



CREAMERY BROOK RETIREMENT VILLAGE
36 Vina Lane
Brooklyn, Connecticut 06234

DISCLOSURE STATEMENT

January 2014

CREAMERY BROOK RETIREMENT VILLAGE IS A CONTINUING CARE FACILITY REGISTERED WITH THE CONNECTICUT DEPARTMENT OF SOCIAL SERVICES PURSUANT TO SECTIONS 17b-520-17b-535 OF THE CONNECTICUT GENERAL STATUTES. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE DEPARTMENT OR STATE, NOR DOES SUCH REGISTRATION EVIDENCE THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET OUT IN THE DISCLOSURE STATEMENT.

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	September 30, 2012	
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INDEX OF REQUIRED INFORMATION

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INTRODUCTION

Pierce Memorial Baptist Home, Inc. d/b/a PierceCare and hereafter referred to as PierceCare, brings to residents of Brooklyn and surrounding towns a way of living known as “continuing care”. This concept offers seniors lifetime use of a living unit and care in the Pierce Memorial Baptist Home health center in accordance with the terms of the Residency Agreement. PierceCare is a Connecticut non-profit corporation committed to serving the best interests of PierceCare and its residents.

Our community consists of Pierce Memorial Baptist Home, our healthcare and rehabilitation center, and Creamery Brook Retirement Village, our residential community. PierceCare intends to build ten cottages on the Creamery Brook campus. These cottages will be made available to prospective residents under an entrance fee model with a continuing care contract. One purpose of this disclosure statement is to explain to prospective cottage residents, their families and their advisors “who” and “what” are involved in the development and operation of Creamery Brook. This Disclosure Statement is intended to comply with Connecticut statutes and regulations governing continuing care facilities.

This Disclosure Statement was prepared on the basis of information available at the time of its publication and is based on assumptions that were believed to be realistic as of that date. Such information and assumptions are, of course, subject to change and in particular are significantly affected by changes in inflation and market costs of services.

I. THE PEOPLE

PIERCE MEMORIAL BAPTIST HOME, INC.

PierceCare is a non-profit continuing care retirement community (CCRC) whose mission is to provide quality services to seniors. Our goal is to provide well-designed surroundings at the lowest feasible cost. PierceCare provides the advantages and the economy associated with a number of dwellings and services in one location.

PierceCare was incorporated in 1951 as a home for elderly Baptists. We are recognized as an organization exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. No part of PierceCare's earnings may be used for the benefit of, or be distributed to its directors, officers or other private individuals.

OFFICERS, DIRECTORS AND TRUSTEES

The Board of Trustees consists of up to 21 members with an array of experience in such areas as accounting, engineering, insurance, legal, marketing, and ministry. The trustees receive no compensation for their service to PierceCare other than reimbursement for reasonable expenses related to their role as a trustee, such as mileage costs for certain meetings. Neither the trustees nor any other person involved in the management of the Pierce Memorial Baptist Home has any proprietary interest in the facility.

The Board of Trustees of PierceCare retains the ultimate responsibility for hiring the President of PierceCare; monitoring the operating costs, wages, salaries, expenses, fees and overall fiscal viability of the corporation; and setting policy.

All Board members have signed a Personal Statement of Ethical Conduct which is on file in the President's office at PierceCare.

**PIERCE MEMORIAL BAPTIST HOME
BOARD OF TRUSTEES**

Chairman

John Riesen retired UCONN professor residing in Storrs, CT 06268.

Vice Chairman

William Smith is a retired engineer for Pratt & Whitney residing in Manchester CT 06040

Treasurer

Tim Bates, Esq. Attorney – Partner in the law firm of Robinson & Cole.

Secretary

Shirley DeFlaviis is retired from State of Ct Department of Children and Family Services, resides in Andover and is a member of the Lebanon Baptist Church.

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

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

PRESIDENT

Leonard Goldberg is the President of Pierce Memorial Baptist Home. He has served at PierceCare since 1992. Mr. Goldberg has a master's degree in business administration, and is a candidate for a PhD. He is a licensed nursing home administrator in Connecticut. Mr. Goldberg is a former Chairman of the Board of Directors of ALTCFM (Association of Long-Term Care Financial Managers) a Connecticut trade association of accountants and individuals with financial backgrounds, a former member of the board of CANPFA, a Connecticut trade association of not-for-profit long term care providers. Mr. Goldberg is the past president and treasurer and currently a board member of the Connecticut Association of Health Care Facilities, a trade association of health care facilities based in Connecticut.

THE PERSONNEL

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

RESIDENT AWARENESS

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

II. THE FACILITY

DESCRIPTION OF THE PROPERTY

PierceCare is located on approximately 29 acres of land in Brooklyn Connecticut. The land was originally the Pierce Family Homestead. Shopping center, professional offices, restaurants, places of worship and other amenities are located nearby.

Brooklyn is a thriving middle-class community with a planned balance of industry, residence, farmland and commercial sites. Many residents of Brooklyn work in the surrounding areas. PierceCare is a continuing care retirement community (CCRC). The living arrangements fall in two broad categories:

HEALTH CENTER (Pierce Memorial Baptist Home)

Long Term Care Nursing Facility	SNF - 72 beds
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Residential Care Home	RCH - 8 beds
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RESIDENTIAL – LIVING (Creamery Brook Retirement Village)

Existing Apartment Units – 82	(for persons 62 or older)
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Proposed Cottages – 10	(for persons 55 or older)
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Phased Expansion of Creamery Brook Retirement Village Facilities. PierceCare has begun construction of 10 cottages (approximately 1600 sq. ft.) and anticipates completion during 2014. Construction will be done in five phases; for each cottage that is presold, PierceCare will build two cottages. PierceCare will fund construction of the 10 cottages. PierceCare already owns the land, so there are no land acquisition costs.

PierceCare intends to develop ten cottages based on the entrance fee model described in Section III. of this Disclosure Statement.

THE SERVICES - BENEFITS INCLUDED

The decision to move into a CCRC demands careful consideration of many factors including the services to be provided. A listing of the services to be provided for Creamery Brook Retirement Village residents is attached as Exhibit A. Briefly, in accordance with the terms of the Residency Agreement; PierceCare will provide the following services at no additional charge in addition to providing a home for lifetime use by the resident:

- (1) Maintenance of the living units and common areas;
- (2) Weekly housekeeping services;
- (3) Laundry (access to washers and dryers)
- (4) Local transportation services;
- (5) Services of a program coordinator for activities;
- (6) Security services;
- (7) Certain health care services, as specified in Exhibit A (Description of Services), including monthly blood pressure review and other wellness checks; priority admission to Health Center and ten (10) prepaid lifetime days of inpatient services in semi-private accommodations at the Health Center, as described in Exhibit A; resident will be responsible for paying all other applicable Health Center charges.

SERVICES REQUIRING AN ADDITIONAL CHARGE

Health Center Services. As discussed above, Health Center services are available on a priority basis for all residents after consultation with the personal physician, family members, Medical Director, Director of Nursing and Administrator of Residential Living. Health Center services are available on a short term basis. In addition, residents who are unable to return to residential living from the health center are assured of a permanent home in the Health Center. Please see the Description of Services in Exhibit A for further details.

Assisted Living Services Agency. Assisted Living Services provides assistance with activities of daily living to residents living in a managed residential community, having these supportive services encourages residents to maintain a maximum level of independence. These services provide an alternative for residents who require some help or aid with activities of daily living in order to remain in their private residential unit.

Short Term Rehabilitation Services. Pierce Memorial Baptist Home rehabilitation program uses an interdisciplinary team approach designed for each patient. The team works closely with nursing, recreation, and social service professionals to support residents and their family through the rehabilitation process with patient care plan meetings, home evaluation and discharge planning.

Home Health Agency Services. Those residents who do not require care in the health center, but who need additional personal services to continue living in their apartment can obtain services through an outside home healthcare or homemaker home health aide agency. These services may include bathing, additional housekeeping, shopping, and laundry. PierceCare does not provide home health agency services but can assist residents in finding an agency to provide these services. Residents engage a home health agency directly and pay for these services, as needed. Residents may also qualify for Medicare reimbursement under the individual's Medicare coverage.

