

Thrive
AT HOME
WITH WHITNEY CENTER

July 31, 2019

Mr. Richard Wysocki
Principal Cost Analyst
Office of CON & Rate Setting
State of Connecticut
Department of Social Services
55 Farmington Avenue
Hartford CT 06105

Dear Mr. Wysocki:

Whitney Center, Inc. d/b/a Thrive at Home with Whitney Center, encloses our Disclosure Statement as of July 1, 2019 for your review, in accordance with Sections 17b-520 through Section 17b-535 of the Connecticut General Statutes concerning the Management of Continuing Care Facilities.

The changes in Thrive at Home with Whitney Center's 2019 Disclosure Statement include the following:

- The Board of Directors' changes in membership and Management changes have been reflected in Section III Officers, Directors and Management
- Thrive at Home's CARF Accreditation in Home and Community Based Services has been added in Section IV Business Experience
- Exhibits B and C have been revised to reflect audited financial statements and pro forma financial statements
- Exhibit D, Membership Fees & Periodic Charges have been revised to include 2019 pricing.

These are the only material changes to the Disclosure Statement from the July 2018 filing to our July 2019 filing. Should you have any questions, please do not hesitate to contact me at michelle@thriveathome.org or 203-848-2626.

Sincerely,



Michelle M. Pandolfi
Executive Director



DISCLOSURE DOCUMENTS
2019

Thrive
AT HOME
WITH WHITNEY CENTER

200 LEEDER HILL DRIVE
HAMDEN, CT 06517
(203) 848-2626
WWW.THRIVEATHOME.ORG



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A Connecticut Community Care program with support from The Avicenne Chambliss Trust



ACKNOWLEDGEMENT OF RECEIPT



WHITNEY CENTER, INC.
D/B/A THRIVE AT HOMESM WITH WHITNEY CENTER
DISCLOSURE STATEMENT

PURSUANT TO CONNECTICUT STATUTE 17b-522,
THE FOLLOWING NOTICE MUST BE PROVIDED.

You are advised that:

- A continuing care contract is a financial investment and that investment may be at risk;
- The provider's ability to meet its contractual obligations under such contract depends on its financial performance;
- You should consult with an attorney or other professional experienced in matters relating to investments in continuing care facilities before you sign a contract for continuing care; and
- The Department of Social Services does not guarantee the security of your investment.

I acknowledge that I have read the above statement, the Disclosure Statement, and the Continuing Care (Membership) Agreement.

Member Signature

Date

For Thrive at Home with Whitney Center

Date

(TO BE DETACHED AND RETAINED BY THRIVE AT HOME)

DISCLOSURE STATEMENT

2019



WHITNEY CENTER, INC.
D/B/A THRIVE AT HOMESM WITH WHITNEY CENTER

200 LEEDER HILL DRIVE, HAMDEN, CONNECTICUT 06517
(203) 848-2626
WWW.THRIVEATHOME.ORG



Thrive at HomeSM with Whitney Center is registered with the State of Connecticut Department of Social Services pursuant to Sections 17b-520 through 17b-535 of the Connecticut General Statutes. The registration does not constitute approval, recommendation or endorsement by the Department of Social Services or the State of Connecticut, nor does such registration evidence the accuracy or completeness of the information set forth in this Disclosure Statement.

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I. INTRODUCTION

Thrive at HomeSM with Whitney Center (Thrive at Home) offers the greater New Haven region and beyond a way of retirement living known as “continuing care at home” or “life care at home.” This membership program is designed for qualified adults, who want to remain in their own homes for as long as possible. Members pay a one-time membership fee and ongoing monthly fees for an array of coordinated services designed to help them maintain their lifestyle at home, even as support and health care needs increase. Thrive at Home also covers the cost of facility-based assisted living, memory support and skilled nursing care services, if and when necessary, according to the terms of a Continuing Care (Membership) Agreement attached at Exhibit A.

The purpose of this Disclosure Statement is to explain to prospective members, their families, and advisors who and what is involved in the operation of Thrive at Home, to present financial information about Whitney Center, Inc., to describe Thrive at Home’s services and applicable fees and to provide certain other information required by law. This Disclosure Statement was prepared based on assumptions believed to be realistic as of July 1, 2019. Such assumptions are subject to change and may be significantly affected by changes in inflation and interest rates. Because of future changes in circumstances, Thrive at Home expects that minor changes in the program’s operation may be necessary.

Although we have tried to prepare this Disclosure Statement carefully, it is possible that there may be some minor differences between the text in this statement and the Membership Agreement attached at Exhibit A. In the event of any differences, the provisions of the Membership Agreement shall govern.

II. PROVIDER

WHITNEY CENTER D/B/A THRIVE AT HOMESM WITH WHITNEY CENTER

Thrive at Home is a division of Whitney Center, Inc., a Connecticut 501(c)(3) not-for-profit corporation, organized for the purpose of owning and operating Whitney Center. Its principal business address is 200 Leeder Hill Drive, Hamden, Connecticut 06517. No part of the earnings of Whitney Center, Inc. may be used for the benefit of or be distributed to its officers, directors, or other private individuals except as reasonable compensation for services rendered.

Mission

Whitney Center’s mission, Excellence in Senior Living, is grounded in the principle that all elders, regardless of physical or cognitive limitations, have the right to engage in life and seek fulfillment. Ideals of self-determination, lifelong learning and continual growth are unbounded by age and embraced by a person-centered philosophy.

Vision

Whitney Center will be a recognized leader in senior living services, the model of innovation and quality for consumers, providers and regulatory agencies.

Values

In carrying out our mission as a not-for-profit organization, we abide by principles that underlie everything

we do. Whitney Center's employees and board members are committed to these core values:

Community

- We have a responsibility, as a corporate citizen of the greater New Haven community, to maintain collaborative relationships with our neighbors.
- We provide leadership in the aging services industry by contributing resources and experience toward the improvement of services for older adults.

Respect

- We believe that every resident, member and employee is an independent and self-determining individual, each worthy of the utmost respect for their voice, individuality, and accomplishments.
- We understand and appreciate that aging is a lifelong process in which learning and growth opportunities are integral to maintaining a fulfilled lifestyle.
- We promote a work and living environment that enables residents, members and employees to continuously enhance their various dimensions of wellness: Physical Well-Being, Nutrition, Social, Emotional, Spiritual, Intellectual, and Vocational.

Excellence

- We believe in the continuous pursuit of excellence in delivering the highest quality services possible.
- We strive to be the aging services provider of choice as well as the preferred employer in our market area.

Stewardship

- Every employee and board member have a responsibility to protect the assets and the good name of Whitney Center.
- We have the responsibility to advocate for the rights of all older adults.

Teamwork

- We believe that every resident, member and employee have a significant role in the ongoing affairs of our program and, therefore, seek to maximize opportunities for participation in all facets of our operation.
- We believe that transparency and good communication are vital to a healthy organization.

A Culture of Giving

Our person-centered philosophy, leadership and experience in programing and healthcare is recognized by accreditation organizations within our industry and highly regarded by our community. Our vision is to improve aging for more people, at Whitney Center and in the greater New Haven area. When you contribute to the Whitney Center gift fund, you are joining us at helping to make positive changes in aging services.

III. OFFICERS, DIRECTORS AND MANAGEMENT

The Board of Directors of Whitney Center, Inc. has the overall responsibility for Whitney Center and Thrive at Home, including strategic planning and the approval of annual budgets. The Board of Directors of Whitney Center, Inc. comprises up to 12 members with expertise in such areas as banking, law, hospital administration, and medicine. The Directors receive no compensation for their services on the board. Neither the Directors, nor any persons involved in the management of Whitney Center or Thrive at Home, have any proprietary interest in either.

The Officers and Directors of Whitney Center, Inc. as of July 1, 2019 are listed below; the people and entities referred to below have assumed no financial responsibility for the fulfillment of agreements of Whitney Center, Inc.:

Perry Aycock - Director, 224 Vance Street, Chapel Hill, North Carolina 27516. Mr. Aycock is the President of K4Advisors. He has over 20 years' experience in the senior housing and services field providing health systems, senior housing systems and stand-alone communities with the strategies and tactics to expand their margins and missions. Mr. Aycock has been a speaker at multiple LeadingAge and other conferences focused on senior housing, services and the longevity economy. He is a former team member of two continuing care retirement communities and led a consulting practice that served over 260 organizations focused on bettering older lives. (Year service commenced - 2018)

Sandra Minor Bulmer, Ph.D., M.S., C.H.E.S. - Director, 18 Ranney Road, Cromwell, CT 06416 - Ms. Bulmer is the Dean for the School of Health and Human Services at Southern Connecticut State University where she spent 15 prior years as a Professor of Public Health. She is the incoming President of the Board for the Connecticut American Heart Association and former President for the Society for Public Health Education. She is committed to community engaged research and programming to improve health outcomes. (Year service commenced - 2018)

Robert Harrity - Director and Treasurer, 55 Knollwood Drive, North Haven, Connecticut 06473. Mr. Harrity is a Principal with Ross Institutional Investors LLC in New Haven Connecticut. He is a Senior Financial Executive with extensive international and domestic experience in investment and commercial banking. Mr. Harrity's past accomplishments include Managing Director with Citigroup/Citibank, New York, NY; Managing Director, Corporate Finance at Chemical Bank/JP Morgan Chase; Managing Director, Investment Banking at Merrill Lynch; and Vice President, Corporate Finance at The First Boston Corporation. Mr. Harrity has been a guest speaker at The Wharton School, Georgetown University and The Darden School at UVA. (Year service commenced - 2012)

Janet Henrich - Director, 247 Ridgewood Avenue, Hamden, Connecticut 06517. Dr. Henrich received her medical degree from the University of Michigan. After clinical training in Boston, she served as Medical Director of the Medical Outpatient Clinic at St. Elizabeth's Hospital. Upon moving to New Haven, she was the Medical Director, Internal Medicine, at the Hill Health Center, the first federally funded community health center in Connecticut, for four years. She then joined the faculty of the Department of Internal Medicine at the Yale School of Medicine where she is an active clinician educator. Dr. Henrich has a longstanding interest in women's health. At Yale, she directed one of the vanguard National Centers of Excellence in Women's Health, designated by the U.S. Department of Health and Human Services, and helped create interdisciplinary women's health education and teaching models. At the national level, she served as Special Assistant to the Center for Population Research at the National Institutes of Health and, with colleagues at other government agencies and policy-making organizations, made recommendations to Congress on women's health education and training. She served as Master of Trumbull College, Yale University, from 1997 to 2013, and is co-Founder and Faculty Advisor to the Yale College Living History Project, in association with Yale-New Haven Hospital. (Year service commenced - 2018)

Jane Jervis - Director, 36 Lincoln Street, New Haven, Connecticut 06511. Ms. Jervis has been a consultant in higher education for Antioch College, Goddard College, and Biosphere II. She has been president, Lincoln-Bradley Neighborhood Association in New Haven, Connecticut; founding board member of the Home Haven/East Rock Village Association; and a reader for the Recording for the Blind and Dyslexic. Ms. Jervis's past accomplishments include the CT Legislative Task Force on Aging in Place and chairing numerous accreditations for Northwest Association of Schools and Colleges. (Year service commenced - 2014)

Kristin Johnson - Director Ex Officio & President of the Resident's Council, 200 Leeder Hill Drive, Hamden, Connecticut 06517. Ms. Johnson was born in California and grew up in New Hampshire. She worked as a Librarian at the Connecticut State Library in Hartford, CT; first in the History and Genealogy Unit, then as Head of Acquisitions where she managed a budget of \$1,000,000; and finally, as Head of Collection Management, which included Acquisitions, Stacks, and the budget. Ms. Johnson retired in 1999. She is a past member of the New Haven Bird Club Board and Chair of Indoor Programs. She is currently the leader of "Birds in Words: The New Haven Bird Club Book Group. Ms. Johnson is a participant in many Committees and interest groups at Whitney Center including Dining, Landscape and Garden, Film, Art Film, Knit and Stitch, Nature, and previously Library and Conservation. Ms. Johnson has a bachelor's degree in English from the University of New Hampshire and a Master's Degree in Library Science from Southern CT State College. (Year service commenced - 2019)

Karen Kmetzo - Director & Vice-Chair, 200 Leeder Hill Drive, Hamden, Connecticut 06517. Ms. Kmetzo is a resident of Whitney Center. She received a Master's Degree in Public Health (MPH) from Yale University and held a variety of senior level positions, including Vice President for Managed Care at St. Francis Hospital in Hartford, Vice President for Administration at Bristol Hospital, Regional Director of Hospital and Health Plan Contracts for Kaiser Permanente in CT, NY, & MA, Manager of Medical Services for Blue Cross/Blue Shield of CT, Regional Director of Operations for the hospital division of New Medico, a national for-profit rehabilitation company, Assistant Director for Administration at the Greater Bridgeport Community Mental Health Center, and Regional Coordinator for a nine county emergency medical services system in the San Francisco Bay area. She also worked as an RN in various clinical positions. In 1993 Ms. Kmetzo established her own health care management consulting firm focusing on analyzing and negotiating managed care contracts, program planning and implementation, grant writing, and ensuring compliance with standards. She retired in 2009. (Year service commenced - 2017)

Dale Kroop - Director, 161 Thornton Street, Hamden, Connecticut 06517. Mr. Kroop has been the Executive Director of the Hamden Economic and Community Development and the Hamden Economic Development Corporation for over nineteen years. He manages redevelopment and brownfield projects, manages business incentive programs, writes and administers State and Federal grants, is responsible for Marketing, Energy, Neighborhood Revitalization, Business Cluster Programs, Workforce Development initiatives and is a good friend to the community. He has written and/or administered over \$100 million dollars in grants funded by State and Federal programs throughout the State of CT. Mr. Kroop manages all statutory requirements including environmental reviews/assessments, finance, labor, procurement, and Equal Opportunity. Mr. Kroop manages architects, engineers, planning and environmental consultants, etc. He is experienced in several Connecticut programs (Urban Act, Manufacturers Assistance Act, STEAP, and Brownfields Funding) and federal programs such as EDA, EPA, CDBG, HOME, HUD 202,

and human services, as well as quasi-public projects such as those funded by CDA, CHFA and the Federal Home Loan Bank. He has also managed local business incentive programs, Workforce Development and small business education programs. Mr. Kroop has had significant experience in securing financing for and developing housing for low and moderate income senior citizens. In addition to the many projects he has raised funding for, he also previously served as the Executive Director of the Morris Housing Authority for ten years.

Mr. Kroop serves on boards of many organizations. He is currently the chair of the New Haven Regional Economic Development Forum (REDFO) and is co-chair of the Economic Development Committee of the Greater New Haven Chamber of Commerce. He is a past President of the CT Economic Development Association and the CT Community Development Association. He is the author of the Grant and Proposal Writing Workshop. Mr. Kroop has a Bachelor's degree from Southern CT State College and a Master's Degree in Urban Studies from Southern CT State University. He is a certified Business Incubator Manager. (Year service commenced - 2019)

Robert O'Dea - Director, 22 Pierce Lane, Madison, Connecticut 06443. Mr. O'Dea is a Senior Financial Advisor, Senior Vice President with Wells Fargo Advisors. (Year service commenced - 2011)

Wesley Poling - Chair, 24 Crestview Drive, North Haven, Connecticut 06473. Mr. Poling recently retired from Yale University as Director, Yale Graduate School Capital Giving. He is past President of Kentucky Wesleyan College. Mr. Poling currently volunteers as a tutor with New Haven Reads, and is a member, Board of Deacons with the Church of Redeemer in New Haven, and a Fellow, Berkeley College, Yale University. He is a former Treasurer, Executive Committee of the National Association of Independent Colleges and Universities, and past member, Board of Directors, Owensboro Chamber of Commerce. (Year service commenced - 2014)

Carol Robbins - Director, 71 Long Hill Farm, Guilford, Connecticut 06437. Mrs. Robbins has had a long professional and volunteer career in community organization, fund development and planning for older adults. She has been on the boards of Tower One-Tower East, Jewish Family Service and The Jewish Federation of Greater New Haven. In that capacity she has served as campaign chair, the board of the Jewish Foundation and President of Federation. She continues to be an active member of the Federation and on the Board. She serves on a national committee of the Jewish Federation of North America advocating for older adults and disseminating information on issues such as care giving, dementia, isolation and disabilities. Currently she is a member of the patient advocacy committee of New England Medical Group, a part of Yale New Haven Health and on the Board of Call to Care Uganda, a group that provides resources to provide wells for clean water in remote villages in Uganda. (Year service commenced - 2017)

Michael B. Rambarose - Ex-Officio Director, 26 Rustic Terrace, Portland, Connecticut 06480. Since 2005, Mike has served residents and staff of Whitney Center, a Hamden, Connecticut not-for-profit senior living community founded in 1979 comprising independent living, assisted living and skilled nursing amenities and services with annual budgeted revenues of approximately \$27 million and a workforce of 280+ people. Before assuming his current role as President & CEO in 2012, Mike was Whitney Center's Senior Vice President for Administration, primarily responsible as project manager for bringing an \$89m campus repositioning and expansion initiative from concept through design, financing, construction and

marketing.

Throughout his nearly 20 years in the aging services field, Mike has served senior living and healthcare communities of New York and Connecticut in myriad capacities, including community education & outreach, marketing & public relations, business development, operations management and executive leadership. He values personal respect, collaboration and continual learning as underpinnings of his servant leadership philosophy. As an alumnus of the Leading Age Leadership Academy, current Secretary of the Leading Age Board of Directors and co-chair of its Commission for Aging Services Technology, member of the Leading Age Connecticut Board of Directors, active CARF-CCAC aging services surveyor, and former co-facilitator in the Leading Age CT Leadership Academy, Mike is keenly interested in helping advance the aging services field for the betterment of elders and those who serve them. Mike is a regular speaker at regional and national conferences focusing on aging services and leadership. Additionally, Mike serves on the Board of Directors for Chapel Haven, Inc., a New Haven not-for-profit education and residential program for young adults with developmental challenges and has served on various economic development boards and committees with interests in advancing aging issues, particularly workforce and housing, in the greater New Haven area. (Year service commenced - 2005)

Anthony F. Santore, CPA – Emeritus Chair, 30 Marion Drive, North Haven, Connecticut 06473. Mr. Santore is a principal with Beers, Hamerman & Company, P.C. Mr. Santore serves on the Board of Governors and is Treasurer of New Haven Country Club, Inc. He is also on the Board of Directors of Fair Haven Cemetery Association. He is a member of both the American Institute of Certified Public Accountants and the Connecticut Society of Certified Public Accountants (CSCPA). He also serves on the Non Profit Committee of the CSCPA, the Development Committee of the Community Foundation of Greater New Haven, Inc., and The Amity Club. He is the former Treasurer of the United Way of Greater New Haven, Inc. and has served on the Board of Directors of the Connecticut Community Investment Corporation and City Missionary Association. (Year service commenced - 2010)

Robert Simione, CPA – Director and Secretary, 1125 West Woods Road, Unit 15, Hamden, Connecticut 06518. Mr. Simione is Managing Principal, Simione Healthcare Consultants LLC. He has over 40 years experience in the healthcare industry providing home care and hospice organizations with the tools to improve their business performance. Mr. Simione is a keynote speaker for the National Association for Home Care and Hospice (NAHC) and state associations representing post-acute health care. He is a former member, Board of Directors, Home Care Alliance of Massachusetts; former member, Finance Committee, Connecticut Association for Healthcare at Home; and past Chairman, Advisory Board, Home Health and Hospice Financial Managers Association. (Year service commenced - 2016)

MANAGEMENT

Whitney Center, Inc.'s management team operates under the direction of its President and CEO, Michael Rambarose. The senior team comprises the Vice President of Financial Services, David Ratliff; Vice President of Lifestyle Services, Ken Sandberg; Vice Presidents of Clinical Services, Peggy Joyce; Vice President of Employee and Business Services, Karyn Fryer; Vice President of Technology Services, Rafael Avila; Vice President of Sales and Marketing, Cathy Goodman; and, Vice President of Enrichment Services and Executive Director of Thrive at Home, Michelle M. Pandolfi.

The senior management team leads Whitney Center's approximately 300 employees through a management team of department heads, assistant department heads, managers and supervisors. From time to time, Whitney Center and Thrive at Home may contract with external providers, such as VNA Community Healthcare, to deliver services or enhance member programs and amenities. Whitney Center, Inc., currently partners with:

- Northeast Medical Group: provides the medical directorship for the Nursing Center and employs the Medical Director. Northeast Medical Group is part of Yale New Haven Health System and is affiliated with Yale University School of Medicine.
- Trinity Rehab Services: provides physical, occupational and speech rehabilitation services at Whitney Center. All rehabilitation employees are employed by Trinity Rehab Services.
- VNA Community Healthcare: provides the medical home care for Thrive at Home members. VNA Community Healthcare, the original visiting nurse associations of Branford, Guilford, Hamden, North Haven and Madison has been providing healthcare at home and in the community since 1910.

IV. BUSINESS EXPERIENCE

Thrive at Home is a division of Whitney Center, Inc., a continuing care retirement community originally opened in 1979 and designed to accommodate people 62 years of age or older with services and amenities that include private residences, a wide array of personal services, assisted living services, and an on-site licensed skilled nursing center.

