perform building inspection and maintenance functions and otherwise to carry out Our obligations under this Residency Agreement. Our employees and agents may enter Your Apartment at any time when responding to the medical alert system, fire alert system or other emergency as determined by Us at Our discretion.

D. Emergency Medical Care

In an emergency, the existence of which shall be determined by Us in Our sole discretion, We have the right to arrange for Your immediate emergency medical treatment by an emergency medical service or other licensed health care provider or professional as needed, at Your sole expense. We will notify Your designated family member and physician as soon as practical thereafter.

**ARTICLE V
GENERAL CONDITIONS****A. Damage to Personal Property**

You are responsible, at Your discretion, for providing all personal property and liability insurance for You, Your property and Your guests. Except when Our staff are negligently or intentionally at fault, We shall not be responsible for, and Our insurance will not protect You against, personal liability for injury to guests or other persons in Your Apartment or any loss or damage to Your personal property from theft, fire or other cause. In the event that You or Your personal property shall suffer any injury or damage as the result of the act of a third party or parties, We shall be subrogated to Your claims for all expenses We may incur arising from such injury or damage, and We may take all steps necessary in Your name or otherwise to enforce payment of such expenses by the person(s) responsible or their insurer(s).

B. Lessor's Covenants

We covenant that We have the right to enter into this Agreement and that, upon Your payment of the Rental Fee and keeping the promises made in this Agreement, You have the right to undisturbed occupancy of the Apartment

for the term of this Agreement, all in accordance with the terms of this Agreement.

C. Casualty; Condemnation

In the event that damage to the Apartment or building by fire, the elements, unavoidable accident or other casualty (“casualty”) causes the Apartment to be unfit for occupancy, We in Our sole discretion shall determine whether the damage is so substantial that repairs and restoration are not feasible or whether the Apartment and building shall be repaired and restored. If We determine that repair and restoration are not feasible, You will be offered occupancy of any other available Unit at the usual and customary monthly rental fee for that Unit, and that Unit shall constitute the “Apartment”. If You elect not to occupy the offered Unit or if no Unit is available, this Agreement shall terminate pursuant to the provisions of Article VI, Paragraph F. If We determine that repairs and restoration will be made, You will be offered any other available Unit and this Agreement shall remain in full force and effect. If no other Apartment is available, the Rental Fee set forth in Exhibit I of this Agreement shall be suspended until the Apartment is restored and available for occupancy. In the event of a casualty affecting the community areas, which may result in Your inability to use the community areas or a portion of the building but not Your Apartment, there shall be no reduction in the Rental Fee as long as the Apartment is suitable for occupancy; provided, however, that We will cause the community areas to be restored at the earliest practical date.

In the event of a condemnation or taking of the Apartment or the building containing the Apartment, which renders the Apartment or the community areas unusable by You, this Agreement shall terminate pursuant to the provisions of Article VI, Paragraph F.

ARTICLE VI TERM AND TERMINATION

A. Effective Date; Term: Renewal

This Residency Agreement is effective upon execution by all parties (the “Effective Date”); provided, however, that Your obligation to pay the Rental Fee and Our obligation to provide services pursuant to this Residency Agreement shall not become effective until the Occupancy Date.

The initial term of this Residency Agreement shall be from the Effective Date until one month from the Occupancy Date and shall automatically renew and continue on a month to month basis thereafter unless terminated sooner as set forth herein.

B. Termination by Resident

1. Termination Prior to the Occupancy Date

You may terminate this Agreement before the Occupancy Date by providing prior written notice to Us.

2. Termination On or After the Occupancy Date

You may terminate this Agreement on or after the Occupancy Date as of the last day of the initial term or the last day of any succeeding one-month term, provided that You give Us thirty (30) days prior written notice of intent not to renew the Agreement. If You fail to provide thirty (30) days prior written notice to Us, You will be responsible for paying the daily rate for the difference between the termination date and the full 30-day notice period. For example, if

We receive notice from You on the 24th day of the month (*i.e.*, You provide only seven (7) days' notice of termination) You will be responsible for the daily charges for an additional twenty three (23) days. Notwithstanding the foregoing, this notice of termination requirement shall be waived in the event of Your death.

C. Termination by The McAuley

We may terminate this Residency Agreement at any time with or without cause upon thirty (30) days' prior written notice delivered to You and to Your designated representative signing this Residency Agreement on Your behalf. Our policy is to terminate a Residency Agreement, in Our sole discretion in the event of:

1. Failure to perform Your obligations under this Agreement, including Your obligation to pay the Rental Fee and other charges on a timely basis and failure to conserve appropriately Your financial resources, as defined in Article II, Paragraph H above;
2. Failure to abide by Our rules and regulations, including conduct by You that, in Our judgment, is detrimental to the health, safety, comfort or peaceful living of any of the other residents or staff;
3. Your refusal of treatment or care, or refusal to be transferred to an appropriate facility to receive treatment or care that in the opinion of the Our staff, is medically required for Your physical or mental health or for the health and safety of other residents and staff;

4. Material misstatements or failure to state a material fact in Your application, financial disclosure statement, or health history statement filed with Us.
5. Permanent transfer to another public or private institution for medical reasons when it is determined that We do not have adequate facilities or staff to provide medical services needed by You or that Your continued occupancy of Your Apartment constitutes a danger to other residents or to Yourself, or is detrimental to the peace or health of other residents.

We may terminate this Residency Agreement sooner than thirty (30) days if in Our sole discretion We determine that such an earlier termination is necessary for Your welfare, or because the health, safety and peaceful living of other residents is in jeopardy.

D. Termination by Reason of Death

1. Sole Occupant

In the event of Your death, if You are the sole occupant of Your Apartment, this Residency Agreement will be deemed terminated thirty (30) days following Your death.

2. Surviving Spouse or Roommate

In the event of Your death, if Your spouse or roommate remains in the Apartment, the Rental Fee will be adjusted appropriately to reflect a single occupant. (“Roommate” means the person who signed the Residency Agreement with You.) The Security Deposit will not be returned at this time.

E. Termination by Reason of Separation or Divorce

If You are married and are living in a double occupancy and You become separated or divorced, or in the case of any other double occupancy and You no longer desire to live in a double occupancy apartment at The McAuley, You have three options under this Agreement:

1. Both residents may remain at The McAuley in separate apartments. Each will be responsible for the appropriate Rental Fee for his or her apartment, and each must sign a new Residency Agreement with a Security Deposit for the second apartment. If the original apartment is retained, the Residency Agreement for that apartment will be amended to show a single occupant.
2. If one resident desires to leave The McAuley, and the other resident chooses to remain in the original apartment, the Residency Agreement for that apartment will be amended to show a single occupant.
3. If both residents choose to terminate their residency at The McAuley, the normal termination and refund provisions will apply.

F. Termination by Casualty or Condemnation

If this Agreement is terminated due to casualty or condemnation as provided in Article V, Paragraph C, this Agreement shall terminate as of the date of casualty or the condemnation becomes effective.

G. Release of Residence

The termination of Your Residency Agreement shall entitle Us to release for other occupancy the living accommodations provided to You.

H. Vacating Apartment and Removal of Personal Property

1. Upon termination of this Residency Agreement for whatever reason, You agree that You, Your designated representative or estate shall vacate and remove all Your personal property from the Apartment on or before the termination date. If Your personal property is not removed on or before the termination date, We shall continue to assess, and You or Your designated representative will be required to pay, the Rental Fee on a prorated basis until the personal property is removed from the Apartment, except as provided in subsection 2 below. Subject to and in compliance with State law, if Your personal property is not removed within fourteen (14) days of termination of this Residency Agreement, We will remove the personal property from Your Apartment and place it in storage. You agree that You or Your estate will be responsible for all moving and storage costs.
2. Notwithstanding anything to the contrary in subsection 1 above, in the event this Residency Agreement is terminated by reason of Your death, Your estate or family will only be responsible for payment to Us for a period of time not to exceed fifteen (15) days following the date of death as long as Your unit has been vacated.

I. Apartment Hold

In the event You are temporarily absent from The McAuley for any reason, including for medical reasons such as transfer to another facility or hospitalization, We will continue to hold Your Apartment for Your return until

You or Your designated representative terminates this Residency Agreement in accordance with Article VI, Paragraph B.2, or We determine that Your placement at another facility has become permanent and We terminate this Residency Agreement in accordance with Article VI, Paragraph C.5. Your payment obligations in the event of an apartment hold are described in Article II, paragraph F above.

J. Our Rights upon Termination

Upon termination of this Agreement, except to the extent specifically set forth herein, each party's rights and obligations pursuant to this Agreement shall cease; provided, however, that nothing in this Section shall limit Our rights as to any sums due from You or Your Estate or because of Your failure to perform Your obligations prior to the date of termination.

**ARTICLE VII
MISCELLANEOUS**

A. Policy of Nondiscrimination We consider all applications for residency without regard to race, creed, color, religion, sex, national origin, ancestry, disability, marital and familial status and lawful source of income and We afford equal treatment and access to services to all residents.

B. Accuracy of Application

The Application that You submitted to Us, which includes health and financial assessments, is incorporated by reference into and made an express part of this Residency Agreement. You warrant that all information contained in these documents is true and correct, and You understand that We have relied upon this information in accepting You for residency.

C. Notices

1. Notices to Us shall be sent by certified mail, return receipt requested to the following address:

The McAuley Center, Inc.
275 Steele Road
West Hartford, Connecticut 06117
Attn.: Executive Director

2. Notices to You will be hand-delivered or sent by certified mail, return receipt requested, to You at Your Apartment or, if You have temporarily or permanently ceased to occupy the Apartment, to Your last known address, and any legal representative signing this Residency Agreement on Your behalf at the following address:

Designated Representative: _____

D. Assignment by Us

This Residency Agreement shall inure to the benefit of and be binding on Us and Our successors and assigns. Nothing contained herein shall in any manner restrict Our right to assign or encumber this Residency Agreement in Our sole discretion.

E. Heirs, Executors and Administrators

This Residency Agreement shall be binding on Your Estate and Your heirs, executors and administrators.

F. Entire Agreement; Modification

This Residency Agreement, plus all exhibits and application materials, and, if applicable, Your Agreement For Provision of Assisted Living Services contain the entire understanding of the parties. This Residency Agreement may not be modified except in a writing signed by all parties.

G. Attorney's Fees and Costs

If We take legal action to enforce the terms of this Residency Agreement, We are entitled to recover reasonable attorney's fees and costs of any such action to the extent permitted by applicable law.

H. Governing Law

This Residency Agreement shall be construed in accordance with the laws of the State of Connecticut. In addition, We will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection from financial exploitation. We will afford You all rights and privileges under landlord tenant law, title 47a of the Connecticut General Statutes.

I. Severability If any provisions of this Residency Agreement should be found to be unenforceable, all other provisions of this Residency Agreement shall remain in full force and effect and shall not be affected by any such finding. Our failure to insist on strict compliance with one or more of the terms of this Residency Agreement in any particular instance shall not constitute and shall not be construed as a waiver of Our rights regarding any of the terms of this Residency Agreement in any other instance or generally.

J. Duplicate Originals This Residency Agreement may be executed in counterparts each of which shall be deemed to be an original document, and all of which shall constitute a single document.

K. Grievance Procedure Resident may present a formal complaint about any alleged violation of the Residency Agreement. The complaint must be submitted in writing and delivered to the Executive Director at the following address:

The McAuley Center, Inc.,
275 Steele Road
West Hartford, CT, 06117
Attn.: Executive Director.

Upon receipt of a formal written complaint, The Executive Director or designee will respond in writing after conducting an investigation within seven (7) business days. If Resident is not satisfied with the response, Resident may appeal the decision to the President of Trinity Health of New England Senior Communities. This appeal must be made in writing and delivered to the President at the following address:

The McAuley Center, Inc.
275 Steele Road
West Hartford, CT 06117
Attn.: President, Trinity Health of New England Senior Communities

Under no circumstances will The McAuley, its Executive Director or the President or any other agent allow or permit retaliation against a Resident who has filed a complaint.

L. Smoking Policy The McAuley is a smoke-free campus; therefore, smoking is prohibited. This applies to all areas in The McAuley, including but not limited to: The McAuley vehicles, resident apartments, apartment balconies, the front entrances to each building, all dining areas, meeting rooms, activity areas and all corridors. This prohibition applies to everyone, including all residents, family members, overnight guests, visitors, and private duty assistants.

YOU ACKNOWLEDGE THAT YOU HAVE READ AND UNDERSTOOD THIS RESIDENCY AGREEMENT AND HAVE RECEIVED A DUPLICATE ORIGINAL OF THIS RESIDENCY AGREEMENT.

WITNESS

The McAuley Center, Inc.

By: _____
Its Authorized Representative

Date: _____

WITNESS

RESIDENT

(Name Printed)

Date: _____

WITNESS

DESIGNATED REPRESENTATIVE

(Name Printed)

Date: _____

WITNESS

RESIDENT

(Name Printed)

Date: _____

WITNESS

DESIGNATED REPRESENTATIVE

(Name Printed)

Date: _____

The undersigned, who is related to the Resident in the following capacity
_____ and will benefit from our entering
into the above Residency Agreement, guarantees the prompt payment and
performance of the Resident's obligations under the Residency Agreement.

Witness

Guarantor

Date

EXHIBIT 1 YOUR APARTMENT AND YOUR FEES

Names(s) of Resident(s)

Apartment# _____ Occupancy Date: _____

Rental Fee:* \$ _____

(Prorated daily rate: \$ _____)

Second Rental Fee: \$ _____

(Prorated daily rate: \$ _____)

TOTAL RENTAL FEE:

(As of Occupancy Date) _____

* Fees are subject to change. You will be given at least thirty (30) days written notice of any change in fees.

EXHIBIT 2 AGREEMENT FOR THE PROVISION OF ASSISTED LIVING SERVICES

THIS ASSISTED LIVING SERVICES AGREEMENT (the “Agreement”) is made and entered into by and between:

1. This Assisted Living Agreement (the “Agreement”) is entered into this ____ day of _____ between McAuley Center, Incorporated, a Connecticut nonstock corporation (or “The McAuley” or “Us”), and

2. _____ (“You”) or

_____ (“Designated Representative”).

PREAMBLE

The McAuley, a non-profit, tax-exempt corporation, is a Life Plan Community sponsored by Trinity Health Senior Communities, managed by Mercy Community Health, and is part of Trinity Health. It is located at 275 Steele Road, West Hartford, Connecticut. The McAuley is registered as a Managed Retirement Community (“MRC”) in Connecticut.

This Residency Agreement applies to your rental of an apartment in The McAuley and sets forth Your Obligations as a resident of The McAuley.

1. Criteria for Admission to the ALSA

In order to be admitted to the ALSA, You must meet the following criteria:

- A. You must need assistance with activities of daily living and/or nursing care and services.
- B. A licensed physician or other health care practitioner with applicable statutory authority must certify upon admission and annually thereafter that Your physical and mental health, and/or cognitive condition is chronic and stable.

2. Your Care Plan

Within seven (7) days of Your admission to The McAuley, or earlier, Our nurse will perform an initial assessment of Your needs. This assessment will allow Our staff to develop a written care plan appropriate for Your level of need (the "Service Plan").

This initial care plan will remain in effect for at least one hundred twenty (120) days. Our nurses will review and modify the Service Plan as necessary every one hundred twenty (120) days. We may also revise Your Service Plan if Our staff determines that You have experienced a significant change in physical or psychosocial status.

We shall consult with You or Your designated representative concerning the initial assessment) regular reassessments and determinations of a change of condition; however, all revisions of Your Service Plan shall be at Our final discretion.

T y p e t e x t h e r e

3. Nursing and Personal Care Services

We agree to provide assisted living services in accordance with Your Service Plan developed by Our nurse after a nursing assessment of Your needs and Your agreement in writing. These services include health and wellness programs, a Registered Nurse on site forty (40) hours per week and on call at all other times, 24-hour Certified Aide staffing, health monitoring, periodic nursing assessments and, if necessary, revisions of Your Service Plan, coordination with Your personal physician, referrals to other health care professionals, agencies or other ancillary services, provision of professional nursing services as required by Your Service Plan and provision of Certified Aide assistance with activities of daily living and supervision of self-administration of medication as required by Your Service Plan.

4. Cost of Services

The following assisted living services are included in Your Rental Fee as set forth in Your Residency Agreement dated and signed by You, at no additional cost to You:

- A. Preliminary health/functional assessment upon move in and the collection of emergency profile information.
- B. Assessment, monitoring, coordination of care and referrals to other providers and ancillary services in accordance with Your care plan.
- C. Staff response to the emergency call system.
- D. Up to one hour per day of assistance with bathing, dressing, grooming and medication supervision. (See ARTICLE I, Section H)

- E. Health education and wellness programs.
- F. Coordination of medical transportation.
- G. Initial nursing assessment upon Your return to Your Apartment from a hospital or nursing home.
- H. If additional services are required by Your Service Plan, We will charge You for these services in accordance with the Schedule of Charges for Additional Services made a part of this Agreement by referenced in the Resident Handbook. Bills for these additional services will be sent to You monthly. The bills for assisted living services shall be due and payable within ten (10) days of the first (1st) day of receipt of the bill. If the fees are not paid in full as required under the terms of this Agreement, We may assess a late payment charge on the outstanding balance. A late charge of one percent of the outstanding balance will be imposed if Your balance is paid 10 days after the due date. We may reasonably increase the late fee upon thirty (30) days written notice to You.

5. Right to Refuse Services.

You have the right to refuse services recommended by Us after a nursing assessment or to obtain such services from another provider as set forth in Paragraph 5 of this Agreement; however, We retain the right to terminate Your Residency Agreement in accordance with Article VI, Paragraph C of that Residency Agreement if Your refusal of or failure to obtain recommended services results in Your inability to live appropriately and/or safely in a residential setting.

6. Right to Receive Services From Other Agencies

You have the right to receive nursing, nurse aide, and companion service recommended in Your Service Plan from any other appropriate agencies or individuals. We reserve the right to require evidence of licensure from other agencies and health care professionals, to review the qualifications and experience of any non-licensed aides, assistants or companions You may employ and to require them to conform to Our rules and policies, and to periodically monitor the provision of such services. We are not responsible for payment of any charges to You by health care professionals or institutions, aides companions, housekeepers, homemakers or any other agency or individual You may employ.

7. Home Health Agency Services If at any time Your personal physician certifies that Your condition is no longer chronic and stable and You require skilled nursing or therapy services, under Connecticut law, We must refer You to a licensed Home Health Agency of Your choice for the provision of services. Payment arrangements for Home Health Agency services (which may be covered by Medicare) must be made directly between You and the Home Health Agency. We will continue to provide any services hereunder that are not offered by the Home Health Agency and to coordinate provision of services with the Home Health Agency, and will charge You in accordance with Paragraph 4 of this Agreement.

8. Excluded Items and Services We shall not provide or pay for any health care services or items unless such services or items are expressly included in this Agreement. Excluded services and items include but are not limited to physician services; surgery; home health care; hospital care; skilled nursing for conditions that are not chronic and stable; physical, occupational

and speech therapy; mental health and substance abuse; hospice; x-ray services; podiatry; treatment or examinations of the eyes or teeth; laboratory; and other similar services as well as prescription drugs; non prescription medications and vitamins; medical supplies; medical devices; eyeglasses ; hearing aids; toiletries and personal supplies.

9. Authorization to Obtain Personal Medical Records

You hereby consent to Our obtaining and reviewing as necessary any of Your medical records maintained by Your personal physician, Home Health Agency, and any other licensed health care professionals or institutions and to Our discussion of Your health condition with any of these as appropriate.

10. Designated Family Member

You hereby consent to Our notification of one or more designated family members of any significant changes in Your condition or in an emergency.

11. Emergency Medical Care

In an emergency, Our staff will contact appropriate providers of emergency services, including but not limited to Emergency Medical Services, ambulance service and hospitals. You will be billed by those providers for any services required. We are not responsible for payment of such charges.

12. Transfer for Health Reasons Except in an emergency, We will not transfer You from Your Apartment for health related reasons until We have consulted with You, Your personal physician, family member or designated representative. You agree that We have the full authority to transfer You from Your Apartment for hospitalization or other health-related services in an emergency, or if not an emergency, upon the Supervisor of Assisted Living

Services' determination, with concurrence by the Executive Director and The Resident Services Coordinator, that We do not have adequate facilities or staff to provide the nursing services or medical care You need or that Your continued residency constitutes a danger and health hazard to You or to other residents.

13. Residency Agreement

Paragraphs A through L of Article VII of the Residency Agreement dated _____ and signed by You are incorporated herein by reference.

14. Client's Bill of Rights

You hereby acknowledge that You have received and reviewed a copy of Our Assisted Living Client's Bill of Rights. (Pristine copies of Assisted Living Bill of Rights).

15. Confidentiality of Records

We agree to keep all of Your health care records confidential. Copies of Your health care records will be released only with Your express written authorization or that of Your legal representative, except where expressly required or allowed by law. You shall be responsible for the cost of copying records requested by You or Your legal representative. All health records are Our property.

16. Authorization to Release Information

You authorize and direct Us to release information and health records concerning You to other medical and health care providers, insurance companies, federal and/or state agencies and regulatory bodies to the extent necessary to obtain payment, coordinate and/or facilitate Your care, and

otherwise comply with applicable laws and regulations. You further authorize the release of information and/or records necessary for Us to conduct reviews or audits of care rendered in the assisted living section.

17. Effective Date and Termination

This Agreement is effective upon execution by all parties (the “Effective Date”) and will automatically terminate upon the termination of Your Residency Agreement.

YOU ACKNOWLEDGE THAT YOU HAVE READ AND UNDERSTOOD THIS AGREEMENT AND HAVE RECEIVED A DUPLICATE ORIGINAL OF THIS AGREEMENT.

WITNESS

The McAuley Center, Inc.

By: _____
Its Authorized Representative

Date: _____

WITNESS

RESIDENT

(Name Printed)

Date: _____

WITNESS

DESIGNATED REPRESENTATIVE

(Name Printed)

Date: _____

WITNESS

RESIDENT

(Name Printed)

Date: _____

WITNESS

DESIGNATED REPRESENTATIVE

(Name Printed)

Date: _____

The undersigned, who is related to the Resident in the following capacity
_____ and will benefit from our entering into
the above Agreement, guarantees the prompt payment and performance of
the Resident's obligations under the Agreement.