CONTRACT AND FEES

The services described above will be provided pursuant to the Residency Agreement (see Exhibit B). Each Resident pays an initial Entrance Fee and a Monthly Service Fee (see Exhibit C). The Monthly Service Fee is subject to annual adjustment. The adjustment reflects the rate of inflation prevailing at the time, including employee payroll adjustments, as well as increases in utility rates, food costs, and other expenses of operating the community.

BUSINESS EXPERIENCE

PierceCare was incorporated in 1951 by the American Baptist Churches of Connecticut concerned for the welfare of older adults.

Through the years, Pierce Memorial Baptist Home has had a conservative board of trustees. Today up to twenty-three (23) members comprise the Board. The trustees come from the American Baptist Conference of Churches' membership and the general professional sector.

Even though the board is conservative by nature, it has been aggressive in its approach to meeting the needs of the older adults. This has included expansion of the facility to meet current needs in an ever-changing environment, with rapidly increasing number of retired people.

In 1951, Amasa and Edna Pierce gave Pierce House to the American Baptist Churches of Connecticut for use as a Home for Elderly Baptists. In 1954, 15 additional rooms were added and named for Harley Nelson, Administrator from 1951 - 1957. In 1971, 30 additional rooms in the Roper-Wood Wing expanded our ministry to a total of 55 residents.

In 1990, 27 additional rooms were constructed bringing the total number of residents we are able to serve to 82. In 1999, Creamery Brook Retirement Village opened with 84 apartment units providing retirement living with peace of mind.

Leonard Goldberg, President/CEO came to Pierce Memorial Baptist Home in 1992. With a Masters in Business Administration, his knowledge and experience contribute to the on-going operations and the continued growth of the community.

The entire management team has proved capabilities and longevity uncommon to most facilities. Their dedication to PierceCare's continued growth is worth noting.

JUDICIAL PROCEEDINGS

There are no judicial proceedings pending against PierceCare or any of its members of the Board of Trustees.

III. THE PROPOSAL

THE CONTINUING CARE CONCEPT

The continuing care concept assures an individual lifetime use of a Cottage, priority access to nursing care for short term rehabilitation or permanent placement if the resident requires 24 hour skilled nursing services and decides to relocate to the Health Center and up to ten (10) prepaid lifetime days of inpatient services in semi-private accommodations in the Health Center as described in Exhibit A. The continuing care concept has grown as the result of the increasing number of men and women reaching retirement age and the concern for providing an alternative to traditional retirement living. A resident pays a lump sum Entrance Fee and a Monthly Service Fee. If a resident requires nursing care in the health center, the individual is assured priority access to the health center bed. Residents do not pay for future health care needs through Entrance Fee and in their Monthly Service Fee. Instead residents pay a per diem rate in the health

center only if/when the service is needed (with the exception of the ten prepaid lifetime days referenced above,).

The continuing care concept differs from a rental arrangement in several respects.

1. Continuing care residents pay an entrance fee prior to admission. The entrance fee paid is 90% refundable upon the resident's death or termination of the Residency Agreement (refund is made when the unit is reoccupied and a new entrance fee received). Ten percent (10%) of the entrance fee is used to fund the expenses of operating Pierce Memorial Baptist Home, including Creamery Brook. In addition to paying the entrance fee, the continuing care resident also pays a monthly service fee. (An additional \$272 per month applies to second persons occupying the unit). However, since the continuing care resident pays the entrance fee up front, the monthly service fee is less than monthly rental payments under a rental arrangement. The Entrance Fee is discussed further below.

2. Instead of a lease, continuing care residents enter into a Residency Agreement, which is a continuing care contract. Unlike the lease, which has a one year term, the Residency Agreement can last for the resident's life time, with the opportunity for the resident to terminate the Agreement earlier at any time with prior written notice. The Residency Agreement is discussed in more detail below, and a sample Residency Agreement is attached as Exhibit B.

3. Continuing care residents have priority access to the Health Center. They will have first priority over any residents under rental arrangements.

4. Unlike residents renting their apartments, continuing care residents are eligible for up to ten (10) prepaid lifetime days of inpatient services in semi-private accommodations in the Health Center, as described in Exhibit A.

GENERAL ADMISSION REQUIREMENTS

Five basic requirements are used to determine eligibility.

The Applicant must:

1. Meet the minimum age requirements:

Residents must be 55 years of age or older.

2. Undergo a physical examination to determine whether You require special services and how You will obtain and pay for such services.
3. Show evidence by application that the individual is able to meet the Entrance Fee and Monthly Service Fee.
4. Be willing to enter the Residency Agreement with Creamery Brook Retirement Village. (Exhibit B).
5. Agree with the Admission Standards established by the Board of Trustees.

Creamery Brook Retirement Village is pledged to the letter and spirit of federal and state laws aimed at achieving equal housing opportunity. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status or national origin.

IMPORTANT RULES TO CONSIDER

Creamery Brook Retirement Village has a Resident Handbook that discusses the various rules and regulations of residence. Applicants should be aware of and willing to abide by all rules, including the following:

1. Smoking: Tobacco use is strictly prohibited in the community or on the campus.
2. Pets: One neutered pet, of size and temperament to be considered a house pet will be permitted. Pets must be confined to resident's apartment or on a leash with their owner when outside. Creamery Brook reserves the right to request removal of nuisance (i.e., noisy, roaming, messy) pets. Residents must clean up after their pets.
3. Visitors: Residents of Creamery Brook Retirement Village are not restricted in entertaining outside visitors as long as visits are of reasonable length (as described in the Resident Handbook) and visitors are not occupying the unit while the Resident is out of town. Charges for meals served to visitors in the Creamery Brook dining room will be billed on an individual per meal basis.
4. Alterations: Permission must be obtained from Creamery Brook administration for any alterations or improvements in residences. Alterations and improvements become Creamery Brook property at the time the resident vacates the residence.
5. Gratuities: Tipping of employees is not allowed.

APPLICATION PROCEDURES

1. Each Applicant must complete a Confidential Personal Profile (CPP,) which is comprised of a Financial Profile, Health Profile and Waiting List Application accompanied by a check for \$1500 which is comprised of a \$1200 refundable deposit and a \$300 non-refundable Waiting List Application Fee.
2. Creamery Brook will credit the refundable and non-refundable Application Fee in full toward the 10% Entrance Fee Deposit which is due upon execution of the Residency Agreement.
3. If a cottage is available, the prospective resident may execute a Residency Agreement with a 10% deposit of the Entrance Fee Deposit to reserve that unit. Please see Residency Agreement in Exhibit B.

The only exceptions to the chronological Wait List for priority admission are given to:

- 1) Current resident of Creamery Brook; or
- 2) Creamery Brook Depositors who have signed a Residency Agreement;
or
- 3) Applicants affiliated with the American Baptist Churches of Connecticut.

NOTIFICATION OF AVAILABILITY

When an existing residence becomes available, the next eligible applicant on the chronological waiting list will be notified by phone or in writing.

The applicant will be invited to come in to inspect the available residence. A decision to accept or reject the residence must be made within ten (10) days of receiving notification of availability. Creamery Brook reserves the right to request that the resident complete an updated CPP.

If the applicant declines the particular residence, the residence is offered to the next eligible individual. Names remain in the same chronological order. Individuals that decline an offer will still retain their place on the wait list.

ENTRANCE FEE PAYMENTS

If the applicant chooses to accept the residence offered, the applicant must sign the Residency Agreement and pay ten percent (10%) of the Entrance Fee (“Entrance Fee Deposit”) at the time the Residency Agreement is signed. For new construction, ninety percent (90%) of the Entrance Fee is due prior to move-in within thirty (30) days of notification that the residence is available for occupancy or upon occupancy, whichever comes first. For all other instances, the balance of the Entrance Fee is due prior to move-in within sixty (60) days of the signing of the Residency Agreement or upon occupancy, whichever occurs first.

See Exhibit C for Current Monthly Fee Rate Structure and Entrance Fees.