In February 1994, Whitney Center, Inc. was first awarded accreditation by the Continuing Care Accreditation Commission (CCAC)/CARF in Washington, D.C. In 2013, it received reaccreditation in as a CCRC as well as its initial accreditation as a Person-Centered Long-Term Care Facility, through 2023. To become accredited, Whitney Center affirmed its compliance with standards of excellence in governance and administration, finance, strategy and health and wellness. Whitney Center's accreditation demonstrates to the general public and consumers that it is effectively carrying out its mission and meeting accreditation standards. The next accreditation assessment will be in August 2023.

In August 2018, Thrive at Home with Whitney Center was awarded accreditation in Home and Community Based Services by the Continuing Care Accreditation Commission (CCAC)/CARF in Washington D.C. Thrive at Home is the only continuing care at home aka life care at home program in the country with this accreditation. To become accredited, Thrive at Home affirmed its compliance with standards of excellence in governance and administration, finance, strategy and health and wellness. Whitney Center's accreditation demonstrates to the general public and consumers that it is effectively carrying out its mission and meeting accreditation standards. The next accreditation assessment will be in August 2023.

V. JUDICIAL PROCEEDINGS

Neither Whitney Center, Inc., nor any members of its Board of Directors have been convicted of a felony or pleaded nolo contendere to a felony charge or held liable or enjoined in a civil action by final judgment involving fraud, embezzlement, fraudulent conversion or misappropriation of property, or had any

business or health care licenses or permits suspended or revoked by any jurisdiction. Neither the corporation nor any member of its Board of Directors is subject to a currently effective injunction, or restrictive or remedial order of a court of record.

VI. AFFILIATION

Thrive at Home is a division of Whitney Center, Inc., a Connecticut 501(c)(3) not-for-profit corporation organized for the purpose of owning and operating Whitney Center. Whitney Center, Inc. has no business affiliation with any other organization.

VII. PROPERTY DESCRIPTION

As a division of Whitney Center, Thrive at Home offers its members access to the common areas and select amenities located on Whitney Center's campus. Assisted living and memory support services and the skilled nursing center are available on an as-needed and as-available basis. The following is a description of Whitney Center. The specific services available to Thrive at Home members are described in the Membership Agreement attached as Exhibit A.

Whitney Center is located at 200 Leeder Hill Drive in Hamden, Connecticut on 14.8 acres near Lake Whitney amidst pine trees and leafy shade trees. The uniquely-designed buildings complement an attractive, natural environment within minutes of New Haven and a wealth of intellectual, social and cultural venues that include some of the nation's finest universities, concert halls, museums, theatres and restaurants. The neighboring areas also offer shopping, professional offices, parks, golf courses and many recreational destinations.

Whitney Center is a continuing care retirement community designed to accommodate people 62 years of age or older. Continuing care communities, such as Whitney Center, typically encompass private residential apartments, a wide array of personal services, assisted living/memory support services, and the security of an on-site licensed skilled nursing center. The campus comprises 238 Residential Living Apartments in two buildings; the north building opened in 1979 (150 apartments) and the south building opened in 2011 (88 apartments), 17 Assisted Living and memory support apartments, and 59 skilled nursing beds. Community common areas include a cultural arts center, multiple dining venues, spa & salon, indoor heated swimming pool with whirlpool, fitness center, wellness center, library, business center, convenience store/gift shop, bank, and parking garage. Outdoor amenities include private gardens, walking trails, patios and a dog park.

The skilled nursing center has both private and semi-private rooms and includes a recreation room, two resident lounges, a dining room, a secure patio, and access for residents to Whitney Center's full service salon & spa, other dining venues and common areas. In addition to skilled nursing, services include inpatient and outpatient therapy including speech, occupational, and physical therapies. Restorative care is emphasized to help members regain their independence and return to their apartments.

VIII. BENEFITS

Thrive at Home offers several pricing plans that may or may not require co-pays or payment in full by the

member. In addition, services included vary according to the plan selected by the member. Please refer to Exhibits A and E for a complete description of these plans.

As set forth in the attached Continuing Care (Membership) Agreement at Exhibit A, the specific benefits provided to members will vary based upon initial and periodic needs assessments. The member's Service Plan reflects the scope of benefits as determined by the member and the Personal Service Partner.

Services offered under the Continuing Care (Membership) Agreement include the following. The services noted with an asterisk may be provided by Thrive at Home or a provider of the member's choosing. Except as otherwise noted, all other services are provided solely through Thrive at Home.

Personal Service Partner (PSP) - Each member is partnered with a Personal Service Partner to arrange services and take advantage of the benefits offered by Thrive at Home. The Personal Service Partner will work closely with the member, member's family, and member's physician to have the right services delivered to the member at home or, when necessary, in a facility. Assistance in navigating Medicare, medical and long-term care insurance is included. Access to the Thrive at Home Team is available 24-hours-a-day/7-days-a-week.

Adult Day Program* - Thrive at Home covers the member's enrollment in a group program of services for a scheduled number of hours per week, including transportation, meals, and activities, and which may include personal or nursing care. The Personal Service Partner will assist members in determining the Adult Day Program that best meets individual needs.

Annual Physical Examination - Thrive at Home will arrange for an annual assessment and physical examination completed by Thrive at Home's board-certified geriatrician. If the member prefers, Thrive at Home will arrange for a physical examination with the member's personal physician at the member's expense. Thrive at Home will keep the results from the exam confidential, and the information will only be used to coordinate services.

Assisted Living* - If staying at home is no longer a safe option, members may choose to move to Assisted Living, which is a facility registered as a Managed Residential Community where personal care services are provided under nursing supervision by an Assisted Living Services Agency (ALSA) licensed by the State of Connecticut. Such services are provided to members whose health status is chronic and stable but who require substantial assistance with two or more Activities of Daily Living (ADLs and iADLs are the basic tasks of function and everyday life, including ambulation, bathing, dressing, eating, oral hygiene, exercise, cooking and supervision in self-administration of medications), but does not need the medical care that a nursing home provides. The Personal Service Partner will assist members in determining the Assisted Living facility that best meets individual needs.

Companion / Homemaker Services - A companion will be provided when the Personal Service Partner determines that a member needs safety monitoring or short-term incidental services such as cooking, dishwashing, laundry and light housekeeping, due to the member's inability to independently perform such chores.

Home Evaluation - During the first year of membership and every second year thereafter (unless we determine circumstances or a member's health condition justify more frequent inspections), Thrive at Home will provide a preventive home maintenance evaluation of your home's physical condition, both interior and exterior. This evaluation will result in a report of any structural, functional and safety issues and recommend resolutions.

Home Health (Nursing) Care* - When needed, members can receive home health care services provided by a registered nurse or a licensed practical nurse. The Personal Service Partner will assist members in determining the Home Health Care Agency that best meets individual needs.

Lifestyle and Wellness Programs - These include exercise classes, art classes, caregiver education, wellness seminars, speakers, day excursions, and use of Whitney Center's fitness center and swimming pool. Some programs are free for members, while others may charge a small participation fee.

Meals/Groceries - Thrive at Home will coordinate and deliver meals and/or groceries, if determined to be medically necessary, on behalf of a member who is unable to drive and/or cook; the member will be charged for the cost of the meals and groceries.

Medication Management - The Personal Service Partner will arrange for medication management and cueing, if necessary. A periodic review of medication interactions can also be performed.

Nursing Home* - If staying at home is no longer a safe option or when needed for physical rehabilitation, members may choose to move to a Nursing Home, which is a facility licensed as a Skilled Nursing Facility by the state of Connecticut. Such services are provided to members who, under a physician's order, require 24-hour nursing care and medical supervision. The Personal Service Partner will assist members in determining the Nursing Home that best meets individual needs.

Personal Care* - Assistance, as needed, with the basic tasks of everyday life, including ambulation, bathing, dressing, eating, oral hygiene and/or exercise, will be provided by a Personal Care Aide in the member's home. The Personal Service Partner will assist members in determining the Personal Care service that best meets individual needs.

Personal Emergency Response System - At the member's request, Thrive at Home will coordinate the installation and activation of a GPS enabled Personal Emergency Response System in the member's home. This system enables round-the-clock monitoring and communication of health care information, enabling the member to obtain assistance in the event of a medical emergency.

Referral Services - Members can obtain referrals from Thrive at Home for any type of service needed to remain safely at home. Examples of these services are legal, financial planning, rental of medical equipment, etc. The referral service is available at no cost to members; however, members are responsible for the cost of any services rendered by the referred service providers.

Tele-Health & Social Engagement Technology - Thrive at Home provides all member households with state-of-the art and user-friendly technology to connect them with family, friends, health care providers

and the Thrive at Home Team. The system is designed to enable members to easily engage in social activity as well as maintain a healthy lifestyle through highly coordinated preventive programs.

Transportation - If a member is unable to drive or instructed by a physician not to drive, Thrive at Home will provide non-emergency transportation to and from medically necessary outpatient surgery or procedures which may include, but are not limited to, cataract removal, chemotherapy treatments, surgical biopsies and upon discharge from a hospital. A private aide can be arranged if necessary to accompany the member for transport, at an additional charge. Transportation for routine physician office visits, dialysis, and specialist appointments is not included; however, Thrive at Home will assist in coordinating such transportation.

IX. INTEREST ON DEPOSITS

Thrive at Home is not required to hold any amounts in escrow on behalf of members and, therefore, no interest is paid to members based on any amounts paid for Thrive at Home.

X. TERMINATION OF AGREEMENT

The Continuing Care (Membership) Agreement (Exhibit A) describes conditions under which and the procedures by which the agreement may be terminated.

XI. CHANGE IN MARITAL STATUS

Thrive at Home has separate Continuing Care (Membership) Agreements with each member, marital status notwithstanding. Change in marital status, whether due to death, divorce or marriage does not affect the rights, benefits and obligations of the member as set forth in the Continuing Care (Membership) Agreement.

XII. NON-MEMBER SPOUSE / PARTNER

Thrive at Home has a separate Topaz Membership Agreement for the member whose spouse/partner does not qualify for membership. The death of a member does not impact the benefits, rights and obligations of the surviving spouse/partner as set forth in the Topaz Membership Agreement.

XIII. TAX CONSEQUENCES

Payment of a membership fee pursuant to a Continuing Care (Membership) Agreement may have significant tax benefits or consequences. Any person considering such a payment may wish to consult a qualified advisor.

Typically, some portion of the entry fee is considered deductible as a pre-paid medical expense in the year in which it is paid. Annually, a portion of monthly fees may also be considered a deduction. In February of each year, Thrive at Home will provide members with information about tax deductions, which are subject to limitations imposed by the Internal Revenue Code.

XIV. RESERVE FUNDING

As required by law, Whitney Center maintains a reserve fund escrow account with U.S. Bank, N.A. in an amount sufficient to cover one month's operating expenses.

XV. FINANCIAL STATEMENTS

Exhibit B contains copies of Whitney Center, Inc.'s audited financial statements for the four most recent fiscal years, including a balance sheet, income statement and statement of cash flow, and associated notes or comments to these statements. Exhibit C includes the pro forma business plan for Thrive at Home, including estimated cash flow statements for the next five years, including a summary of projections used in the assumptions for the pro forma statements.

XVI. MEMBERSHIP FEES & PERIODIC CHARGES

The Thrive at Home Continuing Care (Membership) Agreement requires the payment of a one-time membership fee in addition to an ongoing monthly fee. Fee amounts depend on the age of the member and selected plan. Thrive at Home offers flex pricing that allows members to choose whether they prefer to invest more initially in the membership fee or monthly fee. All terms will be specified in the Continuing Care (Membership) Agreement or a mutually executed agreement addendum.

Exhibits A and E offer a complete description of these plans. Entry and monthly fees for Thrive at Home are set forth in Exhibit D.

XVII. DEPARTMENT OF SOCIAL SERVICES FILINGS

Whitney Center d/b/a Thrive at HomeSM with Whitney Center has filed with the Department of Social Services all materials required by State law governing continuing care contracts and facilities, including financial and actuarial information, current payment plans, and healthcare utilization rates. These materials are available for review at the Department of Social Services, located at 55 Farmington Avenue, Hartford, Connecticut 06105-3724.

XVIII. APPENDICES

EXHIBIT A CONTINUING CARE (MEMBERSHIP) AGREEMENT

EXHIBIT B AUDITED FINANCIAL STATEMENTS, INCLUDING PREVIOUS TWO YEARS

EXHIBIT C PRO FORMA FINANCIAL STATEMENTS

EXHIBIT D MEMBERSHIP FEES & PERIODIC CHARGES

EXHIBIT E MEMBERSHIP PLAN DESCRIPTIONS

EXHIBIT A

CONTINUING CARE (MEMBERSHIP) AGREEMENT

CONTINUING CARE (MEMBERSHIP) AGREEMENT



WHITNEY CENTER, INC.

D/B/A THRIVE AT HOMESM WITH WHITNEY CENTER

A Continuing Care Contract (“Membership Agreement”) is a financial investment and your investment may be at risk. The ability of Thrive at HomeSM with Whitney Center to meet its contractual obligations under such contract depends on the financial performance of Whitney Center. We advise you to consult an attorney or other professional experienced in matters relating to investments in continuing care facilities and programs before you sign a Membership Agreement. The Department of Social Services does not guarantee the security of your investment.

THRIVE AT HOMESM WITH WHITNEY CENTER
CONTINUING CARE (MEMBERSHIP) AGREEMENT

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I. INTRODUCTION

A. GENERAL

This Continuing Care Agreement (“Membership Agreement” or “Agreement”) is made as of this _____ day of _____, _____ between _____ (whom we shall refer to as “you” or the “Member”), residing at _____ and Whitney Center, Inc., d/b/a Thrive at HomeSM with Whitney Center (which we shall refer to as “we,” “us,” or “Thrive at Home”) located at 200 Leeder Hill Drive, Hamden Connecticut, 06517.

B. ACCEPTANCE INTO THRIVE AT HOME

Thrive at Home is available to those who meet all eligibility requirements established by Thrive at Home. As a condition of membership in Thrive at Home, Member must continue to meet all eligibility requirements established by Thrive at Home, including but not limited to financial qualifications and assessment that Member’s health needs can be accommodated through Thrive at Home.

C. TERMS AND CONDITIONS OF THIS AGREEMENT

1. Services

Thrive at Home will provide you the Services described in this Agreement, according to the terms and conditions herein, with the objective of enabling you to live in your Home for as long as is practicable.

2. Effective Date of Membership

The effective date of membership is the date this Agreement is executed by both parties (“Membership Date”). At that time, you will be partnered with your Personal Service Partner (or “PSP”), who will initiate a Health and Well-Being Assessment and work with you to develop your Service Plan. Services will be deemed to have commenced on the date the initial Health and Well-Being Assessment is completed. This Agreement will remain in effect until it is terminated in accordance with Section VII of this Agreement (the “Termination Date”).

3. Plan Selection and Fees

Your options for Thrive at Home membership plans and associated fees are described in Exhibits D and E of the Disclosure Statement. The specifics of your selected plan and fee structure are detailed in Attachment I of this Agreement. By executing this Agreement, you agree to accept and pay for the Services, as set forth herein, according to the Membership Fee specified in Attachment I. You also agree to abide by the guidelines and policies of Thrive at Home at all times while receiving services under this Agreement.

II. DEFINITIONS

All terms not defined herein shall have their meanings ascribed to them throughout the Agreement or revert to their common meaning.

- **Personal Service Partner (PSP)** refers to the person appointed by Thrive at Home as your partner in identifying your needs as determined by a Health and Well-Being Assessment, then designing and

recommending a Service Plan for your consideration/approval and ultimately coordinating the Services according to your Service Plan. The recommended Service Plan is subject to review and approval of the Thrive at Home Team.

- **Activities of Daily Living (ADLs)** refer to the basic tasks of everyday life, such as bathing, dressing, eating, walking, grooming, and **Instrumental Activities of Daily Living (iADLs)** refer to activities that support an independent life style such as self-administration of medication, meal preparation, driving and managing finances. Members who find it difficult to independently accomplish these tasks, work with their Personal Service Partner in developing a plan to help overcome ADL and iADL challenges. Typical ADL and iADL challenges include, but are not limited to, those who need personal assistance, have Alzheimer's Disease or any type of dementia disorder, those who are bedbound or homebound, or those who need special equipment to ambulate (i.e., wheelchair or walker).
- **Adult Day Program** refers to a program of services in a group setting for a scheduled number of hours per week. Elements of an adult day program usually include transportation, meals and activities (both social and health-related) and may include personal or nursing care.
- **Assisted Living** refers to a registered Managed Residential Community where nursing and personal care services are provided by a licensed Assisted Living Services Agency. Assisted Living Services are provided exclusively for residents whose health is deemed by a physician to be chronic and stable but who require substantial assistance with at least two ADLs and/or 24-hour safety supervision.
- **Average Cost of Care** refers to the average cost of Facility-Based Services or Adult Day Program Services in the Designated Service Area, as calculated and published by Thrive at Home.
- **Companion/Homemaker** refers to a person who has successfully completed an approved training and/or competency program designated by Thrive at Home to provide Companion/Homemaker Services to you in your Home.
- **Companion/Homemaker Services** are provided to you when you and your PSP determine that you need someone to be with you in your Home to ensure your safety. These services can include assistance with iADLs such as cooking, dishwashing, laundry and light housekeeping, if you are unable to perform these chores yourself.
- **Designated Representative** refers to someone whom you have appointed as your Health Care Representative or as your power-of-attorney, in accordance with applicable law, to act on your behalf in healthcare and/or other Thrive at Home related matters, including but not limited to financial and real estate decisions.
- **Designated Service Area** refers to Thrive at Home's geographical area of coverage for Services, as defined by Thrive at Home. Should a member decide to move outside of the Designated Service Area, Thrive at Home and the member will mutually redefine the Designated Service Area in order to meet the lifestyle change and care needs of the Thrive at Home member, (e.g. the member winters in Florida). The Designated Service Area may be altered from time to time at the sole discretion of Thrive at Home. No change in the Designated Service Area by Thrive at Home will adversely affect your access to services under this Agreement.

- **Determined To Be Appropriate** means that the Thrive at Home Team of health professionals, utilizing industry assessment standards and accepted standards of healthcare practice, has concluded that your health and/or functional status are such that you require Services to be provided by Thrive at Home, or another provider as specified in this Agreement.
- **Disclosure Statement** refers to the Disclosure Statement that Thrive at Home has provided to you pursuant to Connecticut General Statute 17b-522 et. seq., as amended.
- **Facility-Based Services** refers to Services provided in a setting other than your Home, including Assisted Living and Nursing Home Facilities.
- **General Contracting/Construction Management** refers to the project management services that Thrive at Home can provide to help you manage maintenance and improvement projects on your Home.
- **Health and Well-Being Assessment** refers to the medical, functional and cognitive screening conducted by health care professional(s) that serves as the basis for both your qualification as a Thrive at Home Member and your initial/ongoing Service Plan.
- **Home** refers to your current residence, which is identified at the beginning of this Agreement, and any other Home within the Designated Service Area to which you may move at a later date.
- **Home Services** refers to the Services provided to you in your Home by Thrive at Home or a Network Service Provider.
- **Licensed Practical Nurse (LPN) Services** refers to the array of nursing care, including medication administration and treatments, performed by a health care professional credentialed as an LPN.
- **Live-in Assistance** refers to Services provided by Companion, Homemaker or Personal Care Aide in your Home for 24-hours per day. Live-in Assistance may be provided by a single or multiple individual(s) as determined by Thrive at Home or Network Service Provider.
- **Meals and/or Groceries** refers to prepared or raw food delivered frozen or fresh to your Home when you are unable to drive and/or cook, as assessed by your PSP. Thrive at Home will arrange for up to two (2) meals per day and reserves the right to deliver several meals at one time. You agree to pay for the cost, as agreed upon ordering, of meals and groceries; Thrive at Home will be responsible for the cost of delivery.
- **Medical Director** refers to a physician appointed or consulted by Thrive at Home from time to time to ensure that your Service Plan meets your medical and health care needs.
- **Network Service Providers** refers to the set of organizations with whom Thrive at Home may partner to deliver Services to you according to your Service Plan. Network partners are vetted and credentialed to ensure they maintain the quality of service and care standards that Thrive at Home demands for its membership.
- **Nursing Home Facility** refers to a Nursing Home properly licensed by the state in which it is providing service.

- **Per Diem Rate** refers to the current daily service charge by a particular Adult Day Care Program, Assisted Living, or Nursing Home Facility.
- **Personal Care Aide** refers to a person who has successfully completed an approved training and/or competency evaluation program designated by Thrive at Home to provide Personal Care Aide Services to you in your Home.
- **Personal Care Services** are provided to you when you and your PSP determine that you need some assistance with ADLs and/or iADLs, including help with bathing and dressing, maintaining an established activity regimen such as range of motion exercises, meeting your nutritional needs such as assistance with eating and medication reminders.
- **Registered Nurse (RN) Services** refers to the array of nursing care, including assessment, medication administration and treatments, performed by a health care professional credentialed as a RN.
- **Services** refer to the full spectrum of benefits specified in this Agreement and coordination thereof, including: Annual Physical Examinations, Home Evaluation, Home Services (including Companion/Homemaker Services, Personal Care Services, Live-in Assistance, LPN and RN Services, Personal Emergency Response System, Meals and Adult Day Care), Facility Based Services (including Assisted Living and Nursing Home), Transportation Services, Referral Services, Tele-Health and Social Engagement Technology, and Lifestyle and Wellness Programs provided at no additional cost to you, as a Thrive at Home Member, unless otherwise specified herein and subject to applicable co-payments, pursuant to this Agreement.
- **Service Plan** is the written plan of Services that you create in partnership with your PSP based on your Health and Well-Being Assessment. The Service Plan (or “Plan”) will identify the scope of support services and healthcare necessary to help you remain at Home safely and independently as long as possible. The Plan will detail each service, start date, quantity and/or frequency, duration of service, name of approved provider, and any special considerations. You and your PSP will periodically review the plan to ensure that it continues to meet your needs and update the plan as your needs change. Each version of the plan is implemented once you agree to it by signature.
- **Thrive at Home Team** refers to your Personal Service Partner (or his or her designee), a Thrive at Home manager, Thrive at Home’s Medical Director (or his or her designee) and other clinical professionals as necessary in consultation with you and/or your Designated Representative. Thrive at Home may, from time to time, change titles and/or personnel assigned to the Thrive at Home Team, at its sole discretion.