Witness

Guarantor

Date

THE MCAULEY



March 9, 1987

Mr. Gordon Andrew
Administrator
Saint Mary Home
291 Steele Road
West Hartford, CT 06117

Dear Gordon:

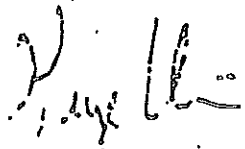
This will confirm the arrangements that have been agreed upon between Saint Mary Home ("Home") and McAuley Center Incorporated ("McAuley") for the admission of McAuley residents to the Home.

1. The Home agrees to admit McAuley residents for nursing services on a priority basis.
2. Each time that McAuley accepts an application from a prospective resident, McAuley will promptly notify the Home and provide the Home with such information about the resident as the Home may reasonably request.
3. The Home shall place the resident's name on the Home's waiting list and the resident will be deemed to have applied for admission to the Home concurrently with the resident's application to McAuley.
4. The resident's name shall remain on the waiting list during the time that he or she is a resident of McAuley and shall move toward the top of the waiting list in the normal course of events.
5. Despite the fact that the resident's name may be at the top of the waiting list, the resident shall not be admitted to the Home unless such admission is requested by McAuley.
6. Upon McAuley's request, a resident will be admitted to the Home in accordance with usual admission procedures and in the order of his or her priority on the waiting list.
7. McAuley agrees to arrange for transportation of its residents to and from the Home.

Mr. Gordon Andrew
March 9, 1987
Page Two

8. McAuley will be billed directly on a monthly basis by the Home for the following services provided to McAuley residents:
- (a) Nursing services, at the current private pay per diem rate.
 - (b) Physical therapy services, at the current private pay rate.
 - (c) Occupational therapy services, at the rate charged by the Home's outside consultant.
9. McAuley will pay the Home directly for all billed services within 15 days of receipt of the monthly statement.

Sincerely,



George Hession
McAuley Center Incorporated

Accepted by:



Gordon C. Andrew

March 19, 1987
(date)

ENTRANCE FEE DEPOSIT
ESCROW AGREEMENT

THIS AGREEMENT, made and entered into this 12th day of May, 1996 by and between MCAULEY CENTER, INC. ("The McAuley"), and People's Bank (the "Escrow Agent"), a banking association with an office at 962 Farmington Avenue, West Hartford, CT.

WITNESSETH:

WHEREAS, McAuley Center, Inc. operates a continuing care retirement community know as The McAuley, A Classic Residence by Hyatt, in West Hartford, CT; and

WHEREAS, prospective residents of The McAuley are required to pay an Entrance Fee prior to occupying a living unit at the facility, and are required to pay as a deposit (the "Deposits") a portion of the Entrance Fee as a part of the application process; and

WHEREAS, The McAuley has agreed to place all of the Deposits in an escrow account with the Escrow Agent;

NOW, THEREFORE, in consideration of the terms and conditions contained herein, the parties agree as follows:

1. Escrow Agent. The McAuley appoints People's Bank as the Escrow Agent for the purposes set forth in this Agreement and the Escrow Agent accepts such appointment.
2. Deposit of Escrow Funds.
 - a. The McAuley shall deposit all Deposits with the Escrow Agent within seventy-two (72) hours of their receipt by The McAuley from a prospective resident (the "Resident").
 - b. The Escrow Agent shall hold the Escrow Funds in interest bearing accounts as determined by The McAuley. All interest will inure to the benefit of The McAuley.
 - c. The Escrow Agent shall account for each Deposit made on behalf of the Resident.
3. Disbursement of Funds. The Escrow Agent shall disburse funds held in escrow as requested by The McAuley upon delivery by The McAuley to the Escrow Agent of a certificate signed by a duly authorized officer of The McAuley certifying to any one of the following conditions:

- a. The living unit to which the Escrow Funds that are requested (the "Requested Funds") apply is, or will be shortly, occupied by the Resident.
- b. The Resident who has paid the Requested Funds has rescinded his/her agreement with The McAuley.
- c. The Resident who has paid the Requested Funds has died.
- d. The McAuley has declined to accept the application of the Resident who has paid the Requested Funds.

4. Provisions as to Escrow Agent.

- a. The Escrow Agent shall have no liability to any party on account of any investment of funds in accordance with this Agreement.
- b. The Escrow Agent shall be protected in acting upon any written notice, statement, certificate, waiver, consent or other instrument or document which the Escrow Agent believes to be genuine.
- c. It is understood and agreed that the duties of the Escrow Agent under this Agreement are ministerial in nature and that the Escrow Agent shall not be liable for any error of judgement, or for any act done or step taken or omitted in good faith, or for anything which the Escrow Agent may do or refrain from doing in connection with the Agreement, except that the Escrow Agent shall be liable for its own gross negligence or willful misconduct.
- d. The Escrow Agent may consult with and obtain advice from legal counsel in the event of any dispute or question as to the construction of any of the provisions of this Agreement and the Escrow Agent shall incur no liability.
- e. If at any time the Escrow Agent shall be in doubt as to the party or parties entitled to receive any or all of the Requested Funds, the Escrow Agent may apply to a court for a determination of the party or parties entitled to receive the same, and the Escrow Agent shall incur no liability therefore.
- f. The McAuley shall indemnify and hold harmless the Escrow Agent from and against all claims, losses, damages, costs, or attorneys' fees arising out of or in connection with the Escrow Agent's acceptance of, or performance of, its duties and obligations under this Agreement other than as a result of willful misconduct or gross negligence on the part of the Escrow Agent.
- g. The Escrow Agent may resign at any time by giving written notice thereof to The McAuley. Such resignation shall become effective upon the appointment by The McAuley of a successor corporate Escrow Agent and the delivery of the Deposits

to such successor Escrow Agent. Any successor Escrow Agent shall have all the rights and obligations of the Escrow Agent named herein.

5. Notices. All notices given pursuant to this Agreement shall be in writing and shall be mailed by certified mail, postage prepaid and shall be deemed given on the date mailed. The addresses to which such notice shall be sent are as set forth below, unless a different address is specified in writing by either party after the date hereof:

To The McAuley: McAuley Center, Inc.
 275 Steele Road
 West Hartford, CT 06117
 Attn: Director of Accounting

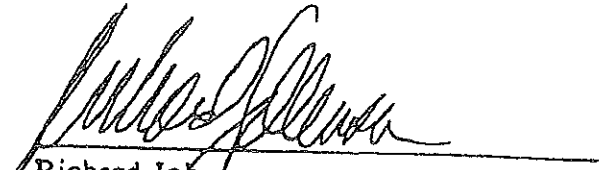
To Escrow Agent: People's Bank
 962 Farmington Avenue
 West Hartford, CT 061107-2199
 Attn: Renee Vanek

The Escrow Agent's telephone number is: (860) 232-0071.

6. Disputes. Any dispute whatsoever relating to the interpretation, validity or performance of this Agreement, or any dispute arising out of this Agreement which cannot be resolved after fifteen (15) days' written notice by the parties to such dispute, shall be settled by arbitration in the City of Hartford, CT, in accordance with the rules then prevailing of the American Arbitration Association, and judgement upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction. The cost of any arbitration proceeding under this Paragraph shall be shared equally by the parties thereto.
7. Escrow Agent Fees. The Escrow Agent hereby agrees to act as such in accordance with the terms hereof. ~~The Escrow Agent's fees and expenses shall be paid by The McAuley utilizing interest earned by the escrowed funds.~~
8. Governing Law. This Agreement shall be governed, construed and administered in accordance with the laws of the State of Connecticut.
9. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.
10. Amendments. This Agreement may only be modified by a written amendment signed by both McAuley Center, Inc. and Escrow Agent, provided that no amendments shall be made without the prior notification by The McAuley to the Commissioner of the Department on Aging, and prior to approval by the Commissioner of the proposed changes.


IN WITNESS WHEREOF, the parties have executed this Agreement, on the day and year first above written.

McAuley Center, Inc.



Richard Johnson
President and Executive Director

People's Bank



David Cook
Vice President-Trust Administration

Investment Management Agreement

Between: The McAuley Center Inc., and
People's Bank

people's bank

PEOPLES BANK

5/17/78

DATE

Gentlemen:

I hereby request that you open and maintain an Investment Management Account in my name. You will follow my instructions as indicated below and in the Account Information and Special Instructions. I also appoint you my Agent to receive, hold, and manage the funds, securities and other property which I have delivered, or may from time to time deliver, to you to be included in my Account. Your duties and authority as my Agent are subject to the terms of this Agreement.

I HAVE INITIALED THE PARAGRAPH BELOW WHICH APPLIES TO MY ACCOUNT.

- (a) You will act as my Agent with respect to my Account with the power and authority, in your sole discretion, to hold, invest, reinvest and otherwise change the securities and other property in my Account.
- (b) You will act as my Agent with respect to my Account with the power and authority upon my instructions or consent to hold, invest, reinvest and otherwise change the securities or other property in my Account. Without my prior authorization or consent you will not make any sale, purchase or change of a security for my Account other than the investment of cash. You may, however, take such action without my consent if (i) you have informed me of your recommendation for such transaction, but you have not received any appropriate response from me within three (3) business days, and (ii) in your judgement the transaction is necessary to prevent or reduce a substantial loss to my Account. With respect to subscription rights, warrants and fractional shares, you are authorized to take such action as you may deem to be in my best interests, with or without consulting me as you may determine.

YOUR ADDITIONAL POWERS AS AGENT. As my agent you:

- may exercise all applicable voting rights in person or by proxy with respect to any securities in my Account;
- may exercise or sell any rights or options relating to any securities in my Account;
- may register securities in your name as my Agent, without disclosing your capacity as my Agent, or in the name of a nominee, but at all times the securities and other property will be shown on your books as my property;
- will collect interest, dividends, distributions and other income earned on the securities and other property in my Account;
- will collect upon maturity, redemption, exchange or other disposition, the principal amounts or securities which may be receivable, and you may act as my Agent to redeem or collect United States Treasury or Savings Bonds;
- may sell and purchase securities for my Account through one or more securities brokers or dealers that you may select.

INVESTMENT OBJECTIVES. I will discuss my investment objectives with you. In return, you will appraise and review, at reasonable intervals, the nature, appropriateness, character, and value of the securities and other property in my Account. From time to time you may suggest purchases and sales of securities for my Account in accordance with my investment objectives.

REPORTS AND INFORMATION. You will send me periodic statements describing all transactions in my Account and a current valuation of the securities and cash in my Account. You will attempt to use information only from sources you consider reliable. You make no guarantee, however, as to the accuracy of that information, and you will not be held liable for any error of fact or judgement so long as you act in good faith.

WITHDRAWAL OF ASSETS. Any or all of the securities and other property in my Account may be withdrawn by me upon the delivery to you of my written instructions to that effect. Such securities and other property will be made available as soon as practicable after you receive instructions. If you determine that the securities and other property remaining in my Account no longer require your services, you may treat the withdrawal as a termination of my Account.

MODIFICATION AND TERMINATION OF AGREEMENT

- **Amendment.** This Agreement may be amended or expanded at any time by a written instrument signed by both you and me.
- **Termination.** This Agreement will terminate automatically upon my death (or upon my survivors death if this is a joint account). If my Account is in the name of a corporation, partnership or other entity, this Agreement will terminate automatically upon dissolution, liquidation or termination of such entity. Otherwise, this Agreement will continue in effect until terminated by either one of us by written notice of termination. As soon as practicable after termination, you will make the property remaining in my Account available after payments of your fees and costs.

LIMITS OF YOUR LIABILITY. I agree that you will not be liable for any losses or reduction in value of the securities and other property in my Account or for any loss resulting from any act or failure to act, except in circumstances in which it is proven that you acted in bad faith or intentionally violated an express provision of this Agreement. Also, you will not be liable for the act or failure to act by a broker, custodian, agent, or nominee employed by you, so long as you exercised good faith and reasonable care in their selection.

TAX INFORMATION. You will provide me with the annual statement of the income earned in my Account classified for tax purposes, and a schedule of securities sold, matured or otherwise disposed of listing the proceeds or appropriate values. You will not be responsible for preparing and filing tax returns or paying taxes on income and transactions in my Account unless I have given you written instructions to do so. I understand there is an additional fee for preparing my tax returns if I elect to have you do so.

YOUR FEES. You will receive fees for your services in accordance with your schedule of fees in effect from time to time. You will be reimbursed for all costs and expenses including brokerage fees that you incur in connection with the management of my Account. I authorize you to charge your fees and expenses against the income and/or principal of my Account.

JOINT ACCOUNT. If my Account is in the name of two or more persons, you will consider it a joint account and:

- you may rely on the instructions of any one of the persons named on the Account;
- Any one of such persons may withdraw securities and other property from the Account; and
- It will be considered a survivorship form of account. This means that if one of the people named in the Account dies, the other person(s) named on the Account will become the sole owner(s) of the securities and other property in the Account.

Accepted for People's Bank

By: 
Its

Very truly yours,



Date: 5/7/98

05/07/98

ACCOUNT INFORMATION AND SPECIAL INSTRUCTIONS

Client: The McAulley Inc

Federal Tax Identification Number

Address: 275 Steele Rd.

Date of Birth

West Hartford, CT 06117

Place of Birth

Citizen of

Telephone Numbers: Home _____ Work 236-6300 check preference

All communications for the Account will be sent to the client at the above address.

Income collected in the Account will be disposed of as follows:

Monthly Quarterly Other Reinvest

By deposit to People's Bank. Account # _____

By check sent to Client at the above address.

Beginning date: _____
Month Day

Reinvested

Statements of activity in the Account will be sent to Client on the following schedule:

Monthly

People's, upon lawful request, and without further consent from Client:

_____ is not authorized to disclose the identity of Client to the issuer of any securities held in the Account.

_____ is authorized to disclose the identity of Client to the issuer of any securities held in the Account.

Other Special Instructions: _____

Signature: _____

Date: _____

THE MCAULEY



1 December 1999

Mr. James Thayer
 Vice President and Trust Officer
 People's Bank
 One Financial Plaza
 Hartford, CT 06103-2613

Dear Mr. Thayer:

I am writing to you on behalf of McAuley Center, Inc. for whom your banking association serves as the Escrow Agent and Investment Agent for our Entrance Fee Deposit Escrow Fund and our Reserve Fund Investment Fund respectively.

The purpose of this correspondence is to provide formal notification to People's Bank that, effective 30 November 1999, McAuley Center, Inc. and Classic Residence by Hyatt have terminated their management agreement with respect to the continuing care retirement community formerly known as The McAuley, A Classic Residence by Hyatt. Effective this date, 1 December 1999, the continuing care retirement community will be known as The McAuley. Mercy Community Health will now provide management services to The McAuley.

I would further request that your records be changed to direct all notices as follows:

McAuley Center, Inc.
 275 Steele Road
 West Hartford, CT 06117
 Attn: Executive Director

If you have any questions, please do not hesitate to contact me. I look forward to continuing the business relationship that The McAuley and People's Bank have enjoyed over the years.

If I can be of any further assistance, please do not hesitate to contact me. I can be reached at 920-6346.

Sincerely,

Stephen T. Surprenant
 Executive Director

a member of Mercy Community Health, a continuum of care ministry of Catholic Health East and the Sisters of Mercy of the Americas

275 Steele Road, West Hartford, Connecticut 06117

Telephone (860) 920-6300

* Facsimile (860) 232-4077

* www.themcauleyct.com

Trinity Health

Consolidated Financial Statements as of and for the
years ended June 30, 2023 and 2022,
and Independent Auditor's Report

TRINITY HEALTH**TABLE OF CONTENTS**

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**Deloitte & Touche LLP**

1001 Woodward
Suite 700
Detroit, MI 48226-1904
USA

Tel: +1 313 396 3000
Fax: +1 313 396 3618
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Trinity Health Corporation
Livonia, Michigan

Opinion

We have audited the consolidated financial statements of Trinity Health Corporation and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, based on our audits and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2023 and 2022, 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.

We did not audit the combined financial statements of BayCare Health System, the Corporation's investment which is accounted for by the use of the equity method. The accompanying consolidated financial statements of the Corporation include its investment in the net assets of BayCare Health System of \$4.4 billion and \$4.0 billion as of June 30, 2023, and 2022, respectively, and its equity method income (loss) from BayCare Health System of \$409.4 million and \$(184.9) million for the years ended June 30, 2023 and 2022, respectively. The combined financial statements of BayCare Health System for the years ended December 31, 2022 and 2021, were audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included for BayCare Health System, is based on the reports of the other auditors and the procedures that we considered necessary in the circumstances with respect to the inclusion of the Corporation's equity investment and equity method income in the accompanying consolidated financial statements taking into consideration the differences in fiscal years.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte + Touche LLP

September 20, 2023

TRINITY HEALTH

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2023 AND 2022

(In thousands)

ASSETS	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 576,308	\$ 643,363
Investments	5,266,635	5,717,088
Security lending collateral	349,985	502,981
Assets limited or restricted as to use - current portion	430,985	475,836
Patient accounts receivable	2,475,557	2,053,459
Estimated receivables from third-party payers	298,946	313,580
Other receivables	422,689	356,691
Inventories	409,193	383,736
Prepaid expenses and other current assets	225,464	171,547
	<u>10,455,762</u>	<u>10,618,281</u>
ASSETS LIMITED OR RESTRICTED AS TO USE - noncurrent portion:		
Self-insurance, benefit plans and other	1,052,049	912,032
By Board	4,160,166	4,494,293
By donors	598,003	503,742
	<u>5,810,218</u>	<u>5,910,067</u>
PROPERTY AND EQUIPMENT - Net	8,846,497	8,154,678
OPERATING LEASE RIGHT-OF-USE ASSETS	598,938	530,999
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	5,165,540	4,717,711
GOODWILL	848,078	814,131
PREPAID PENSION AND RETIREE HEALTH ASSETS	232,725	91,281
OTHER ASSETS	322,449	284,206
	<u>32,280,207</u>	<u>31,121,354</u>
TOTAL ASSETS	<u>\$ 32,280,207</u>	<u>\$ 31,121,354</u>

LIABILITIES AND NET ASSETS	2023	2022
CURRENT LIABILITIES:		
Commercial paper	\$ 99,538	\$ 99,693
Short-term borrowings	616,335	632,730
Current portion of long-term debt	245,326	247,149
Current portion of operating lease liabilities	150,878	137,254
Medicare cash advances	-	389,485
Accounts payable and accrued expenses	1,551,303	1,453,495
Salaries, wages and related liabilities	1,065,904	1,198,363
Payable under security lending agreements	349,985	502,981
Estimated payables to third-party payers	286,409	341,683
Current portion of self-insurance reserves	303,658	324,166
Total current liabilities	<u>4,669,336</u>	<u>5,326,999</u>
LONG-TERM DEBT - Net of current portion	6,757,159	6,416,701
LONG-TERM PORTION OF OPERATING LEASE LIABILITIES	535,888	481,391
SELF-INSURANCE RESERVES - Net of current portion	1,151,235	1,158,241
ACCRUED PENSION AND RETIREE HEALTH COSTS	88,859	165,018
OTHER LONG-TERM LIABILITIES	751,728	675,696
Total liabilities	<u>13,954,205</u>	<u>14,224,046</u>
NET ASSETS:		
Net assets without donor restrictions	17,176,548	15,821,267
Noncontrolling ownership interest in subsidiaries	493,440	489,489
Total net assets without donor restrictions	17,669,988	16,310,756
Net assets with donor restrictions	656,014	586,552
Total net assets	<u>18,326,002</u>	<u>16,897,308</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 32,280,207</u>	<u>\$ 31,121,354</u>

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

TRINITY HEALTH**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2023 AND 2022****(In thousands)**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUE:		
Net patient service revenue	\$ 18,521,694	\$ 17,042,518
Premium and capitation revenue	1,112,633	1,089,363
Net assets released from restrictions	37,404	30,270
Other revenue	<u>1,914,987</u>	<u>1,771,527</u>
Total operating revenue	<u>21,586,718</u>	<u>19,933,678</u>
EXPENSES:		
Salaries and wages	9,317,202	8,865,906
Employee benefits	1,742,152	1,644,251
Contract labor	<u>933,039</u>	<u>626,294</u>
Total labor expenses	11,992,393	11,136,451
Supplies	3,915,686	3,530,720
Purchased services and medical claims	2,925,846	2,654,415
Depreciation and amortization	858,770	876,099
Occupancy	864,120	751,891
Interest	261,911	225,797
Other	<u>1,055,952</u>	<u>906,819</u>
Total expenses	<u>21,874,678</u>	<u>20,082,192</u>
OPERATING LOSS BEFORE OTHER ITEMS	(287,960)	(148,514)
Gain on sale and dividend received	61,864	128,678
Restructuring costs	(40,046)	(72,568)
Restructuring costs - transfer of St. Francis Medical Center	(82,259)	-
Asset impairment charges	<u>(83,261)</u>	<u>(113,864)</u>
OPERATING LOSS	<u>(431,662)</u>	<u>(206,268)</u>
NONOPERATING ITEMS:		
Investment earnings (losses)	715,572	(1,015,043)
Equity in earnings (losses) of unconsolidated affiliates	421,882	(150,214)
Change in market value and cash payments of interest rate swaps	29,766	63,431
Other net periodic retirement cost	(163,024)	(50,332)
Inherent contributions	483,510	-
Other, including income taxes	<u>(18,603)</u>	<u>262</u>
Total nonoperating items	<u>1,469,103</u>	<u>(1,151,896)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	1,037,441	(1,358,164)
EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	<u>(77,721)</u>	<u>(73,184)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, NET OF NONCONTROLLING INTEREST	<u>\$ 959,720</u>	<u>\$ (1,431,348)</u>