The resident must move in within sixty (60) days of signing the Residency Agreement in the case of existing residences, or in the case of new construction, once the Certificate of Occupancy is received by us, and we notify you, you must take occupancy by the 30th day following notification that your residence is completed.

RESIDENCY AGREEMENT

The current Residency Agreement is attached as Exhibit B. The Residency Agreement contains, among other things, the definitive terms concerning rights to use of the residence, rights to use of the health center, reimbursement of the Entrance Fee, services to be provided to residents, and termination rights. Prospective residents may wish to review the details of the Residency Agreement carefully with a retirement counselor and/or legal counsel before signing.

1. The Residency Agreement may be terminated by you within thirty (30) days after You sign the Agreement. A copy of the Notice of Right to Rescind is attached as Exhibit D. We will refund the Entrance Fee Deposit without interest less any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within thirty (30) days from the date the certified or registered mail is received. If you die at any time after the initial thirty (30) day rescission period described in section VIII.A.1. above, and before your Residence is available for occupancy, or because of illness, injury or incapacity you are unable to occupy your Residence, this Agreement will terminate upon written notice, by certified or registered mail, to Us. We will refund the Entrance Fee Deposit with interest less a \$600.00 application fee and any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within sixty (60) days from the date the certified or registered mail is received. After the initial thirty (30) day rescission period you may terminate this Agreement prior to occupancy for any reason other than those specified above, by giving written notice to Us. We will refund the Entrance Fee Deposit with interest less a \$600.00 application fee and any costs we incur at your request (such as

the cost of any modifications or upgrades we make to the Residence) within thirty (30) days from our receipt of a new Entrance Fee Deposit.

See Residency Agreement section VIII A. 1/2/3, B. 1 – 2, and C.

Termination rights after occupancy are discussed below under Termination of Residency Agreement. (See page 39.)

MONTHLY SERVICE FEES

The resident will pay a Monthly Service Fee (due by the 10th of each month) to cover current operating expenses. Monthly Service Fees are applied towards the cost of the services and amenities listed in Exhibit A. The full amount of the current Monthly Service Fee will be charged when the Resident moves into the living unit or within sixty (60) days of the signing of the Residency Agreement, whichever comes first.

A current rate sheet listing current Monthly Service Fees is attached at Exhibit C. Monthly Service Fees are higher when a second person shares a living unit.

The Monthly Service Fee is adjusted on a periodic basis. Creamery Brook will provide thirty (30) days prior written notice to the resident of any adjustment in the Monthly Service Fee. The Monthly Service Fee will be increased when Creamery Brook, in its sole discretion, deems it necessary, based on future financial projections, to meet the financial needs of operating the facility or to provide the required services to residents.

PierceCare can provide historical information about past rental increases for comparison purposes. Historical information concerning rental increases is included in Exhibit G.

RESIDENTS' BENEVOLENCE FUND

A Resident's Benevolence Fund has been established by Creamery Brook and receives contributions intended to supplement resident's finances to allow residents to remain in their apartments or cottages. Should a resident's personal financial resources run out, and if the resident has not given away their assets, the resident may, at Creamery Brook's sole discretion and depending on funds set aside for such purposes, receive from PierceCare a monthly credit to supplement their monthly income and meet the shortfall in the Monthly Service Fee. All credits provided will be deducted from the 90% refundable portion of the Entrance Fee.

The Executive Director of Creamery Brook can provide further information regarding the Resident's Benevolence Fund.

If the resident exhausts the 90% refundable portion of the Entrance Fee, the resident may be transferred to the Residential Care Home (RCH) or Skilled Nursing (SNF) as appropriate. In the RCH, the resident agrees to make application for Supplemental Security Income (SSI) to meet monthly expenses. If transferred to SNF, resident agrees to apply for Medicaid.

INTEREST ON DEPOSITS

Interest earned on all funds deposited with Creamery Brook, including but not limited to the refundable portion of entrance fees, will be accounted for as "Interest Income" and used to offset current Creamery Brook operation expenses, except as outlined in the Residency Agreement (Exhibit B – VIII – A – 3).

TERMINATION OF RESIDENCY AGREEMENT

It is the philosophy and intent of Creamery Brook to have residents live in the area of maximum independence for the resident. All residents are entitled to live in their own cottage as long as they can obtain all medically required services in that setting.

See Residency Agreement (Exhibit B) discussion above concerning the residents' right to terminate the Agreement prior to occupancy. Provisions are made in the Residency Agreement that specify how a contract would be terminated.

After the resident occupies the cottage, should the resident elect to leave, or in the event of the resident's death, the resident or the resident's estate will be eligible for a refund of 90% of the Entrance Fee. This refund is subject to the deductions that are specified in the Residency Agreement or any credits received against the Entrance Fee. The refund is paid after the living unit is reoccupied and the Entrance Fee for that unit is paid by the new resident. Pursuant to the Residency Agreement, the release of the living unit upon permanent assignment to the health center will qualify a resident for pay-out of the refundable portion of the Entrance Fee. This refund will be used as described in Exhibit B - Section XII - E.

Creamery Brook administrative staff may make a recommendation for a change in the resident's living area to the resident's representative (e.g., conservator, family member), personal physician or other appropriate contact. The physician would discuss with the resident and/or the resident's family, as necessary, the need for such a change. The decision requiring a move would involve the physician, resident, family members and administrative staff as/if needed.

While residents may make suggestions to management staff about whether another resident should continue to live in a cottage, residents have no authority in the final decision relating to another resident's living area.

In most cases, moves will be the result of dramatic changes in health conditions. Priority transfers to the health center will result. For their own health and well-being, residents will be required to comply with the final decision reached for their care. In other situations, where there are repeated violations of regulations governing the use of tobacco or gross violation of social standards, resident contracts may be terminated by the administration and Board of Trustees' or a committee of the Board that may convene for such purpose (hereinafter referred to as "Hearing Committee").

Residents will receive written notification of any decision to terminate the Residency Agreement in compliance with the Residency Agreement. The resident may address the conditions for termination, in writing, to the President of PierceCare. The President's decision is deemed final. Upon termination for any reason (including permanent transfer to health center), the Residence must be vacated and all personal property removed within thirty (30) days unless special arrangements are made to extend this timeframe and the resident agrees to pay a pro rated portion of the Monthly Service Fee. Creamery Brook reserves the right to remove and store any property not removed within the required timeframe.

REGULATORY MATTERS

The Connecticut Department of Public Health licenses the health center, providing skilled nursing care. The health center is required to pass periodic inspections in order to maintain licensure.

The Connecticut Department of Public Health in accordance with Connecticut General Statutes, Section 19a-491, licenses the Assisted Living Services Agency at Creamery Brook providing assistance with activities with daily living and nursing services.

The facility is also required to meet the requirements of the Connecticut “Act Concerning Management of Continuing Care Facilities” (Public Act 86-252; Connecticut General Statutes Section 17b-520 et seq.). Under the Act, PierceCare must make an annual filing, which in part, updates the disclosure statement. All materials required by the Department of Social Services pursuant to P.A. 86-282, including all items listed in the table of contents on page 2 of this Disclosure Statement, have been filed with the State of Connecticut, Department of Social Services, 25 Sigourney Street, Hartford, Connecticut 06106.

All materials are available for public review at the above address.

SPECIAL OCCUPANCY ISSUES

Surviving Spouse. Married residents must each sign the Residency Agreement. In the event one spouse dies or is permanently relocated to the health center, or to another institution for medical reasons, the survivor retains all rights as a resident. The entrance fee is not refunded until the surviving spouse dies or terminates occupancy. The surviving resident will be charged the single Monthly Service Fee.

Residents Desiring to Marry. If two Creamery Brook residents decide to marry and live together in a residence, then if occupancy of one residence is terminated, the Entrance Fee for that residence will be refunded in accordance with the Residency Agreement. If occupancy of both residences is terminated and a new unit occupied, either the Resident or Creamery Brook, as applicable must pay the difference between the current Entrance Fee for the new residence and the Entrance Fee previously paid. If a resident marries someone from outside Creamery Brook, that individual must meet the applicable age requirements and must co-sign the Residency Agreement. A second person Monthly Service Fee will be in effect.