III. OUR RESPONSIBILITIES TO YOU AS A MEMBER

Thrive at Home shall provide to you the following Services when they are Determined to Be Appropriate per your Health and Well-Being Assessment and the conditions set forth in this Section. The particular Services provided to you will be described in detail within your Service Plan., Exhibit A of this Agreement, which sets forth your selected plan and fee structure, identifies which Services are included in the Membership Fee. Services must be provided by Thrive at Home or a Network Service Provider except as specified in this Section.

A. SERVICE COORDINATION

Thrive at Home is available 24-hours-a-day/7-days-a-week to members for service coordination to address their care needs. Upon becoming a Thrive at Home Member, you will be partnered with a Personal Service Partner who will work with you and/or your Designated Representative to identify your needs as determined by a Health and Well-Being Assessment, design and recommend a Service Plan for your consideration/approval and ultimately coordinate the Services according to your Plan. After your initial Health and Well-Being Assessment, your PSP will schedule periodic follow-up Assessments and work with you to make adjustments to your Service Plan, accordingly. Any adjustment to your Service Plan will be made collaboratively between you and/or your Designated Representative, your PSP and the Thrive at Home Team.

B. ANNUAL PHYSICAL EXAMINATION

Thrive at Home will arrange for an annual assessment and physical examination for you. You may have the physical examination completed by your personal physician at your expense, or if you'd prefer, to be completed by Thrive at Home's board-certified geriatrician. Thrive at Home will keep the results of the exam confidential, and the information will only be used to coordinate services.

C. HOME SERVICES

Home Services will be provided as Determined to Be Appropriate by Thrive at Home. Typically, you must demonstrate difficulty with at least one or more ADLs to be eligible for Home Services. All Home Services in the Designated Service Area must be provided by Thrive at Home and/or a Network Service Provider unless otherwise specified in this Agreement. We may require an examination by the Medical Director (or his or her designee) to determine eligibility for the following Services (see application definitions in Section II).

1. Adult Day Program
2. Companion/Homemaker Services
3. Delivery of Meals/Groceries
4. LPN/RN Services
5. Live-In Assistance
6. Personal Care Services

D. TRANSPORTATION SERVICES

Thrive at Home will provide, either directly or coordinated through a Network Service Provider, non-emergency transportation to and from medically necessary outpatient surgery or procedures that limit or impair your ability to drive. Such surgery or procedures may include, but are not limited to: cataract removal, chemotherapy treatments, surgical biopsies and transportation to your Home upon discharge from a hospital. The cost of these transportation services may be covered based on your Membership Plan and the extent of the coverage may vary by plan. Other transportation costs for regular physician office visits, dialysis, and specialist appointments are not covered under this Agreement; however, we will assist in coordinating these services for you, and you will be responsible for paying the transportation providers directly for these services. We will also, as necessary, coordinate a private aide to accompany you for transport, the cost of which will be borne by you.

E. HOME EVALUATION

During the first year of membership and every second year thereafter (unless we determine circumstances or a member's health condition justify more frequent evaluations), Thrive at Home will provide a Home evaluation of your Home's physical condition, both interior and exterior. This evaluation will result in a report of any structural, functional and safety issues and recommend resolutions. Thrive at Home does not represent that it will undertake

steps necessary to effectuate any such recommendations; it is your choice and sole responsibility to make recommended changes or corrections to your Home. To aid you in managing any such projects, Thrive at Home will furnish you with a list of possible vendors and contractors whom you may hire directly, or you may choose to use our General Contracting/Construction Management services for a negotiated fee. You are solely responsible for the full cost of any improvements to your Home as a result of the Home Evaluation.

F. PERSONAL EMERGENCY RESPONSE SYSTEM

At your request and as Determined to Be Appropriate, Thrive at Home will provide you with a GPS enabled Personal Emergency Response System. This system enables monitoring and communication of health care information and will enable you to obtain assistance in the event of an emergency.

G. TELE-HEALTH AND SOCIAL ENGAGEMENT TECHNOLOGY

Upon request, Thrive at Home will provide you with state-of-the art and user-friendly technology to connect you with family, friends, health care providers and the Thrive at Home Team. The system is designed to enable you to easily engage in social activity as well as maintain a healthy lifestyle through coordinated programs.

H. LIFESTYLE AND WELLNESS PROGRAMS

Thrive at Home offers from time to time a variety of programs free of charge or for a fee, including but not limited to: exercise classes, art classes, wellness seminars, speakers, and day excursions. You will be advised of the schedules and the cost, if any, for these programs as they are offered.

I. REFERRAL SERVICE

Thrive at Home, acting as an intermediary between you and third party referred service providers, makes referrals to you for services you might need to remain safely at Home. Examples include: Home adaptation/maintenance/improvement, snow removal, lawn care, legal, financial planning, rental of medical equipment, etc. The referral service is available at no cost to you; however, you are responsible for the cost of any services rendered by the referred service providers.

J. FACILITY-BASED SERVICES

When Determined to Be Appropriate by you, your Thrive at Home Team and prescribed by a physician, Thrive at Home will provide Facility-Based Services, including Assisted Living Services in a private accommodation and/or Nursing Home Facility Services in a semi-private accommodation, or you may select a facility as set forth in this Section. Thrive at Home may require an examination by the Medical Director (or his or her designee) to determine your eligibility for Facility-Based Services. Thrive at Home will not be responsible for any ancillary charges such as laundry, prescription drugs, medical supplies, telephone, or television that you incur during your Facility-Based Service.

K. PRIORITY WAIT LIST PLACEMENT

At your request, Thrive at Home will place your name on the Priority Wait List for an independent living apartment on the Whitney Center campus, based on your Effective Date of Membership. You must make your request in writing, indicating apartment preferences, selecting up to three (3) floor plans. The Effective Date of Membership will be used as the Priority Wait List date for up to six months. After six months, the Priority Wait List date will be based on the date of the request for specific residences.

L. PORTABILITY

Portability of your Thrive at Home membership is available to you following one year of membership and applies to locations within the United States. Thrive at Home will make every effort to investigate care provider networks for quality, availability and accessibility to meet your care needs at your new home. Depending on your new location, quality, availability and accessibility may vary. Your Thrive at Home personal service partner will continue to coordinate your services and be available to you 24/7. In the event that your care needs and coordination can be met more efficiently using a local geriatric care manager, Thrive at Home may engage those services to meet the conditions of your contract.

IV. COVERAGE LIMITS, EXCLUSIONS AND TRANSFERS

A. COVERAGE LIMIT

Your Thrive at Home membership, per your selected Membership Plan, covers the cost of Services up to a percentage of the Average Cost of Care for Facility-Based Services, where you would otherwise be eligible to reside. If the aggregate cost of covered Services you are receiving for any thirty-day period exceeds the percentage of the Average Cost of Care for Facility-Based Services specified in your Membership Plan, you may:

1. Choose to continue receiving Services and pay the difference between the cost of your Services and the Average Cost of Care in a facility where you would otherwise be eligible for all days following the thirty-day period;
2. Choose to discontinue Services that result in an aggregate cost higher than the percentage of the Average Cost of Care for Facility-Based Services specified in your Membership Plan (in which case, Thrive at Home may be compelled to terminate this Agreement if discontinuation of Services is deemed by the Thrive at Home Team to compromise your health or safety); or,
3. Choose to move to an Assisted Living or Nursing Home Facility.

B. EXCLUSIONS

You agree to pay the costs of the following services, whether provided by Thrive at Home or otherwise, to the extent that they are not covered by other insurance or assistance programs:

- Ambulance and other specialized medical transportation services, including the cost of a private aide, if needed for transport;
- Ancillary charges imposed by any outside health provider or institution;
- Charges for any physician, podiatrist, chiropractor or therapist;
- IV insertion;
- Mental illness and substance abuse services;
- Other costs which are customarily considered extra charges by facilities providing services similar to those provided to you by Thrive at Home;
- Orthopedic appliances;
- Prescription drugs and medical supplies;
- Ventilator care;
- Vision, hearing, and dental care, including all supplies, equipment and appliances; and all other services not specifically included in this Agreement.

C. PAYMENT FOR SERVICES NOT PROVIDED UNDER THIS AGREEMENT

1. You may choose to enter an Assisted Living or Nursing Home Facility other than Whitney Center with the approval of Thrive at Home. Thrive at Home will pay the facility a per diem amount not to exceed the percentage, as specified by your Membership Plan, of the Average Cost of Care within the Designated Service Area. You will be responsible for any difference between the percentage of the Average Cost of Care and the rate charged by the Assisted Living or Nursing Home Facility.
2. You can, when Determined To Be Appropriate, receive Adult Day Service from a provider of your choosing within the Designated Service Area. Thrive at Home will pay the program a per diem amount not to exceed the percentage, as specified by your Membership Plan, of the Average Cost of Care within the Designated Service Area. You will be responsible for any difference between the percentage of the Average Cost of Care and the rate charged by the Adult Day Service.
3. In the event that accommodations in Whitney Center's Assisted Living or Nursing Home are not available for you, Thrive at Home will arrange for your care temporarily in another facility until accommodations become available. Thrive at Home will pay the facility a per diem amount not to exceed the percentage, as specified by your Membership Plan, of the Average Cost of Care within the Designated Service Area. You will be responsible for any difference between the percentage of the Average Cost of Care and the rate charged by the Assisted Living or Nursing Home Facility.

D. DECISIONS INVOLVING PERMANENT TRANSFER FROM YOUR RESIDENCE

All decisions involving permanent transfer from your residence (including Home, Assisted Living Facility or Nursing Home Facility), to an Assisted Living, Nursing Home or similar care facility must be Determined To Be Appropriate by Thrive at Home, unless otherwise specified by this Agreement. Such decisions shall be made collaboratively between you or your Designated Representative, as necessary, and the Thrive at Home Team.

1. If the Thrive at Home Team concludes that you are no longer mentally and/or physically able to function safely in your current residence, your PSP will recommend that you transfer to a more appropriate level of care as Determined To Be Appropriate. You will continue to pay the monthly fee as set forth in Section I.C.3 and Attachment I upon transfer to an Assisted Living Facility or Nursing Home Facility in addition to any co-payments as specified in your Membership Plan. If you refuse to transfer, this Agreement may be terminated in our sole discretion in accordance with Section VII.
2. If you elect to transfer to an Assisted Living Facility or a Nursing Home Facility and such a transfer is not Determined To Be Appropriate by the Thrive at Home Team, this Agreement may be terminated in our sole discretion in accordance with Section VII.
3. If you decide to move into an independent living apartment on the Whitney Center campus, you can either maintain your Thrive at Home membership or follow the termination process outlined in Section VII of this Agreement.

V. YOUR RIGHTS AND RESPONSIBILITIES AS A MEMBER

A. RULES

You agree to abide by the rules of Whitney Center when on the Whitney Center campus.

B. RIGHTS OF MEMBERS

Your rights as a Member under this Agreement are those rights and privileges expressly granted to you in this Agreement or by Connecticut law.

In the event that you and your PSP are unable to come to an agreement about the Service Plan designed and recommended for you, you have the right to grieve your concerns. Elevate your concerns in ascending order to: 1) PSP, 2) Executive Director, 3) Whitney Center Inc. President & CEO, 4) Quality of Life Committee. At any level, the Thrive at Home team may meet to discuss your concerns, which includes consultation with the Thrive at Home nurse and Vice President of Clinical Services, and Medical Director. You and/or your Designated Representative may be asked to join team meetings. A response should be anticipated within 5 business days.

C. RIGHT OF ENTRY

You shall permit authorized employees and providers entry into your Home in case of emergencies, for scheduled meetings with your PSP, and to provide Services. Thrive at Home recognizes your right to privacy and will limit entry to your Home as described in the aforementioned sentence.

D. REAL PROPERTY

Your rights and privileges, as granted herein, do not include any right, title, or interest whether legal, equitable, beneficial, or otherwise, in or to any part of the real property, including land, buildings, and improvements owned or operated by Whitney Center, Inc.

E. SUBORDINATION OF RIGHTS

Any of your rights, privileges, or benefits arising under this Agreement shall be subordinate and inferior to all mortgages, security interests, deeds of trust, and leasehold interests granted to secure any loans or advances made to Thrive at Home or Whitney Center, Inc., related entities, or successors, now outstanding or made in the future, in the real property and improvements constituting Whitney Center, and subordinate and inferior to all amendments, modifications, replacements, refunding or refinancing thereof. You agree that, upon the request of Thrive at Home or Whitney Center, Inc., you will execute and deliver any and all documents, which are alleged to be necessary, or required to effect or evidence such subordination.

F. RESPONSIBILITY FOR DAMAGES

You will be responsible for any costs incurred in replacing, maintaining or repairing any loss or damage to the real or personal property of Thrive at Home, Whitney Center, Inc., or other facility caused by your negligence or willful misconduct or that of your guests, agents, employees, or pet.

G. PROTECTION OF PERSONAL AND REAL PROPERTY

Thrive at Home is not responsible for the loss of any personal property belonging to you due to theft, fire, or any other cause. You may wish to obtain insurance at your own expense to protect against such losses.

H. INDEMNIFICATION

You will indemnify Thrive at Home and Whitney Center, Inc. and hold them harmless for any injury to employees or any third person which arises from your negligent or intentional action. You may wish to obtain insurance at your own expense to cover this obligation.

I. MEDICARE, SUPPLEMENTAL INSURANCE REQUIREMENTS AND THIRD-PARTY REIMBURSEMENT

1. You are, or shall be when eligible, enrolled in Medicare Part A or its equivalent. You authorize, as necessary, any provider of such medical and other health services, including Thrive at Home, to receive reimbursement under Medicare Part A, or its equivalent as provided under these programs. During the next enrollment period following the filing of your application for membership to Thrive at Home, you will pay the premiums, secure, and maintain your enrollment in Medicare Part B. If you are not eligible for Medicare Part B, you agree to obtain and maintain equivalent insurance coverage acceptable to Thrive at Home. You shall also procure and maintain maximum coverage for prescription drugs under Medicare Part D, or, if you are not eligible for Medicare Part D, you agree to maintain health insurance that provides creditable prescription drug coverage.
2. You are required to secure and maintain a supplemental insurance (such as Blue Cross, MediGap, Extended Major Medical) to pay Medicare co-insurance deductible amounts and to provide major medical coverage. This coverage is not provided by Thrive at Home.
3. If at any time you become entitled to payments for health services from governmental agencies, including Medicaid, you agree to make prompt application for such payments. Thrive at Home will not be responsible for the cost of any Services for which you are entitled to reimbursement from a governmental agency or other third party, i.e. workers' compensation, liability or PIP (personal injury protection), no-fault insurance, etc. You agree that upon receiving third-party reimbursement, you will repay Thrive at Home for any third-party reimbursable costs which Thrive at Home incurred or paid on your behalf while your reimbursement approval was pending.
4. Thrive at Home will assist you in applying for health services or benefits under any programs for which you might qualify. Upon request, and when appropriate, you agree to execute an assignment of benefits to Thrive at Home. You further agree to notify Thrive at Home promptly of any changes in your health insurance coverage, including but not limited to, the addition or cancellation of any policy, or eligibility for Medicare, Medicaid or any other government coverage or benefit.

J. NON-TRANSFERABLE

Your rights under this Agreement are personal to you and cannot be transferred or assigned by you to any other person or entity.

K. PRESERVATION OF YOUR ASSETS

You agree to manage your financial resources so as not to threaten or impair your ability, or the ability of your estate to satisfy your financial obligations set forth in this Agreement. At the request of Thrive at Home, you agree to make arrangements for the preservation and management of your financial resources by a third party (or parties), including but not limited to the execution and funding of a trust agreement for your benefit whenever, in the sole judgment of Thrive at Home, it appears that your continued management of your financial affairs may make you unable to meet your financial obligations to Thrive at Home. Failure to comply with the requirements of this Paragraph may cause you to be ineligible for the subsidy assistance described in Section VI.C of this Agreement.

L. FINANCIAL STATEMENTS

Just as you have provided to Thrive at Home a financial statement as part of the admissions process, you agree to continue to provide financial statements, including copies of your federal, state and gift tax returns, or other financially related information when requested by Thrive at Home.

M. HEALTH STATUS

You agree to share any changes in your medical status with your PSP and to provide copies of any and all examinations, test results, progress notes, or other copies of medical records provided by non-Thrive at Home providers to your PSP upon request. You further agree to have and share the results of a physical examination upon the request of your PSP.

N. REPRESENTATIONS MADE BY YOU IN CONNECTION WITH APPLICATION FOR MEMBERSHIP

Your application and the statements of your finances and health history which you filed with Thrive at Home are incorporated into this Agreement, and all statements therein are deemed to be true as of the date made. You represent and warrant that there have been no material changes in the information provided since the date of application. Any material misstatement, or any material omission, may result in the termination of this Agreement by Thrive at Home.

O. POWER OF ATTORNEY

You agree to execute and maintain in effect a limited Durable Power of Attorney valid under Connecticut law. This Power of Attorney shall designate as your attorney-in-fact, a bank, lawyer, relative, or other responsible person or persons of your choice, to act for you in managing your financial affairs, and filing for your insurance or other benefits as fully and completely as you would if acting personally. It shall be in a form which survives your incapacity or disability and be otherwise satisfactory to Thrive at Home. You will deliver a fully executed copy of this Power of Attorney to us at the time of your first meeting with your PSP.

P. NOTIFICATION OF CHANGE IN HOME ADDRESS

You agree to provide Thrive at Home with written notice of any change in your Home address no less than thirty (30) days prior to the change, unless otherwise stipulated by this Agreement.

Q. OUT OF NETWORK PROVIDERS

You agree that, as specified in this Agreement and in your Service Plan, you will obtain services from Network Providers. Thrive at Home will permit the use of appropriately licensed out of network providers within the United States and its territories in certain circumstances. Specific rules and procedures for use of out of network providers are set forth in Thrive at Home's Out of Network Provider Policy.

VI. FEES

A. STATEMENT OF FEES

The Membership Fee and Monthly Fee set forth in attached Attachment I, represent payment for the services to be provided by Thrive at Home under this Agreement.

B. MONTHLY FEES

You agree to pay Thrive at Home the total Monthly Fee in advance, on or before the fifth day of each month, beginning with the Membership Date. The Monthly Fee shall be prorated for any applicable period of less than one month. The Monthly Fee may be increased by Thrive at Home at its sole discretion upon thirty (30) days advance written notice to you.

Thrive at Home will endeavor to maintain the Monthly Fee at the lowest possible rate consistent with sound financial practice and maintenance of the quality of Services.

As a Member, you agree to pay the Monthly Fee whether you are residing in your Home or in another facility.

You will be invoiced monthly for any items and services provided to you that Thrive at Home is not obligated to provide or pay for as part of your Monthly Fee, along with any co-pays as outlined in Attachment I, and you must pay those invoices within five days after receipt.

You agree to pay Thrive at Home interest at one percent (1%) per month on any overdue Monthly Fees and service charges.

C. SUBSIDY AT HOME ASSISTANCE

If your funds become substantially reduced or depleted, and your income reduced to the extent that you are eligible to receive public benefits, including, but not limited to, Social Security, Medicaid, etc., you agree to apply for these entitlements or benefits. Failure to do so may result in the termination of this Agreement by Thrive at Home, and release of its obligations hereunder. In the event that you are unable to meet your financial obligations to Thrive at Home after qualifying for all available public benefits, Thrive at Home will continue to provide the Services to which you are entitled under this Agreement only to the extent and for as long as Thrive at Home deems the provision of such Services to be consistent with the objectives of Thrive at Home and its prudent financial management of Thrive at Home. The total cumulative amount of uncompensated Services and other subsidies provided to you by Thrive at Home shall be deducted from any refund due to you or your estate upon termination of this Agreement.

VII. TERMINATION OF THIS AGREEMENT AND REFUNDS

A. TERMINATION BY YOU

1. You may terminate this Agreement for any reason within thirty (30) days following the execution of the contract ("Statutory Rescission Period") by notifying Thrive at Home in writing by registered or certified mail. In the event you terminate within the Statutory Rescission Period, any fees paid to Thrive at Home will be refunded less:
 - a. Costs specifically incurred by Thrive at Home at your request; and,
 - b. A service charge equal to the greater of one thousand dollars (\$1,000) or two percent (2%) of your Membership Fee.
2. You may terminate this Agreement after the Statutory Rescission Period by giving written notice, specifying the termination date, to Thrive at Home, by registered or certified mail, no less than thirty (30) days prior to termination.
3. This Agreement shall terminate upon your death.
4. Any Membership Fee refund due you after the Statutory Rescission Period will be made in accordance with Paragraphs E and F of this Section, as applicable.