	<u>2023</u>	<u>2022</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Net assets without donor restrictions attributable to Trinity Health:		
Excess (deficiency) of revenue over expenses	\$ 959,720	\$ (1,431,348)
Net assets released from restrictions for capital acquisitions	31,237	28,786
Net change in retirement plan related items - consolidated organizations	338,872	(181,200)
Net change in retirement plan related items - unconsolidated organizations	13,567	(2,047)
Other	11,885	30,663
	<u>1,355,281</u>	<u>(1,555,146)</u>
Increase (decrease) in net assets without donor restrictions attributable to Trinity Health		
Net assets without donor restrictions attributable to noncontrolling interests:		
Excess of revenue over expenses attributable to noncontrolling interests	77,721	73,184
Dividends and other	(73,770)	(73,865)
	<u>3,951</u>	<u>(681)</u>
Increase (decrease) in net assets without donor restrictions attributable to noncontrolling interests		
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions:		
Program and time restrictions	46,698	41,000
Endowment funds	1,208	3,097
Net investment gains (losses):		
Program and time restrictions	20,081	(15,903)
Endowment funds	7,368	(18,672)
Net assets released from restrictions	(68,641)	(59,056)
Acquisitions	69,075	-
Other	(6,327)	(5,596)
	<u>69,462</u>	<u>(55,130)</u>
Increase (decrease) in net assets with donor restrictions		
INCREASE (DECREASE) IN NET ASSETS	1,428,694	(1,610,957)
NET ASSETS - BEGINNING OF YEAR	<u>16,897,308</u>	<u>18,508,265</u>
NET ASSETS - END OF YEAR	<u>\$ 18,326,002</u>	<u>\$ 16,897,308</u>

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

TRINITY HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

(In thousands)

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 1,428,694	\$ (1,610,957)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	858,770	876,099
Amortization of right-of-use assets	144,375	126,033
Asset impairment charges	83,261	113,864
Change in net unrealized and realized gains and losses on investments	(629,711)	1,294,285
Change in market values of interest rate swaps	(37,337)	(87,240)
Undistributed equity in earnings of unconsolidated affiliates	(406,308)	193,042
Inherent contributions related to acquisitions	(483,510)	-
Loss on transfer of St. Francis Medical Center	22,842	-
Gain on sale of Gateway Health Plan L.P.	(8,000)	(128,678)
Dividend received from cost method investee	(53,864)	-
Deferred retirement items - consolidated organizations	(338,872)	181,200
Deferred retirement items - unconsolidated organizations	(13,567)	2,047
Restricted contributions and investment income received	(10,013)	(5,958)
Restricted contributions acquired	(69,075)	-
Other adjustments	44,796	13,609
Changes in:		
Patient accounts receivable	(151,211)	24,733
Estimated receivables from third-party payers	15,660	9,006
Prepaid pension and retiree health costs	(10,627)	(80,892)
Other assets	(49,956)	(44,488)
Medicare cash advances	(409,533)	(907,096)
Accounts payable and accrued expenses	(238,619)	55,529
Estimated payables to third-party payers	(68,365)	(39,437)
Self-insurance reserves and other liabilities	(178,107)	(135,917)
Accrued pension and retiree health costs	125,921	88,340
Total adjustments	<u>(1,861,050)</u>	<u>1,548,081</u>
Net cash used in operating activities	<u>\$ (432,356)</u>	<u>\$ (62,876)</u>

	<u>2023</u>	<u>2022</u>
INVESTING ACTIVITIES:		
Proceeds from sales of investments	\$ 3,821,780	\$ 5,239,199
Purchases of investments	(2,101,414)	(4,782,766)
Purchases of property and equipment	(960,385)	(908,283)
Proceeds from disposal of property and equipment	9,081	13,659
Cash proceeds from sale of Gateway Health Plan L.P.	8,000	323,378
Dividend received from cost method investee	53,864	-
Cash used for disposal of St. Francis Medical Center	(14,500)	-
Net cash used for acquisitions	(532,779)	(1,291)
Change in investments in unconsolidated affiliates	(36,283)	(20,505)
Change in other investing activities	(6,511)	12,511
Net cash provided by (used in) investing activities	<u>240,853</u>	<u>(124,098)</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of debt	383,446	433,714
Repayments of debt	(189,975)	(324,337)
Net change in commercial paper	(155)	(301)
Dividends paid	(74,733)	(73,065)
Proceeds from restricted contributions and restricted investment income	10,164	6,259
Increase in financing costs and other	(2,314)	(4,092)
Net cash provided by financing activities	<u>126,433</u>	<u>38,178</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(65,070)	(148,796)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	<u>801,155</u>	<u>949,951</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 736,085</u>	<u>\$ 801,155</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest - net of amounts capitalized	\$ 265,414	\$ 237,807
Accruals for purchases of property and equipment and other long-term assets	52,998	83,394
Unsettled investment trades and purchases	28,701	43,096
Unsettled investment trades and sales	6,247	9,736
Increase in security lending collateral	(152,997)	110,253
Increase in payable under security lending agreements	152,997	(110,253)

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

TRINITY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

1. ORGANIZATION AND MISSION

Trinity Health Corporation, an Indiana nonprofit corporation headquartered in Livonia, Michigan, and its subsidiaries (“Trinity Health” or the “Corporation”), controls one of the largest health care systems in the United States. The Corporation is sponsored by Catholic Health Ministries, a Public Juridic Person of the Holy Roman Catholic Church. The Corporation operates a comprehensive integrated network of health services, including inpatient and outpatient services, physician services, managed care coverage, home health care, long-term care, assisted living care and rehabilitation services located in 26 states. The operations are organized into Regional Health Ministries, National Health Ministries and Mission Health Ministries (“Health Ministries”). The Mission statement for the Corporation is as follows:

We, Trinity Health, serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities.

Community Benefit Ministry – Consistent with our Mission, Trinity Health provides medical care to all patients regardless of their ability to pay. In addition, Trinity Health provides services intended to benefit persons experiencing poverty and other vulnerabilities, including those persons who cannot afford health insurance or other payments, such as co-pays and deductibles because of inadequate resources and/or are uninsured or underinsured; and works to improve the health status of the communities in which it operates. In addition to the people Trinity Health provides directly with clinical care, our Mission extends to reach millions of people who live in our communities. Trinity Health lives our Mission, not only through the delivery of medical care but also through community service programs, such as street outreach programs to meet the needs of people experiencing homelessness, and Social Care Models to connect individuals to food, housing and other essential daily support.

Trinity Health is building on the legacy of our founders by making a transformational shift from being primarily focused on traditional episodic care to emphasizing total population health, which includes contributing to the overall health and well-being of our communities by impacting the social influencers of health, such as, through partnerships to increase affordable housing and food access. These costs have been included in the appropriate category below.

The following summary has been prepared in accordance with the Catholic Health Association of the United States’ (“CHA”), *A Guide for Planning and Reporting Community Benefit, 2022 Edition*.

The quantifiable costs of the Corporation's community benefit ministry for the years ended June 30 are as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Ministry for those experiencing poverty and other vulnerabilities:		
Financial assistance	\$ 189,303	\$ 191,594
Unpaid cost of Medicaid and other public programs	857,175	762,110
Programs for those experiencing poverty and other vulnerabilities:		
Community health improvement services	24,994	23,255
Subsidized health services	45,367	50,743
Financial contributions	21,622	22,174
Community building activities	1,611	1,570
Community benefit operations	<u>4,197</u>	<u>4,699</u>
Total programs for those experiencing poverty and other vulnerabilities	<u>97,791</u>	<u>102,441</u>
Ministry for those experiencing poverty and other vulnerabilities	<u>1,144,269</u>	<u>1,056,145</u>
Ministry for the broader community:		
Community health improvement services	12,878	11,657
Health professions education	215,301	215,232
Subsidized health services	44,979	40,762
Research	5,972	5,574
Financial contributions	34,821	30,980
Community building activities	1,724	1,396
Community benefit operations	<u>8,397</u>	<u>9,081</u>
Ministry for the broader community	<u>324,072</u>	<u>314,682</u>
Community benefit ministry	<u>\$ 1,468,341</u>	<u>\$ 1,370,827</u>

Ministry for those experiencing poverty and other vulnerabilities represents the financial commitment to seek out and serve those who need help the most, especially those who are experiencing poverty, are uninsured or face barriers to accessing health care, emphasizing the necessity to integrate social and clinical care. This is done with the conviction that health care is a basic human right.

Ministry for the broader community represents the cost of programs and activities aimed at improving the health and well-being of everyone living in the community. While these programs are not focused on specific, low-income population groups, they are accessible to and involve outreach for those experiencing poverty and other vulnerabilities. These programs are not intended to be financially self-supporting.

Financial assistance represents the cost of services provided to patients who cannot afford health care services due to inadequate resources and/or are uninsured or underinsured. A patient's service is classified as financial assistance in accordance with the Corporation's established policies as further described in Note 2. The cost of financial assistance is calculated using a cost-to-charge ratio methodology.

Unpaid cost of Medicaid and other public programs represents the cost (determined using a cost-to-charge ratio) of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of governmental and managed care contract payments.

Community health improvement services are activities and services carried out to improve community health and well-being, for which no patient bill exists. These services are not expected to be financially self-supporting, although some may be supported by outside grants or other funding. An example is the Corporation's Social Care program which was developed to address individual social needs, such as access to transportation, childcare, or affordable medications by facilitating connections between patients, healthcare providers and community partners that promote healthy behaviors. Other examples include social and environmental improvement activities that address the social influencers of health, community health education, free immunization services, free or low-cost prescription medications and rural and urban outreach programs. The Corporation actively collaborates with community groups and agencies to assist those in need in providing such services.

Health professions education includes the unreimbursed cost of training health professionals, such as medical residents, nursing students, technicians and students in allied health professions.

Subsidized health services are net costs for billed services that are subsidized by the Corporation. These include services offered despite a financial loss because they are needed in the community and either other providers are unwilling to provide the services, or the services would otherwise not be available in sufficient amount. Examples of services include free-standing community clinics, hospice care, mobile units and behavioral health services.

Research includes unreimbursed clinical and community health research and studies on health care delivery, which is generalizable and shared with the public.

Financial contributions are made by the Corporation to community organizations and are restricted to support community benefit activities. These amounts include special system-wide funds used to improve community health and well-being as well as resources contributed directly to programs, organizations and foundations for efforts on behalf of those experiencing poverty and other vulnerabilities. Amounts included here also represent certain in-kind donations.

Community building activities include programs that address the root causes of health problems and focus on policy, systems and environmental changes. Examples include advocacy for community health improvement, the costs of programs that improve the physical environment, promote economic development, enhance other community support systems, develop leadership skills through training and build community coalitions.

Community benefit operations include costs associated with dedicated staff, community health needs and asset assessments and other costs associated with community benefit strategy and operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of the Corporation, and all wholly-owned, majority-owned and controlled organizations. Investments where the Corporation holds less than 20% of the ownership interest are accounted for using the cost method. All other investments that are not controlled by the Corporation are accounted for using the equity method of accounting. The equity share of income or losses from investments in unconsolidated affiliates is recorded in other revenue if the unconsolidated affiliate is operational and projected to make routine and regular cash distributions; otherwise, the equity share of income or losses from investments in unconsolidated affiliates is recorded in nonoperating items in the consolidated statements of operations and changes in net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management of the Corporation to make assumptions, estimates and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any.

The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue, which includes explicit and implicit price concessions; financial assistance; premium revenue; recorded values of investments and derivatives; goodwill; evaluation of long-lived assets for impairment; reserves for losses and expenses related to health care professional and general liabilities; and risks and assumptions for measurement of pension and retiree health liabilities. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

Cash, Cash Equivalents and Restricted Cash – For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash include certain investments in highly liquid debt instruments with original maturities of three months or less.

The following table reconciles cash, cash equivalents and restricted cash shown in the statements of cash flows to amounts presented within the consolidated balance sheets as of June 30 (in thousands):

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 576,308	\$ 643,363
Restricted cash included in assets limited or restricted as to use - current portion		
Self-insurance, benefit plans and other	94,242	96,077
By donors	<u>4,359</u>	<u>4,525</u>
Total restricted cash included in assets limited or restricted as to use - current portion	98,601	100,602
Restricted cash included in assets limited as to use - noncurrent portion		
Self-insurance, benefit plans and other	28,723	24,251
By donors	<u>32,453</u>	<u>32,939</u>
Total restricted cash included in assets limited or restricted as to use - noncurrent portion	<u>61,176</u>	<u>57,190</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 736,085</u>	<u>\$ 801,155</u>

Investments – Investments, inclusive of assets limited or restricted as to use, include marketable debt and equity securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investments also include investments in commingled funds, hedge funds and other investments structured as limited liability corporations or partnerships. Commingled funds and hedge funds that hold securities directly are stated at the fair value of the underlying securities, as determined by the administrator, based on readily determinable market values, or based on net asset value, which is calculated using the most recent fund financial statements. Limited liability corporations and partnerships are accounted for under the equity method.

Investment Earnings – Investment earnings include interest, dividends, realized gains and losses and unrealized gains and losses. Also included are equity earnings from investment funds accounted for using the equity method. Investment earnings on assets held by trustees under bond indenture agreements, assets designated by the Corporation’s board of directors (“Board”) for debt redemption, assets held for borrowings under the intercompany loan program, assets held by grant-making foundations, assets deposited in trust funds by a captive insurance company for self-insurance purposes, and interest and dividends earned on life plan communities advance entrance fees, in accordance with industry practices, are included in other revenue in the consolidated statements of operations and changes in net assets. Investment earnings, net of direct investment expenses, from all other investments and Board-designated funds are included in nonoperating investment income unless the income or loss is restricted by donor or law.

Derivative Financial Instruments – The Corporation periodically utilizes various financial instruments (e.g., options and swaps) to hedge interest rates, equity downside risk and other exposures. The Corporation’s policies prohibit trading in derivative financial instruments on a speculative basis. The Corporation recognizes all derivative instruments in the consolidated balance sheets at fair value.

Securities Lending – The Corporation participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. Each business day, the Corporation, through its agent, and the borrower determine the market value of the collateral and the borrowed securities. If on any business day the market value of the collateral is less than the required value, additional collateral is obtained as appropriate. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the consolidated balance sheets and is up to 105% of the market value of securities loaned. As of June 30, 2023 and 2022, the Corporation had securities loaned of \$698.7 million and \$748.6 million, respectively, and received collateral (cash and noncash) totaling \$716.6 million and \$774.7 million, respectively, relating to the securities loaned. The fees received for these transactions are recorded in nonoperating investment income in the consolidated statements of operations and changes in net assets. In addition, certain pension plans participate in securities lending programs with the Northern Trust Company, the plans’ agent.

Patient Accounts Receivable, Estimated Receivables from and Payables to Third-Party Payers – An unconditional right to payment, subject only to the passage of time is treated as a receivable. Patient accounts receivable, including billed accounts and unbilled accounts for which there is an unconditional right to payment, and estimated amounts due from third-party payers for retroactive adjustments, are receivables if the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. For patient accounts receivable, the estimated uncollectable amounts are generally considered implicit price concessions that are a direct reduction to patient service revenue and accounts receivable.

The Corporation has agreements with third-party payers that provide for payments to the Corporation’s Health Ministries at amounts different from established rates. Estimated retroactive adjustments under reimbursement agreements with third-party payers and other changes in estimates are included in net patient service revenue and estimated receivables from and payables to 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.

Assets Limited as to Use – Assets set aside by the Board for quasi-endowments, future capital improvements, future funding of retirement programs and insurance claims, retirement of debt, held for borrowings under the intercompany loan program, and other purposes over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under bond indenture and certain other agreements, and self-insurance trust and benefit plan arrangements are included in assets limited as to use.

Donor-Restricted Gifts – Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or program restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions included in other revenue in the consolidated statements of operations and changes in net assets.

Inventories – Inventories are stated at the lower of cost or market. The cost of inventories is determined principally by the weighted-average cost method.

Property and Equipment – Property and equipment, including internal-use software, are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Finance lease right-of-use assets included in property and equipment represent the right to use the underlying assets for the lease term and are recognized at the lease commencement date based on the present value of lease payments over the term of the lease.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using either the straight-line or an accelerated method and includes finance lease right-of-use asset amortization and internal-use software amortization. The useful lives of property and equipment range from 2 to 75 years, and finance lease agreements have initial terms typically ranging from 3 to 30 years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

Right-of-Use Lease Assets and Lease Liabilities – The Corporation determines if an arrangement is a lease at inception of the contract. Right-of-use assets represent the right to use the underlying assets for the lease term and lease liabilities represent the obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Corporation uses the implicit rate noted within the contract, when available. Otherwise, the Corporation uses its incremental borrowing rate estimated using recent secured debt issuances that correspond to various lease terms, information obtained from banking advisors, and the Corporation's secured debt fair value. The Corporation does not recognize leases, for operating or finance type, with an initial term of 12 months or less ("short-term leases") on the consolidated balance sheet, and the lease expense for these short-term leases is recognized on a straight-line basis over the lease term within occupancy expense in the consolidated statements of operations and changes in net assets. The Corporation's finance leases are primarily for real estate. Finance lease right-of-use assets are included in property and equipment, with the related liabilities included in current and long-term debt on the consolidated balance sheet.

Operating lease right-of-use assets and liabilities are recorded for leases that are not considered finance leases. The Corporation's operating leases are primarily for real estate, vehicles, and medical and office equipment. Real estate leases include outpatient, medical office, ground, and corporate administrative office space. The Corporation's real estate lease agreements typically have an initial term of 2 to 10 years. The Corporation's equipment lease agreements typically have an initial term of 2 to 6 years. The real estate

leases may include one or more options to renew, with renewals that can extend the lease term from 5 to 10 years. The exercise of lease renewal options is at the Corporation's sole discretion. For accounting purposes, options to extend or terminate the lease are included in the lease term when it is reasonably certain that the option will be exercised. Operating lease liabilities represent the obligation to make lease payments arising from the leases and are recognized at the lease commencement date based on the present value of lease payments over the lease term.

Certain of the Corporation's lease agreements for real estate include payments based on common area maintenance expenses and others include rental payments adjusted periodically for inflation. These variable lease payments are recognized in occupancy expense, net, but are not included in the right-of-use asset or liability balances when they can be separately identified in the contract. The Corporation's lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

Goodwill – Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized.

Asset Impairments –

Property, Equipment and Right-of-Use Lease Assets – The Corporation evaluates long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows. If the estimated future undiscounted cash flows are less than the carrying value of the assets, the impairment recognized is calculated as the carrying value of the long-lived assets in excess of the fair value of the assets. The fair value of the assets is estimated based on appraisals, established market values of comparable assets or internal estimates of future net cash flows expected to result from the use and ultimate disposition of the assets.

Goodwill – Goodwill is tested for impairment on an annual basis or when an event or change in circumstance indicates the value of a reporting unit may have changed. Testing is conducted at the reporting unit level. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Estimates of fair value are based on appraisals, established market prices for comparable assets or internal estimates of future net cash flows.

Other Assets – Other assets include long-term notes receivable, reinsurance recovery receivables, definite- and indefinite-lived intangible assets other than goodwill and prepaid retiree health costs. The net balances of definite-lived intangible assets include noncompete agreements, physician guarantees and other definite-lived intangible assets with finite lives amortized using the straight-line method over their estimated useful lives, which generally range from 2 to 20 years. Indefinite-lived intangible assets primarily include trade names, which are tested annually for impairment.

Short-Term Borrowings – Short-term borrowings include puttable variable-rate demand bonds supported by self-liquidity or liquidity facilities considered short-term in nature.

Medicare Cash Advances – In April 2020, the Corporation requested and received accelerated Medicare payments of \$1.6 billion for its acute care hospitals, which was provided through the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The repayment terms allow recipients to extend repayment for a full year before recoupment of the advance payments begins and limit the claim payment offset to 25% of the recipient's full Medicare payments for 11 months, followed by six months with claim offset limited to 50%. At the end of the 29-month period, any unapplied advance repayment amounts must be repaid by the Corporation. Claims for services provided to Medicare beneficiaries began being applied against the Corporation's cash advances in April 2021. Recoupment amounts were classified as current liabilities as they were expected to be repaid within one year as of June 30, 2022. As of June 30, 2023, the remaining balance was fully repaid.

Other Long-Term Liabilities – Other long-term liabilities include deferred compensation, asset retirement obligations, interest rate swaps and deferred revenue from entrance fees. Deferred revenue from entrance fees are fees paid by residents of facilities for the elderly upon entering into continuing care contracts, which are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, net of the portion that is refundable to the resident.

Net Assets with Donor Restrictions – Net assets with donor restrictions are those whose use by the Corporation has been limited by donors to a specific time period or program. In addition, certain net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Net Patient Service Revenue – The Corporation reports patient service revenue at the amount that reflects the consideration it is expected to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payers (including commercial payers and government programs) and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills patients and third-party payers several days after the services are performed or the patient is discharged from a facility.

The Corporation determines performance obligations based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in hospitals receiving inpatient acute care services, or receiving services in outpatient centers, or in their homes (home care). The Corporation measures performance obligations from admission to the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to the patient, which is generally at the time of discharge or the completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Corporation does not believe that it is required to provide additional goods and services related to that sale.

Because patient service performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606-10-50-14(a) and, therefore, the Corporation is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks from the end of the reporting period.

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Corporation’s expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Corporation determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured and underinsured patients in accordance with the Corporation’s policy, and implicit price concessions provided to uninsured and underinsured patients. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies and historical experience. The estimate

of implicit price concessions is based on historical collection experience with the various classes of patients using a portfolio approach as a practical expedient to account for patient contracts with similar characteristics, as collective groups rather than individually. The financial statement effect of using this practical expedient is not materially different from an individual contract approach.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured and underinsured patients, and offers those uninsured and underinsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and for those who are uninsured and underinsured based on historical experience and current market conditions, using the portfolio approach. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the payer's or patient's ability to pay are recorded as bad debt expense in other expenses in the statement of operations and changes in net assets. Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers is as follows:

Medicare – Acute inpatient and outpatient services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediaries.

Medicaid – Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments, discounts from established charges, fee schedules and cost reimbursement methodologies with certain limitations. Cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediaries.

Other – Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments and discounts from established charges.