Living Unit Transfers. If a resident wishes to transfer to a different living unit, the monthly fee and entrance fee will be adjusted accordingly. See Exhibit E, which describes the policy on living unit transfers.

FINANCIAL STATEMENTS AND PROJECTIONS

Audited financial statements of Pierce Memorial Baptist Home are attached as Exhibit K. Below is the current Operating Budget and the Pro Forma Income Statements for the facility. The Pro Forma statements are based on the assumptions stated in the notes thereto and projects of future activity rather than historical statements.

OPERATING BUDGET

The operating budget describes only projected current year (FYE 9/30/14) operating expenses. For a more complete analysis of projected revenues and expenses, please see the Pro Forma Statements.

In the operation of Creamery Brook, a balance between income and expenses must be maintained in order to assure its financial stability. From time to time, there may be transfer of funds from Creamery Brook to other parts of PierceCare.

The major expense of a CCRC is the cost of its day-to-day operations, as shown below. This projection is based upon previous experience and anticipated inflation.

PROGRAM EXPENSES	Health Center	Creamery Brook Retirement Village Independent Living	Country View Assisted Living Services Agency	Creamery Brook Cottages
Administrative Services	1,506,650	515,294	7,850	39,094
Nursing Services	4,189,275		464,449	
Therapies	165,000			
Dietary Services	720,556	483,530		4,884
Plant Operations	510,531	512,027		72,409
Housekeeping Services	259,933	75,313		4,889
Laundry Services	134,428	17,464		891
Recreation Services	115,534	102,025		
Social Services	113,255	-		
Chaplain Services	28,012	-		
Volunteer Services	17,225	-		
Adult Day Care	25,195	-		
Marketing Services Development	-	301,400		
Depreciation and Amortization	211,156	315,500		65,000
Interest & Letter of Credit Fees	<u>148,730</u>	<u>270,000</u>	_____	_____
TOTAL PROGRAM EXPENSES	<u>8,145,480</u>	<u>2,592,554</u>	<u>472,299</u>	<u>187,168</u>

PRO FORMA STATEMENTS

A good budgeting system is a very important business tool. Substantial budgeting has been done prior to offering living units for reservation. Naturally, the entire process is ongoing, as new developments allow for refinement. Such new developments may include external events over which we have no control.

The Pro Forma Statements of Financial Position demonstrate the financial stability of PierceCare at a specific point in time.

The Pro Forma Cash Statement is simply a projection of the estimated expenses and income of the facility on a cash basis. The projection rates for income and expenses are not guaranteed. The percent of increase may be greater or lower based upon the increased cost to operate the facility and other factors.

The most significant item in the Pro Forma Income Statement is “Net Change” which indicates whether the facility has earned more or less than it expends in any given year. Although there can be no guarantee of accuracy, the Pro Forma Income Statement is based upon the experience and the best current estimates at the time of this publication. Such estimates depend upon assumptions concerning many items, including inflation and interest rates, which are subject to change. It is believed that the Pro Forma Income Statement reflects sound financial planning and a rational set of assumptions, based upon experience and insight.

**PRO FORMA INCOME STATEMENT ASSUMPTIONS FOR
CREAMERY BROOK RETIREMENT VILLAGE**

- (1) Health Care Revenues are comprised primarily of the daily room and board charges for private and semi-private rooms in our Residential Care Facility and Skilled Nursing Facility. Total revenues are anticipated to increase less than 2% based on an average 96% occupancy, an average 80% Medicaid population.
- (2) Independent Living Revenues are comprised primarily of the monthly service fees charged to residents of the Creamery Brook Retirement Village residences and recognition of the Entrance Fees paid by residents of the cottages. We assume an average occupancy of 87% and a 1% annual increase, as impacted by inflation.
- (3) Health Care Expenses, include Nursing and Resident Services and are largely related to salaries and wages of our personnel which are projected to increase an average 3% over the next five years. Non-payroll expenses have been adjusted for an average increase of 1.5% - except for insurance which is anticipated to increase 11%.
- (4) Independent Living Expenses include other Resident Services. Salaries are assumed to increase an average 3% over the period, while most other expense purchases are assumed to increase 1.5% annually, except insurances as provided above in paragraph 3.

PREPAID HEALTH CARE OBLIGATIONS

The total actuarial present value of prepaid obligations assumed under continuing care contracts is \$60,000 or \$3,000 per resident.

IV. SUMMARY

1. NAME AND ADDRESS OF PROVIDER:

Creamery Brook Retirement Village
36 Vina Lane
Brooklyn, CT 06234

2. NAME AND ADDRESS OF PROVIDER:

Pierce Memorial Baptist Home
44 Canterbury Road - PO Box 326
Brooklyn, CT 06234

3. NAME, ADDRESS, PHONE NUMBER OF CONTACT PERSON TO DISCUSS
OCCUPANCY.

Creamery Brook Retirement Village
36 Vina Lane
Brooklyn, CT 06234 860 779-8700

Marketing Associate - Ext. 202

4. DESCRIPTION OF COMMUNITY:

- a) In Township of Brooklyn
- b) Located on 29 acres
- c) Living Areas available

82 - Independent Living and Assisted Living Apartments
8 - Residential Care Home (RCH)
72 - Skilled Nursing Facility (SNF) beds
10 - Cottages (proposed, 6 built)

5. MINIMUM AGE:

Cottages: 55 or older

6. AFFILIATIONS:

Pierce Memorial Baptist Home is a not-for-profit corporation endorsed as a special ministry of the American Baptist Churches of Connecticut. Pierce Memorial Baptist Home is affiliated with ABCCONN and receives contributions from ABCCONN churches.

The ABCCONN has no legal responsibility for either the financial or contractual obligations of the provider.

We are also members of:

American Health Care Association

Connecticut Association of Health Care Facilities

Association of Long Term Care Financial Managers

American Baptist Homes and Caring Ministries

Connecticut Assisted Living Association

MONTHLY FEES AND REFUNDABLE ENTRANCE FEES

	<u>Monthly Fee</u>	<u>Entrance Fee</u>
COTTAGES		
1221 SQ. FT.*	\$2,605	\$269,500
1686 SQ. FT.*	\$2,991	\$269,500
* (Approximate Square feet.)		

SECOND PERSON \$272

MONTHLY MEAL PLAN **
**(Per resident, See Addendum) \$140

*Adjustments based on the current cost of construction and any changes that the new occupants would care to make in the building.

The entrance fee is 90% refundable when the resident(s) move(s) from the cottage and the Entrance Fee for that cottage is received from the new resident(s) by Creamery Brook Village. (Rental Program is also available through the Marketing Department for the Creamery Brook Apartments).

7. **Entrance Fees**

Our cottages will be available based on the entrance fees, shown on Page 26. Individuals choosing the entrance fee option will pay a REDUCED RATE in their monthly charges as compared to persons choosing the rental option in the Creamery Brook building. (See page 26)

Entrance fees will be 90% refundable. In the event of death or a decision to move out of the residence, the refundable portion of the Entrance Fee will be paid once the residence is occupied by the new resident as noted in Section XII of the Residency Agreement.

DESCRIPTION OF THE SERVICES

The services and various supplemental services to be provided by PierceCare to residents are listed in the Residency Agreement, which governs all such obligations. In an attempt to more fully explain the nature of these services, the following detailed description has been prepared. The procedures to be followed in furnishing these services may be modified by PierceCare.

ACTIVITIES COORDINATOR

An activity coordinator, under the direction of the Executive Director is responsible for the arts, crafts, exercise classes and other social activities for the residents. This person will schedule group events, transportation, and other events as interest arises.

BEAUTY SHOP

Beauty shop services are available at an extra charge.

EMERGENCY CALL SYSTEM

Emergency call systems are provided in each of the living units. They are to be used for medical emergencies. When an emergency system is activated, in-house staff respond immediately with a phone call to the unit. In addition, the call goes automatically to 911. If there is no answer, assistance will be immediately dispatched to the unit. The person responding will have a pass key and will enter the residence. If possible, our staff will render assistance.

COMMON AREAS

Several areas exist throughout the building for the use and relaxation of the residents:

Convenience Store: operated by the Activities Coordinator is under the direction of Creamery Brook and provides commonly used household items, gifts and cards.