B. TRANSFER OF THRIVE AT HOME MEMBERS TO INDEPENDENT LIVING ON THE WHITNEY CAMPUS

As a member of Thrive at Home, you may choose to move to an independent living apartment on the Whitney Center campus; if you choose to terminate your membership, you must follow the termination process outlined in Section VII of the Agreement.

Your application for residency will require financial qualification and you will be required to undergo a health screening to ensure that residency in an independent living apartment is suited to your needs.

Your full Membership Fee, including the depreciated portion, will be applied to your Whitney Center apartment; you will pay the difference between your Membership Fee and the applicable entry fee. If you choose Whitney Center's amortizing refund plan, the full entry fee will be subject to the declining refund schedule based your Membership Date. If you choose Whitney Center's refundable plan, the applied Membership Fee will be subject to the declining refund schedule based on your Membership Date. You may elect to undergo a health qualification for residency thereby eliminating the use of the Membership Date as a basis for a declining refund schedule.

C. TERMINATION BY THRIVE AT HOME

Thrive at Home shall have the right to terminate this Agreement for any cause, which, in its sole discretion, shall be good and sufficient. Good and sufficient cause shall include, but is not limited to the following:

1. Failure to perform your obligations under this Agreement, including the obligation to pay the Monthly Fees and other charges within sixty (60) days after they are due for payment;
2. Material misstatements or failure to state a material fact in your application or any other financial statement, or health history statement filed with Thrive at Home;
3. Dissipation or commitment of your financial resources which impairs your ability to meet your financial obligation to Thrive at Home;
4. Your behavior resulting in a threat to the safety, health, peace, or well-being of yourself or others;
5. Your refusal to follow the Service Plan recommendations of Thrive at Home when such refusal poses a risk to your health or safety, as determined by us in our sole discretion; and,
6. Your decision to move to an Assisted Living Facility or Nursing Home Facility when such a move is not Determined To Be Appropriate.

Thrive at Home shall give you reasonable notice of termination in writing via hand delivery, or registered, or certified mail. Thrive at Home's determination that your continued membership presents a threat to the safety of others, or of yourself, shall be a factor in determining the reasonableness of that notice period.

D. APPEALS

You have the right to appeal a decision by Thrive at Home to terminate this Agreement. Only you or your Designated Representative may appeal a decision to terminate. A request for appeal may be made by requesting the appeal in writing by certified or registered mail to Executive Director, Thrive at Home within ten (10) days of the notice of termination.

If a prompt request for appeal is received, the Thrive at Home Appeals Committee, consisting of the Medical Director, Chief Executive Officer, and Executive Director of Thrive at Home will review the appeal and original termination decision. The decision of the Appeals Committee will be provided in writing within thirty (30) days of receipt of your appeal.

E. DUTIES UPON TERMINATION

If either you or Thrive at Home terminates this Agreement after the Statutory Rescission Period, you must pay Monthly Fees through the Termination Date.

Upon termination by either you or Thrive at Home after the Statutory Rescission Period, you agree to pay Thrive at Home all amounts owed to it, and any reasonable expenses incurred in connection with the termination, including, but not limited to, the cumulative amount of any uncompensated services or other subsidies provided to you by Thrive at Home. Thrive at Home may set off any amounts owed it by you against any refund due pursuant to Paragraph F of this Section.

If you transfer to an Assisted Living or Nursing Home Facility, you may be asked to sign additional agreements applicable to the residential setting to which you are transferred; however, this Agreement does not automatically terminate, and no refund of any portion of the Membership Fee shall be due upon your transfer to an Assisted Living or Nursing Home Facility.

F. REFUND PROVISIONS APPLICABLE TO ALL PLANS

1. If you've chosen a traditional Membership Fee and terminate this Agreement, you or your estate shall be due a refund equal to the Membership Fee less (i) two percent (2%) thereof for each calendar month between the Membership Date and the date of termination ("Termination Date") and (ii) any offsets applied pursuant to Paragraph E of this Section. No refund shall be due if you terminate this Agreement more than fifty (50) months after the Membership Date.

If Thrive at Home terminates this Agreement after your Membership Date, you or your estate shall be due a refund equal to the amount of the Membership Fee less (i) one percent (1%) thereof for each calendar month between the date you signed this Agreement and the Termination Date and (ii) any offsets applied pursuant to Paragraph E of this Section. No refund shall be due if Thrive at Home terminates this Agreement more than one hundred (100) months after the date you signed this Agreement.

2. If you've chosen a refundable Membership Fee and either you or Thrive at Home terminates this Agreement, Thrive at Home will pay you or your estate a refund equal to 100% of the Membership Fee minus any offsets applied pursuant to Paragraph E of this Section.
3. If you (or your estate) are due a refund, such refund, without interest, will be made when Thrive at Home receives payment from a new member of the Membership Fee for the same Thrive at Home Membership plan, not to exceed six (6) months from the Termination Date. Outstanding expenses and any other sums owed by the Member to Thrive at Home will be deducted from any refund due.
4. For purposes of computing Membership Fee refunds, a partial calendar month of more than fifteen (15) days shall be treated as a full month, and a partial calendar month of fifteen (15) or fewer days shall be ignored. The date you signed this Agreement and Termination Date shall be counted as full calendar days.

VIII. MISCELLANEOUS

A. CONFIDENTIALITY

Thrive at Home has the responsibility to keep in confidence all of the personal, medical, and financial information you have supplied to Thrive at Home. You agree that Thrive at Home can provide such information to health care professionals, third-party payers, and others who have a need, in our judgment, or a right to know such information under federal or state law.

B. MANAGEMENT AUTHORITY

Thrive at Home retains all authority regarding membership, adjustment of fees, and all aspects of the management of Thrive at Home. You do not have the right to prevent the membership of a new member or the termination of another member's Membership Agreement, nor do you have the right to protest the fees charged to, or financial assistance rendered to any other member.

C. WAIVER

In the event that Thrive at Home does not, in any one or more instances, insist upon your strict performance, observance, or compliance with any of the terms or provisions of this Agreement, or if we waive a breach by you of this Agreement, it shall not be construed to be a waiver of our right to insist upon your strict compliance with all other terms and provisions of this Agreement.

D. GOVERNING LAWS

This Agreement, including its validity and the capacity of the parties to this Agreement, its form, interpretation of its language, and any questions concerning its performance and discharge, shall be governed by and construed in accordance with the laws and judicial decisions of the State of Connecticut.

E. ATTORNEYS' FEES AND COSTS

If Thrive at Home is obliged to take legal action to enforce this Agreement, to collect sums due to Thrive at Home pursuant to this Agreement, or to recover damages of any kind, you are liable for the costs of such action including, but not limited to, reasonable attorneys' fees.

F. FULL AND COMPLETE AGREEMENT

This Agreement has precedence over any representations previously made by Thrive at Home representatives, and over any descriptions of services in promotional materials or presentations. This Agreement constitutes the entire contract between you and Thrive at Home and supersedes all previous understandings and agreements between you and Thrive at Home. No waiver or modification shall be valid unless made in writing, signed by you and by Thrive at Home, and attached to this Agreement.

G. INTERPRETATION

Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement. Should any provision herein, for any reason, be held invalid or unenforceable in any jurisdiction in which it is sought to be enforced, such invalidity and unenforceability shall not affect any other provision of this Agreement, and such invalid and unenforceable provision shall be construed as if it were omitted. The remainder of the Agreement shall remain in full force and effect.

H. RIGHT OF SUBROGATION

Should you be injured by a third party and such injury requires us to provide health care services under this Agreement, we shall be subrogated, to the extent allowed by Connecticut law, to your rights against such other third party to the extent necessary to reimburse us for the costs incurred in providing Services under this Agreement.

I. GENDER OF PRONOUNS

All references in this Agreement by masculine pronouns and adjective also include the feminine and vice versa.

J. SUCCESSORS AND ASSIGNS

The duties owed Thrive at Home under this Agreement shall inure to the benefit of its successors and assigns.

K. STATEMENT OF NON-DISCRIMINATION

Thrive at Home complies with applicable federal and state laws that prohibit discrimination based on race, color, sex, religious beliefs, sexual orientation, gender identity, national origin, disability and other protected classes of persons.

We create and foster community by providing an intentionally welcoming and safe environment where all feel valued and cared for, and where all are given opportunity to form meaningful connections with one another. We foster a climate of purposeful inclusion of all. We cherish the diversity of gender, age, race, ethnicity, national origin, sexual orientation, gender identity and expression, education, and political perspective.

L. NOTICES

When required by the terms of this Agreement, notices shall be given in writing and shall be given to Thrive at Home or to you at the addresses set forth in Attachment I, or at such address as we or you shall specify in writing to each other.

Your signature below certifies that you have read, understand, and accept this Agreement, and that you or your financial advisor have received the most current Disclosure Statement containing the current audited financial statements.

Signature - Member

Witness

Date

Date

WHITNEY CENTER, INC. d/b/a THRIVE at HOME with WHITNEY CENTER

Authorized Representative

Date

ATTACHMENT I – MEMBERSHIP PLAN SELECTION AND FEES

MEMBER NAME: _____

MEMBERSHIP DATE: _____

MEMBER DATE OF BIRTH: _____

AGE AT ENROLLMENT: _____

PLAN SELECTION AND FEES: Membership fees are based on the type of Membership Plan selected and the age of the person enrolling in the program. Monthly fees are based on the Membership Plan. The Membership Plan you have selected and the monthly fees are stated below:

Membership Plan Selected:

Diamond - 100% Coverage

Traditional Refundable Flex Pricing

Emerald - 70% Coverage

Traditional Refundable Flex Pricing

Ruby - 50% Coverage

Traditional Refundable Flex Pricing

Sapphire - Coordination Only

Traditional Refundable Flex Pricing

MEMBERSHIP FEE DUE

\$ _____

MONTHLY FEE

\$ _____

ADDRESSES FOR REQUIRED NOTICE:

Thrive at Home with Whitney Center:

Executive Director
Thrive at Home with Whitney Center
200 Leeder Hill Drive
Hamden, CT 06517

You:

Name: _____

Address: _____

Your signature below certifies that you have read, understand, and accept this Attachment I.

Signature - Member

Date

EXHIBIT B

AUDITED FINANCIAL STATEMENTS, INCLUDING PREVIOUS FOUR YEARS

WHITNEY CENTER, INCORPORATED

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

WHITNEY CENTER, INCORPORATED

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Whitney Center, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Whitney Center, Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Whitney Center, Incorporated as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, effective January 1, 2018, the Corporation adopted Financial Accounting Standard Board issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. As a result of this implementation, beginning deficiency in net assets without donor restrictions as of January 1, 2018 has been adjusted by \$364,224 to reflect a cumulative adjustment for marketing costs previously capitalized.

Marum LLP

New Haven, CT
April 30, 2019

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,660,611	\$ 4,993,638
Accounts receivable, less allowance for doubtful accounts	1,440,980	1,148,566
Contract receivables	717,997	469,669
Other receivables	15,945	4,387
Prepaid expenses and other current assets	515,639	676,673
Assets held by trustee	2,463,495	2,434,072
Assets whose use is limited	<u>956,320</u>	<u>1,107,931</u>
Total Current Assets	8,770,987	10,834,936
Assets Held by Trustee	5,911,941	5,907,223
Investments	2,982,004	3,724,198
Property and Equipment	82,750,001	82,045,851
Other Assets		
Deferred marketing costs, less accumulated amortization (as adjusted) of \$3,138,822 in 2018 and \$3,658,880 in 2017	<u>1,017,597</u>	<u>1,833,552</u>
Total Assets	<u>\$ 101,432,530</u>	<u>\$ 104,345,760</u>

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2018 AND 2017

	2018	2017
Liabilities and Net Deficit		
Current Liabilities		
Accounts payable	\$ 1,617,618	\$ 2,063,325
Accrued expenses	4,009,286	4,213,022
Contract deposits	205,187	223,904
Current portion of capital lease obligation	275,347	213,713
Current portion of long-term debt	<u>630,000</u>	<u>585,000</u>
Total Current Liabilities	6,737,438	7,298,964
Capital Lease Obligation - less current portion	807,072	208,554
Long-Term Debt - less current portion and deferred financing costs	45,711,496	46,215,797
Deferred Income from Entry Fees	40,866,917	41,164,707
Refundable Entry Fees	14,758,846	14,234,182
Deposits	<u>159,331</u>	<u>114,931</u>
Total Liabilities	109,041,100	109,237,135
Net Assets (Deficit)		
Without donor restrictions	(7,901,081)	(5,220,073)
With donor restrictions	<u>292,511</u>	<u>328,698</u>
Total Net Deficit	<u>(7,608,570)</u>	<u>(4,891,375)</u>
Total Liabilities and Net Deficit	<u>\$ 101,432,530</u>	<u>\$ 104,345,760</u>

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

WHITNEY CENTER, INCORPORATED

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Gains			
Resident services, including amortization of entry fees of \$7,702,620	\$ 27,411,045	\$ --	\$ 27,411,045
Other operating revenues	884,312	--	884,312
Contributions	17,490	885	18,375
Net assets released from restriction	15,000	(15,000)	--
Total Revenues and Gains	28,327,847	(14,115)	28,313,732
Expenses and Losses			
Salaries and wages	9,899,291	--	9,899,291
Depreciation and amortization	4,741,618	--	4,741,618
Interest expense	3,812,063	--	3,812,063
Employee benefits	2,102,899	--	2,102,899
Property taxes	2,067,602	--	2,067,602
Other operating expenses	1,320,179	--	1,320,179
Contract services	1,787,746	--	1,787,746
Utilities	1,350,820	--	1,350,820
Food	1,294,280	--	1,294,280
Ancillary health services	834,824	--	834,824
Supplies	676,042	--	676,042
Repairs and maintenance	452,524	--	452,524
Insurance	176,304	--	176,304
Total Expenses and Losses	30,516,192	--	30,516,192
Deficiency of Revenues and Gains over Expenses and Losses from Operations	(2,188,345)	(14,115)	(2,202,460)
Nonoperating Items			
Unrealized loss on investments	(569,875)	(24,608)	(594,483)
Investment income, net	43,965	3,916	47,881
Realized gain (loss) on sale of investments	397,471	(1,380)	396,091
Net Nonoperating Items	(128,439)	(22,072)	(150,511)
Deficiency of Revenues and Gains over Expenses and Losses and Nonoperating Items	(2,316,784)	(36,187)	(2,352,971)
Net Assets (Deficit) - Beginning, as previously reported	(5,220,073)	328,698	(4,891,375)
Impact of change in accounting policy	(364,224)	--	(364,224)
Adjusted Net Assets (Deficit) - Beginning	(5,584,297)	328,698	(5,255,599)
Net Assets (Deficit) - Ending	\$ (7,901,081)	\$ 292,511	\$ (7,608,570)

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

WHITNEY CENTER, INCORPORATED

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Gains			
Resident services, including amortization of entry fees of \$7,738,545	\$ 26,662,008	\$ --	\$ 26,662,008
Other operating revenues	785,454	--	785,454
Contributions	72,757	--	72,757
Net assets released from restriction	<u>8,868</u>	<u>(8,868)</u>	<u>--</u>
Total Revenues and Gains	<u>27,529,087</u>	<u>(8,868)</u>	<u>27,520,219</u>
Expenses and Losses			
Salaries and wages	9,204,052	--	9,204,052
Depreciation and amortization	4,626,121	--	4,626,121
Interest expense	3,840,529	--	3,840,529
Property taxes	1,982,244	--	1,982,244
Employee benefits	1,846,132	--	1,846,132
Utilities	1,352,255	--	1,352,255
Food	1,166,287	--	1,166,287
Other operating expenses	813,093	--	813,093
Contract services	1,203,327	--	1,203,327
Ancillary health services	869,373	--	869,373
Supplies	692,743	--	692,743
Repairs and maintenance	318,014	--	318,014
Insurance	<u>161,144</u>	<u>--</u>	<u>161,144</u>
Total Expenses and Losses	<u>28,075,314</u>	<u>--</u>	<u>28,075,314</u>
(Deficiency) Excess of Revenues and Gains over Expenses and Losses from Operations	<u>(546,227)</u>	<u>(8,868)</u>	<u>(555,095)</u>
Nonoperating Items			
Investment income, net	28,658	3,343	32,001
Realized gain on sale of investments	152,293	33,914	186,207
Property taxes under appeal	1,079,642	--	1,079,642
Unrealized gain on investments	<u>293,984</u>	<u>10,790</u>	<u>304,774</u>
Net Nonoperating Items	<u>1,554,577</u>	<u>48,047</u>	<u>1,602,624</u>
Excess of Revenues and Gains over Expenses and Losses and Nonoperating Items	<u>1,008,350</u>	<u>39,179</u>	<u>1,047,529</u>
Net Assets (Deficit) - Beginning	<u>(6,228,423)</u>	<u>289,519</u>	<u>(5,938,904)</u>
Net Assets (Deficit) - Ending	<u>\$ (5,220,073)</u>	<u>\$ 328,698</u>	<u>\$ (4,891,375)</u>

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets (deficit)	\$ (2,352,971)	\$ 1,047,529
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:		
Depreciation and amortization	4,741,618	4,626,121
Amortization of entry fees	(7,702,620)	(7,738,545)
Entry fees received	8,155,916	9,381,141
Net realized and unrealized gain (loss) on investments	198,392	(490,981)
Loss on disposal of assets	3,680	4,597
Other amortization	125,699	125,699
Changes in operating assets and liabilities:		
Accounts receivable	(292,414)	(167,770)
Contract receivables	(248,328)	(241,749)
Other receivables	(11,558)	59,549
Prepaid expenses and other current assets	161,034	(205,191)
Accounts payable	(445,707)	1,243,936
Accrued expenses	(203,736)	(935,745)
Contract deposits	(18,717)	145,379
Deposits	44,400	53,969
Net Cash Provided by Operating Activities	<u>2,154,688</u>	<u>6,907,939</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(4,113,841)	(3,232,349)
Deferred marketing costs incurred	--	(77,093)
Net reductions to assets held by trustee	(34,141)	(108,175)
Net purchases of assets whose use is limited	101,828	(12,619)
Proceeds from sales of investments	1,126,143	898,913
Purchases of investments	(532,558)	(1,928,393)
Net Cash Used in Investing Activities	<u>(3,452,569)</u>	<u>(4,459,716)</u>

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows from Financing Activities		
Refundable entry fees received	\$ 1,175,540	\$ 2,251,949
Principal payments on capital lease obligation	(223,724)	(233,470)
Refunds of deposits and refundable entry fees	(1,401,962)	(1,963,966)
Repayment of long term debt	<u>(585,000)</u>	<u>(545,000)</u>
Net Cash Used in Financing Activities	<u>(1,035,146)</u>	<u>(490,487)</u>
Net Change in Cash and Cash Equivalents	(2,333,027)	1,957,736
Cash and Cash Equivalents - Beginning	<u>4,993,638</u>	<u>3,035,902</u>
Cash and Cash Equivalents - Ending	<u>\$ 2,660,611</u>	<u>\$ 4,993,638</u>
Supplemental Disclosures of Cash Flow Information		
Interest paid	<u>\$ 3,814,977</u>	<u>\$ 3,869,384</u>

On December 31, 2018, the Corporation entered into a capital lease obligation for equipment at a cost of \$883,876.

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

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Whitney Center, Incorporated (the Corporation) is a retirement community offering its residents a comprehensive range of facilities and services including a central dining room, a health center, common lounges and meeting rooms, and other amenities for retirement living. As of December 31, 2018 and 2017, there were 246 and 245 apartment units, respectively, including units available for assisted living, and 59 nursing beds in the health center.

Residents pay an entry fee and a monthly service fee that entitles them to the lifetime use and privileges of the retirement community including care in the health center. Residents do not acquire any interest in the real estate and property owned by the Corporation. Management of the Corporation is vested in the Board of Directors and designated officers.

SIGNIFICANT ACCOUNTING POLICIES

ADOPTION OF ACCOUNTING GUIDANCE

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-04, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, and consistency in information about liquidity and availability of resources, expenses, and investment return. The major changes of the ASU affecting the Corporation include (a) requiring the presentation of two classes of net assets entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) requiring the qualitative and quantitative information regarding the liquidity and availability of resources, and (c) incorporating functional expenses into the basic financial statements, and enhanced disclosures regarding functional expense reporting. ASU 2016-14 has been applied retrospectively to all periods presented. The application of the ASU did not affect the change in net assets for the years December 31, 2018 and 2017.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). The guidance in ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF ACCOUNTING GUIDANCE (CONTINUED)

The Corporation adopted the new guidance for the fiscal year ending December 31, 2018, under the modified retrospective approach applied to certain contracts which were not completed as of December 31, 2017 using the practical expedient in paragraph 606-10-10-4 that allows for the use of a portfolio approach, because we determined that the effect of applying the guidance to our portfolio of contracts within the scope of ASU 2014-09 on our financial statements would not differ materially from applying the guidance to each individual contract within the respective portfolio or our performance obligations within that portfolio. This approach will also be used for future contract modifications, if any. The five step model defined in ASU 2014-09 requires us to (1) identify our contracts with customers, (2) identify our performance obligations under those contracts, (3) determine the transaction process of those contracts, (4) allocate the transaction process to our performance obligations under those contracts, and (5) recognize revenue when each performance obligation under those contracts is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services.