Cost report settlements under these programs are subject to audit by Medicare and Medicaid auditors and administrative and judicial review, and it can take several years until final settlement of such matters is determined and completely resolved. Because the laws, regulations, instructions, and rule interpretations governing Medicare and Medicaid reimbursement are complex and change frequently, the estimates that have been recorded could change by material amounts.

Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Financial Assistance – The Corporation provides services to all patients regardless of ability to pay. In accordance with the Corporation’s policy, a patient is classified as a financial assistance patient based on specific criteria, including income eligibility as established by the *Federal Poverty Guidelines*, as well as other financial resources and obligations.

Charges for services to patients who meet the Corporation’s guidelines for financial assistance are not reported as net patient service revenue in the accompanying consolidated financial statements. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured and underinsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients.

Self-Insured Employee Health Benefits – The Corporation administers self-insured employee health benefit plans for employees. The majority of the Corporation’s employees participate in the programs. The provisions of the plans permit employees and their dependents to elect to receive medical care at either the Corporation’s Health Ministries or other health care providers. Patient service revenue has been reduced by an allowance for self-insured employee health benefits, which represents revenue attributable to medical services provided by the Corporation to its employees and dependents in such years.

Premium and Capitation Revenue – The Corporation has certain Health Ministries that arrange for the delivery of health care services to enrollees through various contracts with providers and common provider entities. Enrollee contracts are negotiated on a yearly basis. Premiums are due monthly and are recognized as revenue during the period in which the Corporation is obligated to provide services to enrollees. Premiums received prior to the period of coverage are recorded as deferred revenue and included in accounts payable and accrued expenses in the consolidated balance sheets.

Certain of the Corporation’s Health Ministries have entered into capitation arrangements whereby they accept the risk for the provision of certain health care services to health plan members. Under these agreements, the Corporation’s Health Ministries are financially responsible for services provided to the health plan members by other institutional health care providers. Capitation revenue is recognized during the period for which the Health Ministry is obligated to provide services to health plan enrollees under capitation contracts. Capitation receivables are included in other receivables in the consolidated balance sheets.

Reserves for incurred but not reported claims have been established to cover the unpaid costs of health care services covered under the premium and capitation arrangements. The premium and capitation arrangement reserves are included in accounts payable and accrued expenses in the consolidated balance sheets. The liability is estimated based on actuarial studies, historical reporting, and payment trends. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges and other factors. As settlements are made and estimates are revised, the differences are reflected in current operations.

Other Revenue – Other revenue is recorded at amounts the Corporation expects to collect in exchange for providing goods or services not directly associated with patient care and recorded over the time in which obligations to provide goods or services are satisfied. Other revenue includes revenue from the following sources: grants, retail pharmacy, operating investment income, assisted and independent living, equity in earnings of unconsolidated affiliates if the unconsolidated affiliate is operational and projected to make routine and regular cash distributions, incentive revenue, and gainshare recognized under alternative payment models and ancillary services.

Grant Revenue – Where grants are determined to be contributions, unconditional grants are recognized as revenue when received. Conditional grants are recognized as revenue when the Corporation has complied with and substantially met the conditions associated with the grant. For grants that are not contributions, the Corporation recognizes revenue at the amount that reflects the consideration it is expected to be entitled to in exchange for providing services under the term of the grant agreement.

Income Taxes – The Corporation and substantially all of its subsidiaries have been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code. The Corporation also has taxable subsidiaries, which are included in the consolidated financial statements. The Corporation includes penalties and interest, if any, with its provision for income taxes in other nonoperating items in the consolidated statements of operations and changes in net assets.

Excess (Deficiency) of Revenue Over Expenses – The consolidated statements of operations and changes in net assets includes excess (deficiency) of revenue over expenses. Changes in net assets without donor restrictions, which are excluded from excess (deficiency) of revenue over expenses, consistent with industry practice, include the effective portion of the change in market value of derivatives that meet hedge accounting requirements, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets received or gifted (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), net change in retirement plan related items, discontinued operations and cumulative effects of changes in accounting principles.

Forthcoming Accounting Pronouncements –

In June 2016, the FASB issued ASU No. 2016-13, “*Financial Instruments – Credit Losses (Topic 326)*”. This guidance is intended to align the needs of the users of financial statements related to credit loss recognition and also addresses the potential weakness from the delayed recognition of credit losses, resulting in an overstatement of assets. The amendments replace the current incurred loss methodology, which delays recognition until it is probable a loss has occurred, with one that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This guidance is effective for the Corporation beginning July 1, 2023. The adoption of this guidance did not materially impact the Corporation’s financial position, or results of operations, but may require additional disclosures.

In October 2021, the FASB issued No. 2021-08, “*Business Combinations (Topic 805) – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*”. This guidance was issued to address the inconsistency in accounting related to recognition of an acquired contract liability and the payment terms and their effect on subsequent revenue by the acquirer. The amendments in this update require that the acquirer recognize, and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, as if it had originated the contracts, generally consistent with how they were recognized and measured in the acquiree’s financial statements. This guidance is effective for the Corporation beginning July 1, 2024. The Corporation will apply this guidance in consideration of any future business combinations that may occur on or after July 1, 2024.

3. INVESTMENTS IN UNCONSOLIDATED AFFILIATES, BUSINESS ACQUISITIONS AND DIVESTITURES

Investments in Unconsolidated Affiliates – The Corporation and certain of its Health Ministries have investments in entities that are recorded under the cost and equity methods of accounting. As of June 30, 2023 and 2022, the Corporation maintained investments in unconsolidated affiliates with ownership interests ranging from 2.0% to 50.4%. As of June 30, 2023 the Corporation recognized a \$53.9 million dividend for the spin off and sale of a subsidiary held by a group purchasing organization in which the Corporation holds a 6% interest that is accounted for under the cost method.

The Corporation’s share of equity earnings or losses from entities accounted for under the equity method and the classification on the consolidated statements of operations and changes in net assets for the years ended June 30 are as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Other revenue	\$ 45,602	\$ 56,444
Nonoperating items	421,882	(150,214)
Total equity in earnings (losses) of unconsolidated affiliates	<u>\$ 467,484</u>	<u>\$ (93,770)</u>

The most significant of these investments include the following:

BayCare Health System – The Corporation holds a 50.4% interest in BayCare Health System Inc. and Affiliates (“BayCare”), a Florida not-for-profit corporation exempt from state and federal income taxes. BayCare was formed in 1997 pursuant to a Joint Operating Agreement (“JOA”) among the not-for-profit, tax-exempt members of the Trinity Health BayCare Participants, Morton Plant Mease Health Care, Inc., and South Florida Baptist Hospital, Inc. (collectively, the “Members”). BayCare consists of three community health alliances located in the Tampa Bay area of Florida, including St. Joseph’s-Baptist Healthcare Hospital, St. Anthony’s Health Care, and Morton Plant Mease Health Care. The Corporation has the right to appoint nine of the 21 voting members of the Board of Directors of BayCare; therefore, the Corporation accounts for BayCare under the equity method of accounting. As of June 30, 2023 and 2022, the Corporation’s investment in BayCare totaled \$4,402 million and \$3,975 million, respectively.

Gateway Health Plan – The Corporation held a 50% interest in Gateway Health Plan, L.P., and subsidiaries (“GHP”), a Pennsylvania limited partnership. GHP had two general partners, Highmark Ventures Inc. (“Highmark”), formerly known as Alliance Ventures, Inc., and Mercy Health Plan (“MHP”, a wholly owned subsidiary of the Corporation), each owning 1%. In addition to the general partners, there were two limited partners, Highmark and MHP, each owning 49%.

Effective August 31, 2021, the Corporation, through MHP, sold its 50% interest in GHP to the existing partner and parent owner, Highmark. As a result of the transaction, the Corporation received a \$62.5 million dividend distribution on August 27, 2021. Furthermore, the Corporation recorded a gain on the sale of \$128.7 million during fiscal year 2022 as well as an additional gain of \$8.0 million related to final settlement during fiscal year 2023 in the consolidated statement of operations and changes in net assets.

Emory Healthcare/St. Joseph’s Health System – The Corporation holds a 49% interest in Emory Healthcare/St. Joseph’s Health System (“EH/SJHS”). EH/SJHS operates several organizations, including two acute care hospitals, St. Joseph’s Hospital of Atlanta, and John’s Creek Hospital. As of June 30, 2023 and 2022, the Corporation’s investment in EH/SJHS totaled \$221.5 million and \$209.9 million, respectively.

Life Flight Network, LLC – The Corporation, through its subsidiary Saint Alphonsus Regional Medical Center, Inc. holds a 25% interest in Life Flight Network, LLC (“Life Flight”), an Oregon limited liability company and its affiliates. Life Flight was formed in 2019 pursuant to a JOA. The members of Life Flight, each owning 25%, are Saint Alphonsus Regional Medical Center, Inc., Legacy Emmanuel Hospital and Health Center, Oregon Health and Sciences University, and Providence Health System. Life Flight provides services, including both air and ground ambulance services, in the Pacific Northwest with 34 bases in Oregon, Washington, Idaho and Montana. The Corporation accounts for Life Flight under the equity method of accounting. As of June 30, 2023 and 2022, the Corporation’s investment in Life Flight totaled \$70.5 million and \$72.5 million, respectively.

Mercy Health Network – The Corporation held a 50% interest in Mercy Health Network, dba MercyOne, (“MHN”), a nonstock-basis membership corporation with CommonSpirit Health (“CSH”), holding the remaining 50% interest. MHN was the sole member of Wheaton Franciscan Services, Inc. (“WFSI”) that operates three hospitals in Iowa: Covenant Medical Center located in Waterloo, Sartori Memorial Hospital located in Cedar Falls and Mercy Hospital of Franciscan Sisters located in Oelwein. MHN is also the sole member of Central Community Hospital (“CCH”), a critical access hospital located in Elkader, Iowa.

On September 1, 2022, the Corporation completed a transaction with CSH through which the Corporation acquired CSH’s 50% interest in MHN, and now wholly owns MHN. See “Acquisitions” subsequently in Note 3 for further information regarding this transaction. As of June 30, 2023 and 2022, the Corporation’s investment in MHN totaled \$0 million and \$109.6 million, respectively.

Condensed consolidated balance sheets of BayCare, EH/SJHS, Life Flight and MHN as of June 30 are as follows (in thousands):

	2023		
	BayCare	EH/SJHS	Life Flight
Total assets	\$ 11,526,730	\$ 878,549	\$ 371,904
Total liabilities	\$ 2,616,025	\$ 603,076	\$ 61,758

	2022			
	BayCare	EH/SJHS	Life Flight	MHN
Total assets	\$ 10,913,820	\$ 843,603	\$ 351,796	\$ 336,400
Total liabilities	\$ 2,842,405	\$ 546,243	\$ 33,702	\$ 109,263

Condensed consolidated statements of operations of BayCare, EH/SJHS, Life Flight and MHN for the years ended June 30 are as follows (in thousands). MHN results are prior to the acquisition date of September 1, 2022, and for the 12 months ended June 30, 2022.

	2023			
	BayCare	EH/SJHS	Life Flight	MHN
Revenue, net	\$ 4,908,652	\$ 901,845	\$ 221,935	\$ 64,186
Excess (deficiency) of revenue over expenses	\$ 812,195	\$ 44,791	\$ 24,052	\$ (4,236)
	2022			
	BayCare	EH/SJHS	Life Flight	MHN
Revenue, net	\$ 4,537,933	\$ 907,806	\$ 265,398	\$ 429,155
Excess (deficiency) of revenue over expenses	\$ (366,760)	\$ 67,490	\$ 92,750	\$ (17,534)

The following amounts have been recognized in the accompanying consolidated statements of operations and changes in net assets related to the investments in BayCare, EH/SJHS, Life Flight, MHN, and GHP for the years ended June 30 (in thousands):

	2023				
	BayCare	EH/SJHS	Life Flight	MHN	
Other revenue	\$ -	\$ -	\$ -	\$ (2,077)	
Equity in earnings of unconsolidated organizations	409,428	11,316	6,013	-	
Other changes in net assets without donor restrictions	15,549	-	-	-	
Total	<u>\$ 424,977</u>	<u>\$ 11,316</u>	<u>\$ 6,013</u>	<u>\$ (2,077)</u>	
	2022				
	BayCare	EH/SJHS	Life Flight	MHN	GHP
Other revenue	\$ -	\$ -	\$ -	\$ (8,767)	\$ 1,650
Equity in earnings of unconsolidated organizations	(184,884)	33,551	23,188	-	-
Gain on sale of investments	-	-	-	-	128,678
Other changes in net assets without donor restrictions	7,032	-	-	-	(300)
Total	<u>\$ (177,852)</u>	<u>\$ 33,551</u>	<u>\$ 23,188</u>	<u>\$ (8,767)</u>	<u>\$ 130,028</u>

The unaudited summarized financial position and results of operations for the entities accounted for under the equity method excluding BayCare, EH/SJHS, Life Flight, MHN, and GHP as of and for the years ended June 30 are as follows (in thousands):

	2023					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	\$ 39,534	\$ 291,618	\$ 131,611	\$ 146,731	\$ 1,264,763	\$ 1,874,257
Total liabilities	\$ 28,502	\$ 130,075	\$ 101,784	\$ 64,649	\$ 484,695	\$ 809,705
Revenue, net	\$ 9,263	\$ 270,238	\$ 108,482	\$ 31,799	\$ 2,036,344	\$ 2,456,126
Excess of revenue over expenses	\$ 2,137	\$ 9,993	\$ 29,389	\$ 2,359	\$ 90,237	\$ 134,115
	2022					
	Medical Office Buildings	Outpatient and Diagnostic Services	Ambulatory Surgery Centers	Physician Hospital Organizations	Other Investees	Total
Total assets	\$ 39,592	\$ 183,153	\$ 211,511	\$ 106,988	\$ 1,179,177	\$ 1,720,421
Total liabilities	\$ 27,560	\$ 65,274	\$ 135,898	\$ 22,234	\$ 444,389	\$ 695,355
Revenue, net	\$ 9,518	\$ 180,509	\$ 179,550	\$ 50,680	\$ 2,029,103	\$ 2,449,360
Excess of revenue over expenses	\$ 3,020	\$ 16,127	\$ 22,071	\$ 5,031	\$ 109,475	\$ 155,724

Acquisitions:

MercyOne & MHN – On September 1, 2022, the Corporation completed a transaction with CSH through which (i) the Corporation acquired CSH’s 50% interest in MHN, which is the sole member of WFSI and the MHN subsidiary that owns and controls CCH, thereby becoming the sole corporate member of MHN, (ii) MHN became the sole corporate member of Catholic Health Initiatives-Iowa, Corp. d/b/a MercyOne Des Moines Medical Center (“MercyOne Des Moines”), a regional health care system located in Des Moines, Iowa, and (iii) Trinity Home Health Services d/b/a Trinity Health At Home, a subsidiary of the Corporation, acquired certain home care, hospice, and home infusion pharmacy operations from an affiliate of CSH located in the vicinity of Des Moines (“Iowa Home Care Assets”, and collectively with (i) and (ii), the “MercyOne Acquisition”). The completion of the acquisition marks a shared commitment to ensuring access to health care across Iowa. Operating as a part of Trinity Health, MercyOne will retain its name and brand while enhancing more integrated and unified care in the communities it serves.

The cash paid to CSH in consideration for the MercyOne Acquisition totaled \$633.9 million. The Corporation is still in the process of assessing the economic characteristics of certain assets acquired and liabilities assumed. Based on purchase price paid, goodwill of \$27.1 million was recorded on the consolidated balance sheet as of June 30, 2023.

For the year ended June 30, 2023, the Corporation’s consolidated statements of operations and changes in net assets included operating revenue of \$1,274.2 million, operating losses of \$126.3 million, and deficiency of revenue over expenses of \$104.7 million related to the operations of the MercyOne Acquisition.

North Ottawa Community Health System (“Grand Haven”) – The Corporation’s affiliate, Mercy Health Partners, completed a transaction with Grand Haven under which Mercy Health Partners became the sole member of Grand Haven on October 1, 2022. Grand Haven and its affiliates operate an acute care hospital, urgent care center, long-term care facility and provide hospice services in the communities surrounding Grand Haven, Michigan. The transaction will provide improved access to specialists, primary care and health care services, while improving care delivery and access close to home in the Corporation’s West Michigan market. The fair value of identifiable assets acquired exceeded the fair value of liabilities assumed by \$15.4 million which was recorded as an inherent contribution in nonoperating items in the consolidated statement of operations and changes in net assets for the year ended June 30, 2023.

For the year ended June 30, 2023, the Corporation’s consolidated statements of operations and changes in net assets included operating revenue of \$48.0 million, operating income of \$0.1 million, and deficiency of revenue over expenses of \$0.1 million related to the operations of Grand Haven.

Genesis Health System – On March 1, 2023, the Corporation and its affiliate, MHN, completed a transaction with Genesis Health System, an Iowa nonprofit corporation and Genesis Health System, an Illinois not-for-profit corporation (together “Genesis”), under which MHN became the sole member of each and acquired substantially all assets and liabilities except for certain foundation assets, liabilities, and net assets. Genesis and its affiliates operate four acute care hospitals, including two critical access hospitals, convenient care centers, physician practices, a long-term care facility joint venture, an independent living facility for seniors and hospice services in the communities in eastern Iowa and western Illinois. The fair value of identifiable assets acquired exceeded the fair value of liabilities assumed by \$468.1 million that was recorded as an inherent contribution in nonoperating items in the consolidated statement of operations and changes in net assets for the year ended June 30, 2023. As part of the transaction the Corporation also agreed to a capital commitment as further disclosed in Note 5.

For the year ended June 30, 2023, the Corporation’s consolidated statements of operations and changes in net assets included operating revenue of \$262.4 million, operating losses of \$7.6 million, and deficiency of revenue over expenses of \$1.5 million related to the operations of Genesis.

Summarized balance sheet information is shown below as of the respective acquisition dates (in thousands):

	<u>MercyOne</u>	<u>Grand Haven</u>	<u>Genesis</u>
Estimated fair value of net tangible assets acquired:			
Cash	\$ 58,987	\$ 5,665	\$ 43,112
Investments, current	90,277	-	2,064
Patient accounts receivable	174,100	5,620	91,254
Other current assets	56,324	2,972	51,957
Assets limited or restricted as to use - noncurrent portion	56,158	2,320	324,487
Property and equipment - net	436,682	22,864	210,292
Operating lease right-of-use assets	95,707	-	47,704
Investments in unconsolidated affiliates	60,783	-	49,079
Other long-term assets	16,630	1,761	19,139
Goodwill	27,064	-	-
Previously held investments in unconsolidated affiliates	(111,151)	-	-
Medicare cash advances	(19,648)	-	-
Other current liabilities	(156,811)	(11,877)	(123,015)
Long-term debt	-	(11,702)	(127,415)
Long-term portion of operating lease liabilities	(83,570)	-	(42,429)
Other long-term liabilities	(32,218)	(2,001)	(44,272)
Noncontrolling ownership interest in subsidiaries	-	-	(433)
Net assets with donor restrictions	<u>(35,439)</u>	<u>(202)</u>	<u>(33,434)</u>
Cash paid	<u>\$ 633,875</u>	-	-
Inherent contribution		<u>\$ 15,420</u>	<u>\$ 468,090</u>

The amount of the Corporation's pro forma revenue, earnings and changes in net assets, had the MercyOne, Grand Haven and Genesis acquisitions occurred on July 1, 2021 are as follows for the years ended June 30 (in thousands):

	<u>2023</u>	<u>2022</u>
Total operating revenue	\$ 22,325,938	\$ 22,264,789
Excess (deficiency) of revenue over expenses net of noncontrolling interest	1,003,389	(1,408,633)
Change in net assets without donor restrictions	1,130,560	(1,871,679)
Change in net assets with donor restrictions	(1,043)	(298,648)

Divestiture:

St. Francis Medical Center ("SFMC") Trenton, N.J. – On December 22, 2022, the Corporation, through its subsidiary Maxis Health System ("Maxis"), transferred the membership interest of SFMC and certain subsidiaries as well as \$14.5 million of cash, and certain inventory and equipment, to Capital Health System, Inc. ("Capital"). As a result of this transaction, restructuring costs of \$82.3 million were incurred as further described in Note 14.

For the years ended June 30, 2023 and 2022, the Corporation's consolidated statements of operations and changes in net assets included operating revenue of \$63.9 million and \$142.8 million, respectively, and deficiency of revenue over expenses of \$98.2 million (inclusive of restructuring costs) and \$39.4 million, respectively, related to the operations of SFMC.

4. OPERATING REVENUE

Operating revenue consists primarily of net patient service revenue and premium and capitation revenue. Revenue from patient's deductibles and coinsurance are included in the categories presented below based on the primary payer. Premium revenue primarily results from the Corporation's health plans, which sell Medicare Advantage products, under several separate contracts with the Center for Medicare and Medicaid Services ("CMS"). Capitation revenue primarily results from the Corporation's Program of All-Inclusive Care for the Elderly ("PACE") that provides comprehensive medical and social services to participants, most of whom are dually eligible for both Medicare and Medicaid. The table below shows sources of net patient service revenue by primary payer for the years ended June 30 (in thousands):

	<u>2023</u>	<u>2022</u>
Net patient service revenue, by payer:		
Medicare	\$ 7,664,186	\$ 6,955,548
Blue Cross	3,712,146	3,438,938
Medicaid	2,982,936	2,801,076
Uninsured	344,743	317,485
Commercial and other	<u>3,817,683</u>	<u>3,529,471</u>
Net patient service revenue	<u>\$ 18,521,694</u>	<u>\$ 17,042,518</u>

The composition of net patient service revenue and other revenue based on service lines for the years ended June 30 (in thousands) are as follows:

	<u>2023</u>	<u>2022</u>
Net patient service revenue, by service line:		
Acute care - inpatient	\$ 7,761,621	\$ 7,516,594
Acute care - outpatient	7,746,966	6,873,733
Physician services	2,422,079	2,099,171
Long term care	198,117	186,637
Home health care	<u>392,911</u>	<u>366,383</u>
Net patient service revenue	18,521,694	17,042,518
Premium revenue	636,785	613,772
Retail pharmacy revenue	597,945	500,037
Capitation revenue	475,848	475,591
Grant revenue	200,878	281,354
Revenue from other sources	<u>1,153,568</u>	<u>1,020,406</u>
Total operating revenue	<u>\$ 21,586,718</u>	<u>\$ 19,933,678</u>

The CARES Act authorized \$100 billion in funding to hospitals and other health care providers to be distributed through the Public Health and Social Services Emergency Fund, Provider Relief Funds ("PRF grants"). Also, the Paycheck Protection Program and Health Care Enhancement Act ("PPPHE Act") enacted on April 24, 2020 provided an additional \$75 billion in emergency appropriations to eligible providers for COVID-19 response including distributions to safety net hospitals to compensate for lost revenues and qualified expenses, loan forgiveness and capacity expansion. Furthermore, on December 27,

2020, the Consolidated Appropriations Act (“CAA Act,” collectively the “Acts”) provided additional guidance regarding recognition of PRF grants. During fiscal year 2022, the Corporation applied for and received PRF Phase 4 grants and Rural payments under the American Rescue Plan Act (“ARP Act”) of 2021. PRF grants were intended to compensate health care providers for lost revenues and qualified expenses incurred in response to the COVID-19 pandemic and were not required to be repaid, provided that the recipients attested to and complied with certain terms and conditions, including limitations on balance billing and not using PRF grants to reimburse expenses or losses that other sources were obligated to reimburse.