Community Center: the community room offers an attractive spacious area for music and a variety of other functions.

Personal Laundry Facility: washers and dryers for personal linen and garments are provided. Residents schedule times to use the laundry facility at their convenience. (Residents in the cottages and select apartment locations have a washer/& dryer in their residences).

Library: Pleasant library/reading rooms provide quiet surrounds for our residents.

Attractive Furnished Lounges: small out-of-the-way lounges and larger lounges for group gatherings are conveniently located throughout the building.

LAUNDRY SERVICE

You may request laundry service at an additional charge through Creamery Brook Retirement Village Laundry/Housekeeping Director.

FOOD SERVICE

The number of meals offered monthly, as part of the optional meal program, will be equal to the number of days in the month. The meals provided for in the monthly fee may be taken at any scheduled time during the month. Any additional meals taken by the residents or their guests will be an extra cost that will be added to the monthly fee.

Room service is available under special arrangements for an additional charge.

Restaurant style service is provided in our dining room. Residents have a full menu which offers a large selection of items to choose from.

FULL DISCLOSURE

Creamery Brook Retirement Village follows a full disclosure policy on all matters except personnel salaries and disciplinary decision regarding employees and other residents. All information about residents will be handled on a confidential basis. A disclosure statement including audited financial statements for the Facility will be available for the residents each year for the residents who choose the entrance fee option. Residents will be informed of the budgeting process annually. Reports and other data required under various statutes are posted.

GRATUITIES

No gratuities are allowed. Employees who accept them will be subject to discharge. Residents may wish to establish an employee appreciation fund to be shared with each employee on a basis

determined by the residents and management.

HEALTH CARE SERVICES AND THE HEALTH CENTER - PIERCE MEMORIAL BAPTIST HOME

Residents of Creamery Brook Retirement Village receive monthly blood pressure reviews and other wellness checks. In addition, they receive priority in admission to the health center and may be admitted directly to the health center from a hospital; continuing care residents receive first priority over residents who rent their apartments. In addition, all continuing care residents are entitled to ten (10) prepaid lifetime days of inpatient services in semi-private accommodations in the health center. This benefit covers the cost of room, board, nursing services and other items/services routinely covered in the health center's private per diem rate. This ten-day benefit does not renew each year, and it is not refundable if never used. In addition, the ten-day benefit only applies once the resident has exhausted any applicable Medicare, supplemental insurance, or other third party benefits (excluding Medicaid). The resident remains responsible for any insurance deductibles or co-payments associated with Medicare or other insurance, as well as any ancillary charges, and any days of care in excess of the ten prepaid days allotted.

If a resident desires special additional nursing staff while a patient is in the health center, arrangements may be made through the health center, at an additional cost to the resident. Visitors and volunteers are encouraged to visit the patient. Friends, relatives or spouses may take meals (there is a charge for this service) with patients, with advance notification. Residents are billed on a per diem basis according to the current room and board rate for service in the health center. In the event that no bed is available in the health center, then PierceCare will assist the Resident if desired to locate a bed at another nursing facility until a bed becomes available in the health center. A physician is retained on a consulting basis to act as medical director for the health center. The Health Center staff, in consultation with the resident's physician and Medical Director as needed, will determine the appropriate level of nursing care required by the resident upon admission to the health center. As a part of the determination, the resident's long-term ability to return to independent living will be evaluated. The nursing staff will provide an appropriate plan of care, the ultimate goal of which shall be, if at all possible, to return the resident to independent living as soon as possible.

While in the health center, the resident will be given all required nursing care. Health center care includes basic nursing care and emergency medical care when the medical director is summoned by health center staff. The resident is responsible for payment for the services of his/her personal

physician. In the event the resident's personal physician or the Facility's medical director orders medication, therapy or various supplemental services for the resident's care, resident shall be responsible for the cost of such services.

Residents who are able to do so will be encouraged to return to the cottages as soon as possible and will be allowed to visit their cottage with the assistance of volunteers or family members as part of the rehabilitation process.

Residents who are unable to return to their cottages will be assigned permanently to the health center. The determination of permanent assignment will come only after a thorough evaluation of the resident's condition by the medical director, the resident's attending physician, Pierce Memorial Baptist Home's nursing staff and administration.

A permanent assignment, in cases of single occupancy, results in the release of the resident's living unit to Creamery Brook Retirement Village to be reserved by a new resident. In cases of double occupancy, the remaining resident may remain in the living unit.

MAINTENANCE OF THE LIVING UNIT AND HOUSEKEEPING SERVICES

Creamery Brook maintains all common areas and provides housekeeping services once a week. Housekeeping services include vacuuming all carpets, cleaning commode and shower, washing kitchen floor; and cleaning of windows (as needed). Carpets will be cleaned as requested according to need with spot cleaning as necessary. Extra cleaning help will be available at additional cost. Living units will be painted every seven years as requested by resident.

MONTHLY BILLING SERVICE

Bills for monthly fees will be placed in the residents mailboxes on or before the first day of the month and are due by the tenth business day of each month.

OTHER CHARGES

Other services may be provided to residents at additional charge, which will be added to the monthly bill. Currently such services include guest meals, additional resident meals, room service, additional housekeeping, personal laundry service, assisted living services and such other reasonable services as requested.

PRESCRIPTION SERVICE

Delivery service may be available from area pharmacies for the resident's convenience.

SECURITY

Creamery Brook provides 24-hour personnel. For the resident's added safety, all entrance and exit doors (except the main entrance during the day) are locked 24 hours per day, requiring the use of a key or code to gain entry.

TRANSPORTATION

Scheduled van transportation service is provided Monday through Friday. Residents may sign up for transportation to physicians, dentists, etc. for Tuesday afternoons and Wednesday mornings: first come first serve basis. Special event transportation may be at extra cost to the resident.

Areas of regularly scheduled transportation are limited to Brooklyn and adjacent towns. Included within this radius will be shopping centers and medical and other professional offices.

THE CREAMERY BROOK RESIDENCY AGREEMENT

This Residency Agreement (“Agreement”) is entered into this _____ day of _____, 20___, between Pierce Memorial Baptist Home, Incorporated, (“We”), a Connecticut not-for-profit corporation, operating a continuing care retirement community (CCRC) known as Creamery Brook Retirement Village, and _____ (“You”). (If two persons sign this Agreement, “You” shall apply to each of them, jointly and severally, and to the survivor of them.)

You represent that You (or if two persons sign this Agreement, at least one of You) are 55 years of age or older, or will be before the Occupancy Date (as defined below), and that You have completed a Confidential Personal Profile (CPP) for residency which is incorporated by reference into this Agreement. By execution of the Agreement, We approve Your Agreement to live at Creamery Brook and you agree to reside at Creamery Brook in accordance with the terms and conditions of this Agreement. The objectives of Creamery Brook are more fully described in the Disclosure Statement previously provided to You by Us, and You, by signing this Agreement, acknowledge that You have received the Disclosure Statement.

I. BASIC AGREEMENT

You agree to pay the Entrance Fee and Monthly Service Fee, and in exchange, You will have the right, subject to the terms of this Agreement, for Your lifetime, to occupy a residence at Creamery Brook and to have priority access (over waiting list applicants) for admission to Pierce Memorial Baptist Home (“Health Center”) which is located on our campus.

II. YOUR COVENANTS

A. You covenant that:

1. All representations made on your application and on the Confidential Personal Profile are true and complete;
2. You shall make all reasonable efforts to conserve Your financial resources so that You can meet your financial obligations under this Agreement. You agree not to deplete Your assets by gifts or purchases to the extent that Your ability to support Yourself or Your ability to qualify for Medicaid benefits would be endangered;

You agree to furnish an updated financial statement of worth and income (Confidential Personal Profile) to us at such time as reasonable requested.

3. You will pay, when due, the Entrance Fee, Monthly Service Fee and any optional service fees; and;
4. You will comply with all reasonable operating procedures and guidelines established by Us.

III. MEDICAL AND FINANCIAL EVALUATIONS

- A. You agree to undergo a physical examination by a licensed physician selected by You. The physical examination will include such tests as may be required by Us and will be completed no earlier than ninety (90) days before Occupancy Date. You will provide Us with the results of the physical examination before the Occupancy Date.