A substantial portion of our revenue relates to contracts with residents for housing services that are generally short term in nature and fall under ASC Topic 840, *Leases*, which are specifically excluded from the scope of ASU 2014-09. Our contracts with residents and others that are within the scope of ASU 2014-09 are also generally short term in nature. We have determined that services performed under those contracts are considered one performance obligation in accordance with ASC Topic 606 as such services are regarded a series of distinct events with the same timing and pattern of transfer to the resident or others. Revenue is recognized for those contracts when our performance obligation is satisfied by transferring control of the service provided to the resident or others, which is generally when the services are provided over time.

In accordance with ASU 2014-09, incremental costs that an entity incurs to obtain a contract that would have been incurred regardless if the contract not been obtained are no longer allowed to be capitalized. In addition, incremental costs associated with obtaining a new contract may now be capitalized when incurred to obtain any new contract, rather than just with new construction, as long as the entity expects to recover those costs. As a result, the application of ASU 2014-09 resulted in a cumulative-effect adjustment of \$364,224 to beginning net assets (deficit) as of January 1, 2018.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF ACCOUNTING GUIDANCE (CONTINUED)

The following table summarizes the impacts of adopting ASU Topic 606 on the Corporation's financial statements for the year ended December 31, 2018.

	Balances without adoption of Topic 606	Adjustments	As reported
Deferred marketing costs	\$ 5,492,431	\$ (1,336,011)	\$ 4,156,420
Accumulated amortization	(4,267,471)	1,128,649	(3,138,822)
Amortization of deferred marketing expense	585,887	(156,861)	429,026
Net assets without donor restrictions	(4,891,375)	(364,224)	(5,255,599)

BASIS OF PRESENTATION

The financial statements of the Corporation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned and expenses when the related liability for goods or services is incurred, regardless of the timing of cash flows.

Net assets of the Association are classified based on the presence or absence of donor – imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets (Deficit) Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Association. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state or federal laws.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EXCESS OF REVENUES AND GAINS OVER EXPENSES AND LOSSES FROM OPERATIONS

The statements of activities include deficiency of revenues and gains over expenses and losses from operations as the performance indicator. Changes in unrestricted net assets that are excluded from deficiency of revenues and gains over expenses and losses from operations, consistent with industry practice, include investment, net, realized gain (loss) on sale of investments and unrealized loss on investments and the real estate tax assessment under appeal.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include assessing the collectability of accounts receivable, the extent of contractual allowances, fair value of investments, and the estimated useful lives of long-lived assets, among others. Actual results could differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Corporation's financial instruments classified as current assets and current liabilities (cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses) approximates fair value. The fair values of other financial instruments are disclosed in the notes below.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less at purchase. The Corporation routinely invests its surplus operating funds in a commercial sweep account. These funds generally invest in highly liquid U.S. Government and Agency obligations.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRACT RECEIVABLES

Contract receivables include balances outstanding on completed residency agreements, including those with short-term deferred payment arrangements.

RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are stated at the amount the Corporation expects to collect from outstanding balances. The Corporation provides for losses on accounts receivable using the allowance method. The allowance is based on a review of the current status of existing receivables, historical collection experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include assets received with donor restrictions for the benefit of residents, and assets set aside by the Board of Directors. The Board of Directors has designated \$663,809 and \$779,233 for the benefit of the residents and to fund other capital and service objectives as of December 31, 2018 and 2017, respectively.

ASSETS HELD BY TRUSTEE

Assets Held by Trustee are assets restricted pursuant to a trust indenture, relating to the Corporation's long-term debt. The specific accounts held by the trustee, in accordance with the requirements of the trust indenture as of December 31, 2018 and 2017; include a bond fund, debt service reserve fund, and an operating reserve fund.

INVESTMENTS AND INVESTMENT INCOME

Investments, which consist of marketable equity securities, U.S. Government and Agency obligations, corporate bonds, and mutual funds, are measured at fair value in the statements of financial position. Fair value is defined as 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. Investment income (including realized gains and losses on investments, interest, and dividends) is included in deficiency of revenues and gains over expenses and losses from operations unless restricted by donor or law.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND INVESTMENT INCOME (CONTINUED)

Unrealized gains and losses on investments are excluded from deficiency of revenues and gains over expenses and losses from operations. Expenses relating to investment income, including custodial fees and investment advisory fees, amounted to \$38,834 in 2018 and \$29,878 in 2017 and have been netted against investment income in the accompanying statements of activities.

Investment accounts represent assets set aside by the Board for future capital improvements and to fund operating deficits, over which the Board retains control and may, at its discretion subsequently use for other purposes.

DEFERRED INCOME FROM ENTRY FEES AND REFUNDABLE ENTRY FEES

The Corporation has certain entry fee contracts that provide for refunds on a declining-scale if the contract is voluntarily terminated within 45 months of occupancy or if the resident dies within 12 months of occupancy. There is no refund after those periods have elapsed. Entry fees from these contracts are recorded as “deferred income from entry fees” and are recognized as income over the estimated remaining life expectancy of each resident, with the expectancy reevaluated annually.

Other entry fee contracts provide for a 50 percent, 60 percent or a 90 percent refund when an entry fee is received from a resident for the same or similar apartment. The refundable portion of a resident’s entrance fee is generally refundable within a certain number of months or days following contract termination or upon the resale of the unit, or in some agreements, upon the resale of a comparable unit or 12 months after the resident vacates the unit. The refundable portion of the entry fees from these contracts are recorded as “refundable entry fees” and are recognized in the statements of financial position as a long-term liability.

The Corporation has modified contract options for those residents who wish to apply for long-term care insurance benefits or to self-insure for long-term care services in exchange for lower entry fees. Residents may terminate residency and care agreements at any time for any reason with 120 days’ notice. Payments of refunds are charged against the resident’s unamortized entry fee and/or refundable entry fees and any gain or loss is included in revenue or expense.

Total contractual refund obligations related to entry fee contracts with refundable options at December 31, 2018 and 2017 were \$14,758,846 and \$14,234,182, respectively.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION – RESIDENT FEES

Resident fee revenue is reported at the amounts that reflect the consideration the Corporation expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Resident fee revenue is recognized as performance obligations are satisfied.

Resident fees at the independent living community consist of regular monthly charges for basic housing and support services and fees for additional requested services, such as assisted living services, personalized health services and ancillary services. Fees are specified in agreements with residents, which are generally short term in nature, with regular monthly charges billed in advance. The Corporation recognizes revenue for housing services under independent living and assisted living residency agreements in accordance with the provisions of ASC 840 *Leases* (ASC 840).

REVENUE RECOGNITION – HEALTH CENTER

The Corporation recognizes revenue for skilled nursing residency, assistance with activities of daily living, thrive at home and personalized health services in accordance with the provisions of ASC 606, *Revenue from Contracts with Customers* (ASC 606). The Corporation has determined that the senior living services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time. The Corporation receives revenue for services under various third-party payor programs which include Medicare, Medicaid and other third-party payors. Settlements with third-party payor for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Company estimates the transaction price based on the terms of the contract with the payor, correspondence with the payor and historical payment trends, and adjustments are recognized in periods as final settlements are determined.

OBLIGATION TO PROVIDE FUTURE SERVICES

The Corporation annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entry fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entry fees, a liability is recorded (obligation to provide future services) with a corresponding charge to income.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OBLIGATION TO PROVIDE FUTURE SERVICES (CONTINUED)

The obligation is discounted at 7.00 percent, based on the interest rate of related long-term debt. No liability has been recorded as of December 31, 2018 and 2017 because the present value of the net cost of future services and use of facilities is less than deferred revenue from entry fees.

PROPERTY AND EQUIPMENT

Property and equipment, including assets held under capital leases, are stated at cost net of accumulated depreciation. Maintenance and repairs are charged to expense as incurred. Depreciation is provided over the estimated useful life of each asset, which ranges from three to forty years, and is computed using the straight-line method. When assets are disposed of, the asset and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the statement of activities. Construction in process is recorded at cost and consists of assets that have not yet been placed in service. Depreciation begins when the asset is placed in service.

LONG-LIVED ASSETS

The Corporation records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses recognized during 2018 or 2017.

DEFERRED FINANCING COSTS

The Corporation follows the provisions of Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03) which require that debt issuance costs related to a recognized debt liability be presented in the balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.

Deferred financing costs are amortized using the yield method over the term of the related financing agreements. Gross deferred financing costs of \$3,065,839 are included within long-term debt on the accompany statements of financial position as of December 31, 2018 and 2017 with accumulated amortization of \$1,373,550 and \$1,261,063 for the years ended December 31, 2018 and 2017, respectively.

Amortization of the deferred financing costs, reported as interest expense in the accompanying statements of activities for the years ended December 31, 2018 and 2017, was \$112,487 and \$112,488, respectively.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED MARKETING COSTS

Deferred marketing costs represent incremental costs incurred that result in a new continuing care contract for new apartment units, and expansion of other programs. These costs are amortized on a straight-line basis over the average life expectancy of the residents.

INCOME TAXES

The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in the Internal Revenue Code, and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

RETIREMENT PLAN

The Corporation maintains a defined contribution retirement plan that covers all eligible employees. The plan includes a Corporation matching contribution as follows:

- A 100% matching contribution of the first 3% of contributions made by a participating employee based on annual salary.
- A 50% matching contribution of the next 2% of additional contributions made by a participating employee based on annual salary.

For the years ended December 31, 2018 and 2017, contributions to the plan amounted to \$217,341 and \$179,228, respectively.

EXPENSE ALLOCATION

Expenses are charged directly to program services, and management and general, based on specific identification to the extent practical. Expenses related to more than one function have been allocated using reasonable methodologies determined by management to be appropriate. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of the Corporation.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PRESENTATION OF INSURANCE CLAIMS AND RELATED INSURANCE RECOVERIES

The Corporation follows the provisions of ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which indicates that health care entities should not net insurance recoveries against the related claim liabilities. As of December 31, 2018 and 2017, the Corporation recorded \$11,096 and \$39,416, respectively in both prepaid expenses and other current assets and accrued expenses representing the Corporation's workers' compensation claims covered by insurance for losses in excess of the Corporation's deductible amounts.

RISKS AND UNCERTAINTIES

As of December 31, 2018, the Corporation incurred a loss from operations of approximately \$1.7 million and has a deficiency in net assets of approximately \$7.6 million as of December 31, 2018. In addition, the Corporation has outstanding long term debt of approximately \$48.2 million in the form of revenue bonds. It is the Corporation's intent to refinance the bonds during 2019 to significantly reduce comparable annual interest expense and management is anticipating a reduction of approximately \$1.0 million beginning in 2020. In addition, it is management's intent to have the debt repayment schedule revised to further reduce the net cost of financing activities.

The operating loss for the year ended December 31, 2018 was a result of significant capital additions to increase energy efficiency, one-time legal and consulting expenses, and an overall increase in salaries and wages due to revenue growth. The Corporation is ultimately dependent upon its future financial performance, which will be affected by achieving an appropriate payor mix, sales of units and reducing operating costs wherever possible. However, there is no such assurance that any of these events will occur.

The Corporation's investment securities are subject to exposure to various risks such as interest rate risk, financial market risk, and credit risk. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the value of investment securities reported in the Corporation's financial statements.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RISKS AND UNCERTAINTIES (CONTINUED)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through April 30, 2019, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure as of December 31, 2018, have been incorporated into these financial statements.

NOTE 2 - ACCOUNTS RECEIVABLE

At December 31, accounts receivable from third-party payors and patients consisted of the following:

	2018	2017
Medicaid	\$ 41,782	\$ 91,548
Medicare	344,875	385,496
Private pay	1,142,560	625,114
Other third party payors	<u>142,763</u>	<u>246,408</u>
	1,671,980	1,348,566
Less allowance for doubtful accounts	<u>231,000</u>	<u>200,000</u>
	<u>\$ 1,440,980</u>	<u>\$ 1,148,566</u>

The Corporation provides health care services to its patients and generally does not require collateral or other security in providing these services; however, they do routinely obtain assignment of patients' benefits payable under their individual health care insurance programs, plans or policies.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments at December 31 are summarized as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Assets whose use is limited				
Cash and equivalents	\$ 126,091	\$ 126,091	\$ 102,973	\$ 102,973
Mutual funds	<u>847,377</u>	<u>830,229</u>	<u>767,528</u>	<u>1,004,958</u>
	<u>\$ 973,468</u>	<u>\$ 956,320</u>	<u>\$ 870,501</u>	<u>\$ 1,107,931</u>
	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Long-Term investments				
Cash and equivalents	\$ 241,696	\$ 241,696	\$ 1,134,483	\$ 1,134,483
Mutual funds	184,442	177,942	171,488	173,345
U.S. Government and Agency obligations	177,857	185,261	177,937	191,006
Corporate bonds	88,141	84,298	91,706	93,337
Marketable equity securities	<u>2,077,270</u>	<u>2,292,807</u>	<u>1,596,081</u>	<u>2,132,027</u>
	<u>\$ 2,769,406</u>	<u>\$ 2,982,004</u>	<u>\$ 3,171,695</u>	<u>\$ 3,724,198</u>

FAIR VALUE MEASUREMENT

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

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

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

The fair value measurement level of the asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation techniques used for investments measured at fair value.

Mutual Funds - Valued based on the closing quote prices listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

U.S. Government Securities and Agency Obligations – Valued based on quoted prices in active markets, and are generally categorized in Level 1 of the fair value hierarchy.

Corporate Bonds - Valued using recently executed transactions, market price quotations (where observable), bond spreads or other available data. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond swap spreads, and other available inputs. Corporate obligations are generally categorized in Level 2 of the fair value hierarchy.

Marketable Equity Securities - Valued based on the closing quote prices listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

There have been no changes in the methodologies used at December 31, 2018 and 2017.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

The following tables present information about the Corporation's investments, including assets whose use is limited, measured at fair value:

	December 31, 2018		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	\$ 367,787	\$ --	\$ 367,787
Mutual funds	1,008,171	--	1,008,171
U.S. Government and Agency obligations	185,261	--	185,261
Corporate bonds	--	84,298	84,298
Marketable equity securities	2,292,807	--	2,292,807
	<u>\$ 3,854,026</u>	<u>\$ 84,298</u>	<u>\$ 3,938,324</u>
	December 31, 2017		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	\$ 1,237,456	\$ --	\$ 1,237,456
Mutual funds	1,178,303	--	1,178,303
U.S. Government and Agency obligations	191,006	--	191,006
Corporate bonds	--	93,337	93,337
Marketable equity securities	2,132,027	--	2,132,027
	<u>\$ 4,738,792</u>	<u>\$ 93,337</u>	<u>\$ 4,832,129</u>

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

	2018	2017
Land and land improvements	\$ 801,745	\$ 757,464
Intangibles	745,544	645,544
Buildings	121,532,869	118,666,054
Furniture, fixtures and equipment	5,119,422	4,934,696
Vehicles	229,655	132,279
Construction in process	<u>2,570,858</u>	<u>869,423</u>
	131,000,093	126,005,460
Less accumulated depreciation and amortization	<u>48,250,092</u>	<u>43,959,609</u>
	<u>\$ 82,750,001</u>	<u>\$ 82,045,851</u>

NOTE 5 - ASSETS HELD BY TRUSTEE

In accordance with the Town of Hamden, Connecticut Revenue Bonds (Whitney Center Project), Series 2009, the Corporation maintains the following accounts with a trustee:

BOND FUND

The Corporation is required to maintain a bond fund, and within such fund a Debt Service account. The balance of the Debt Service Account at December 31, 2018 and 2017 was \$2,463,495 and \$2,434,072, respectively.

DEBT SERVICE RESERVE FUND

The Corporation is required to maintain a debt service reserve fund in an amount equal to the maximum annual debt service requirement for the Series A Bonds and an amount equal to twelve months of interest due on the Series C Bonds. Funds on deposit in these accounts shall be applied to make up any deficiencies in the Bond Fund with respect to payments on the bonds. The balance of the debt service reserve funds at December 31, 2018 and 2017 was \$4,351,937 and \$4,347,219, respectively.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5 - ASSETS HELD BY TRUSTEE (CONTINUED)

OPERATING RESERVE FUND

The Corporation is also required to maintain an operating reserve fund, which shall be funded in an amount equal to the Corporation's operating reserve requirement. Funds in the operating reserve fund shall be used for debt service or any operating expenses, to the extent that the Corporation does not have other funds available for the payment of such expenses. If at any time the amount on deposit in the operating reserve fund is less than the operating reserve requirement, the Corporation shall pay to the trustee the amount necessary to restore the balance in the operating reserve fund as soon as practicable, but not later than twelve months after the date the deficiency was created. The operating escrow requirement at December 31, 2018 and 2017 was approximately \$1,770,000 and \$1,634,000, respectively. The balance of the operating reserve fund at December 31, 2018 and 2017 was \$1,560,004 for each year.

NOTE 6 - NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS

Net assets (deficit) without donor restrictions at December 31 are as follows:

	2018	2017
Undesignated	\$ (43,890,976)	\$ (40,822,093)
Designated by the governing board	663,809	779,233
Property and equipment, net of related debt	<u>35,326,086</u>	<u>34,822,787</u>
Total Net Assets (Deficit) Without Donor Restrictions	<u>\$ (7,901,081)</u>	<u>\$ (5,220,073)</u>

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions December 31 may be expended for:

	2018	2017
Subject to Expenditure for Specified Purpose:		
Contributions received to provide financial support to residents who become unable to meet their financial obligations	\$ 226,279	\$ 225,394
Net appreciation on endowment contribution, to be used to provide financial support to residents	<u>56,232</u>	<u>93,304</u>
	<u>282,511</u>	<u>318,698</u>
Subject to Appropriation and Expenditure When a Specified Event Occurs:		
Endowment contribution from which the income is expendable to provide financial support to residents	<u>10,000</u>	<u>10,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 292,511</u>	<u>\$ 328,698</u>

Net assets were released from donor restrictions to fund financial support to residents in the amount of \$15,000 in 2018 and \$8,868 in 2017.

UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT

As required by accounting principles generally accepted in the United States of America (USGAAP), net assets, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Connecticut adopted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2007. In the absence of authoritative guidance on the application of Connecticut's UPMIFA to donor-restricted funds, the Corporation interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (CONTINUED)

Any remaining portion of the donor-restricted funds that is not classified in net assets with donor restrictions would be classified or recorded as unrestricted support by the Corporation, in a manner consistent with the standard of prudence prescribed by UPMIFA. From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. These deficiencies, which would be reported in net assets without donor restrictions, can result from unfavorable market fluctuations.

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	2018	2017
Town of Hamden Revenue Bonds (Whitney Center Project) Series 2009		
Fixed Rate Revenue Bonds Series 2009A	\$ 44,590,000	\$ 45,175,000
Adjustable Rate Revenue Bonds Series 2009C	<u>3,700,000</u>	<u>3,700,000</u>
	48,290,000	48,875,000
Less, current portion	630,000	585,000
Less, deferred financing costs	1,692,289	1,804,776
Less, unamortized original issue discount	<u>256,215</u>	<u>269,427</u>
Long-Term portion	<u>\$ 45,711,496</u>	<u>\$ 46,215,797</u>

In December 2009, the Corporation issued \$89,895,000 (par value) of Town of Hamden, Connecticut Facility Revenue Bonds (Whitney Center Project), Series 2009 (2009 Bonds) at an aggregate original issue discount of \$915,454.

The Series 2009A fixed rate revenue bonds have interest rates ranging from 7.625 percent to 7.75 percent, and mandatory annual sinking fund redemptions beginning in 2015 and extending through final maturity in 2043. During 2018 and 2017, the Corporation redeemed \$585,000 and \$545,000 of the Series 2009A Bonds, respectively.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The Series 2009C adjustable rate revenue bonds had an initial interest rate of 7.25%, reset to 5.50% on January 1, 2016, and a mandatory maturity of 2043 that is subject to redemption prior to maturity in whole or in part from new unit entrance fees beginning January 1, 2016.

Financing costs associated with the issuance of the Series 2009 Bonds, and the related exchange offer in 2013, totaling \$3,065,839, have been deferred and are being amortized over the term of the bonds. In addition, the original issue discount of \$915,454 has been capitalized and is being amortized on a yield method over the term of the bonds. At December 31, 2018, the unamortized original issuance discount was \$256,215, and the total outstanding principal balance was \$48,290,000. At December 31, 2017, the unamortized original issuance discount was \$269,427, and the total outstanding principal balance was \$48,875,000.

The Series 2009 Bonds are collateralized by (i) a first mortgage lien on the Corporation's main operating facility, (ii) a security interest in all personal property, fixtures, and equipment, (iii) a security interest in the gross revenues of the Corporation, and (iv) an assignment of the Corporation's rights under its residency agreements.

The Loan Agreement (and Security Agreement) and related Trust Indenture to the Series 2009 Bonds (as amended November 1, 2013) also provides for, among other requirements, the maintenance of certain financial and operational covenants including a minimum debt service coverage ratio, a days' cash on hand ratio, and marketing and occupancy targets.