PRF grants and Rural payments recognized as revenue, recorded in other revenue in the consolidated statements of operations and changes in net assets, totaled \$0.8 million and \$140.5 million for the years ended June 30, 2023 and 2022, respectively. The Corporation has recognized all grants received in other revenue in the statements of operations and changes in net assets through June 30, 2023. The Corporation has transferred both General Distribution and Targeted Distribution PRF grants amongst its subsidiaries. Compliance with the Department of Health and Human Services (“HHS”) Provider Relief Fund General and Targeted Distribution Post-Payment Notice of Reporting Requirements is complex and subject to HHS audit. Transferred Targeted Distribution payments face an increased likelihood of an audit by HHS. There can be no assurance that HHS will not challenge the Corporation’s compliance with these reporting requirements. The Corporation believes the amount of PRF grants and Rural payments recognized as grant revenue is appropriate under the guidance from HHS.

5. LONG-LIVED ASSETS

Property and Equipment:

A summary of property and equipment as of June 30 is as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Land	\$ 428,858	\$ 346,425
Buildings and improvements	11,287,425	10,613,884
Equipment	7,524,260	7,226,485
Finance lease right-of-use assets	<u>95,329</u>	<u>90,717</u>
Total	19,335,872	18,277,511
Accumulated depreciation and amortization	(11,168,290)	(10,764,701)
Construction in progress	<u>678,915</u>	<u>641,868</u>
Property and equipment - net	<u>\$ 8,846,497</u>	<u>\$ 8,154,678</u>

As of June 30, 2023, commitments for capital projects totaled approximately \$592.9 million. The outstanding commitments are primarily for new facility construction, expansion at existing campuses and related infrastructure updates.

In conjunction with the acquisition of Genesis as described in Note 3, the Corporation and MHN committed to allocate not less than \$450 million of capital to Genesis over seven years with the commitment period ending March 1, 2030. The capital commitment period may be extended up to 18 months under certain circumstances. The Corporation’s related capital spending for Genesis through June 30, 2023 is \$8.7 million.

Leases:

The following table presents the components of the Corporation's right-of-use assets and liabilities related to finance leases and their classification in the consolidated balance sheets as of June 30 (in thousands):

Component of Finance Lease Balances	Classification in Consolidated Balance Sheets	2023	2022
Assets:			
Finance lease right-of-use assets - net	Property and equipment	\$ 72,369	\$ 76,862
Liabilities:			
Current portion of finance lease liability	Current portion of long-term debt	12,310	10,770
Long-term portion of finance lease liability	Long-term debt	85,482	91,698

The components of lease expense and their classification in the consolidated statements of operations and changes in net assets for the years ended June 30 were as follows (in thousands):

Component of Lease Expenses	Classification in Statements of Operations and Changes in Net Assets	2023	2022
Operating lease expense	Occupancy	\$ 165,562	\$ 143,274
Finance lease expense:			
Amortization of right-of-use assets	Depreciation and amortization	9,457	8,647
Interest on lease liabilities	Interest	2,432	2,769
Total finance lease expense		11,889	11,416
Short-term lease expense	Occupancy	50,484	46,125
Total lease expense		<u>\$ 227,935</u>	<u>\$ 200,815</u>

The weighted average remaining lease term and weighted average discount rate as of and for the years ended June 30 were as follows:

Weighted average remaining lease term (years)	2023	2022
Operating leases	7.48	7.17
Finance leases	9.84	9.33
Weighted average discount rate	2023	2022
Operating leases	3.61%	2.53%
Finance leases	5.50%	5.49%

Supplemental cash flow information related to leases for the years ended June 30 was as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	\$ 189,561	\$ 163,608
Operating cash outflows from finance leases	2,432	2,769
Financing cash outflows from finance leases	11,628	12,245
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	96,164	167,799
Finance leases	5,433	3,084

Future maturities of lease liabilities as of June 30, 2023 are presented in the following table (in thousands):

	<u>Operating Leases</u>	<u>Finance Leases</u>
2024	\$ 170,941	\$ 17,246
2025	143,099	13,877
2026	119,416	11,798
2027	91,173	11,331
2028	65,376	10,967
Thereafter	<u>224,876</u>	<u>62,932</u>
Total lease payments	814,881	128,151
Less: Imputed interest	<u>(128,115)</u>	<u>(30,359)</u>
Total lease obligations	686,766	97,792
Less: Current obligations	<u>(150,878)</u>	<u>(12,310)</u>
Long-term lease obligations	<u>\$ 535,888</u>	<u>\$ 85,482</u>

Goodwill:

The following table provides information on changes in the carrying amount of goodwill, which is included in the accompanying consolidated financial statements of the Corporation as of June 30 (in thousands):

	<u>2023</u>	<u>2022</u>
As of July 1:		
Goodwill	\$ 860,686	\$ 859,191
Accumulated impairment loss	<u>(46,555)</u>	<u>(39,064)</u>
Total	814,131	820,127
Goodwill acquired during the year	34,470	1,495
Impairment loss	<u>(523)</u>	<u>(7,491)</u>
Total	<u>848,078</u>	<u>814,131</u>
As of June 30:		
Goodwill	895,156	860,686
Accumulated impairment loss	<u>(47,078)</u>	<u>(46,555)</u>
Total	<u>\$ 848,078</u>	<u>\$ 814,131</u>

Impairments:

During the year ended June 30, 2023, the Corporation recorded impairment charges of \$83.3 million in the consolidated statement of operations and changes in net assets. Included in the total impairment charges was \$41.9 million related to an acute care facility at one of the Health Ministries of the Corporation where material adverse trends in the most recent estimates of future undiscounted cash flows indicated that the carrying value of the long-lived assets were not recoverable from estimated future cash flows. The Corporation believes the most significant factor contributing to the continuing adverse financial trend at this location was a reduction in numerous volume indicators, combined with increased cost of staffing and other operating expenses. The total impairments were comprised of \$52.2 million of property and equipment for aged buildings and structures, operating leased space and related furniture and equipment to be vacated or no longer used, \$13.5 million related to unconsolidated equity method investments and \$17.6 million of other assets.

During the year ended June 30, 2022, the Corporation recorded impairment charges of \$113.9 million in the consolidated statement of operations and changes in net assets. Included in the total impairment charges were \$73.7 million related to aged buildings and structures, operating leased space and related furniture and equipment to be vacated or no longer used. In addition, \$30.2 million was primarily at certain long term care facilities, where the most recent estimates of future undiscounted cash flows indicated that the carrying value of the long-lived assets were not recoverable from estimated future cash flows. The Corporation believes the most significant factors contributing to the continuing adverse financial trends in these locations include continued declines in occupancy of continuing care facilities. Therefore, these assessments resulted in impairments of the buildings, leases and equipment. The Corporation also recorded impairment of \$10.0 million of goodwill and other assets.

6. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

A summary of short-term borrowings and long-term debt as of June 30 is as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Short-term borrowings:		
Variable rate demand bonds with contractual maturities through 2049. Interest payable monthly at rates ranging from 0.64% to 4.46% during 2023 and 0.02% to 1.40% during 2022	\$ 616,335	\$ 632,730
Long-term debt:		
Tax-exempt revenue bonds and refunding bonds:		
Fixed-rate term and serial bonds, payable at various dates through 2053. Interest rates ranging from 1.25% to 5.0% during 2023 and 2022	\$ 3,966,150	\$ 3,584,535
Variable-rate term bonds, payable at various dates through 2051. Interest rates ranging from 1.10% to 5.83% during 2023 and 0.47% to 1.84% during 2022	337,460	338,835
Taxable revenue bonds:		
Fixed-rate term, payable through 2049. Interest rates ranging from 2.14% to 4.13% during 2023 and 1.03% to 4.13% during 2022	2,144,780	2,209,190
Variable-rate term, payable through 2051. Interest rates ranging from 5.27% to 5.83% during 2023	54,680	-
Notes payable to banks. Interest payable at rates ranging from 1.00% to 7.50% during 2023 and 1.34% to 5.00% during 2022, fixed and variable, payable in varying monthly installments through 2053	40,761	43,220
Financing lease obligations (excluding imputed interest of \$30.4 million at June 30, 2023 and \$35.3 million at June 30, 2022)	97,792	102,468
Other	60,267	62,293
Total long-term debt	6,701,890	6,340,541
Less current portion - net of current discounts	(245,326)	(247,149)
Unamortized debt issuance costs	(37,001)	(37,670)
Unamortized premiums - net	337,596	360,979
Long-term debt - net of current portion	<u>\$ 6,757,159</u>	<u>\$ 6,416,701</u>

Contractually obligated principal repayments on short-term borrowings and long-term debt are as follows (in thousands):

	<u>Short-Term Borrowings</u>	<u>Long-Term Debt</u>
Years ending June 30:		
2024	\$ 16,920	\$ 248,924
2025	22,120	139,312
2026	22,995	138,325
2027	23,920	143,082
2028	24,755	161,174
Thereafter	<u>505,625</u>	<u>5,871,073</u>
Total	<u>\$ 616,335</u>	<u>\$ 6,701,890</u>

A summary of interest costs on borrowed funds primarily under the revenue bond indentures during the years ended June 30 is as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Interest costs incurred	\$ 264,877	\$ 227,485
Less capitalized interest	<u>(2,966)</u>	<u>(1,688)</u>
Interest expense included in operations	<u>\$ 261,911</u>	<u>\$ 225,797</u>

Obligated Group and Other Requirements – The Corporation has debt outstanding under a master trust indenture dated October 3, 2013, as amended and supplemented, the amended and restated master indenture (“ARMI”). The ARMI permits the Corporation to issue obligations to finance certain activities. Obligations issued under the ARMI are joint and several obligations of the obligated group established thereunder (the “Obligated Group,” which currently consists of the Corporation). Proceeds from tax-exempt bonds and refunding bonds are to be used to finance the construction, acquisition and equipping of capital improvements. Proceeds from taxable bonds are to be used to finance corporate purposes or advance refund tax-exempt bonds. Certain Health Ministries of the Corporation constitute designated affiliates and the Corporation covenants to cause each designated affiliate to pay, loan or otherwise transfer to the Obligated Group such amounts necessary to pay the amounts due on all obligations issued under the ARMI. The Obligated Group and the designated affiliates are referred to as the Trinity Health Credit Group.

Pursuant to the ARMI, the Obligated Group agent (which is the Corporation) has caused the designated affiliates representing, when combined with the Obligated Group members, at least 85% of the consolidated net revenues of the Trinity Health Credit Group to grant to the master trustee security interests in their pledged property which security interests secure all obligations issued under the ARMI. There are several conditions and covenants required by the ARMI with which the Corporation must comply, including covenants that require the Corporation to maintain a minimum historical debt-service coverage and limitations on liens or security interests in property, except for certain permitted encumbrances, affecting the property of the Corporation or any material designated affiliate (a designated affiliate whose total revenues for the most recent fiscal year exceed 5% of the combined total revenues of the Corporation for the most recent fiscal year). Long-term debt outstanding as of June 30, 2023 and 2022, that has not been secured under the ARMI is generally collateralized by certain property and equipment.

Commercial Paper – The Corporation’s commercial paper program is authorized for borrowings up to \$600 million. As of June 30, 2023 and 2022, the total amount of commercial paper outstanding was \$99.5 million and \$99.7 million, respectively. Proceeds from this program are to be used for general purposes of the Corporation. The notes are payable from the proceeds of subsequently issued notes and from other funds available to the Corporation, including funds derived from the liquidation of securities held by the Corporation in its investment portfolio. The interest rate charged on borrowings outstanding during the years ended June 30, 2023 and 2022, ranged from 1.28% to 5.30% and 0.06% to 2.00%, respectively.

Liquidity Facilities – On September 29, 2022, the Corporation renewed and amended its revolving credit agreement (“RCAI”), by and among the Corporation and U.S. Bank National Association, which acts as an administrative agent for a group of lenders under RCAI. RCAI establishes a revolving credit facility for the Corporation, under which that group of lenders agree to lend to the Corporation amounts that may fluctuate from time to time. Amounts drawn under the RCAI can only be used to support the Corporation’s obligation to pay the purchase price of bonds that are subject to tender and that have not been successfully remarketed, and the maturing principal of and interest on commercial paper notes. Of the \$600 million available balance, the first tranche of \$300 million expires on September 26, 2025 and the second tranche of \$300 million expires on September 28, 2026. As of June 30, 2023 and 2022, there were no amounts outstanding under RCAI.

On September 29, 2022, the Corporation renewed its three-year general-purpose credit facility (“RCAII”) of \$600 million, with a maturity date of September 26, 2025. The agreement is by and among the Corporation and U.S. Bank National Association, which acts as an administrative agent for a group of lenders under RCAII and establishes a revolving credit facility for the Corporation, under which that group of lenders agree to lend to the Corporation amounts that may fluctuate from time to time. Amounts drawn under the RCAII can be used for general corporate purposes and working capital needs. As of June 30, 2023 and 2022, there were no amounts outstanding under RCAII.

Each financial institution providing liquidity support under RCAI and RCAII is secured by an obligation under the ARMI.

Standby Letters of Credit – The Corporation maintains an arrangement for multiple standby letters of credit with a financial institution with a capacity available of \$90.0 million as of June 30, 2023 and 2022. The arrangement is for letters of credit that support insurance, unemployment, and other risk liabilities that have been issued in the amounts of \$63.8 million and \$71.9 million as of June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, there were no draws on the letters of credit.

In addition, the Corporation maintains a two-year arrangement for standby letters of credit with an additional financial institution in the amount of \$50.0 million. The arrangement is for letters of credit that can be used to support insurance, unemployment, and other risk liabilities. A letter of credit was issued as of June 30, 2022 in the amount of \$0.2 million. There were no letters of credit issued under this arrangement as of June 30, 2023. As of June 30, 2023 and 2022 there were no draws on the letters of credit.

The banks providing standby letters of credit are not secured by an obligation under the ARMI.

Transactions – During January 2022, the Corporation issued \$331.0 million par value tax-exempt hospital revenue and remarketing bonds at a premium of \$46.4 million. A portion of the bonds was issued in the fixed rate mode and a portion in the term rate mode. Proceeds were used to remarket \$75.0 million of certain tax-exempt variable-rate bonds as tax-exempt fixed-rate hospital revenue bonds to their stated maturity. The remaining bonds were used for capital project reimbursement. As a result of this transaction, the Corporation recognized a loss on extinguishment of debt of \$0.3 million in other nonoperating items in the consolidated statement of operations and changes in net assets for the year ended June 30, 2022.

On June 30, 2022, the Corporation redeemed \$29.7 million of tax-exempt fixed rate bonds. The Corporation recorded a net gain from early extinguishment of debt of \$0.9 million in other nonoperating items in the consolidated statement of operations and changes in net assets for the year ended June 30, 2022.

In December 2022, the Corporation issued \$329.7 million par value in tax-exempt fixed rate private placement bonds. Proceeds were used to retire \$300 million of outstanding taxable commercial paper obligations issued in connection with the acquisition of MercyOne & MHN as described in Note 3, and to refinance \$29.7 million of outstanding taxable commercial paper obligations in connection with certain tax-exempt fixed rate hospital revenue bonds refunded on a current basis in June 2022.

In January 2023, the Corporation renewed \$50.0 million of direct placement bonds that were scheduled for mandatory put in February 2023. In addition, during February 2023, the Corporation renewed \$54.7 million taxable fixed-rate direct placement bonds and converted them to taxable variable-rate direct placement bonds. This debt obligation was scheduled for mandatory put in February 2023.

On March 1, 2023, the acquisition of Genesis, as described in Note 3, resulted in the assumption of \$125.6 million of taxable revenue fixed-rate bonds and \$15.1 million of tax-exempt fixed rate bonds. On the acquisition date, Trinity Health issued replacement obligations under the ARMI in exchange for obligations securing bonds previously issued under the Genesis Master Indenture (“GMI”). The replacement obligations were accepted by banks previously holding Genesis revenue bonds. Furthermore, all obligations under the GMI were cancelled and the GMI was discharged. On June 30, 2023, the Corporation converted the \$125.6 million taxable revenue bonds to tax-exempt fixed-rate bonds.

Each series of the referenced bonds is secured by an obligation issued under the ARMI.

Due to the disposition of Mercy Health System of Chicago, on August 12, 2021, the Corporation defeased \$18.8 million of tax-exempt fixed rate hospital revenue and refunding bonds and the Corporation recorded a net loss from early extinguishment of debt of \$0.5 million in other nonoperating items in the consolidated statement of operations and changes in net assets for the year ended June 30, 2022.

On September 30, 2021, a subsidiary of the Corporation defeased \$20.0 million of bonds and recorded a net gain from the early extinguishment of debt of \$0.2 million in other nonoperating items in the consolidated statement of operations and changes in net assets for the year ended June 30, 2022.

7. PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

The Corporation operates a wholly owned insurance company, Trinity Assurance, Ltd. (“TAL”). TAL qualifies as a captive insurance company and provides certain insurance coverage to the Corporation’s Health Ministries under a centralized program. The Corporation is self-insured for certain levels of general and professional liability, workers’ compensation, and certain other claims. The Corporation has limited its liability by purchasing other coverages from unrelated third-party commercial insurers. TAL has also limited its liability through commercial reinsurance arrangements.

The Corporation’s current self-insurance program includes \$20 million per occurrence for professional liability and \$15 million per occurrence for general liability as well as \$10 million per occurrence for hospital government liability, \$5 million per occurrence for miscellaneous errors and omissions liability and network security and privacy liability, and \$1 million per occurrence for management liability (directors’ and officers’ and employment practices), and certain other coverages. In addition, through TAL and its various commercial reinsurers, the Corporation maintains integrated excess liability coverage with separate annual aggregate limits for professional/general liability and management liability. The Corporation self-insures \$750,000 per occurrence for workers’ compensation in most states, with commercial insurance providing coverage up to the statutory limits and self-insures up to \$500,000 per occurrence for first-party property damage with commercial insurance providing additional coverage. Privacy and network security coverage in excess of the self-insurance is also commercially insured.

The liability for self-insurance reserves represents estimates of the ultimate net cost of all losses and loss adjustment expenses, which are incurred but unpaid at the consolidated balance sheet date. The reserves are based on the loss and loss adjustment expense factors inherent in the Corporation’s premium structure. Independent consulting actuaries determined these factors from estimates of the Corporation’s expenses and available industry-wide data. The Corporation discounts the reserves to their present value using a discount rate of 3.0% and 2.5% as of June 30, 2023 and 2022, respectively. The reserves include estimates of future trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims and related adjustment expenses is adequate based on the loss experience of the Corporation. The estimates are continually reviewed and adjusted as necessary. The changes to the estimated self-insurance reserves were determined based upon the annual independent actuarial analyses.

Claims in excess of certain insurance coverage and the recorded self-insurance liability have been asserted against the Corporation by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents occurring through June 30, 2023, that may result in the assertion of additional claims and other claims may be asserted arising from services provided in the past. While it is possible that settlement of asserted claims and claims which may be asserted in the future could result in liabilities in excess of amounts for which the Corporation has provided, management, based upon the advice of legal counsel, believes that the excess liability, if any, should not materially affect the consolidated financial statements of the Corporation.

8. PENSION AND OTHER BENEFIT PLANS

Deferred Compensation – The Corporation has nonqualified deferred compensation plans at certain Health Ministries that permit eligible employees to defer a portion of their compensation. The deferred amounts are distributable in cash after retirement or termination of employment. As of June 30, 2023 and 2022, the assets under these plans totaled \$380.2 million and \$306.7 million, respectively, and liabilities totaled \$385.6 million and \$314.0 million, respectively, which are included in self-insurance, benefit plans and other assets and other long-term liabilities in the consolidated balance sheets.

Defined Contribution Benefits – The Corporation sponsors defined contribution pension plans covering substantially all of its employees. These programs are funded by employee voluntary contributions, subject to legal limitations. Employer contributions to the majority of these plans include a nonelective contribution of 3% for participants who satisfy certain eligibility requirements, with a minimum nonelective contribution for certain participants, and varying levels of matching contributions based on employee service. The employees direct their voluntary contributions and employer contributions among a variety of investment options. Contribution expense under the plans totaled \$365.1 million and \$330.9 million for the years ended June 30, 2023 and 2022, respectively, which is included in employee benefits in the consolidated statements of operations and changes in net assets.

Noncontributory Defined Benefit Pension Plans (“Pension Plans”) – The Corporation maintains qualified Pension Plans that are closed to new participants, and under which benefit accruals are frozen. Certain nonqualified, supplemental plan arrangements also provide retirement benefits to specified groups of participants. Certain plans are subject to the provisions of ERISA. The majority of the plans sponsored by the Corporation are intended to be “Church Plans,” as defined in the Code Section 414(e) and Section 3(33) of the ERISA, as amended, which have not made an election under Section 410(d) of the Code to be subject to ERISA. The Corporation’s adopted funding policy for its qualified church plans, which is reviewed annually, is to fund the current service cost based on the accumulated benefit obligations and amortization of any under or over funding.