Our Medical Director may evaluate the results of the physical examination in accordance with Our established procedures and determine whether there are any special services you require and determine how you will obtain and pay for these services if we cannot provide them.

- B. We have provided You with a Confidential Personal Profile which You must submit with the Residency Agreement. You agree to submit an updated Confidential Personal Profile to Us within thirty (30) days prior to the Occupancy Date so that We can determine whether there has been an adverse change in Your financial condition. If We determine that there has been a material adverse change in Your financial condition, We may terminate this Agreement in accordance with Section IX and XII. You also agree that once You become a resident you will complete a Confidential Personal Profile on an annual basis, if requested.

IV. RESIDENTIAL ACCOMMODATION

- A. Designation

You agree that the unfurnished Residence # _____ at Creamery Brook is the subject of this Agreement.

- B. Physical Alterations Subsequent to Occupancy

After occupancy, You agree not to make any physical alteration of the Residence without Our prior written approval. All such changes must comply with applicable governmental codes and regulations. You will be responsible for the cost of any approved alterations or improvements. Alterations and improvements to your residence become the property of Creamery Brook when you vacate your residence. Creamery Brook reserves the right to require You to restore Your residence to its original condition.

- C. Occupancy Date

1. Existing Residence: You must move in within 60 days following signing of this Residency Agreement.
2. New Construction: Once the Certificate of Occupancy has been received by us, we will notify you immediately. You must take occupancy by the 30th day following notification that your residence is completed.

For purposes of this Agreement, the "Occupancy Date" will be the earlier of (1) the 60th day following your receipt of the notice of availability or (2) your date of occupancy.

V. ENTRANCE FEE

- A. The Entrance Fee for the Residence is \$_____. A ten percent (10%) deposit ("Entrance Fee Deposit") is payable upon execution of this Agreement and the balance is payable in one of the following ways: (Cross out options that do not apply).
1. Existing residence: Ninety percent (90%) due prior to move-in, within sixty (60) days of the signing of this Agreement or upon occupancy, whichever comes first.
 2. New Construction: Ninety percent (90%) of the Entrance Fee is due prior to move-in within thirty (30) days of notification that the residence is available for occupancy or upon occupancy, whichever comes first.
- B. We will place the deposit in an interest bearing escrow account. We will refund the Entrance Fee Deposit, upon termination of the Agreement in accordance with Article XII.

VI. MONTHLY SERVICE FEE

- A. The initial Monthly Service Fee is \$_____ per month. The Monthly Service Fee will be paid by You to Us beginning on the Occupancy Date (prorated) and before the 10th day of each month thereafter.
- B. The amount of the Monthly Service Fee is Your share of the estimated monthly cost to cover Our operating expenses and establish a contingency reserve. The Monthly Service Fee may be adjusted from time to time upon (30) days prior written notice to You when we determine in our sole discretion, based on future financial projections, that an adjustment is necessary to meet the financial needs of operating the facility or to provide required services to residents.
- C. In addition to the Monthly Service Fee, You will pay Us within ten (10) days of billing and according to a published schedule of charges, for any optional services rendered to You during the previous month.
- D. The Monthly Service Fee will end when the unit is vacated and all keys are turned into the Executive Director of Creamery Brook Retirement Village, except as otherwise noted in the Agreement.
- E. We reserve the right to charge You a late payment fee, as permitted by law, on all balances for Monthly Service Fees and other charges not paid by the due date. In the event We must institute a legal action to collect any amounts You owe Us, You will be responsible for paying for the costs of such an action, including reasonable attorneys' fees and costs.
- F. A Resident's Benevolence Fund is available if You cannot make Monthly Service Fee payments and We find You eligible, in our sole discretion and subject to availability of funds, for assistance from the Fund. All credits provided will be deducted from the 90% refundable portion of the

Entrance Fee.

VII. SERVICES PROVIDED TO YOU

A. General Description

The following services and facilities are included in the Monthly Service Fee:

1. Residential Services and Facilities
 - (a) Furnished lounges
 - (b) All building and grounds maintenance
 - (c) Repair and maintenance of furnishings provided by Creamery Brook
 - (d) Once a week housekeeping; including vacuuming, floor washing, cleaning of bathrooms and kitchen
 - (e) Automatic washers and dryers for personal laundry
 - (f) Gardening spaces
 - (g) Property and building insurance (does not cover Your personal property)
 - (h) Individually controlled heating and air conditioning
 - (i) Individual mailbox
 - (j) Parking for You and Your guests
 - (k) Basic Cable television.
 - (l) Trash removal from a central trash closet
2. Local Transportation Services
 - (a) Scheduled van transportation services to shopping, banking, entertainment, etc. within the local area
 - (b) Scheduled van transportation to Your private physician's office within our coverage area (i.e. adjacent towns).
3. Security Services
 - (a) Main building entrance intercom security system
 - (b) 24-hour on site personnel
4. Recreational Activities, and Social Services
 - (a) Activities Coordinator
 - (b) Daily schedule of social and recreational activities

- (c) Staff available for consultation regarding transfers, discharges, community services, etc.
 - (d) Religious Services
 - (e) Billiard Lounge
5. Health Care Services
- (a) Monthly blood pressure review and other wellness checks.
 - (b) Transportation services to the office of Your private physician in adjacent towns, on a scheduled basis.
 - (c) Priority admission to Health Center (Except as provided in (d) below, you will be responsible for fees for any services provided as set forth in subsection B. below).
 - (d) Ten (10) prepaid lifetime days of inpatient services in semi-private accommodations in the Health Center, covering room, board, nursing services and other items and services covered by the Health Center's private per diem rate. Such ten prepaid days are available for the life time of Resident; they are not renewable each year and not refundable in whole or in part if they are never used. Resident is eligible for the ten prepaid days only after any applicable Medicare, supplemental insurance, or other third party benefits (excluding Medicaid) have been exhausted. Resident remains responsible for any insurance deductibles or co-payments associated with Medicare or other insurance, as well as for any ancillary charges, and any days of care in excess of the ten prepaid days.

B. The following optional and health care services are available at Your expense:

- 1. One main meal each day, with restaurant service in the dining room.
 - a. Join the monthly meal program – an entire month's meals (main meal each day)
 - b. Choose a main meal when you wish.
- 2. Guest meals
- 3. Transportation beyond the local area (From a livery service).
- 4. Beauty Salon/Barber Shop.
- 5. Physician services.
- 6. Physical, Occupational and Speech Therapy Services.
- 7. Non-routine maintenance.
- 8. Long distance telephone service.
- 9. Extended Cable TV service.

10. Health Care Services
11. Pierce Memorial Baptist Home in its Health Center, will make nursing services available to You on a priority basis. The nursing services are more fully described in the Disclosure Statement. You will have priority admission to the Health Center granted by the Medical Director after consultation with You, Your family or legal representative, and Your physician.

During Your stay in the Health Center, You will pay for services received at the current per diem rate, except for the ten (10) prepaid lifetime days described above in subsection A.6.(d). If at any time it is necessary for You to be transferred to the Health Center and no bed is available, We can assist you in finding another nursing home in the area, until a bed at the Health Center becomes available. In such a case, the expense to You will not exceed that which You would have paid had You been immediately admitted to the Health Center, until Pierce Memorial has made an offer to transfer You to our Health Center.

12. Assisted Living Services.

VIII. TERMINATION BY YOU

A. Prior to Occupancy

1. Within thirty (30) days of signing this Agreement, You may terminate this Agreement by sending written notice to Us by certified or registered mail (See Exhibit F: Notice of Right to Rescind). We will refund the Entrance Fee Deposit without interest less any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within thirty (30) days from the date the certified or registered mail is received.
2. If you die at any time after the initial thirty (30) day rescission period described in section VIII.A.1. above, and before your Residence is available for occupancy, or because of illness, injury or incapacity you are unable to occupy your Residence, this Agreement will terminate upon written notice, by certified or registered mail to Us. We will refund the Entrance Fee Deposit with interest less a \$600.00 application fee and any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within sixty (60) days from the date the certified or registered mail is received.
3. After the initial thirty (30) day rescission period you may terminate this Agreement prior to occupancy for any reason other than those specified in VIII.A.1&2, by giving written notice to Us. We will refund the Entrance Fee Deposit with interest less a \$600.00 application fee and any costs we incur at your request (such as the cost of any modifications or upgrades we make to the Residence) within thirty (30) days from our receipt of a new Entrance Fee Deposit.