The Corporation's 2009 financing established covenant requirements for new unit sales, occupancy in the original and new apartment buildings, and for cash reserves (Days Cash on Hand). The Corporation successfully met the South (new building) sales and occupancy covenants, the North (original building) covenants, and the Debt Service Coverage Ratio covenants on the March, June, September and December test dates in 2018. The Corporation failed to meet the Days Cash on Hand on June 30, 2018 and December 31, 2018. Missing these covenants was not an event of default on the Series 2009 Bonds because the Corporation took required action including the implementation of a successful plan to improve occupancy, revenue, and days cash on hand.

The Corporation's ongoing business plan balances financial performance with efforts to expand the scope of senior services it provides. This business plan includes the refinancing of existing debt and the replacement of existing debt covenants with new ones by the end of 2019. The Corporation regularly communicates with bondholders by filing required compliance reports and conducting periodic conference calls.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The State of Connecticut requires that continuing care facilities maintain a reserve fund, which consists of one year's debt service requirements plus one month's operating costs. As of December 31, 2018 and 2017, the Corporation had established the required reserve funds, which consist of U.S. Government obligations, common stocks and money market funds. These funds are not available for current operating purposes. The total reserve requirement was approximately \$6.12 million at December 31, 2018 and \$5.98 million at December 31, 2017. The balance in these funds amounted to \$5,911,941 and \$5,907,223 at December 31, 2018 and 2017, respectively. As disclosed in Note 5, an amount necessary to meet the balance in the operating reserve fund will be funded in 2019. Such amounts have been classified as assets held by trustee on the statements of financial position.

Scheduled maturities of long-term debt at December 31, are as follows:

<u>Years ending December 31,</u>	
2019	\$ 630,000
2020	680,000
2021	730,000
2022	785,000
2023	845,000
Thereafter	<u>44,620,000</u>
	<u>\$ 48,290,000</u>

NOTE 9 - CAPITAL LEASE OBLIGATIONS

The Corporation entered into capital lease obligations in 2016 for computer and other equipment at an aggregate monthly rental of \$10,900, with imputed interest rates ranging from 4.489% to 5.721%, through expiration dates ranging from May 2020 to March 2021. The original cost of the equipment was \$577,283, and has a net book value of approximately \$337,000 and \$405,000 as of December 31, 2018 and 2017, respectively.

The Corporation entered into capital lease obligations in 2018 to finance LED lighting equipment at a monthly rental of \$26,507, with an imputed interest rate of 19.17%, through expiration in December 2022. The equipment cost of \$883,876 was placed in service December 31, 2018.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 9 - CAPITAL LEASE OBLIGATIONS (CONTINUED)

Scheduled maturities of capital lease obligations at December 31, are as follows:

Years ending December 31,		
2019	\$	438,039
2020		395,023
2021		329,242
2022		<u>318,088</u>
		1,480,392
Less, amount representing interest		<u>397,973</u>
	\$	<u><u>1,082,419</u></u>

NOTE 10 - DISAGGREGATION OF REVENUE

The Corporation disaggregates its revenue from contracts with residents by payor source, as the Corporation believes it best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors. The following tables present revenue disaggregated by type of contract and payer for the years ended December 31, 2018 and 2017:

	December 31, 2018				Total
	Independent Living	Health Center	Assisted Living	Thrive at Home	
Resident Fees:					
Medicaid	\$ --	610,137	\$ --	\$ --	\$ 610,137
Medicare	--	1,561,678	--	--	1,561,678
Private pay	<u>12,586,454</u>	<u>2,964,503</u>	<u>1,820,745</u>	<u>164,908</u>	<u>17,536,610</u>
Other third party payors	12,586,454	5,136,318	1,820,745	164,908	19,708,425
Entry Fees:					
Amortization	5,892,751	--	--	127,878	6,020,629
Entry fees recognized	<u>1,681,991</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,681,991</u>
	<u>\$ 20,161,196</u>	<u>\$ 5,136,318</u>	<u>\$ 1,820,745</u>	<u>\$ 292,786</u>	<u>\$ 27,411,045</u>

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 10 - DISAGGREGATION OF REVENUE (CONTINUED)

	December 31, 2017				Total
	Independent Living	Health Center	Assisted Living	Thrive at Home	
Resident Fees:					
Medicaid	\$ --	843,033	\$ --	\$ --	\$ 843,033
Medicare	--	1,928,115	--	--	1,928,115
Private pay	<u>11,712,124</u>	<u>2,599,372</u>	<u>1,786,680</u>	<u>54,139</u>	<u>16,152,315</u>
Other third party payors	11,712,124	5,370,520	1,786,680	54,139	18,923,463
Entry Fees:					
Amortization	6,135,421	--	--	48,617	6,184,038
Entry fees recognized	<u>1,554,507</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,554,507</u>
	<u>\$ 19,402,052</u>	<u>\$ 5,370,520</u>	<u>\$ 1,786,680</u>	<u>\$ 102,756</u>	<u>\$ 26,662,008</u>

NOTE 11 - COMMITMENTS AND CONTINGENCIES

REAL ESTATE TAX APPEAL

In 2016, the Corporation appealed its real estate tax assessment applicable to the year 2016 through 2020. Real estate taxes billed in 2016 were \$3,126,002. Based on an independent valuation performed, and under advice from the Corporation's tax consultant, the Corporation determined that a valuation resulting in real estate taxes of \$1,746,360 would be more appropriate and a likely outcome of the appeal process. Accordingly, assessed real estate tax of \$1,379,642 was not paid, and was accrued in 2016.

The appeal was settled in April 2018, resulting in an adjustment of 2016's appraised value to \$51.4 million and no additional real estate taxes due for 2016 in addition to amounts previously paid. As a result, the accrual recorded for 2016 noted above was reversed in 2017, net of an estimated allowance of \$300,000 for consulting fees related to the appeal, with final expenses for the appeal incurred and included in 2018 operating expenses of approximately \$425,000. The appeal settlement sets the Corporation's real estate appraised value at \$57.66 million for 2017, with gradual increases to \$62 million for 2020. As of December 31, 2018 and 2017, accrued property tax of \$1,035,266 and \$982,051 were included within accrued expenses on the accompanying statements of financial position.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 - FUNCTIONAL EXPENSES

The Corporation provides services to residents including independent living, health center, and resident services. Expenses related to providing these services for the years ended December 31, are as follows:

2018	Independent Living	Health Center	Resident Services	Total Programs	Marketing and Development	Management and General	Total
Salaries and wages	\$ 3,921,473	\$ 2,793,283	\$ 1,076,411	\$ 7,791,167	\$ 481,876	\$ 1,626,248	\$ 9,899,291
Employee benefits	1,008,524	602,670	137,765	1,748,959	43,342	310,598	2,102,899
Contract services	497,568	185,795	8,581	691,944	340,236	755,566	1,787,746
Food	850,366	357,652	21,103	1,229,121	4,554	60,605	1,294,280
Supplies	403,172	160,871	60,868	624,911	4,513	46,618	676,042
Ancillary health services	270	834,554	--	834,824	--	--	834,824
Utilities	1,183,048	79,969	13,508	1,276,525	6,754	67,541	1,350,820
Repairs and maintenance	373,333	39,241	16,157	428,731	2,042	21,751	452,524
Other operating expenses	99,663	78,915	96,172	274,750	10,936	850,850	1,136,536
Insurance	--	--	--	--	--	176,304	176,304
Marketing and development	32,140	--	--	32,140	43,972	103,850	179,962
Depreciation and amortization	3,818,351	272,332	50,975	4,141,658	22,090	577,870	4,741,618
Interest expense	3,338,606	225,674	38,121	3,602,401	19,060	190,603	3,812,064
Property taxes	1,810,806	122,402	20,676	1,953,884	10,338	103,380	2,067,602
Loss on disposal of assets	--	--	--	--	--	3,680	3,680
	<u>\$17,337,320</u>	<u>\$ 5,753,358</u>	<u>\$ 1,540,337</u>	<u>\$24,631,015</u>	<u>\$ 989,713</u>	<u>\$ 4,895,464</u>	<u>\$30,516,192</u>

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 – FUNCTIONAL EXPENSES (CONTINUED)

2017	Independent Living	Health Center	Resident Services	Total Programs	Marketing and Development	Management and General	Total
Salaries and wages	\$ 3,668,001	\$ 2,638,859	\$ 1,006,025	\$ 7,312,885	\$ 378,270	\$ 1,503,250	\$ 9,194,405
Employee benefits	750,391	662,917	99,197	1,512,505	1,673	331,954	1,846,132
Contract services	247,717	134,530	6,425	388,672	320,598	179,964	889,234
Food	811,329	335,313	10,975	1,157,617	8,670	--	1,166,287
Supplies	437,886	150,583	65,203	653,672	4,194	32,883	690,749
Ancillary health services	--	869,373	--	869,373	--	--	869,373
Utilities	1,251,918	80,053	13,523	1,345,494	6,761	--	1,352,255
Repairs and maintenance	270,211	21,690	22,060	313,961	1,429	--	315,390
Other operating expenses	117,299	53,864	87,810	258,973	4,079	873,802	1,136,854
Insurance	--	--	--	--	--	161,144	161,144
Marketing and development	--	--	--	--	--	--	--
Depreciation and amortization	3,688,613	251,384	46,866	3,986,863	20,810	618,448	4,626,121
Interest expense	3,555,562	227,359	38,405	3,821,326	19,203	--	3,840,529
Property taxes	1,835,162	117,349	19,822	1,972,333	9,911	--	1,982,244
Loss on disposal of assets	--	--	--	--	--	4,597	4,597
	<u>\$16,634,089</u>	<u>\$ 5,543,274</u>	<u>\$ 1,416,311</u>	<u>\$23,593,674</u>	<u>\$ 775,598</u>	<u>\$ 3,706,042</u>	<u>\$28,075,314</u>

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Corporation's primary sources of support are resident services, including amortization of entry fees, and other operating revenues. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Corporation's financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include donor restricted balances, board-designated investments intended to fund special board initiatives not considered in the annual operating budget, and assets held by a third party trustee. In the event the need arises to utilize the board-designated investments for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	2018	2017
Financial assets at year-end		
Cash and cash equivalents	\$ 2,660,611	\$ 4,993,638
Accounts and contract receivables, net	2,158,977	1,618,235
Other receivables	15,945	4,387
Assets whose use is limited	956,320	1,107,931
Investments	2,982,004	3,724,198
Assets held by Trustee	<u>5,911,941</u>	<u>5,907,223</u>
Total financial assets available at year-end	<u>14,685,798</u>	<u>17,355,612</u>
Less contractual or donor-imposed restrictions		
Perpetual endowment	10,000	10,000
Restricted by donors with time or purpose restriction	282,511	318,698
Board designated	663,809	779,233
Assets held by Trustee	<u>5,911,941</u>	<u>5,907,223</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,817,537</u>	<u>\$ 10,340,458</u>

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Whitney Center, Incorporated

We have audited the financial statements of Whitney Center, Incorporated as of and for the years ended December 31, 2018 and 2017, and our report thereon dated April 30, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information, Schedule I – Comparison of Changes in Unrestricted Net Deficit Before Nonoperating Items, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Marcum LLP

New Haven, CT
April 30, 2019

WHITNEY CENTER, INCORPORATED

SCHEDULE I – COMPARISON OF CHANGES IN NET DEFICIT WITHOUT DONOR RESTRICTIONS BEFORE NONOPERATING ITEMS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017	Increase (Decrease)	
			Dollar Change	Percent Change
Changes in Net Deficit Before Nonoperating Items				
Revenues and Gains				
Resident services	\$ 27,411,045	\$ 26,662,008	\$ 749,037	3%
Other operating revenues	884,312	785,454	98,858	13%
Contributions and other	17,490	72,757	(55,267)	-76%
Net assets released from restriction	<u>15,000</u>	<u>8,868</u>	<u>6,132</u>	<u>69%</u>
Total Revenues and Gains	<u>28,327,847</u>	<u>27,529,087</u>	<u>798,760</u>	<u>3%</u>
Expenses and Losses				
Depreciation and amortization	4,741,610	4,626,121	115,489	2%
Interest expense	3,812,063	3,840,836	(28,773)	-1%
Health Center services	3,907,301	3,819,262	88,039	2%
Administrative and general	4,954,587	3,551,750	1,402,837	39%
Dining services	3,086,128	2,847,509	238,619	8%
Employee benefits	2,102,899	1,846,132	256,767	14%
Property taxes	2,067,602	1,982,244	85,358	4%
Plant and security	1,603,257	1,416,364	186,893	13%
Utilities	1,350,820	1,352,255	(1,435)	0%
Housekeeping and laundry	1,074,999	1,081,578	(6,579)	-1%
Assisted living and wellness	784,022	804,353	(20,331)	-3%
Resident services	707,964	705,766	2,198	0%
At Home program	<u>322,940</u>	<u>201,144</u>	<u>121,796</u>	<u>61%</u>
Total Expenses and Losses	<u>30,516,192</u>	<u>28,075,314</u>	<u>2,440,878</u>	<u>9%</u>
Deficiency of Revenues and Gains over Expenses and Losses from Operations	<u>\$ (2,188,345)</u>	<u>\$ (546,227)</u>	<u>\$ (1,642,118)</u>	<u>-301%</u>

See independent auditors' report on supplementary information.

WHITNEY CENTER, INCORPORATED

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

WHITNEY CENTER, INCORPORATED

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Whitney Center, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Whitney Center, Incorporated (a nonprofit organization), which comprises the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Whitney Center, Incorporated as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As more fully described in Note 12 to the financial statements, the Corporation restated its 2015 financial statement to correct for the accounting of certain contributions received in past years with donor restrictions, and not properly recorded, resulting in a misclassification of net assets.

Marcum LLP

New Haven, CT
May 2, 2017

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u> (restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,035,902	\$ 1,528,714
Accounts receivable, less allowance for doubtful accounts	980,796	902,482
Contract receivables	227,920	1,148,165
Other receivables	63,936	35,325
Prepaid expenses and other current assets	471,482	326,564
Assets whose use is limited	<u>962,212</u>	<u>911,760</u>
Total Current Assets	5,742,248	4,853,010
Assets Held by Trustee	8,233,120	8,206,368
Investments	2,336,837	3,014,758
Property and Equipment	82,852,656	84,981,722
Other Assets		
Deferred marketing costs, less accumulated amortization of \$3,067,315 in 2016 and \$2,481,429 in 2015	<u>2,348,023</u>	<u>2,795,281</u>
Total Assets	<u>\$ 101,512,884</u>	<u>\$ 103,851,139</u>

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2016 AND 2015

	2016	2015
		(restated)
Liabilities and Net Deficit		
Current Liabilities		
Accounts payable	\$ 819,389	\$ 1,038,434
Accrued expenses	5,148,767	3,618,287
Contract deposits	78,525	25,577
Current portion of capital lease obligation	233,470	114,878
Current portion of long-term debt	<u>545,000</u>	<u>505,000</u>
Total Current Liabilities	6,825,151	5,302,176
Capital Lease Obligation - less current portion	422,267	219,004
Long-Term Debt - less current portion and deferred financing costs	46,675,098	47,093,344
Deferred Income from Entry Fees	40,393,184	40,442,356
Refundable Entry Fees	13,075,126	12,932,278
Deposits	<u>60,962</u>	<u>34,092</u>
Total Liabilities	107,451,788	106,023,250
Net Assets (Deficit)		
Unrestricted	(6,228,423)	(2,448,542)
Temporarily restricted	279,519	266,431
Permanently restricted	<u>10,000</u>	<u>10,000</u>
Total Net Assets (Deficit)	<u>(5,938,904)</u>	<u>(2,172,111)</u>
Total Liabilities and Net Deficit	<u>\$ 101,512,884</u>	<u>\$ 103,851,139</u>

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015 (restated)
Revenues and Gains		
Resident services, including amortization of entry fees of \$6,271,355 in 2016 and \$5,796,586 in 2015	\$ 23,708,924	\$ 21,485,426
Other operating revenues	893,817	725,469
Investment income	32,254	102,667
(Loss) gain on sale of investments	(136)	437,092
Contributions	5,818	225
Net assets released from restriction	7,092	15,000
Total Revenues and Gains	<u>24,647,769</u>	<u>22,765,879</u>
Expenses and Losses		
Salaries and wages	8,688,114	8,265,005
Depreciation and amortization	4,587,021	4,450,325
Interest expense	3,901,822	3,990,132
Employee benefits	1,896,608	1,863,128
Property taxes	1,829,725	1,548,295
Utilities	1,360,600	1,395,467
Other operating expenses	1,202,473	1,136,092
Food	1,130,172	1,053,615
Contract services	766,589	603,047
Ancillary health services	679,392	372,715
Supplies	576,448	545,442
Repairs and maintenance	390,522	326,603
Insurance	157,392	150,695
Total Expenses and Losses	<u>27,166,878</u>	<u>25,700,561</u>
Deficiency of Revenues and Gains over Expenses and Losses from Operations	<u>(2,519,109)</u>	<u>(2,934,682)</u>
Nonoperating Items		
Property taxes under appeal	(1,379,642)	--
Unrealized income (loss) on investments	118,870	(475,887)
Net Nonoperating Items	<u>(1,260,772)</u>	<u>(475,887)</u>
Deficiency of Revenues and Gains over Expenses and Losses and Nonoperating Items	<u>\$ (3,779,881)</u>	<u>\$ (3,410,569)</u>

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CHANGES IN NET ASSETS (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u> (restated)
Unrestricted Net Assets (Deficit)		
Deficiency of revenue and gains over expenses and losses and nonoperating items	\$ (3,779,881)	\$ (3,410,569)
Change in Unrestricted Net Assets (Deficit)	<u>(3,779,881)</u>	<u>(3,410,569)</u>
Temporarily Restricted Net Assets		
Investment income	3,168	52,635
Unrealized income (loss) on investments	17,012	(50,828)
Net assets released from restriction	<u>(7,092)</u>	<u>(15,000)</u>
Change in Temporarily Restricted Net Assets	<u>13,088</u>	<u>(13,193)</u>
Change in Net Assets (Deficit)	<u>(3,766,793)</u>	<u>(3,423,762)</u>
Net (Deficit) Assets - Beginning (as restated)	<u>(2,172,111)</u>	<u>1,251,651</u>
Net Deficit - Ending	<u>\$ (5,938,904)</u>	<u>\$ (2,172,111)</u>

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
		(restated)
Cash Flows from Operating Activities		
Change in net assets (deficit)	\$ (3,766,793)	\$ (3,423,762)
Adjustments to reconcile change in unrestricted net deficit to net cash provided by operating activities:		
Depreciation and amortization	4,587,021	4,450,325
Amortization of entry fees	(6,271,355)	(5,796,586)
Entry fees received	6,993,517	6,927,021
Net realized and unrealized (gain) loss on investments	(135,746)	39,962
Loss on disposal of assets	103	2,920
Other amortization	126,756	118,680
Changes in operating assets and liabilities:		
Accounts receivable	(78,314)	(405,229)
Contract receivables	920,245	(574,986)
Other receivables	(28,611)	11,202
Prepaid expenses and other current assets	(144,918)	(113,808)
Accounts payable	(219,045)	183,597
Accrued expenses	1,530,480	(106,331)
Contract deposits	52,948	(21,625)
Deposits	26,870	5,382
Net Cash Provided by Operating Activities	<u>3,593,158</u>	<u>1,296,762</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,338,266)	(1,890,548)
Deferred marketing costs incurred	(138,628)	--
Net (reductions) additions to assets held by trustee	(26,752)	5,599,191
(Purchases) sales of assets whose use is limited	(140)	5,996
Proceeds from sales of investments	1,128,505	4,853,019
Purchases of investments	(365,150)	(1,409,943)
Net Cash (Used in) Provided by Investing Activities	<u>(740,431)</u>	<u>7,157,715</u>

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u> (restated)
Cash Flows from Financing Activities		
Refundable entry fees received	\$ 1,164,598	\$ 1,471,850
Proceeds from capital lease	--	402,972
Deferred financing costs incurred	--	(67,425)
Principal payments on capital lease obligation	(212,053)	(69,090)
Refunds of deposits and refundable entry fees	(1,793,084)	(2,803,801)
Repayment of long term debt	<u>(505,000)</u>	<u>(5,875,000)</u>
Net Cash Used in Financing Activities	<u>(1,345,539)</u>	<u>(6,940,494)</u>
Net Change in Cash and Cash Equivalents	1,507,188	1,513,983
Cash and Cash Equivalents - Beginning	<u>1,528,714</u>	<u>14,731</u>
Cash and Cash Equivalents - Ending	<u>\$ 3,035,902</u>	<u>\$ 1,528,714</u>
Supplemental Disclosures of Cash Flow Information		
Interest paid	<u>\$ 3,930,730</u>	<u>\$ 4,190,287</u>

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

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Whitney Center, Incorporated (the Corporation) is a retirement community offering its residents a comprehensive range of facilities and services including a central dining room, a health center, common lounges and meeting rooms, and other amenities for retirement living. As of December 31, 2016 and 2015, there were 249 and 250 apartment units, respectively, including units available for assisted living, and 59 nursing beds in the health center.

Residents pay an entry fee and a monthly service fee that entitles them to the lifetime use and privileges of the retirement community including care in the health center. Residents do not acquire any interest in the real estate and property owned by the Corporation. Management of the Corporation is vested in the Board of Directors and designated officers.