Plan Termination – Effective December 31, 2021 the Board approved the termination of the Trinity Health ERISA Pension Plan (“ERISA Plan”). Approval of plan termination was received from the IRS in July 2022. During fiscal year 2022, the ERISA Plan operated as normal. The ERISA Plan termination included the provision of a pension lump sum election window that ran from January to March 2023. The ERISA Plan paid \$82.5 million in lump sum payments to participants who elected such payments within that voluntary lump sum window. In May 2023, the ERISA plan irrevocably transferred all future obligations to a third party insurance company through the purchase of a group annuity contract. The purchase price of the group annuity contract was \$195.9 million. The plan termination process concluded in fiscal year 2023 resulting in a one-time settlement charge of \$88.4 million which is included in nonoperating items in the consolidated statements of operations and changes in net assets. Additionally, a \$13.0 million contribution was paid in fiscal year 2023 with an estimated additional contribution of \$3.1 million to be paid in the first half of fiscal 2024 related to final plan termination costs.

Postretirement Health Care and Life Insurance Benefits (“Postretirement Plans”) – The Corporation sponsors both funded and unfunded contributory plans to provide health care benefits to certain of its retirees. All of the Postretirement Plans are closed to new participants. The Postretirement Plans cover certain hourly and salaried employees who retire from certain Health Ministries. Medical benefits for these retirees are subject to deductibles and cost sharing provisions. The funded plans provide benefits to certain retirees at fixed dollar amounts in health reimbursement account arrangements for Medicare eligible participants.

The following table sets forth the changes in projected benefit obligations, accumulated postretirement obligations and changes in plan assets and funded status of the plans for both the Pension Plans and Postretirement Plans for the years ended June 30 (in thousands):

	Pension Plans		Postretirement Plans	
	2023	2022	2023	2022
Change in Benefit Obligations:				
Benefit obligation, beginning of year	\$ 6,076,344	\$ 7,634,001	\$ 79,176	\$ 106,523
Service cost	-	-	1	2
Interest cost	295,525	233,505	3,775	2,999
Actuarial gain	(373,780)	(1,278,080)	(9,814)	(23,443)
Benefits paid	(486,424)	(336,346)	(5,353)	(5,805)
Plan amendments	-	1,357	(19)	(1,122)
Settlements	(288,887)	(178,093)	-	-
Medicare Part D reimbursement	-	-	32	22
Benefit obligation, end of year	5,222,778	6,076,344	67,798	79,176
Change in Plan Assets:				
Fair value of plan assets, beginning of year	5,939,531	7,692,336	142,252	163,097
Actual return on plan assets	66,884	(1,279,514)	24,865	(16,914)
Employer contributions	40,325	41,148	1,249	1,874
Benefits paid	(486,424)	(336,346)	(5,353)	(5,805)
Settlements	(288,887)	(178,093)	-	-
Fair value of plan assets, end of year	5,271,429	5,939,531	163,013	142,252
Funded (unfunded) amount recognized June 30	\$ 48,651	\$ (136,813)	\$ 95,215	\$ 63,076
Recognized in other long-term assets	\$ 125,342	\$ 12,498	\$ 107,383	\$ 78,783
Recognized in accrued pension and retiree health costs	\$ (76,691)	\$ (149,311)	\$ (12,168)	\$ (15,707)

The benefit obligation actuarial gain in 2023 and 2022 was due primarily to increases in the discount rates to measure plan liabilities.

The accumulated benefit obligation for all defined benefit pension plans was \$5,222.8 million and \$6,076.3 million at June 30, 2023 and 2022, respectively.

The accumulated postretirement benefit obligation for all plans was \$67.8 million and \$79.2 million at June 30, 2023 and 2022, respectively.

The information for pension plans with projected and accumulated benefit obligations in excess of plan assets as of June 30, 2023 and 2022 are as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Projected and accumulated benefit obligations	\$ 570,140	\$ 5,234,516
Fair value of plan assets	<u>493,449</u>	<u>5,085,205</u>
Funded status	<u>\$ (76,691)</u>	<u>\$ (149,311)</u>

The information for postretirement plans with projected and accumulated benefit obligations in excess of plan assets as of June 30, 2023 and 2022 are as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Projected and accumulated benefit obligations	\$ 12,168	\$ 16,010
Fair value of plan assets	<u>-</u>	<u>303</u>
Funded status	<u>\$ (12,168)</u>	<u>\$ (15,707)</u>

Components of net periodic benefit expense (income) for the years ended June 30 consisted of the following (in thousands):

	<u>Pension Plans</u>		<u>Postretirement Plans</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Service cost	\$ -	\$ -	\$ 1	\$ 2
Interest cost	295,525	233,505	3,775	2,999
Expected return on assets	(285,027)	(296,164)	(9,071)	(10,418)
Amortization of prior service credit	(4,111)	(4,880)	(549)	(443)
Recognized net actuarial loss (gain)	<u>77,797</u>	<u>59,513</u>	<u>(3,708)</u>	<u>(4,424)</u>
Net periodic benefit expense (income) before settlements	84,184	(8,026)	(9,552)	(12,284)
Settlements	<u>88,392</u>	<u>70,642</u>	<u>-</u>	<u>-</u>
Net periodic benefit expense (income)	<u>\$ 172,576</u>	<u>\$ 62,616</u>	<u>\$ (9,552)</u>	<u>\$ (12,284)</u>

The deferred losses (gains) included in net assets without donor restrictions, including amounts arising during the year and amounts reclassified into net periodic benefit cost, are as follows (in thousands):

	Pension Plans			
	Net Loss (Gain)	Prior Service Credit	Total	
Balance at July 1, 2021	\$ 2,080,586	\$ (101,357)	\$ 1,979,229	
Reclassified into net periodic benefit cost	(59,513)	4,880	(54,633)	
Arising during the year	297,597	1,357	298,954	
Settlements	(70,642)	-	(70,642)	
Balance at June 30, 2022	2,248,028	(95,120)	2,152,908	
Reclassified into net periodic benefit cost	(77,797)	4,111	(73,686)	
Arising during the year	(155,634)	-	(155,634)	
Settlements	(88,392)	-	(88,392)	
Balance at June 30, 2023	<u>\$ 1,926,205</u>	<u>\$ (91,009)</u>	<u>\$ 1,835,196</u>	
	Postretirement Plans			All Plans
	Net Loss (Gain)	Prior Service Credit	Total	Grand Total
Balance at July 1, 2021	\$ (62,722)	\$ (1,550)	\$ (64,272)	\$ 1,914,957
Reclassified into net periodic benefit cost	4,424	443	4,867	(49,766)
Arising during the year	3,776	(1,122)	2,654	301,608
Settlements	-	-	-	(70,642)
Balance at June 30, 2022	(54,522)	(2,229)	(56,751)	2,096,157
Reclassified into net periodic benefit cost	3,708	549	4,257	(69,429)
Arising during the year	(25,398)	(19)	(25,417)	(181,051)
Settlements	-	-	-	(88,392)
Balance at June 30, 2023	<u>\$ (76,212)</u>	<u>\$ (1,699)</u>	<u>\$ (77,911)</u>	<u>\$ 1,757,285</u>

Assumptions used to determine benefit obligations and net periodic benefit cost as of and for the years ended June 30 were as follows:

	Pension Plans		Postretirement Plans	
	2023	2022	2023	2022
Benefit Obligations:				
Discount rate	5.90% - 5.95%	4.20% - 5.25%	5.85% - 5.95%	4.80% - 5.10%
Weighted average interest crediting rate	4.89%	4.13%	N/A	N/A
Net Periodic Benefit Cost:				
Discount rate	4.20% - 5.25%	2.80% - 3.35%	4.80% - 5.10%	2.25% - 3.05%
Weighted average interest crediting rate	4.13%	2.67%	N/A	N/A
Expected long-term return on plan assets	2.00% - 6.25%	2.00% - 5.00%	6.50%	6.50%

Approximately 77% of the Corporation's pension plan liabilities were measured using a 5.90% discount rate as of June 30, 2023. Approximately 70% of the Corporation's pension plan liabilities were measured using a 5.15% discount rate as of June 30, 2022.

The Corporation utilizes a pension liability driven investment ("LDI") strategy in determining its asset allocation and long-term rate of return for plan assets. This risk management strategy uses a glide path methodology based on funded status, which was further refined during fiscal year 2021 to protect the funded status of the Pension Plans. The revised glidepath was developed in alignment of an improving hedging ratio, which measures the percentage of hedging assets to Pension Plan liabilities. The glidepath methodology is used to initiate asset allocation changes across the efficient frontier. Efficient frontier analysis models the risk and return trade-offs among asset classes while taking into consideration the correlation among the asset classes. Historical market returns and risks are examined as part of this process, but risk-based adjustments are made to correspond with modern portfolio theory. Long-term historical correlations between asset classes are used, consistent with widely accepted capital markets principles. Current market factors, such as inflation and interest rates, are evaluated before long-term capital market assumptions are determined. The long-term rate of return is established using the efficient frontier analysis approach with proper consideration of asset class diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonableness and appropriateness.

Health Care Cost Trend Rates – Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plans. The postretirement benefit obligation includes assumed health care cost trend rates as of June 30 as follows:

	2023	2022
Medical and drugs, pre-age 65	6.75%	6.11%
Medical and drugs, post-age 65	6.75%	6.11%
Ultimate trend rate	5.00%	5.00%
Year rate reaches the ultimate rate	2030	2026

The Corporation's investment allocations as of June 30 by investment category are as follows:

	Pension Plans		Postretirement Plans	
	2023	2022	2023	2022
Investment Category:				
Cash and cash equivalents	2%	4%	-	-
Marketable securities:				
U.S. and non-U.S. equity securities	7%	6%	-	-
Equity mutual funds	2%	1%	-	-
Debt securities	59%	58%	7%	9%
Other investments:				
Commingled funds	25%	25%	93%	91%
Hedge funds	3%	3%	-	-
Private equity funds	2%	3%	-	-
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The LDI investment strategy focuses on maintaining an appropriate liability hedging ratio along the glidepath. It utilizes a mix of equities, hedge funds and fixed-income investments for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value and small and large capitalizations. Other investments, such as hedge funds, interest rate swaps and private equity are used judiciously to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through monthly investment portfolio reviews, annual liability measurements and periodic asset/liability studies. For the majority of the Corporation's pension plan investments, the combined target investment allocation as of June 30, 2023, was fixed-income obligations 78%; global and traditional equity securities 18%; hedge funds 2%; and cash 2%.

The following table summarizes the Pension Plans' and Postretirement Plans' assets measured at fair value as of June 30, 2023 (in thousands). See Note 10 for definitions of Levels 1, 2 and 3 of the fair value hierarchy.

	2023		Total Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Pension Plans:			
Cash and cash equivalents	\$ 123,355	\$ -	\$ 123,355
Equity securities	347,485	36	347,521
Debt securities			
Government and government agency obligations	-	679,505	679,505
Corporate bonds	-	2,425,577	2,425,577
Exchange traded/mutual funds			
Equity funds	84,071	-	84,071
Other	4,425	-	4,425
Subtotal	<u>\$ 559,336</u>	<u>\$ 3,105,118</u>	<u>\$ 3,664,454</u>
Investments measured at net asset value:			
Commingled funds			
Equity funds			680,240
Fixed-income funds			644,111
Hedge funds			142,215
Private equity			<u>110,473</u>
Total financial assets			5,241,493
Accrued income and other			<u>29,936</u>
Fair value of plan assets			<u>\$ 5,271,429</u>
Postretirement Plans:			
Exchange traded/mutual funds			
Short-term investment funds	\$ 891	\$ -	\$ 891
Fixed-income funds	11,150	-	11,150
Subtotal	<u>\$ 12,041</u>	<u>\$ -</u>	<u>\$ 12,041</u>
Investment measured at net asset value:			
Equity commingled fund			<u>150,972</u>
Fair value of plan assets			<u>\$ 163,013</u>

The following table summarizes the Pension Plans' and Postretirement Plans' assets measured at fair value as of June 30, 2022 (in thousands).

	2022		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value
Pension Plans:			
Cash and cash equivalents	\$ 199,274	\$ -	\$ 199,274
Equity securities	331,417	37	331,454
Debt securities			
Government and government agency obligations	-	801,999	801,999
Corporate bonds	-	2,654,075	2,654,075
Exchange traded/mutual funds			
Equity funds	64,649	-	64,649
Other	61,407	-	61,407
Subtotal	<u>\$ 656,747</u>	<u>\$ 3,456,111</u>	<u>\$ 4,112,858</u>
Investments measured at net asset value:			
Commingled funds			
Equity funds			737,904
Fixed-income funds			751,224
Hedge funds			177,332
Private equity			<u>160,213</u>
Fair value of plan assets			<u>\$ 5,939,531</u>
Postretirement Plans:			
Exchange traded/mutual funds			
Short-term investment funds	\$ 243	\$ -	\$ 243
Fixed-income funds	11,996	-	11,996
Subtotal	<u>\$ 12,239</u>	<u>\$ -</u>	<u>\$ 12,239</u>
Investment measured at net asset value:			
Equity commingled fund			<u>130,013</u>
Fair value of plan assets			<u>\$ 142,252</u>

Unfunded capital commitments related to private equity investments totaled \$20.7 million and \$35.2 million as of June 30, 2023 and 2022, respectively. The private equity investments are in harvest mode and the anticipated amount of capital to be called is less than 15% of the unfunded amount.

See Note 10 for the Corporation's methods and assumptions to estimate the fair value of equity and debt securities, mutual funds, commingled funds and hedge funds.

Private Equity – These assets include several private equity funds that invest primarily in the United States, Asia, and Europe, both directly and on the secondary market, pursuing distressed opportunities and natural resources, primarily energy. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.

Derivatives – The fair value of the derivatives is estimated utilizing the terms of the derivative instruments and publicly available market yield curves. The Pension Plans' investment policies specifically prohibit the use of derivatives for speculative purposes.

Other – Represents unsettled transactions relating primarily to purchases and sales of plan assets. Due to the short maturity of these assets and liabilities, the fair value approximates the carrying amounts.

There were no Level 3 assets in the Pension Plan portfolios at June 30, 2023 or 2022.

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

Expected Contributions – The Corporation expects to contribute approximately \$16.5 million to its Pension Plans and \$2.1 million to its Postretirement Plans during the year ended June 30, 2024, under the Corporation's stated funding policies.

Expected Benefit Payments – The Corporation expects to pay the following for pension benefits for the year ending June 30, which reflect expected future service as appropriate, and expected postretirement benefits:

	Pension Plans	Postretirement Plans
Years ending June 30:		
2024	\$ 509,987	\$ 7,443
2025	439,599	7,153
2026	436,707	6,892
2027	433,302	6,628
2028	430,771	6,368
Years 2029 – 2032	1,990,098	28,034

9. COMMITMENTS AND CONTINGENCIES

Litigation and Settlements – In November 2018, Mount Carmel Health System (“Mount Carmel”), the Corporation’s Regional Health Ministry in Central Ohio, discovered sentinel events relating to the clinical practice by one of its physicians and the related conduct of certain of Mount Carmel’s staff. The physician’s employment was terminated, and this matter was reported to the authorities. Mount Carmel has been fully cooperative with the investigations. The matter has been resolved as to the criminal aspects, however, civil litigation remains pending. The Corporation believes that this matter will be resolved without material adverse effect to the Corporation’s future consolidated financial position or results of operations.

The Corporation is involved, from time to time, in other litigation and regulatory investigations that may result in litigation or settlement, arising in the ordinary course of doing business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on the Corporation’s future consolidated financial position or results of operations.

COVID-19 Pandemic Ongoing Impacts – Since March of 2020, the global COVID-19 pandemic has significantly affected the U.S. health care industry and the Corporation’s patients, communities, employees, and business operations to various degrees across the Corporation’s markets. The United States Federal Public Health Emergency (“PHE”) expired on May 11, 2023 and the pandemic appears to have transitioned to an endemic state, with periodic surges of COVID-19 cases anticipated in the future, similar to annual influenza surges. Inpatient volumes are stabilizing to a new normal that may not return to pre-pandemic levels, which includes a shift from inpatient care to ambulatory, home health, PACE, urgent care, specialty pharmacy and digital telehealth care. On a same facility basis, COVID-19 discharges were much lower during fiscal year 2023, with a 45% decrease, when compared to fiscal year 2022.

The Corporation’s service mix, revenue mix and patient volumes still endure negative impacts from broad economic factors spurred by the pandemic, such as on-going nationwide shortage of nursing staff, reduced consumer spending and rising inflation rates. Furthermore, the expiration of the PHE resulted in reduced payments from Medicare for patients diagnosed with COVID-19, as well as other revenue reductions and cost increases, and the cessation of pandemic related waivers on certain care delivery requirements and continuous enrollment of Medicaid beneficiaries, which will all put further financial strains on the U.S. health care industry and the Corporation. The Corporation’s response to these new and ongoing economic factors continues to require increased premium labor rates and use of contract labor staff, although contract labor costs during fiscal year 2023, excluding acquisitions, are significantly lower by 40.6%, than the prior fiscal year. However, labor costs in total are still challenged with an increase over fiscal year 2022. Labor and supply chain disruptions, including shortages, delays, and significant price increases in medical supplies, pharmaceuticals, and personal protective equipment, have impacted, and are expected to continue to impact the Corporation’s operations. Cost increases outpacing revenue growth have put strains on the Corporation’s financial results and historical debt service coverage ratio. The Corporation’s historical debt service coverage ratio exceeded the 1.1 minimum threshold required for the twelve-month period ended June 30, 2023. Lingering risks and uncertainties spurred by the COVID-19 pandemic continue to impact the financial condition, results of operations and cash flows of the Corporation.

The Corporation continues to take various actions to mitigate the impact on operations from the negative ongoing economic factors. The Corporation is focused on clinical optimization and access, revenue growth opportunities, labor retention, recruitment and stabilization, including utilization of the Corporation’s FirstChoice internal staffing agency to augment labor stabilization, new care delivery models, and continued cost reduction plans to mitigate the lingering impacts of the COVID-19 pandemic. Furthermore, the Corporation continues to control capital and reallocate resources to support its operations and clinicians.

Health Care Regulatory Environment – The health care industry is subject to numerous and complex federal, state and local government laws and regulations. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, data privacy and security, government health care program participation requirements, government reimbursement rules for patient services, fraud and abuse prevention requirements, and requirements for tax-exempt organizations. Both the CARES Act and the PPPHCE Act include Terms and Conditions as well as attestation to accept related funding. In addition, requirements for accepting, using and reporting on use of the funds are numerous and the compliance guidance has been subject to periodic updates by the Department of Health and Human Services. Laws and regulations concerning government programs, including Medicare, Medicaid, CARES Act, PPPHCE Act and ARP Act, are subject to varying interpretation. Compliance with such laws and regulations is nuanced and can be subject to future government review and interpretation as well as significant regulatory enforcement actions, including fines, penalties, and potential exclusion from government health care programs such as Medicare and Medicaid.

The Corporation and its Health Ministries periodically receive requests for information and notices of investigations regarding potential noncompliance with those laws and regulations, billing, payment or other reimbursement matters; or indicating the existence of whistleblower litigation which, in some instances, have resulted in the Corporation entering into significant settlement agreements. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations. In addition, the contracts the Corporation has with commercial payers also provide for retroactive audit and review of claims. The health care industry in general is experiencing an increase in these activities as federal and state governments increase their enforcement activities and institute new programs designed to identify potential irregularities in reimbursement or quality of patient care. Based on the information received to date, management does not believe the ultimate resolution of these matters will have a material adverse effect on the Corporation's future consolidated financial position or results of operations. Trinity Health monitors its business activities for compliance with applicable laws and regulations and operates a values-based ethics and compliance program that is designed to meet or exceed applicable federal guidelines and industry standards.

10. LIQUIDITY AND FAIR VALUE MEASUREMENTS

Liquidity and Availability – The following financial assets are not subject to donor or other contractual restrictions and are available for expenditure generally within one year of the balance sheet date. Board-designated funds have been established in which the Board has the objective of setting funds aside that can be drawn upon for current needs. Also, as more fully described in Note 6, the Corporation has a commercial paper program authorized for borrowings of up to \$600 million and a general-purpose credit facility of \$600 million as of June 30, 2023. As of both June 30, 2023 and 2022, there were no amounts outstanding under the existing general purpose credit facility.

In April 2020, the Corporation requested and received accelerated Medicare payments of \$1.6 billion for its acute care hospitals, which was provided through the CARES Act. For the years ended June 30, 2023 and 2022, CMS recouped \$409.5 million (including advances acquired; see MercyOne and MHN in Note 3), and \$907.1 million, respectively, of the advances. As of June 30, 2023 the remaining balance was fully repaid.

The Corporation monitors liquidity position through days cash on hand, which is defined as total unrestricted cash and investments without donor or contractual restrictions, divided by total operating expenses minus depreciation and amortization, divided by the number of days in the period.

The following table depicts the liquidity position of the Corporation as of June 30, but does not include cash or securities provided to the Corporation as collateral under its securities lending program (in thousands):

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 576,308	\$ 643,363
Investment securities classified as current assets	5,266,635	5,717,088
Board-designated funds	<u>4,372,991</u>	<u>4,704,093</u>
Total unrestricted cash and investments	<u>\$ 10,215,934</u>	<u>\$ 11,064,544</u>
Days cash on hand	178	211

For the years ended June 30, 2023 and 2022, days cash on hand decreased 33 days and decreased 43 days, respectively. The decrease in fiscal year 2023 is related to capital expenditures, cash paid for the MercyOne & MHN acquisition (see Note 3), recoupment of remaining Medicare cash advances, and increase in expense per day, partially offset by investment earnings, operating cash flows and net cash acquired from the Genesis acquisition as discussed in Note 3. The decrease in fiscal year 2022 is related to investment losses and the recoupment of the majority of the Medicare cash advances, partially offset by proceeds from the disposition of GHP as discussed further in Note 3 and \$140.5 million of PRF and Rural grant revenue.