B. After Occupancy

1. You may terminate this Agreement for any reason subsequent to the Occupancy Date by giving sixty (60) days advance written notice.
2. If this Agreement is terminated subsequent to the Occupancy Date, You will continue to pay the Monthly Service Fee until the expiration of the sixty (60) day written notice period or the date a new resident occupies the Residence, whichever occurs first. We will pay the refundable portion of the Entrance Fee in accordance with Article XII.

- C. Your occupancy under this Agreement will terminate upon Your death, provided there is no Co-Resident under this Agreement. We will pay your estate the refundable portion of Your Entrance Fee in accordance with Section XII of this Agreement.

IX. TERMINATION BY US

- A. We may terminate this Agreement upon the occurrence of any of the following events by sending You prior written notice:

1. Prior to Occupancy Date:

- (a) We determine (in consultation with Our Medical Director, your personal physician and/or representative to the extent feasible) that You require medical services in order to live in a residence and You are unable to arrange and pay for those services.
- (b) We determine (after a review of the updated Confidential Personal Profile) that there has been an adverse change in Your financial condition.

2. Prior or Subsequent to Occupancy Date: If any of the following situations occur, We will give You written notice of the reason for the proposed termination, and You will have thirty (30) days in which to remedy the situation:

- (a) You fail to pay the unpaid balance of the Entrance Fee when due;
- (b) You fail to pay Monthly Service Fee or other amounts owing to Us when due, unless other mutually satisfactory arrangements have been made;
- (c) We determine that information on Your Confidential Personal Profile is materially erroneous or that any material facts affecting qualification for residency were not disclosed; or that there has been an adverse change in Your financial condition;
- (d) You fail to comply with Our Resident Rules and Regulations or the terms of this Agreement or create a situation detrimental to the health, safety or peaceful living of other residents;
- (e) You make any disposition of Your assets which, in Our judgment materially impairs Your ability to pay the Monthly Service Fee or other costs; or
- (f) We determine in consultation with our Medical Director and Your personal physician and/or family representative, to the extent feasible that:

- (1) You have a dangerous or contagious disease or mental illness such that You are a danger to the health, safety or welfare of Yourself or others at Pierce Memorial.
- (2) You are in need of drug rehabilitation or any other condition for which We are not licensed or for which care cannot be provided in Creamery Brook or in the Health Center.

If any of these situations Occur, We are expressly authorized (after consultation with Our Medical Director, Your personal physician and/or representative to the extent feasible) to transfer You, at Your expense, to an appropriate hospital or other health care facility.

You will remain responsible for payment of the Monthly Service Fee, until the Residential Apartment is vacated, according to Section VI.

B. Refund of Entrance Fee

If this Agreement is terminated by Us, the refundable portion of the Entrance Fee will be refunded to You in accordance with Section XII.

- C.** Our policy is not to terminate this Agreement solely by reason of Your inability to pay the Monthly Service Fee. Before Our termination of this Agreement, You may request, and establish facts to justify, special financial consideration. The amount of any special financial consideration accorded by Us pursuant to this policy shall be subtracted from any refund otherwise owing under Section XII of this Agreement, within Our sole discretion, without impairing Our ability to operate Pierce Memorial Baptist Home on a sound financial basis. It is further understood that we may waive any portion of the Monthly Service Fee for some occupants on an individual basis, under varying economic conditions and circumstances.

X. SPECIAL OCCUPANCY CIRCUMSTANCES

A. Rights of a Surviving Spouse/Resident

1. If this Agreement is executed by two persons and one dies or is permanently relocated to the health center or to another institution for medical reasons, the survivor retains all rights as a Resident.
2. Thereafter, the surviving Resident will be charged the single occupancy Monthly Service Fee.
3. When a Resident dies or terminates occupancy, any refund will be made in accordance with Section XII.

B. Separation

If after becoming a Resident in one unit, two persons wish to live separately, the following will occur:

1. If a couple sharing one unit desires separate residences, they may do so by payment of the then current Entrance Fee for the second residence, upon availability. The single occupancy Monthly Service Fee will thereafter be charged for each residence. Any refundable portion of the original Entrance Fee subject to this Agreement will become due and refunded as provided in Section XII of this Agreement at the time the Resident occupying that residence dies or terminates occupancy.
2. If one of You desires to leave Creamery Brook, the remaining Resident will retain full rights as a Resident and will pay the single occupancy Monthly Service Fee. The refund provisions of this Agreement will apply upon death or termination of occupancy of the remaining Resident as provided in Section XII of this Agreement.

C. Residents Desiring to Live together, Marry or Remarry:

Unrelated persons are not permitted to live together in one unit. If You and another resident of Creamery Brook wish to marry, or remarry, the following will occur:

1. If occupancy of one residence is terminated, the Entrance Fee for that residence will be refunded as provided in this Agreement, Section XII.
2. If occupancy of both residences is terminated and a new unit occupied, the difference between the current Entrance Fee for the new residence and the Entrance Fees previously paid for the vacated unit will be paid to Us or refunded by Us, as applicable.
3. In the event We pay a refund to You, such payment shall be made only after the vacated residence(s) is/are occupied and the new Entrance Fee(s) is/are received by Us.
4. A double occupancy Monthly Service Fee will thereafter be in effect.

D. Visitors

Visitors are welcome at all times. Visits must be of a reasonable length, and visitors may not stay in the residence for any extended period of time (see Resident Handbook) and may not occupy the residence while You are out of town.

XI. TRANSFERS

- A. Should You desire to move to a residence comparable to Your residence, the transfer will be subject to the availability of a new residence and subject to a transfer fee.
- B. Should you transfer to a residence with a lower Entrance Fee, You will receive a refund when your original residence is occupied by a new resident and all fees are paid. The refund will equal the difference between the two Entrance Fees in effect at the time of the original Residency Agreement less the non-refundable part of the Entrance Fee at the time of the change.
- C. Should You choose a residence with a higher Entrance Fee, an additional Entrance Fee will be charged in the amount of the difference between your original Entrance Fee herein, and the Entrance Fee for the residence with the higher Entrance fee in effect at the time of the transfer.

- (a) Ten percent (10%) of the difference, as a deposit is payable at the time of execution of the residence transfer agreement.
 - (b) The balance of the difference is payable at the time the larger residence is available for occupancy.
- D. Should you transfer to an apartment in the main building you will receive your refund in accordance with Section XII. B, C, & D.
 - E. A transfer charge to cover the cost of painting and cleaning will be charged to You for all transfers. Any moving expenses will be Your responsibility.
 - F. The Monthly Service Fee will be adjusted to the Monthly Service Fee in effect for the new residence.
 - G. Should You enter into a living unit transfer agreement and then cancel the agreement prior to occupancy of the new living unit, You shall pay to Us a service charge of up to 2% of the Entrance Fee as a processing fee depending on statutory limits, if any, and the requirements of the Residency Agreement.
 - H. You agree to transfer from Creamery Brook to an appropriate living area within the Health Center when You are no longer able to pay the Monthly Service Fee and the refundable portion of the Entrance Fee has been exhausted. You agree to make application for appropriate State entitlement programs as necessary.
 - I. When a transfer to an area in the Health Center is made, the decision that the transfer be permanent will be made by Your personal physician and Our Medical Director after consultation with You and/or Your representative and/or Your family to the extent feasible. When you transfer to the Health Center permanently, this Agreement will terminate with respect to You and You will enter into an Admission Agreement with The Health Center.