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Corporation are prepared on the accrual basis of accounting. The financial statements report information regarding financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted.

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

Temporarily Restricted - Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.

Permanently Restricted - Permanently restricted net assets represent contributions that are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

EXCESS OF REVENUES AND GAINS OVER EXPENSES AND LOSSES FROM OPERATIONS

The statements of activities include deficiency of revenues and gains over expenses and losses from operations as the performance indicator. Changes in unrestricted net assets that are excluded from deficiency of revenues and gains over expenses and losses from operations, consistent with industry practice, include unrealized loss on investments and the real estate tax assessment under appeal.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RISKS AND UNCERTAINTIES

The Corporation operates a retirement community that financed a large expansion and renovation project in 2009 with \$90 million of revenue bonds issued by the Town of Hamden. Since then, the Corporation has paid down over \$40 million of debt but experienced difficult market conditions and a successful but slower than expected fill of new units. These events have caused the Corporation to suffer losses from operations in recent years. The Corporation has been successful at increasing occupancy and reducing losses from year to year and its 2017 annual plan is intended to achieve higher occupancy and financial results, but future results are not assured.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include assessing the collectability of accounts receivable, the extent of contractual allowances, fair value of investments, and the estimated useful lives of long lived assets, among others. Actual results could differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Corporation's financial instruments classified as current assets and current liabilities (cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses) approximates fair value. The fair values of other financial instruments are disclosed in the notes below.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less at purchase. The Corporation routinely invests its surplus operating funds in a commercial sweep account. These funds generally invest in highly liquid U.S. Government and Agency obligations.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are stated at the amount the Corporation expects to collect from outstanding balances. The Corporation provides for losses on accounts receivable using the allowance method. The allowance is based on a review of the current status of existing receivables, historical collection experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

CONTRACT RECEIVABLES

Contract receivables include balances outstanding on completed residency agreements, including those with short-term deferred payment arrangements.

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include assets set aside in accordance with State law governing operating escrow and reserve funds, assets received with donor restrictions for the benefit of residents, and assets set aside by the Board of Directors for the benefit of the residents and to fund other capital and service objectives.

ASSETS HELD BY TRUSTEE

Assets Held by Trustee are assets restricted pursuant to a trust indenture, relating to the Corporation's long-term debt. The specific accounts held by the trustee, in accordance with the requirements of the trust indenture as of December 31, 2016 and 2015, include a bond fund, debt service reserve fund, and an operating reserve fund.

INVESTMENTS AND INVESTMENT INCOME

Investments, which consist of marketable equity securities, U.S. Government and Agency obligations, corporate bonds, and mutual funds, are measured at fair value in the statements of financial position. Fair value is defined as 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. Investment income (including realized gains and losses on investments, interest, and dividends) is included in deficiency of revenues and gains over expenses and losses from operations unless restricted by donor or law.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND INVESTMENT INCOME (CONTINUED)

Unrealized gains and losses on investments are excluded from deficiency of revenues and gains over expenses and losses from operations. Expenses relating to investment income, including custodial fees and investment advisory fees, amounted to \$28,357 in 2016 and \$39,289 in 2015 and have been netted against investment income in the accompanying statements of activities.

Investment accounts represent assets set aside by the Board for future capital improvements and to fund operating deficits, over which the Board retains control and may at its discretion subsequently use for other purposes.

DEFERRED INCOME FROM ENTRY FEES AND REFUNDABLE ENTRY FEES

The Corporation has certain entry fee contracts that provide for refunds on a declining-scale if the contract is voluntarily terminated within 45 months of occupancy or if the resident dies within 12 months of occupancy. There is no refund after those periods have elapsed. Entry fees from these contracts are recorded as “deferred income from entry fees” and are recognized as income over the estimated remaining life expectancy of each resident, with the expectancy reevaluated annually.

Other entry fee contracts provide for a 50 percent, 60 percent or a 90 percent refund when an entry fee is received from a resident for the same or similar apartment. The refundable portion of the entry fees from these contracts are recorded as “refundable entry fees” and are recognized in the statements of financial position as a long-term liability.

The Corporation has modified contract options for those residents who wish to apply for long-term care insurance benefits or to self-insure for long-term care services in exchange for lower entry fees. Residents may terminate residency and care agreements at any time for any reason with 120 days’ notice. Payments of refunds are charged against the resident’s unamortized entry fee and/or refundable entry fees and any gain or loss is included in revenue or expense.

Total contractual refund obligations related to entry fee contracts with refundable options at December 31, 2016 and 2015 were \$13,075,126 and \$12,932,278, respectively.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HEALTH CENTER

Health center revenues are reported on an accrual basis in the period in which services are provided, at established rates. Arrangements with third party payors for providing service at less than established rates are reported as deductions from health center revenue on an accrual basis. Revenues from the Medicare and Medicaid programs accounted for approximately 28% and 18%, and 13% and 11%, respectively, of the Corporation's net health center revenues for the years ended December 31, 2016 and 2015.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

PROPERTY AND EQUIPMENT

Property and equipment, including assets held under capital leases, are stated at cost net of accumulated depreciation. Maintenance and repairs are charged to expense as incurred. Depreciation is provided over the estimated useful life of each asset, which ranges from three to forty years, and is computed using the straight-line method. When assets are disposed of, the asset and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the statement of activities. Construction in process is recorded at cost and consists of assets that have not yet been placed in service.

LONG-LIVED ASSETS

The Corporation records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses recognized during 2016 or 2015.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OBLIGATION TO PROVIDE FUTURE SERVICES

The Corporation annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entry fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entry fees, a liability is recorded (obligation to provide future services) with a corresponding charge to income. The obligation is discounted at 7.00 percent, based on the interest rate of related long-term debt. No liability has been recorded as of December 31, 2016 and 2015 because the present value of the net cost of future services and use of facilities is less than deferred revenue from entry fees. The liability was determined using currently-enacted rules, although new rules for calculating this obligation may be issued in the future because of recently enacted changes to rules regarding the recognition of obligations related to refundable entry fee contracts.

DEFERRED FINANCING COSTS

The Corporation follows the provisions of Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03) which require that debt issuance costs related to a recognized debt liability be presented in the balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.

Deferred financing costs are amortized using the yield method over the term of the related financing agreements. Accumulated amortization for the years ended December 31, 2016 and 2015 was \$888,677 and \$794,153, respectively. Amortization of the deferred financing costs, reported as interest expense in the accompanying statements of activities for the years ended December 31, 2016 and 2015, was \$94,524 and \$97,679, respectively.

DEFERRED MARKETING COSTS

Deferred marketing costs represent costs incurred to secure deposits and continuing care contracts for new apartment units. These costs are amortized on a straight-line basis over the average life expectancy of the residents.

INCOME TAXES

The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in the Internal Revenue Code, and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

RETIREMENT PLAN

The Corporation maintains a defined contribution retirement plan that covers all eligible employees. The plan includes a Corporation matching contribution as follows:

- A 100% matching contribution of the first 3% of contributions made by a participating employee based on annual salary.
- A 50% matching contribution of the next 2% of additional contributions made by a participating employee based on annual salary.

For the years ended December 31, 2016 and 2015, contributions to the plan amounted to \$204,397 and \$199,284, respectively.

PRESENTATION OF INSURANCE CLAIMS AND RELATED INSURANCE RECOVERIES

The Corporation follows the provisions of ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which indicates that health care entities should not net insurance recoveries against the related claim liabilities. As of December 31, 2016 and 2015, the Corporation recorded \$38,815 and \$21,460, respectively in both prepaid expenses and other current assets and accrued expenses representing the Corporation's workers' compensation claims covered by insurance for losses in excess of the Corporation's deductible amounts.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through May 2, 2017, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure as of December 31, 2016, have been incorporated into these financial statements.

NOTE 2 - ACCOUNTS RECEIVABLE

At December 31, accounts receivable from third-party payors and patients consisted of the following:

	2016	2015
Medicaid	\$ 78,204	\$ 188,784
Medicare	301,387	215,778
Private pay	419,332	347,183
Other third party payors	<u>301,873</u>	<u>160,737</u>
	1,100,796	912,482
Less allowance for doubtful accounts	<u>120,000</u>	<u>10,000</u>
	<u>\$ 980,796</u>	<u>\$ 902,482</u>

The Corporation provides health care services to its patients and generally does not require collateral or other security in providing these services; however, they do routinely obtain assignment of patients' benefits payable under their individual health care insurance programs, plans or policies.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments at December 31 are summarized as follows:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Assets whose use is limited				
Cash and equivalents	\$ 96,774	\$ 96,774	\$ 98,602	\$ 98,602
Mutual funds	631,657	865,438	629,687	813,158
	\$ 728,431	\$ 962,212	\$ 728,289	\$ 911,760

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Long-term investments:				
Cash and equivalents	\$ 117,067	\$ 117,067	\$ 713,485	\$ 713,485
Mutual funds	200,565	198,206	540,803	158,999
U.S. Government and Agency obligations	162,036	175,980	150,073	168,974
Corporate bonds	89,900	88,425	99,446	96,527
Marketable equity securities	1,515,891	1,757,159	1,345,145	1,876,773
	\$ 2,085,459	\$ 2,336,837	\$ 2,848,952	\$ 3,014,758

RISKS AND UNCERTAINTIES

The Corporation's investment securities are subject to exposure to various risks such as interest rate risk, financial market risk, and credit risk. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the value of investment securities reported in the Corporation's financial statements.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENT

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

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

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

Following is a description of the valuation techniques used for investments measured at fair value.

Mutual Funds - Valued based on the closing quote prices listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

U.S. Government Securities and Agency Obligations – Valued based on quoted prices in active markets, and are generally categorized in Level 1 of the fair value hierarchy.

Corporate Bonds - Valued using recently executed transactions, market price quotations (where observable), bond spreads or other available data. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond swap spreads, and other available inputs. Corporate obligations are generally categorized in Level 2 of the fair value hierarchy.

Marketable Equity Securities - Valued based on the closing quote prices listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

There have been no changes in the methodologies used at December 31, 2016 and 2015.

The following tables presents information about the Corporation's investments, including assets whose use is limited, measured at fair value:

	December 31, 2016		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	\$ 213,841	\$ --	\$ 213,841
Mutual funds	1,063,644	--	1,063,644
U.S. Government and Agency obligations	175,980	--	175,980
Corporate bonds	--	88,425	88,425
Marketable equity securities	<u>1,757,159</u>	<u>--</u>	<u>1,757,159</u>
	<u>\$ 3,210,624</u>	<u>\$ 88,425</u>	<u>\$ 3,299,049</u>

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

	December 31, 2015		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	\$ 812,087	\$ --	\$ 812,087
Mutual funds	972,157	--	972,157
U.S. Government and Agency obligations	168,974	--	168,974
Corporate bonds	--	96,527	96,527
Marketable equity securities	<u>1,876,773</u>	<u>--</u>	<u>1,876,773</u>
	<u>\$ 3,829,991</u>	<u>\$ 96,527</u>	<u>\$ 3,926,518</u>

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

	2016	2015
Land and land improvements	\$ 738,635	\$ 734,660
Buildings	116,659,671	115,239,942
Furniture, fixtures and equipment	5,286,982	4,838,798
Vehicles	<u>246,888</u>	<u>246,888</u>
	122,932,176	121,060,288
Less accumulated depreciation and amortization	<u>40,079,520</u>	<u>36,078,566</u>
	<u>\$ 82,852,656</u>	<u>\$ 84,981,722</u>

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 5 - ASSETS HELD BY TRUSTEE

In accordance with the Town of Hamden, Connecticut Revenue Bonds (Whitney Center Project), Series 2009, the Corporation maintains the following accounts with a trustee:

BOND FUND

The Corporation is required to maintain a bond fund, and within such fund a Debt Service account. The balance of the Debt Service Account at December 31, 2016 and 2015 was \$2,443,662 and \$2,425,012, respectively.

DEBT SERVICE RESERVE FUND

The Corporation is required to maintain a debt service reserve fund in an amount equal to the maximum annual debt service requirement for the Series A Bonds and an amount equal to twelve months of interest due on the Series B Bonds and the Series C Bonds. Funds on deposit in these accounts shall be applied to make up any deficiencies in the Bond Fund with respect to payments on the bonds. The balance of the debt service reserve funds at December 31, 2016 and 2015 was \$4,337,454 and \$4,329,352, respectively.

OPERATING RESERVE FUND

The Corporation is also required to maintain an operating reserve fund, which shall be funded in an amount equal to the Corporation's operating reserve requirement. Funds in the operating reserve fund shall be used for debt service or any operating expenses, to the extent that the Corporation does not have other funds available for the payment of such expenses.

If at any time the amount on deposit in the operating reserve fund is less than the operating reserve requirement, the Corporation shall pay to the trustee the amount necessary to restore the balance in the operating reserve fund as soon as practicable, but not later than twelve months after the date the deficiency was created. The operating escrow requirement at December 31, 2016 and 2015 was approximately \$1,566,000 and \$1,445,000, respectively. The balance of the operating reserve fund at December 31, 2016 was \$1,452,004.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 6 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31:

	2016	2015
Contributions received to provide financial support to residents who become unable to meet their financial obligations	\$ 193,207	\$ 180,522
Net appreciation on endowment contribution, to be used to provide financial support to residents	<u>86,312</u>	<u>85,909</u>
	<u>\$ 279,519</u>	<u>\$ 266,431</u>

Net assets were released from donor restrictions to fund financial support to residents in the amount of \$7,092 in 2016 and \$15,000 in 2015.

Permanently restricted net assets are available for the following as of December 31:

	2016	2015
Endowment contribution from which the income is expendable to provide financial support to residents	<u>\$ 10,000</u>	<u>\$ 10,000</u>

UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT

As required by accounting principles generally accepted in the United States of America (USGAAP), net assets, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Connecticut adopted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2007. In the absence of authoritative guidance on the application of Connecticut's UPMIFA to donor-restricted funds, the Association interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 6 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Any remaining portion of the donor-restricted funds that is not classified in permanently restricted net assets would be classified as temporarily restricted net assets until those amounts are appropriated for expenditure, or recorded as unrestricted support, by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. These deficiencies, which would be reported in unrestricted net assets, can result from unfavorable market fluctuations.

NOTE 7 - LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Town of Hamden Revenue Bonds (Whitney Center Project) Series 2009		
Fixed Rate Revenue Bonds Series 2009A	\$ 45,720,000	\$ 46,225,000
Adjustable Rate Revenue Bonds Series 2009C	<u>3,700,000</u>	<u>3,700,000</u>
	49,420,000	49,925,000
Less, current portion	545,000	505,000
Less, deferred financing costs	1,917,264	2,030,807
Less, unamortized original issue discount	<u>282,638</u>	<u>295,849</u>
Long-term portion	<u>\$ 46,675,098</u>	<u>\$ 47,093,344</u>

In December 2009, the Corporation issued \$89,895,000 (par value) of Town of Hamden, Connecticut Facility Revenue Bonds (Whitney Center Project), Series 2009 (2009 Bonds) at an aggregate original issue discount of \$915,454.

As indicated above, the Series 2009 Bonds include three series of bonds. The Series 2009A fixed rate revenue bonds have interest rates ranging from 7.625 percent to 7.75 percent, and mandatory annual sinking fund redemptions beginning in 2015 and extending through final maturity in 2043.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The \$39,500,000 of Series 2009B entrance fee principal redemption bonds were issued in 2009 and subject to redemption prior to maturity in whole or part from new unit entrance fees in chronological order based on maturity. Holders of \$1,265,000 of these bond subsequently exchanged their bonds for 2013 bonds with identical terms except that the maturity date would be January 1, 2018. The final \$5,405,000 of the 2009B and 2013 bonds were redeemed in 2015.

During 2016, the Corporation redeemed \$505,000 of the Series 2009A Bonds. During 2015, the Corporation redeemed the remaining \$5,405,000 of the Series 2009B Bonds and Series 2013 Bonds, and \$470,000 of the Series 2009A Bonds.

The Series 2009C adjustable rate revenue bonds had an initial interest rate of 7.25%, reset to 5.50% on January 1, 2016, and a mandatory maturity of 2043 that is subject to redemption prior to maturity in whole or in part from new unit entrance fees beginning January 1, 2016 after the redemption of Series 2009B.

Financing costs associated with the issuance of the Series 2009 Bonds, and the related exchange offer in 2013, totaling \$2,998,414, have been deferred and are being amortized over the term of the bonds. In addition, the original issue discount of \$915,454 has been capitalized and is being amortized on a yield method over the term of the bonds. At December 31, 2016, the unamortized original issuance discount was \$282,638, and the total outstanding principal balance was \$49,420,000. At December 31, 2015, the unamortized original issuance discount was \$295,849, and the total outstanding principal balance was \$49,925,000.

The Series 2009 Bonds are collateralized by (i) a first mortgage lien on the Corporation's main operating facility, (ii) a security interest in all personal property, fixtures, and equipment, (iii) a security interest in the gross revenues of the Corporation, and (iv) an assignment of the Corporation's rights under its residency agreements.

The Loan Agreement (and Security Agreement) and related Trust Indenture to the Series 2009 Bonds (as amended November 1, 2013) also provides for, among other requirements, the maintenance of certain financial and operational covenants including a minimum debt service coverage ratio, a days' cash on hand ratio, and marketing and occupancy targets.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The Corporation's 2009 financing established covenant requirements for new unit sales, occupancy in the original and new apartment buildings, and for cash reserves (Days Cash on Hand). The Corporation successfully met the South (new building) sales and occupancy covenants on the March, June, September and December test dates in 2016. The Corporation did not meet the North (original building) occupancy covenant in March, June and September because of a slow pace of sales in the first half of 2016 but did meet this covenant in December 2016. The Corporation failed to meet the Days' Cash on Hand covenant on June 30, 2016 and December 31, 2016. Missing these covenants was not an event of default on the Series 2009 Bonds because The Corporation took required action including the hiring of an outside consultant and the implementation of a plan to improve occupancy, which was successful as of December 2016. The Corporation's ongoing business plan is to achieve a gradual improvement of occupancy and cash reserves but the expectation is that it will take several years to restore compliance with all financial and operational covenants. The Corporation regularly communicates with bondholders by filing required compliance reports and conducting periodic conference calls.

The State of Connecticut requires that continuing care facilities maintain a reserve fund, which consists of one year's debt service requirements plus one month's operating costs. As of December 31, 2016 and 2015, the Corporation had established the required reserve funds, which consist of U.S. Government obligations, common stocks and money market funds. These funds are not available for current operating purposes. The total reserve requirement was approximately \$5.90 million at December 31, 2016 and \$5.77 million at December 31, 2015. The balance in these funds amounted to \$5,789,458 and \$5,781,356 at December 31, 2016 and 2015, respectively. As disclosed in Note 5, an amount necessary to restore the balance in the operating reserve fund will be funded in 2017. Such amounts have been classified as assets held by trustee on the statements of financial position.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Scheduled maturities of long-term debt at December 31, are as follows:

Years ending <u>December 31,</u>	
2017	\$ 545,000
2018	585,000
2019	630,000
2020	680,000
2021	730,000
Thereafter	<u>46,250,000</u>
	<u>\$ 49,420,000</u>

NOTE 8 - SALE AND LEASEBACK TRANSACTION

In 2015, the Corporation entered into a Sale Leaseback Agreement, whereby the Corporation sold certain building improvements, and other furniture, fixtures and equipment for a purchase price of \$402,972. The Corporation accounted for the transaction under the provisions of FASB ASC 840-40, "*Leases – Sale-leaseback Transactions*". The Corporation did not realize a significant gain or loss on the sale, as the assets sold had been recently acquired by the Corporation.

NOTE 9 - CAPITAL LEASE OBLIGATIONS

Pursuant to a Sale Leaseback Agreement noted above, the Corporation entered into a 36-month capital lease, payable in monthly installments of \$11,033 at an interest imputed rate of 6.22% through 2018. The base annual rental is \$132,408. The Corporation has on deposit \$20,535 as security for the performance of its obligations under the lease. Pursuant to the terms of the lease, the Corporation is required to pay all costs associated with the operation of the property including, without limitation, insurance, taxes, and maintenance. The lease also contains customary representations, warranties, obligations, conditions and indemnification provisions and grants the purchaser customary remedies upon a breach of the lease by the Corporation, including the right to terminate the lease and hold the Corporation liable for any deficiency in future rent.

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 9 - CAPITAL LEASE OBLIGATION (CONTINUED)

The Corporation also entered into capital lease obligations in 2016 for computer and other equipment at an aggregate monthly rental of \$10,900 at imputed interest rates ranging from 4.489% to 5.721%, through expiration dates ranging from May 2020 to March 2021. The original cost of the equipment was \$577,283, and has a net book value of approximately \$472,000 as of December 31, 2016.