Approximately 14.6% of the Board-designated funds include private equity investments that may not be as readily available depending on market conditions. The Corporation has other assets limited or restricted as to use for donor-restricted purposes, debt service and for future capital improvements. Additionally, certain other Board-designated assets are designated for future capital expenditures and operating reserves. These assets limited as to use, which are more fully described in Note 12, are not available for general expenditure within the next year. However, the Board-designated amounts could be made available, if necessary and are thus reflected in the amounts above.

In addition, as of June 30, 2023 and 2022 the Corporation had a working capital surplus of \$5.8 billion and \$5.3 billion, respectively.

Fair Value Measurements – The Corporation’s consolidated financial statements reflect certain assets and liabilities recorded at fair value. Assets and liabilities measured at fair value on a recurring basis in the Corporation’s consolidated balance sheets include cash, cash equivalents, security lending collateral, equity securities, debt securities, mutual funds, commingled funds, hedge funds and derivatives. Defined benefit retirement plan assets are measured at fair value on an annual basis; see Note 8 for further details.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value should be based on assumptions that market participants would use, including a consideration of nonperformance risk.

To determine fair value, the Corporation uses various valuation methodologies based on market inputs. For many instruments, pricing inputs are readily observable in the market; the valuation methodology is widely accepted by market participants and involves little to no judgment. For other instruments, pricing inputs are less observable in the marketplace. These inputs can be subjective in nature and involve uncertainties and matters of considerable judgment. The use of different assumptions, judgments and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Corporation assesses the inputs used to measure fair value using a three-level hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The fair value hierarchy is as follows:

Level 1 – Quoted (unadjusted) prices for identical instruments in active markets

Level 2 – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar instruments in active markets
- Quoted prices for identical or similar instruments in nonactive markets (few transactions, limited information, noncurrent prices, high variability over time, etc.)
- Inputs other than quoted prices that are observable for the instrument (interest rates, yield curves, volatilities, default rates, etc.)
- Inputs that are derived principally from or corroborated by other observable market data

Level 3 – Unobservable inputs that cannot be corroborated by observable market data

Valuation Methodologies – Exchange-traded securities whose fair value is derived using quoted prices in active markets are classified as Level 1. In instances where quoted market prices are not readily available, fair value is estimated using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures. The inputs to these models depend on the type of security being priced, but are typically benchmark yields, credit spreads, prepayment spreads, reported trades and broker-dealer quotes, all with reasonable levels of transparency. Generally, significant changes in any of those inputs in isolation would result in a significantly different fair value measurement. The Corporation classifies these securities as Level 2 within the fair value hierarchy. There were no Level 3 investments as of June 30, 2023 and 2022.

The Corporation maintains policies and procedures to value instruments using the best and most relevant data available. The Corporation has not adjusted the prices obtained. Third-party administrators do not provide access to their proprietary valuation models, inputs and assumptions. Accordingly, the Corporation reviews the independent reports of internal controls for these service providers. In addition, on a quarterly basis, the Corporation performs reviews of investment consultant industry peer group benchmarking and supporting relevant market data. Finally, all of the fund managers have an annual independent audit performed by an accredited accounting firm. The Corporation reviews these audited financials for ongoing validation of pricing used. Based on the information available, the Corporation believes that the fair values provided by the third-party administrators and investment fund managers are representative of prices that would be received to sell the assets.

In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest-level input that is significant to the fair value measurement in its entirety. The Corporation's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset.

Following is a description of the valuation methodologies the Corporation used for instruments recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Cash and Cash Equivalents – The carrying amounts reported in the consolidated balance sheets approximate their fair value. Certain cash and cash equivalents are included in investments and assets limited or restricted as to use in the consolidated balance sheet. Included in this category is commercial paper. The fair value of commercial paper is based on amortized cost. Commercial paper is designated as Level 2 investments with significant observable inputs, including security cost, maturity and credit rating.

Security Lending Collateral – The security lending collateral is invested in a Northern Trust sponsored commingled collateral fund, which is composed primarily of short-term securities. The fair value amounts of the commingled collateral fund are determined using the calculated net asset value per share (or its equivalent) for the fund with the underlying investments valued using techniques similar to those used for instruments noted below.

Equity Securities – Equity securities are valued at the closing price reported on the applicable exchange on which the security is traded or are estimated using quoted market prices for similar securities.

Debt Securities – Debt securities are valued using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.

Exchange-Traded/Mutual Funds – Exchange-traded funds are valued at the closing price reported on the applicable exchange on which the fund is traded or estimated using quoted market prices for similar securities. Mutual funds are valued using the net asset value based on the value of the underlying assets owned by the fund, minus liabilities, divided by the number of shares outstanding and multiplied by the number of shares owned.

Commingled Funds – Commingled funds are developed for investment by institutional investors only and, therefore, do not require registration with the Securities and Exchange Commission. Commingled funds are recorded at fair value based on net asset value, which is calculated using the most recent fund financial statements.

Hedge Funds – Hedge funds utilize either a direct or a “fund-of-funds” approach resulting in diversified multistrategy, multimanager investments. Underlying investments in these funds may include equity securities, debt securities, commodities, currencies and derivatives. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.

The Corporation classifies its equity and debt securities, mutual funds, commingled funds and hedge funds as trading securities. The amount of holding gains included in the excess of revenue over expenses related to securities still held as of June 30, 2023 and 2022, were \$1,456.3 million and \$773.1 million, respectively.

Equity Method Investments – Certain other investments are accounted for using the equity method. These investments are structured as limited liability corporations and partnerships and are designed to produce stable investment returns regardless of market activity. These investments utilize a combination of “fund-of-funds” and direct fund investment strategies resulting in a diversified multistrategy, multimanager investment approach. Some of these funds are developed by investment managers specifically for the Corporation’s use and are similar to mutual funds but are not traded on a public exchange. Underlying investments in these funds may include other funds, equity securities, debt securities, commodities, currencies and derivatives. Audited information is only available annually based on the limited liability corporations, partnerships or funds’ year-end. Management’s estimates of the fair values of these investments are based on information provided by the third-party administrators and fund managers or the general partners. Management obtains and considers the audited financial statements of these investments when evaluating the overall reasonableness of the recorded value. In addition to a review of external information provided, management’s internal procedures include such things as review of returns against benchmarks and discussions with fund managers on performance, changes in personnel or process, along with evaluations of current market conditions for these investments. Because of the inherent uncertainty of valuations, values may differ materially from the values that would have been used had a ready market existed. Unfunded capital commitments related to equity method investments totaled \$689.5 million and \$693.7 million as of June 30, 2023 and 2022, respectively.

Interest Rate Swaps – The fair value of the Corporation’s derivatives, which are mainly interest rate swaps, are estimated utilizing the terms of the swaps and publicly available market yield curves along with the Corporation’s nonperformance risk as observed through the credit default swap market and bond market and based on prices for recent trades. These swap agreements are classified as Level 2 within the fair value hierarchy.

The following table presents information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis and recorded as of June 30, 2023 (in thousands):

	2023		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value
Assets:			
Cash and cash equivalents	\$ 1,093,410	\$ 6,235	\$ 1,099,645
Security lending collateral	-	349,985	349,985
Equity securities	3,155,639	458	3,156,097
Debt securities:			
Government and government agency obligations	-	845,135	845,135
Corporate bonds	-	1,099,702	1,099,702
Asset backed securities	-	335,547	335,547
Bank loans	-	2,494	2,494
Other	-	5,665	5,665
Exchange traded/mutual funds:			
Equity funds	620,670	-	620,670
Fixed income funds	350,679	-	350,679
Real estate investment funds	65,431	-	65,431
Other	20,747	-	20,747
Subtotal	<u>\$ 5,306,576</u>	<u>\$ 2,645,221</u>	<u>\$ 7,951,797</u>
Equity method investments			2,730,957
Investments measured at net asset value:			
Commingled funds			1,037,930
Hedge funds			<u>573,523</u>
Total assets			<u>\$ 12,294,207</u>
Liabilities:			
Interest rate swaps	<u>\$ -</u>	<u>\$ 49,119</u>	<u>\$ 49,119</u>

The following table presents information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis and recorded as of June 30, 2022 (in thousands):

	2022		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value
Assets:			
Cash and cash equivalents	\$ 985,684	\$ 10,183	\$ 995,867
Security lending collateral	-	502,981	502,981
Equity securities	3,134,434	6,013	3,140,447
Debt securities:			
Government and government agency obligations	-	965,894	965,894
Corporate bonds	-	1,515,911	1,515,911
Asset backed securities	-	412,851	412,851
Bank loans	-	32	32
Other	-	5,287	5,287
Exchange traded/mutual funds:			
Equity funds	563,647	-	563,647
Fixed income funds	423,704	-	423,704
Real estate investment funds	80,473	-	80,473
Other	44,099	-	44,099
Interest rate swaps	-	2,524	2,524
Subtotal	<u>\$ 5,232,041</u>	<u>\$ 3,421,676</u>	<u>\$ 8,653,717</u>
Equity method investments			2,637,270
Investments measured at net asset value:			
Commingled funds			1,215,828
Hedge funds			<u>603,976</u>
Total assets			<u>\$ 13,110,791</u>
Liabilities:			
Interest rate swaps	<u>\$ -</u>	<u>\$ 88,980</u>	<u>\$ 88,980</u>

The following table reconciles the information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis presented in the table above to amounts presented in the consolidated balance sheets as of June 30 (in thousands):

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 576,308	\$ 643,363
Investments	5,266,635	5,717,088
Security lending collateral	349,985	502,981
Assets limited or restricted as to use - current portion	430,985	475,836
Assets limited or restricted as to use - noncurrent portion:		
Self-insurance, benefit plans and other	1,052,049	912,032
By Board	4,160,166	4,494,293
By donor	598,003	503,742
Interest rate swaps in other long-term assets	-	2,524
Less items not recorded at fair value:		
Unconditional promises to give - net	(43,232)	(54,026)
Reinsurance recovery receivable	(85,329)	(80,268)
Other, primarily beneficial interests in trusts	(11,363)	(6,774)
Total assets	<u>\$ 12,294,207</u>	<u>\$ 13,110,791</u>

Investments in Entities that Calculate Net Asset Value per Share – The Corporation holds shares or interests in investment companies at year-end, included in commingled funds and hedge funds, where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company. There were no unfunded commitments as of June 30, 2023 and 2022. The fair value and redemption rules of these investments are as follows as of June 30 (in thousands):

<u>2023</u>			
	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled funds	\$ 1,037,930	Daily, thrice-monthly, monthly	2 - 10 days
Hedge funds	<u>573,523</u>	Monthly, quarterly, semi-monthly, semi-annually	30 - 90 days
Total	<u>\$ 1,611,453</u>		
<u>2022</u>			
	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled funds	\$ 1,215,828	Daily, thrice-monthly, monthly	2 - 10 days
Hedge funds	<u>603,976</u>	Daily, monthly, quarterly, semi-annually, annually	15 - 95 days
Total	<u>\$ 1,819,804</u>		

The hedge fund category includes equity long/short hedge funds, multistrategy hedge funds and relative value hedge funds. Equity long/short hedge funds invest both long and short, primarily in U.S. common stocks. Management of the fund has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and from a net long position to a net short position. Multistrategy hedge funds pursue multiple strategies to diversify risks and reduce volatility.

The relative value hedge fund strategy is to exploit structural and technical inefficiencies in the market by investing in financial instruments that are perceived to be inefficiently priced as a result of business, financial or legal uncertainties. Investments representing approximately 0.6% and 0.4% of the value of the investments in this category as of June 30, 2023 and 2022, respectively, can only be redeemed semi-annually, bi-annually, or annually subsequent to the initial investment date. Investments representing 61.5% and 65.0% of the investments in this category as of June 30, 2023 and 2022, respectively, can only be redeemed at the rate of 25% per quarter.

The commingled fund category primarily includes investments in funds that invest in financial instruments of U.S. and non-U.S. entities, primarily bonds, notes, bills, debentures, currencies and interest rate and derivative products.

The composition of investment returns included in the consolidated statements of operations and changes in net assets for the years ended June 30 is as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Dividend, interest income and other	\$ 208,213	\$ 226,813
Realized gain - net	129,253	262,498
Realized equity earnings, other investments	38,834	142,868
Change in net unrealized (loss) gain on investments	<u>461,624</u>	<u>(1,699,351)</u>
Total investment return	<u>\$ 837,924</u>	<u>\$ (1,067,172)</u>
Included in:		
Operating income	\$ 94,903	\$ (17,554)
Nonoperating items	715,572	(1,015,043)
Changes in net assets with donor restrictions	<u>27,449</u>	<u>(34,575)</u>
Total investment return	<u>\$ 837,924</u>	<u>\$ (1,067,172)</u>

In addition to investments, assets restricted as to use include receivables for unconditional promises to give cash and other assets, net of allowances for uncollectible promises to give. Unconditional promises to give consist of the following as of June 30 (in thousands):

	<u>2023</u>	<u>2022</u>
Amounts expected to be collected in:		
Less than one year	\$ 16,372	\$ 40,897
One to five years	26,613	17,562
More than five years	<u>6,867</u>	<u>3,077</u>
	49,852	61,536
Discount to present value of future cash flows	(3,927)	(3,793)
Allowance for uncollectible amounts	<u>(2,693)</u>	<u>(3,717)</u>
Total unconditional promises to give - net	<u>\$ 43,232</u>	<u>\$ 54,026</u>

11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Financial Instruments – In the normal course of business, the Corporation is exposed to market risks, including the effect of changes in interest rates and equity market volatility. To manage these risks, the Corporation enters into various derivative contracts, primarily interest rate swaps. Interest rate swaps are used to manage the effect of interest rate fluctuations.

Management reviews the Corporation's hedging program, derivative position and overall risk management on a regular basis. The Corporation only enters into transactions it believes will be highly effective at offsetting the underlying risk.

Interest Rate Swaps – The Corporation utilizes interest rate swaps to manage interest rate risk related to the Corporation's variable interest rate debt. Cash payments on interest rate swaps totaled \$7.9 million and \$23.2 million for the years ended June 30, 2023 and 2022, respectively, and are included in nonoperating income.

Certain of the Corporation's interest rate swaps contain provisions that give certain counterparties the right to terminate the interest rate swap if a rating is downgraded below specified thresholds. If a ratings downgrade threshold is breached, the counterparties to the derivative instruments could demand immediate termination of the swaps. Such termination could result in a payment from the Corporation or a payment to the Corporation depending on the market value of the interest rate swap.

Effect of Derivative Instruments on Excess (Deficiency) of Revenue over Expenses – The Corporation has interest rate swaps not designated as hedging instruments which are included in the excess (deficiency) of revenue over expenses in the statement of operations. Net gains included in the change in market value and cash payments of interest rate swaps totaled \$29.8 million and \$63.4 million for the years ended June 30, 2023 and 2022, respectively.

Balance Sheet Effect of Derivative Instruments – The following table summarizes the estimated fair value of the Corporation's derivative financial instruments as of June 30 (in thousands):

Derivatives Not Designated as Hedging Instruments	Consolidated Balance Sheet Location	Fair Value	
		2023	2022
Asset Derivatives:			
Interest rate swaps	Other assets	\$ -	\$ 2,524
Liability Derivatives:			
Interest rate swaps	Other long-term liabilities	\$ 49,119	\$ 88,980

The counterparties to the interest rate swaps expose the Corporation to credit loss in the event of nonperformance. As of June 30, 2023 and 2022, an adjustment for nonperformance risk reduced derivative assets by \$0 million and \$0.1 million, respectively, and derivative liabilities by \$2.1 million and \$3.4 million, respectively.

12. NET ASSETS WITHOUT DONOR RESTRICTIONS AND WITH DONOR RESTRICTIONS

Net assets with donor restrictions are those whose use by the Corporation has been limited by donors to a specific program or time period. In addition, certain restricted assets have been restricted by donors to be maintained by the Corporation in perpetuity. Net assets with donor restrictions as of June 30 are restricted for the following programs or periods (in thousands):

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified program		
Education and research	\$ 50,364	\$ 41,754
Building and equipment	82,107	66,384
Patient care	68,237	50,284
Cancer center/research	17,539	19,206
Services for elderly care	43,865	40,704
Other	<u>107,688</u>	<u>95,712</u>
Total subject to expenditure for specified program	<u>369,800</u>	<u>314,044</u>
Subject to the passage of time		
For periods after June 30	<u>43,232</u>	<u>54,026</u>
Total subject to expenditure for specified program and passage of time	<u>\$ 413,032</u>	<u>\$ 368,070</u>
Subject to organization spending policy and appropriation		
Investment in perpetuity, which, once appropriated, is expendable to support:		
Hospital operations	134,260	122,929
Medical programs	14,391	14,353
Scholarship funds	15,256	10,783
Research funds	13,636	12,826
Community service funds	21,581	15,662
Other	<u>43,858</u>	<u>41,929</u>
Total subject to organization spending policy and appropriation	<u>242,982</u>	<u>218,482</u>
Total net assets with donor restrictions	<u>\$ 656,014</u>	<u>\$ 586,552</u>

The Corporation's endowments consist of funds established for a variety of purposes. Endowments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Corporation considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

The Corporation employs a total return investment approach whereby a mix of equities and fixed-income investments are used to maximize the long-term return of endowment funds for a prudent level of risk. The Corporation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The Corporation can appropriate each year all available earnings in accordance with donor restrictions. The endowment corpus is to be maintained in perpetuity. Certain donor-restricted endowments require a portion of annual earnings to be maintained in perpetuity along with the corpus. Only amounts exceeding the amounts required to be maintained in perpetuity are expended.

The changes in endowment net assets and composition by type of fund for the years ended June 30 are as follows (in thousands):

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, July 1, 2021	\$ 100,367	\$ 309,812	\$ 410,179
Investment return:			
Investment income	-	3,696	3,696
Change in net realized and unrealized gains (losses)	<u>(9,363)</u>	<u>(31,078)</u>	<u>(40,441)</u>
Total investment return	(9,363)	(27,382)	(36,745)
Contributions	3,755	6,170	9,925
Appropriation of endowment assets for expenditures	(2,184)	(1,833)	(4,017)
Other	<u>(915)</u>	<u>(10,478)</u>	<u>(11,393)</u>
Endowment net assets, June 30, 2022	91,660	276,289	367,949
Investment return:			
Investment income	2,744	4,390	7,134
Change in net realized and unrealized gains (losses)	<u>5,869</u>	<u>9,967</u>	<u>15,836</u>
Total investment return	8,613	14,357	22,970
Contributions	716	2,909	3,625
Appropriation of endowment assets for expenditures	(1,763)	(2,115)	(3,878)
Acquisitions	1,228	21,590	22,818
Other	<u>976</u>	<u>(12,751)</u>	<u>(11,775)</u>
Endowment net assets, June 30, 2023	<u>\$ 101,430</u>	<u>\$ 300,279</u>	<u>\$ 401,709</u>

The table below describes the restrictions for endowment amounts classified as net assets with donor restrictions as of June 30 (in thousands):

	2023	2022
Net assets with donor restrictions:		
Endowments requiring income to be added to the original gift	\$ 10,868	\$ 10,110
Term endowment funds	10,253	8,115
Accumulated investment gains on endowment funds:		
Without purpose restrictions	190,569	168,835
With purpose restrictions	<u>88,589</u>	<u>89,229</u>
Total endowment funds classified as net assets with donor restrictions	<u>\$ 300,279</u>	<u>\$ 276,289</u>

Underwater Endowments – Periodically, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Corporation to retain as a fund of perpetual duration. The Corporation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. However, the Corporation’s policy for all endowments is the investment returns released into income during the year may not exceed 5% of the total investment pool balance. This policy also applies to underwater endowments.

Governing Board Designations – At times, the Corporation’s governing Board may make designations or appropriations that result in self-imposed limits on the use of resources without donor restrictions, known as Board-designated net assets. The Corporation’s governing Board has designated, from net assets without donor restrictions amounts for the following purposes as of June 30 (in thousands):

	<u>2023</u>	<u>2022</u>
Quasi-endowment funds	\$ 101,430	\$ 91,660
Future capital improvements	1,046,782	812,482
System development fund	330,755	690,442
Insurance and retirement programs	1,012,875	849,593
Retirement of debt/intercompany loan program	1,478,302	1,763,924
Program/mission	288,068	283,740
Liquidity reserve	-	30,886
Other	<u>114,779</u>	<u>181,366</u>
Total governing Board designations	4,372,991	4,704,093
Less current portion	<u>(212,825)</u>	<u>(209,800)</u>
Total governing Board designations - net of current portion	<u>\$ 4,160,166</u>	<u>\$ 4,494,293</u>

13. RELATED PARTY TRANSACTIONS

The Corporation provides information services, insurance coverage, lab services, management services, and other administrative support services to certain equity investees and other non-consolidated affiliates. For the years ended, June 30, 2023 and 2022, respectively, revenue for these services totaled \$50.6 million and \$43.9 million which is included in other revenue in the consolidated statement of operations and changes in net assets. As of June 30, 2023 and 2022, respectively, accounts receivable for services provided totaled \$8.6 million and \$4.2 million which is included in other receivables in the consolidated balance sheets. In addition, the Corporation receives lab services, imaging services, radiology and other clinical services, laundry services, and other administrative support services from certain equity investees and other non-consolidated affiliates. For the years ended, June 30, 2023 and 2022, respectively, expenses for these services totaled \$58.8 million and \$26.7 million which is included in purchased services and medical claims expense in the consolidated statement of operations and changes in net assets. As of June 30, 2023, accounts payable for services received totaled \$8.7 million which is included in accounts payable and accrued expenses in the consolidated balance sheets. As of June 30, 2022, there were no outstanding payables for these services.

14. RESTRUCTURING CHARGES

For the year ended June 30, 2023, \$82.3 million of restructuring charges, primarily related to loss on sale, asset retirement obligations and transition benefits for colleagues were recorded in the consolidated statement of operations and changes in net assets as a result of the SFMC divestiture as described further in Note 3.