Scheduled maturities of capital lease obligations at December 31, are as follows:

Years ending <u>December 31,</u>	
2017	\$ 263,255
2018	230,155
2019	130,855
2020	76,935
2021	<u>11,153</u>
	712,353
Less, amount representing interest	<u>56,616</u>
	<u>\$ 655,737</u>

NOTE 10 - FUNCTIONAL EXPENSES

The Corporation provides services to residents including independent living, skilled nursing, and assisted living. Expenses related to providing these services for the years ended December 31, as follows:

	<u>2016</u>	<u>2015</u>
Program services	\$ 23,191,747	\$ 21,866,678
Management, general and administrative	<u>3,975,028</u>	<u>3,830,963</u>
	<u>\$ 27,166,775</u>	<u>\$ 25,697,641</u>

WHITNEY CENTER, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 11 - COMMITMENTS AND CONTINGENCIES

REAL ESTATE TAX APPEAL

The Corporation is currently appealing its 2016 real estate tax assessment. The most recent assessment increases the appraised value from \$52 million in 2010, to \$89.5 million, resulting in the 2016 real estate tax of \$3,126,002. Based on an independent valuation performed, and under advice from the Corporation's consultant, the Corporation has determined that an appraised value of \$55 million, and resulting real estate tax of \$1,746,360 would be more appropriate and have based the appeal on those levels.

Based on the above, assessed real estate tax of \$1,379,642 is not being paid, and has been accrued and is shown in the accompanying statement of activities in the nonoperating section. The outcome of the appeal is expected to be resolved in 2017.

NOTE 12 - RESTATEMENT

During 2016, management of the Corporation determined that certain contributions received in past years were received with donor restrictions, and were not properly recorded, resulting in a misclassification of net assets. As a result, opening net assets as of January 1, 2015 were restated to reflect approximately \$280,000 of net assets as temporarily restricted, and \$10,000 of net assets as permanently restricted. In addition, the accompanying comparative 2015 financial statements have been restated to properly reflect the temporarily restricted and permanently restricted net asset activity.

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Whitney Center, Incorporated

We have audited the financial statements of Whitney Center, Incorporated as of and for the years ended December 31, 2016 and 2015, and our report thereon dated May 2, 2017, which expressed an unqualified opinion on those financial statements, appears on pages 1-2. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information, Schedule I – Comparison of Changes in Unrestricted Net Deficit Before Nonoperating Items, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Marcum LLP

New Haven, CT
May 2, 2017

WHITNEY CENTER, INCORPORATED

SCHEDULE I – COMPARISON OF CHANGES IN UNRESTRICTED NET DEFICIT BEFORE NONOPERATING ITEMS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015	Increase (Decrease)	
			Dollar Change	Percent Change
Changes in Unrestricted Net Deficit Before Nonoperating Items				
Revenues and Gains				
Resident services	\$ 23,708,924	\$ 21,485,426	\$ 2,223,498	10%
Other operating revenues	893,817	725,469	168,348	23%
Investment income	32,254	102,667	(70,413)	-69%
(Loss) gain on sale of investments	(136)	437,092	(437,228)	-100%
Contributions and other	5,818	225	5,593	2486%
Net assets released from restriction	7,092	15,000	(7,908)	-53%
Total Revenues and Gains	24,647,769	22,765,879	1,881,890	8%
Expenses and Losses				
Depreciation and amortization	4,587,021	4,450,325	136,696	3%
Interest expense	3,901,822	3,991,464	(89,642)	-2%
Health Center services	3,661,279	3,133,564	527,715	17%
Administrative and general	3,254,726	3,106,897	147,829	5%
Dining services	2,748,196	2,578,652	169,544	7%
Employee benefits	1,896,608	1,863,128	33,480	2%
Property taxes	1,829,725	1,548,295	281,430	18%
Plant and security	1,442,711	1,324,203	118,508	9%
Utilities	1,360,600	1,395,467	(34,867)	-2%
Housekeeping and laundry	869,023	854,075	14,948	2%
Assisted living and wellness	778,924	752,484	26,440	4%
Resident services	738,995	702,007	36,988	5%
At Home program	97,248	--	97,248	
Total Expenses and Losses	27,166,878	25,700,561	1,466,317	6%
Excess of Revenues and Gains over Expenses and Losses from Operations	\$ (2,519,109)	\$ (2,934,682)	\$ 415,573	14%

See independent auditors' report on supplementary information.

EXHIBIT C

PRO FORMA FINANCIAL STATEMENTS

Whitney Center, Inc.
Five Year Forecasted Statements
For the period beginning January 1, 2019

As of 5/29/19

This version is based on the 2019 budget not including debt refinancing planned for 10/1/19

Occupancy and Census:

The forecast assumes that occupancy will be maintained at current levels. The forecast also includes assumptions about turnover that are consistent with actual results and a third-party actuarial forecast. Maintaining high occupancy is a critical part of Whitney Center's business plan.

Entry Fees:

The forecast assumes that new residents will pay entry fees consistent with current pricing and the current mix of options for refunds and health care. In accordance with AICPA guidelines, entry fees are booked on the balance sheet as a liability and partially recognized as annual revenue over a period of years. New revenue recognition rules may change how revenue is reported compared to the

Operating Revenue:

The forecast assumes that monthly, per diem and ancillary fees will increase 3% per year. Actual price increases will be determined annually as part of the annual budget process and may be more or less than 3%. Most resident rates have increased 3.0% effective each January 1 for the last few years. The reporting of operating revenue may also be affecting by new accounting rules for revenue

Operating Expenses:

The forecast assumes that operating expenses will be consistent with current costs, adjusted for occupancy and inflation of 3% per year. Expense are reviewed during the annual budget process.

Income and Cash Flow:

Whitney Center usually reports an annual loss of because accounting rules do not allow the full amount of entry fee receipts to be recognized as revenue. For example, the 2017 audited financial statements show an operating loss of \$365,276 despite the fact that cash and investment reserves increased by over \$3 million in 2017. Whitney Center manages its business to achieve its annual and strategic plan and maintain adequate cash reserves.

Assets Limited to Use:

Whitney Center's general investment fund is unrestricted. Money donated for restricted use is held separately from other accounts. A third-party trustee holds money in debt service reserve and operating reserve accounts as required by our loan agreement and the state of Connecticut and receives monthly payments used to make semi-annual debt service payments.

Whitney Center, Inc.
5-Year Financial Forecast

Year 1 **Year 2** **Year 3** **Year 4** **Year 5**
2019 **2020** **2021** **2022** **2023**

Statements of Financial Position

Assets

Current assets:

Cash and cash equivalents	\$ 3,225,883	\$ 3,536,196	\$ 3,525,255	\$ 3,492,467	\$ 3,452,965
Accounts receivable, net	1,400,000	1,410,000	1,420,000	1,430,000	1,440,000
Other receivables	741,340	748,753	756,241	763,803	771,441
Prepaid expenses and other	521,160	526,372	531,635	536,952	542,321
Current assets held by trustee	2,487,630	2,512,506	2,537,631	2,563,008	2,588,638
Assets whose use is limited	956,000	956,000	956,000	956,000	956,000
Total current assets	9,332,013	9,689,828	9,726,763	9,742,230	9,751,365

Assets held by Trustee	5,986,000	5,996,000	6,008,000	6,022,000	6,038,000
Investment Accounts	3,973,604	6,162,548	8,439,050	10,806,612	13,268,877
Property, plant and equipment, net	80,422,900	78,596,900	77,010,900	75,360,900	73,642,900
Deferred marketing costs, net	617,000	217,000	-	-	-
Other assets	-	-	-	-	-
Total assets	100,331,517	100,662,276	101,184,713	101,931,742	102,701,142

Liabilities and unrestricted net assets

Current liabilities:

Accounts payable	\$ 1,500,000	\$ 1,510,000	\$ 1,520,000	\$ 1,530,000	\$ 1,540,000
Accrued expenses	4,009,000	4,049,090	4,089,581	4,130,477	4,171,782
Contract deposits	200,000	200,000	200,000	200,000	200,000
Current portion of long-term debt/leases	880,000	930,000	985,000	1,030,000	985,000
Total current liabilities	6,589,000	6,689,090	6,794,581	6,890,477	6,896,782

Capital lease obligation, non-current	800,000	700,000	600,000	500,000	400,000
Long-term debt, less current portion	45,041,000	44,421,000	43,751,000	43,026,000	42,256,000
Deferred income from entry fees	40,785,839	41,280,821	41,844,583	42,468,491	43,145,440
Refundable entry fees	15,273,493	15,857,391	16,439,539	17,020,583	17,601,149
Deposits on apartments	159,000	159,000	159,000	159,000	159,000
<u>Other Liabilities</u>	187,392	649,529	1,152,451	1,712,891	2,412,651
Total liabilities	108,835,723	109,756,831	110,741,154	111,777,442	112,871,022

Unrestricted net assets	(8,797,206)	(9,387,555)	(9,849,441)	(10,138,701)	(10,462,881)
Restricted assets	293,000	293,000	293,000	293,000	293,000
Total liabilities and unrestricted net assets	100,331,517	100,662,276	101,184,713	101,931,742	102,701,142

Read these projected financial statements along with the notes. Future results may vary and are not guaranteed.

Whitney Center, Inc.
5-Year Financial Forecast

Year 1 **Year 2** **Year 3** **Year 4** **Year 5**
2019 **2020** **2021** **2022** **2023**

Statements of Activities

Operating Revenue:

Entry fees recognized as revenue	\$ 7,654,909	\$ 7,699,057	\$ 7,798,962	\$ 7,910,875	\$ 8,033,334
Apartment revenue	13,045,271	13,496,419	13,955,123	14,422,206	14,898,460
Health Center revenue	5,887,295	6,433,262	6,600,274	6,771,935	6,948,384
Assisted Living revenue	1,950,065	2,074,017	2,208,232	2,353,674	2,511,398
Thrive at Home revenue	217,102	340,283	470,660	608,554	754,297
Other operating income	893,192	925,384	953,145	981,740	1,011,192
Contributions	0	0	0	0	0
Assets released from restriction	-	-	-	-	-
Operating Revenue	29,647,834	30,968,422	31,986,397	33,048,984	34,157,065

Expenses and losses:

Salaries & wages	10,695,772	11,119,605	11,559,241	12,015,248	12,488,212
Depreciation and amortization	4,882,000	5,026,000	5,003,000	4,950,000	5,118,000
Interest	3,741,492	3,690,912	3,636,471	3,577,975	3,515,618
Employee benefits	2,272,271	2,362,312	2,455,711	2,552,588	2,653,067
Property taxes	2,171,400	2,279,970	2,393,969	2,513,667	2,639,350
Other operating expenses	1,422,800	1,527,712	1,684,820	1,844,213	2,005,982
Contract services	884,000	919,360	956,134	994,380	1,034,155
Utilities	1,223,600	1,248,072	1,273,033	1,298,494	1,324,464
Food	1,206,917	1,255,633	1,293,302	1,332,101	1,372,064
Ancillary health services	869,200	921,352	976,633	1,035,231	1,097,345
Supplies	644,800	670,592	697,416	725,312	754,325
Repairs & maintenance	471,120	489,965	509,563	529,946	551,144
Insurance	181,280	186,718	192,320	198,090	204,032
Total expenses and losses	30,666,653	31,698,203	32,631,614	33,567,245	34,757,758

Net income (loss)	(1,018,818)	(729,781)	(645,217)	(518,260)	(600,693)
Unrealized gain/(loss) on investment	31,376	39,736	61,625	84,391	108,066
Investment income and gain, net	91,236	99,696	121,705	144,611	168,446

Change in unrestricted net assets	(896,206)	(590,349)	(461,886)	(289,259)	(324,180)
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Read these projected financial statements along with the notes. Future results may vary and are not guaranteed.

Whitney Center, Inc.
5-Year Financial Forecast

Year 1 **Year 2** **Year 3** **Year 4** **Year 5**
2019 **2020** **2021** **2022** **2023**

Statements of Cash Flows

Operating activities

Change in unrestricted net assets	\$ (896,206)	\$ (590,349)	\$ (461,886)	\$ (289,259)	\$ (324,180)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	4,882,000	5,026,000	5,003,000	4,950,000	5,118,000
Amortization of entry fees	(7,654,909)	(7,699,057)	(7,798,962)	(7,910,875)	(8,033,334)
Entry fee receipts (non-refundable)	8,323,747	9,005,465	9,190,854	9,379,951	9,572,830
Gain on investments	(122,612)	(139,432)	(183,331)	(229,001)	(276,512)
Contracts and accounts receivable	16,370	(34,876)	(35,125)	(35,376)	(35,630)
Accounts Payable	(118,000)	10,000	10,000	10,000	10,000
Accrued expenses	-	40,090	40,491	40,896	41,305
<u>Other changes in operating activities</u>	-	-	-	-	-
Net cash provided by operating activities	4,430,390	5,617,840	5,765,041	5,916,335	6,072,478

Investing activities

Capital expenditures	(2,500,000)	(2,600,000)	(3,000,000)	(3,100,000)	(3,200,000)
Change in assets held by Trustee	-	-	-	-	-
Change in assets whose use is limited	-	-	-	-	-
<u>Change in investments</u>	(700,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Net cash provided by investing activities	(3,200,000)	(4,600,000)	(5,000,000)	(5,100,000)	(5,200,000)

Financing activities

Refundable entry fees received	1,264,493	1,360,043	1,387,964	1,416,443	1,445,492
Capital leases	200,000	200,000	200,000	200,000	200,000
Entry fee refunds	(1,500,000)	(1,587,570)	(1,633,946)	(1,680,567)	(1,727,473)
<u>Payments on long-term debt</u>	(630,000)	(680,000)	(730,000)	(785,000)	(830,000)
Net cash used by financing activities	(665,507)	(707,527)	(775,982)	(849,124)	(911,981)

Change in cash and cash equivalents	564,883	310,313	(10,941)	(32,789)	(39,502)
Cash & Cash Equivalents at beginning of year	2,661,000	3,225,883	3,536,196	3,525,255	3,492,467
Cash & Cash Equivalents at end of year	3,225,883	3,536,196	3,525,255	3,492,467	3,452,965

Read these projected financial statements along with the notes. Future results may vary and are not guaranteed.

EXHIBIT D

MEMBERSHIP FEES & PERIODIC CHARGES



Traditional Memberships 2019 Fee Schedule

Diamond - 100% coverage				
Age	Single Membership	Single Monthly Fee	One of Couple Membership	One of Couple Monthly Fee
≤50	\$47,651	\$567	\$27,971	\$468
51- 55	\$48,928	\$567	\$31,266	\$468
56 - 60	\$50,858	\$567	\$37,228	\$468
61 - 65	\$53,687	\$567	\$44,495	\$468
66 - 70	\$57,200	\$567	\$52,258	\$468
71 - 75	\$60,736	\$567	\$59,788	\$468
76 - 80	\$63,701	\$567	\$63,676	\$468
81 - 85	\$65,975	\$567	\$65,975	\$468
≥86	\$66,402	\$567	\$66,402	\$468
Emerald - 70% coverage				
Age	Single Membership	Single Monthly Fee	One of Couple Membership	One of Couple Monthly Fee
≤50	\$33,763	\$515	\$19,043	\$424
51- 55	\$34,762	\$515	\$21,720	\$424
56 - 60	\$36,351	\$515	\$26,377	\$424
61 - 65	\$38,573	\$515	\$31,992	\$424
66 - 70	\$41,374	\$515	\$37,883	\$424
71 - 75	\$44,056	\$515	\$43,458	\$424
76 - 80	\$46,397	\$515	\$46,397	\$424
81 - 85	\$48,140	\$515	\$48,141	\$424
≥86	\$48,463	\$515	\$48,463	\$424
Ruby - 50% coverage				
Age	Single Membership	Single Monthly Fee	One of Couple Membership	One of Couple Monthly Fee
≤50	\$26,112	\$463	\$15,694	\$382
51- 55	\$26,937	\$463	\$17,676	\$382
56 - 60	\$28,243	\$463	\$21,070	\$382
61 - 65	\$29,952	\$463	\$25,190	\$382
66 - 70	\$32,068	\$463	\$29,503	\$382
71 - 75	\$34,168	\$463	\$33,642	\$382
76 - 80	\$35,883	\$463	\$35,861	\$382
81 - 85	\$37,230	\$463	\$37,230	\$382
≥86	\$37,485	\$463	\$37,485	\$382
Sapphire - Care Coordination/Fee for Service				
Age	Single Membership	Single Monthly Fee	One of Couple Membership	One of Couple Monthly Fee
≤50	\$21,497	\$314	\$13,866	\$298
51- 55	\$21,715	\$314	\$14,093	\$298
56 - 60	\$21,825	\$314	\$14,378	\$298
61 - 65	\$22,001	\$314	\$14,789	\$298
66 - 70	\$22,174	\$314	\$15,145	\$298
71 - 75	\$22,409	\$314	\$15,530	\$298
76 - 80	\$22,621	\$314	\$15,632	\$298
81 - 85	\$22,740	\$314	\$15,508	\$298
≥86	\$22,759	\$314	\$15,476	\$298

* Fees effective through 12/31/19. Fees for those under the age of 50 are available upon request.



Refundable Memberships 2019 Fee Schedule

Diamond - 100% coverage				
Age	Single Membership	Single Monthly Fee	One of Couple Membership	One of Couple Monthly Fee
≤50	\$108,108	\$567	\$54,054	\$468
51- 55	\$113,921	\$567	\$56,961	\$468
56 - 60	\$124,879	\$567	\$70,931	\$468
61 - 65	\$140,410	\$567	\$96,968	\$468
66 - 70	\$159,902	\$567	\$136,269	\$468
71 - 75	\$180,010	\$567	\$175,618	\$468
76 - 80	\$198,542	\$567	\$198,463	\$468
81 - 85	\$213,508	\$567	\$213,508	\$468
≥86	\$216,342	\$567	\$216,342	\$468
Emerald - 70% coverage				
Age	Single Membership	Single Monthly Fee	One of Couple Membership	One of Couple Monthly Fee
≤50	\$74,428	\$515	\$37,214	\$424
51- 55	\$78,893	\$515	\$39,447	\$424
56 - 60	\$86,398	\$515	\$49,558	\$424
61 - 65	\$97,442	\$515	\$68,132	\$424
66 - 70	\$110,678	\$515	\$96,025	\$424
71 - 75	\$125,076	\$515	\$122,650	\$424
76 - 80	\$138,041	\$515	\$138,042	\$424
81 - 85	\$148,919	\$515	\$148,920	\$424
≥86	\$151,011	\$515	\$151,011	\$424
Ruby - 50% coverage				
Age	Single Membership	Single Monthly Fee	One of Couple Membership	One of Couple Monthly Fee
≤50	\$56,299	\$463	\$28,150	\$382
51- 55	\$59,531	\$463	\$30,623	\$382
56 - 60	\$64,955	\$463	\$38,947	\$382
61 - 65	\$72,735	\$463	\$52,660	\$382
66 - 70	\$82,538	\$463	\$72,469	\$382
71 - 75	\$92,650	\$463	\$90,760	\$382
76 - 80	\$102,451	\$463	\$102,389	\$382
81 - 85	\$110,415	\$463	\$110,415	\$382
≥86	\$111,920	\$463	\$111,920	\$382
Sapphire - Care Coordination/Fee for Service				
Age	Single Membership	Single Monthly Fee	One of Couple Membership	One of Couple Monthly Fee
≤50	\$49,064	\$314	\$24,532	\$298
51- 55	\$50,484	\$314	\$25,242	\$298
56 - 60	\$52,765	\$314	\$27,649	\$298
61 - 65	\$55,931	\$314	\$32,329	\$298
66 - 70	\$59,703	\$314	\$39,285	\$298
71 - 75	\$64,260	\$314	\$49,802	\$298
76 - 80	\$68,447	\$314	\$64,615	\$298
81 - 85	\$72,114	\$314	\$71,826	\$298
≥86	\$72,828	\$314	\$72,828	\$298

* Fees effective through 12/31/19. Fees for those under the age of 50 are available upon request.

EXHIBIT E

MEMBERSHIP PLAN DESCRIPTIONS



MEMBERSHIP PLANS

Thrive at Home is pleased to offer four membership plans with an array of coverage options to meet your individual care and service needs. Coverage of services and benefits per plan are outlined below.

SERVICES AND BENEFITS*	DIAMOND	EMERALD	RUBY	SAPPHIRE
Service Coordination 24/7	✓	✓	✓	✓
Personalized Service Plan	✓	✓	✓	✓
Lifestyle and Wellness Programs	✓	✓	✓	✓
Referral Services	✓	✓	✓	✓
Health and Well-being Assessment	✓	✓	✓	✓
Annual Physical Exam	✓	✓	✓	--
Tele-Health and Social Engagement Technology	✓	✓	✓	--
Personal Emergency Response System	✓	✓	✓	--
Transportation Services	✓	70%	50%	--
Biennial Home Evaluation	✓	70%	50%	--
Companion/Homemaker Services	✓	70%	50%	--
Meal/Grocery Delivery	✓	70%	50%	--
Personal Care Services	✓	70%	50%	--
RN/LPN Nurse Services	✓	70%	50%	--
Home Health Care	✓	70%	50%	--
Adult Day Care	✓	70%	50%	--
Live-in Assistance	✓	70%	50%	--
Assisted Living Facility Care	✓	70%	50%	--
Nursing Home Facility Care	✓	70%	50%	--
<i>Access on Whitney Center's Campus (Hamden) to select:</i>				
Amenities	included	included	included	included
Events and Programs	included	included	included	included
Excursions	included	included	included	included

A companion membership, "Topaz," is available under each of the four plans; Topaz Membership fees and coverage options are available upon request.

* Refer to Section III in the Continuing Care (Membership) Agreement for further descriptions of each service offering.