In addition, during fiscal years 2023 and 2022, the Corporation undertook actions to reduce administrative costs in response to financial challenges spurred by the COVID-19 pandemic, as further described in Note 9. As a result of these actions, restructuring charges, primarily for severance and termination benefits, of \$40.0 million and \$72.6 million, respectively, for the years ended June 30, 2023 and 2022, were recorded in the consolidated statement of operations and changes in net assets.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 20, 2023, the date the consolidated financial statements were issued. There were no subsequent events requiring adjustment to or disclosure in the consolidated financial statements.

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McAuley Center, Incorporated

Three Year Projected Balance Sheet and Changes in Net Assets For Fiscal Years Ending June 30, 2024 through June 30, 2026 (in thousands of dollars)

Assets

	2024	2025	2026
Current Assets:			
Cash and Cash Equivalents	\$ 10,416	\$ 12,980	\$ 15,712
Accounts Receivable, net	14	14	15
Prepaid Expenses and Other Current Assets	27	27	27
Total Current Assets	10,457	13,022	15,754
Assets Whose Use Is Limited - non-current	1,826	1,826	1,826
Property, Plant and Equipment, net	8,831	8,831	8,831
Other Assets	41	41	41
Total Assets	\$ 21,155	\$ 23,720	\$ 26,452

Liabilities and Net Assets

Current Liabilities:			
Current Maturities of Debt	\$ 214	\$ 227	\$ 240
Accounts Payable and Accrued Expenses	1,282	1,291	1,312
Other Accrued Liabilities	414	414	414
Total Current Liabilities	1,910	1,932	1,966
Long-term debt, less current portion	10,516	10,289	10,049
Other Long-term liabilities	20,525	20,730	20,938
Total Liabilities	32,951	32,951	32,953
Net Assets			
Fund Balance (Unrestricted)	(11,891)	(9,327)	(6,595)
Temporarily Restricted Fund Balance	95	95	95
Permanently Restricted Net Assets	-	-	-
Total Fund	(11,796)	(9,232)	(6,500)
Total Liabilities and Net Assets	\$ 21,155	\$ 23,720	\$ 26,453

Changes in Net Assets

Unrestricted Net Assets			
Beginning Unrestricted Net Assets	\$ (14,300)	\$ (11,891)	\$ (9,327)
Transfer from Affiliate			
Excess of Revenues over Expenses	2,409	2,564	2,732
Total Unrestricted Net Assets	(11,891)	(9,327)	(6,595)
Temporarily Restricted Net Assets			
Beginning Temporarily Restricted Net Assets	95	95	95
Restricted Contributions			
Use of Temporarily Restricted Funds			
Ending Temporarily Restricted Net Assets	95	95	95
Permanently Restricted Net Assets			
Beginning Permanently Restricted Net Assets	-	-	-
Ending Permanently Restricted Net Assets	-	-	-
Total Net Assets	\$ (11,796)	\$ (9,232)	\$ (6,500)

McAuley Center, Incorporated

Three Year Projected Statement of Operations For Fiscal Years Ending June 30, 2024 through June 30, 2026 (in thousands of dollars)

	2024	2025	2026
Revenue			
Operating Revenue	\$ 13,770	\$ 14,271	\$ 14,796
Total Operating Revenue	<u>13,770</u>	<u>14,271</u>	<u>14,796</u>
Operating Expenses			
Salaries and Wages	3,538	3,680	3,827
Employee Benefits	884	911	938
Professional Fees	-	-	-
Supplies	1,056	1,088	1,120
Purchased Services	1,649	1,698	1,749
Depreciation & Amortization	926	935	945
Interest	390	390	390
Other	-	-	-
Other	2,920	3,008	3,098
Total Operating Expenses	<u>11,363</u>	<u>11,709</u>	<u>12,067</u>
Operating Income	<u>2,407</u>	<u>2,562</u>	<u>2,730</u>
Non-Operating Revenue			
Investment Income	2	2	2
Net Non-Operating Revenue	<u>2</u>	<u>2</u>	<u>2</u>
Increase (Decrease) in Unrestricted Net Assets	<u>\$ 2,409</u>	<u>\$ 2,564</u>	<u>\$ 2,732</u>

McAuley Center, Incorporated

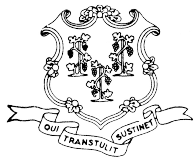
Three Year Projected Statement of Cash Flows For Fiscal Years Ending June 30, 2024 through June 30, 2026 (in thousands of dollars)

	2024	2025	2026
Sources of Cash			
Excess of Revenues over Expenses	\$ 2,409	\$ 2,564	\$ 2,732
Items Not Affecting Working Capital			
Depreciation	926	935	945
Other			
Total Sources of Cash	3,335	3,499	3,676
Uses of Cash			
Change in Working Capital, excluding current portion of debt	4	(7)	(17)
Additions to Plant, Property and Equipment, net	926	935	945
Other Assets	0	0	0
Transfers from Affiliates	-	-	-
Long-term Debt Principal Repayments	201	214	227
Other Long Term Liabilities	(203)	(205)	(207)
Total Uses of Cash	928	937	947
Cash Provided (Used) Prior to Interest Income	2,407	2,562	2,729
Cash Provided From Interest Income	2	2	2
Cash Provided (Used)	2,409	2,564	2,731
Cash Balance, Beginning of Period	8,007	10,416	12,980
Cash Balance, End of Period	\$ 10,416	\$ 12,980	\$ 15,711

McAuley Center, Incorporated

**Three Year Projected Statistics
For Fiscal Years Ending June 30, 2024 through June 30, 2026
(in thousands of dollars)**

	2024	2025	2026
Resident Turnover			
Independent Living Turnover	38	38	38
Assisted Living Turnover	9	9	9
Occupancy	204	205	205
Resident Turnover Rate	23.0%	23.0%	23.0%
Average Age of Residents			
Average Age of Residents	88.7	88.7	88.7
Admissions to Healthcare Facilities			
Number of Permanent Transfers to SNF Care	7	7	7
Number of Temporary Transfers to SNF/Rehab Care	36	37	38
Total transfers	43	44	45
Transferred Residents Days of Care			
Residents with Permanent Transfer Status at a SNF	4	4	4
Total Days of Care for Transferred Residents	1,135	1,135	1,135
Utilization of Healthcare Services			
Healthcare Utilization Rate	20.7%	21.1%	21.6%



STATE OF CONNECTICUT
Department of Public Health

In accordance with the provisions of the General Statutes of Connecticut Section 19a-493 the following license to maintain and operate a

Assisted Living Service Agency

LICENSE NO:

164

has been granted to
MCAULEY CENTER, INC., THE

d/b/a

THE MCAULEY CENTER, INC.

Located at

275 STEELE RD

WEST HARTFORD, CT 06117-2765

For the period from 07/01/2023 to 06/30/2025 .

During the license period, changes to any of the following must be submitted to, and are subject to the approval of the Department of Public Health:

BELLA ROYTMAN

Serviced by this Agency:

0

Appendix A: Regulations Waived

Appendix B: Managed Residential Communities




Manisha Juthani
Commissioner

THE McAULEY

PART OF THE MERCY COMMUNITY†

LifeCare - 0% Refundable Entrance Fees

APARTMENT TYPE	ENTRANCE FEE	MONTHLY SERVICE FEE
Stevens Studio 592 sq. ft.	\$114,660	\$4,380
Wadsworth One Bedroom 620 sq. ft.	\$138,915	\$4,770
Bushnell One Bedroom Deluxe 818 sq. ft.	\$149,990	\$5,255
Stowe Two Bedroom 1,118 sq. ft.	\$178,465	\$6,660
Webster Two Bedroom Deluxe 1,410 sq. ft.	\$240,060	\$7,495
Twain Two Bedroom Deluxe 1,636 sq. ft.	\$277,500	\$8,455
Bristow Three Bedroom 1,936 sq. ft.	\$320,260	\$9,675

**Second Person Entrance Fee: \$50,640*

***Second Person Monthly Service Fee: \$2,090*

LifeCare - 2/3 Refundable Entrance Fees

APARTMENT TYPE	ENTRANCE FEE	MONTHLY SERVICE FEE
Stevens Studio 592 sq. ft.	\$199,070	\$3,560
Wadsworth One Bedroom 620 sq. ft.	\$285,135	\$4,425
Bushnell One Bedroom Deluxe 818 sq. ft.	\$295,995	\$4,910
Stowe Two Bedroom 1,118 sq. ft.	\$434,580	\$5,795
Webster Two Bedroom Deluxe 1,410 sq. ft.	\$545,460	\$7,315
Twain Two Bedroom Deluxe 1,636 sq. ft.	\$629,765	\$8,455
Bristow Three Bedroom 1,936 sq. ft.	\$743,195	\$9,985

**Second Person Entrance Fee: \$50,640*

***Second Person Monthly Service Fee: \$2,090*

Effective January 1, 2024

THE McAULEY

PART OF THE MERCY COMMUNITY

80% Refundable Contract Fees - 150 Days Long Term Care

APARTMENT TYPE	ENTRANCE FEE	MONTHLY SERVICE FEE
Stevens Studio 592 sq. ft.	\$129,390	\$3,295
Wadsworth One Bedroom 620 sq. ft.	\$167,495	\$4,065
Bushnell One Bedroom Deluxe 818 sq. ft.	\$178,570	\$4,550
Stowe Two Bedroom 1,118 sq. ft.	\$202,170	\$5,415
Webster Two Bedroom Deluxe 1,410 sq. ft.	\$254,900	\$6,840
Twain Two Bedroom Deluxe 1,636 sq. ft.	\$295,890	\$7,905
Bristow Three Bedroom 1,936 sq. ft.	\$350,170	\$9,285

**Second Person Entrance Fee: \$23,740*

***Second Person Monthly Service Fee: \$1,425*

These rates are effective January 1, 2024

THE McAULEY

PART OF THE MERCY COMMUNITY

100% Refundable Entrance Fees

APARTMENT TYPE	ENTRANCE FEE	MONTHLY SERVICE FEE
Stevens Studio 592 sq. ft.	\$61,815	\$2,905
Wadsworth One Bedroom 620 sq. ft.	\$80,765	\$3,525
Bushnell One Bedroom Deluxe 818 sq. ft.	\$91,840	\$4,000
Stowe Two Bedroom 1,118 sq. ft.	\$133,375	\$4,560
Webster Two Bedroom Deluxe 1,410 sq. ft.	\$168,600	\$5,740
Twain Two Bedroom Deluxe 1,636 sq. ft.	\$195,200	\$6,670
Bristow Three Bedroom 1,936 sq. ft.	\$230,975	\$7,885

**Second Person Entrance Fee: \$23,740*

***Second Person Monthly Service Fee: \$1,425*

These rates are effective January 1, 2024

THE MCAULEY

PART OF THE MERCY COMMUNITY

Schedule of Assisted Living Contract Fees

APARTMENT TYPE	NO ENTRANCE FEE <i>Security Deposit Required equal to 1st Month Service Fee</i>	MONTHLY SERVICE FEE
Stevens Studio 592 sq. ft. Single	\$6,565	\$6,565
Wadsworth One Bedroom 620 sq. ft. Single Double	\$7,645 \$8,990	\$7,645 \$8,990
Bushnell One Bedroom Deluxe 818 sq. ft. Single Double	\$8,100 \$9,435	\$8,100 \$9,435
Stowe Two Bedroom Deluxe 1,118 sq. ft. Single Double	\$10,300 \$11,640	\$10,300 \$11,640
Webster Studio + 1 BR 1,410 sq. ft. Single Double	\$12,970 \$14,315	\$12,970 \$14,315

These rates are effective 01/01/2024

THE MCAULEY

PART OF THE MERCY COMMUNITY

APPENDIX B

Assisted Living Services Agency (AMIE Program) Disclosure of Charges These rates are effective July 2023

AMIE: The nursing department will determine your monthly cost based on your care plan. Your estimated monthly cost will be shared with you initially and will be re-evaluated as the care plan changes. Even if your care cost is \$0.00, there will be an admission fee and a 120-day chart maintenance fee.

Additional services in both cases will be billed according to the following schedule:

Nursing visit-true emergency	\$15.00
Nursing visit-wellness clinic	Complimentary
Nursing visit in apt-by request	\$40.00/15 minute increments
Monthly medication pours by nurse	\$225.00/month
Medication admin by nurse	\$25.00/15 minute increments
Medication reminder-oral meds	\$15.00
Medication reminder-other	\$15.00
Assist with shower	\$25.00/15 minute increments
Miscellaneous personal care,15-minute increments (assist with dressing, oral care, shaving, stockings, a.m., or p.m. care)	\$25.00/15 minute increments
Safety check	\$15.00
Assist to bathroom with safety check	\$25.00
Incontinence care	\$25.00
Meal/activity reminder	\$10.00
Deliver breakfast in acute illness	\$10.00
Assist with wheelchair transport	\$10.00 (each way)
Escort to meal, activity, hair appt.	\$10.00
1 load of laundry	\$20.00
Linen change	\$15.00
Minor homemaking tasks (water plants, fill humidifier, trash, tidy make bed) 15-minute increments	\$20.00/15 minute increments
Escort to appointment	\$45.00/hour
Long Term care insurance assistance	\$40.00/15 min. increments
Hourly CNA care (assist with bath, dress, laundry, and other ADLs)	\$35.00/hour (2-hour minimum)
Admission to AMIE chart	\$60.00
Chart maintenance AMIE every 120 days (no services rendered)	\$75.00

APPENDIX F TRANSPORTATION FEE SCHEDULE

Pricing schedule for transportation not covered in the Resident Agreement and outside of the service area:

Zone I	\$18.00 per round trip
Zone II	\$20.00 per round trip
Zone III	\$25.00 per round trip
Zone IV	Price to be determined by mile and driver availability
Bradley International Airport	<i>(Per person)</i> \$45.00 one-way during business hours
Bus/Train Station	<i>(Per person)</i> \$20.00 one-way during business hours
Add-on medical appointment	
(Zone II-IV)	Charged by zone (see above)
Zone I: West Hartford, Avon, Bloomfield, Farmington, Hartford, Newington, Simsbury.	\$20.00 round trip
Zone II: Glastonbury, Manchester, New Britain, Windsor, Rocky Hill, Wethersfield, South Windsor, Vernon, East Hartford, Canton.	\$25.00 round trip
Zone III: Bristol, Burlington, Enfield, Granby, Meriden, Middletown, Rockville, Southington, Windsor Locks.	\$30.00 round trip
Zone IV: All other areas in CT.	\$35.00 (base fee) then a \$1.00-a-mile fee going forward

Medical appointments in Zone I are free of charge if the department is notified at least 24 hours in advance.

APPENDIX G
RENTAL SERVICE AND EQUIPMENT FEE SCHEDULE

Service	Cost
19 th hole, Auditorium, Lounge or Café Reservation	\$150.00
Auditorium reservation/cancellation fee	\$45.00
19 th Hole reservation/cancellation fee	\$45.00
Café Lounge reservation/cancellation fee	\$45.00
Fireside Lounge reservation/cancellation fee	\$45.00
Guest suites	\$130.00 per night
Balcony carpet replacement	\$300.00 per balcony (only available June-Sept.)
Computer/printer/TV/electronic assistance	\$25.00 per half hour
Cordmate Call-for-Aid System	\$280.00 per unit
Replacement Cordmate (Wrist band or pendant)	\$40.00
Extra housekeeping	\$45.00 per visit
Extra shelving	\$40.00 per shelf
Furniture assembly	\$45.00 per hour
Furniture moving	\$50.00 per hour
Grab bar: 12 inches	\$70.00 (stainless or white) including installation
Grab bar: 18 inches	\$75.00 (stainless or white) including installation
Grab bar: 24 inches	\$80.00 (stainless or white) including installation
Grab bar: 36 inches	\$85.00 (stainless or white) including installation
Handheld shower unit:	\$100.00
Ice maker including installation	\$150.00
Item disposal/removal,	\$85.00 per item

Small furniture items	
Item disposal/removal, Large furniture items (including box spring, mattress, dressers, etc.)	Call maintenance for quote 860-570-8383
Miscellaneous maintenance	\$45.00 per hour (1 hour minimum charge)
Mini Blinds	
Replacement balcony door each including installation	\$60.00
Replacement dining room window each including installation	\$90.00
Replacement living room window(s)each including installation	\$110.00
Doorbell chime system	\$75.00
Flipping Mattress	\$10.00 per mattress
Package delivery to room	\$20.00 per delivery
Porch (Outside) Cleaning	\$25.00 per ½ hour
Replacement key fob	\$40.00 per fob
Replacement Mailbox key	\$10.00 per key
Rollaway bed	\$25.00 per night
Spot Carpet Cleaning	\$40.00 per room
Toilet Paper dispenser	\$40.00
Touch up paint (in apartment)	\$35.00 per ½ hour
Trash Removal (extra) boxes etc.	\$15.00 per ½ hour
Tub cut-out	\$1500.00

APPENDIX D

DINING SERVICES FEE SCHEDULE

Away Credit for meals missed Resident Agreement	\$10.00 a meal. Please see residence agreement for meal credits.
Additional resident meal	\$22.50 per meal
Café a la carte options:	
Sandwich, beverage, and chips	\$9.00
Soup or side salad	\$5.00
Sandwich with soup or salad	\$10.00
Meal delivery	\$5.00 per meal
Guest meals	
Adult - Breakfast	\$24.50 per meal
Adult – Lunch	\$24.50 per meal
Adult – Dinner	\$24.50 per meal
Children six to 12	\$10.50 per meal
Children five and under	Complimentary

Additional Items that can be purchased in the kitchen

Item	Cost
Pound of Butter	\$6.00
Dozen eggs	\$8.00
½ dozen eggs	\$4.50
Bread Loaves Rye/Pumpernickel/Wheat/White	\$6.50
Half-and-Half quart	\$5.25
Half-Gallon Milk	\$5.00
Lactaid Quart	\$4.50
Gallon of Whole Milk	\$6.50

APPENDIX D

DINING SERVICES FEE SCHEDULE

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Sandwich with soup or salad	\$10.00
Meal delivery	\$5.00 per meal
Guest meals	
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Bread Loaves Rye/Pumpernickel/Wheat/White	\$6.50
Half-and-Half quart	\$5.25
Half-Gallon Milk	\$5.00
Lactaid Quart	\$4.50
Gallon of Whole Milk	\$6.50

McAuley Center, Incorporated

Facility Current Occupancy Rates
For the period ending June 30, 2023

	Occupied Units	Total Units	Occupancy Rate
Independent Living	179	203	88.2%
Assisted Living	18	24	75.0%
Total Facility	<hr/> 197	<hr/> 227	86.8%

Entrance Fees and Monthly Service Fees
Fiscal Years Ended June 30, 2019, 2020, 2021, 2022, 2023

Entrance Fees - Standard Residency Agreement
Full life care - Non-Refundable

	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Studio	\$ 103,500	\$ 103,500	\$ 103,500	\$ 103,500	\$ 108,680
Studio + 1 Bedroom	216,700	216,700	216,700	216,700	227,540
1 Bedroom	125,400	125,400	125,400	125,400	131,670
1 Bedroom - Deluxe	135,400	135,400	135,400	135,400	142,170
1 Bedroom + 1 Bedroom (formerly 1 Bedroom Double)	170,000	170,000	250,500	250,500	263,030
2 Bedroom	161,100	161,100	161,100	161,100	169,160
2 Bedroom + 1 Bedroom (formerly 2 Bedroom Double)	289,100	289,100	289,100	289,100	303,560
2nd Person			45,000	45,000	48,000

Monthly Service Fees - Standard Residency Agreement

	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Studio	\$ 3,690	\$ 3,690	\$ 3,801	\$ 3,953	\$ 4,150
Studio + 1 Bedroom	6,315	6,315	6,504	6,764	7,100
1 Bedroom	4,020	4,020	4,141	4,307	4,520
1 Bedroom - Deluxe	4,430	4,430	4,563	4,746	4,980
1 Bedroom + 1 Bedroom (formerly 1 Bedroom Double)	7,120	7,120	7,334	7,627	8,010
2 Bedroom	5,615	5,615	5,783	6,014	6,310
2 Bedroom + 1 Bedroom (formerly 2 Bedroom Double)	8,150	8,150	8,394	8,730	9,170
2nd Person	1,750	1,750	var	var	1,980

Monthly Rental Fees - Assisted Living Residency Agreement

	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Studio	\$ 6,040	\$ 6,040	\$ 6,221	\$ 6,221	\$ 6,221
1 Bedroom	7,035	7,035	7,246	7,246	7,246
1 Bedroom - Deluxe	7,450	7,450	7,673	7,673	7,673
2 Bedroom - Deluxe	9,475	9,475	9,759	9,759	9,759
Studio + 1 Bedroom	-	-	12,293	12,293	12,293
2nd Person	1,235	1,235	var	var	var

McAuley Center, Incorporated

Future Service Obligation

Mercy Community Health utilizes software provided by A.V. Powell & Associates, LLC to perform an actuarial study as of June 30, 2016. Based on an actuarially sound basis, using reasonable assumptions for mortality and morbidity, and projections based upon financial data readily available at this time, we have determined that consistent with past years, no future service obligation existed as of June 30, 2023.

Average Age at June 30, 2023:

Total for All Levels:	Female	Male	Total Facility
	88.7	88.8	88.7



1100 North Market Street
Wilmington, DE 19890

September 6, 2023

State of Connecticut
Department of Social Services
55 Farmington Avenue
Hartford, CT 06105

Re: McAuley Entrance Fee Escrow Account

To Whom It May Concern:

This letter services as verification that the that the McAuley Entrance Fee Escrow Account as required by Sections 17b-524 and 17b-525 has been established and continues to be maintained by Wilmington Trust, N.A., an affiliate of M&T Bank and successor Escrow Agent to People's United Bank, N.A. Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'D Young', written over a horizontal line.

David Young
Wilmington Trust, N.A.
Business Escrow & Custody
Vice President

Sworn to and subscribed before me this 6th day of
September 2023

A handwritten signature in black ink, appearing to read 'Marla A. Apostolico', written over a horizontal line.
Notary Public