XII. REFUND OF ENTRANCE FEE

- A. If a refund is requested in writing within thirty (30) days of signing this Agreement, the Entrance Fee Deposit, will be refunded in accordance with Section VIII.A.
- B. After You move into Your Residence, in the event of Your death (or if there are two of you, the death of the survivor), or in the event You or We terminate the Agreement in accordance with Section VIII. or IX., You will be entitled to a refund of ninety percent (90%) of the Entrance Fee paid.
- C. In all cases, Your refund will be paid when your Residence is reoccupied and We have received the then-current Entrance Fee from the new resident.
- D. All Entrance Fee refunds are subject to the following reductions:
 - (1) Any monies advanced to You by Us and to be applied against the refund; and

- (2) Any monies owed Us under Section VI.C. of this Agreement; and any monies owed us for other services rendered by Creamery Brook or Pierce Memorial Health Center.
- E. If You are admitted to the health center, the refundable portion of the Entrance Fee will be transferred to an interest bearing account to be charged monthly for the cost of your health care. Any unused portion will be paid to your estate.
- F. In the event this Agreement is executed by two persons, the Entrance Fee refund shall be payable only on the termination of this Agreement by both of You subject to Section C above.
- G. The refund shall be paid to You (or Your estate) unless We are otherwise directed by written instruction signed by You.

XIII. TERMS OF RESIDENCE

A. Agreement Not a Lease/No Ownership Rights

This Agreement is not a lease or easement and does not transfer or grant You any ownership interest or proprietary rights in Your Residence or in any real property owned or leased by Us. The Agreement grants You a revocable license to occupy and use space in Creamery Brook.

B. Right of Entry

You agree that We (including our employees and agents) shall have the right, at all reasonable times, to enter Your Residence for purposes of management, housekeeping, maintenance, enforcement of applicable laws and regulations, emergency purposes or any other reasonable purposes. If we determine at any time that conditions in Your Residence are unsafe or uninhabitable, we may take action as necessary to rectify the situation.

C. Disposition of Personal Property

Upon termination of this Agreement for any cause, the Residence must be vacated and all personal property removed within thirty (30) days unless special arrangements are made to extend this time frame and You agree to pay us a prorated portion of the Monthly Service Fee. We will have the right to remove and store all property left in the Residence after this time and to charge a reasonable fee for costs incurred in moving and/or storing such items. Property left in storage for ninety (90) days or more may be disposed of by Us at Your expense.

D. Responsibility for Damage

We will not be responsible for the loss, damage, illness or injury to You or Your personal property that is caused by the negligence of any party, including other residents of Creamery Brook, unless such loss, damage, illness or injury is caused by the negligence of Creamery Brook, its employees or agents. You therefore release and discharge Us from all liability and responsibility for any loss, damage, illness or injury to You or Your personal property caused by the negligence of any party

other than Creamery Brook, its employees or agents. You are also responsible for any loss, damage, illness or injury to others or their property that is caused by Your negligence or by the negligence of Your agents, invitees or other persons under Your control, and You agree to indemnify Us for any claims, suits, actions and costs, including legal fees, arising from any such loss, damage illness or injury. You shall maintain both personal liability and personal property insurance coverage in accordance with the rules and regulations of Creamery Brook.

E. Rules and Regulations

We shall have the right to adopt or amend such reasonable rules and regulations as We deem necessary or desirable for the proper management and operation of Creamery Brook and for the health, safety and comfort of the residents. You agree to abide by such rules and regulations. These rules include but are not limited to:

1. a complete prohibition on smoking in the community or on campus;
2. a prohibition on any tipping of employees; and
3. restrictions on types of pets that You may have

F. Medical Insurance

You agree to maintain coverage under Medicare Parts A, B and D, if eligible, and one Medicare supplementary health insurance policy. If not eligible for Medicare Parts A, B and D or in the case Medicare Part D You choose not to participate, You agree to maintain a health insurance policy with coverage substantially equivalent to coverage under the applicable Medicare program.

G. Alterations

You must obtain permission from Creamery Brook Administration for any alterations or improvements in residences. Alterations and improvements become the property of Creamery Brook at the time You vacate the Residence.

H. Private Duty Assistance

If you employ or contract with any private duty personnel or private duty agencies, You will be responsible for arranging for, supervising and compensating such personnel or agency. You agree to follow Our policies, procedures and rules governing private duty personnel.

XIV. MISCELLANEOUS

A. Subordination

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

B. Assignment

Your rights under this Agreement are personal to You and cannot be transferred or assigned by You, or by any proceeding at law or otherwise. The Agreement shall bind and inure to the benefit of Our successors and assigns and shall bind and inure to the benefit of Your heirs, executors and administrators in accordance with its terms.

C. Arrangement for Conservatorship

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

D. Joint and Several Liability

When You consist of more than one person, the rights and obligations of each are joint and several except as the context otherwise requires, regardless of how you may have allocated responsibility between yourselves.

E. Notices

All written notices required by the Agreement will be sufficient if addressed: to You, (following occupancy) at Your Residence at Creamery Brook, to Us, the Executive Director of Creamery Brook Retirement Village, 36 Vina Lane, Brooklyn, CT 06234.

F. Interpretation of Agreement

No amendment of this Agreement will be valid unless executed in writing by both You and Us. The following attachments are considered part of the Agreement:

The invalidity of any restriction, condition or other provision of this Agreement will not impair or affect in any way the validity or enforceability of the remainder of this Agreement.

G. Governing Law

The Agreement will be interpreted according to the laws of the State of Connecticut.

Resident

Date

Print Name

Resident

Date

Print Name

Pierce Memorial Baptist Home Inc.

Date

Print Name and Title

EXHIBIT C.

MONTHLY FEES AND ENTRANCE FEES

	<u>Monthly Fee</u>	<u>Entrance Fee</u>
COTTAGES		
1221 SQ. FT.*	\$2,605	\$269,500
1686 SQ. FT.*	\$2,991	\$269,500
*(Approximate Square Feet)		

SECOND PERSON \$272

MONTHLY MEAL PLAN * \$140

** (Per Resident, See Addendum)

*Adjustments based on the current cost of construction and any changes that the new occupants would care to make in the building.

The entrance fee is 90% refundable when the resident(s) move(s) from the cottage and the Entrance Fee for that cottage is received from the new resident(s) by Creamery Brook Village.

(Rental Program is also available through the Marketing Department for Creamery Brook Apartments).

EXHIBIT D.

NOTICE OF RIGHT TO RESCIND

Date rescision period begins

Apartment #

You may rescind and terminate Your Residency Agreement without penalty or forfeiture within thirty (30) days of the above date. You are not required to move into the continuing care retirement community before the expiration of this thirty-(30) day period. No other agreement or statement You sign shall constitute a waiver of Your right to rescind Your agreement within the thirty (30) days.

In the event of such rescission, any money or property transferred to the Creamery Brook Retirement Village shall be refunded without interest, less costs specifically incurred by Creamery Brook Retirement Village at Your request as described in the contract or in an addendum signed by You. Such refund will be made within thirty (30) days of the date we receive the written notice from You.

To rescind Your agreement, deliver, or by registered or certified mail send, a signed and dated copy of this notice or any other dated written notice letter or telegram, stating Your desire to rescind to Pierce Memorial Baptist home d/b/a Creamery Brook Retirement Village 36 Vina Lane; Brooklyn, Connecticut, 06234 not later than midnight of _____ (last day of rescission).

Pursuant to this notice, I hereby cancel my Residency Agreement.

Signature of Prospective Resident

Date

Signature of Prospective Resident

Date

EXHIBIT E.

LIVING UNIT TRANSFERS

- A. Should You desire to move to a residence comparable to Your residence, the transfer will be subject to the availability of a new residence and subject to a transfer fee.
- B. Should you transfer to a residence with a lower Entrance Fee, You will receive a refund when your original residence is occupied by a new resident and all fees are paid. The refund will equal the difference between the two Entrance Fees in effect at the time of the original Residency Agreement less the non-refundable part of the Entrance Fee at the time of the change.
- C. Should You choose a residence with a higher Entrance Fee, an additional Entrance Fee will be charged in the amount of the difference between your original Entrance Fee herein, and the Entrance Fee for the residence with the higher Entrance fee in effect at the time of the transfer.
 - (a) Ten percent (10%) of the difference, as a deposit is payable at the time of execution of the residence transfer agreement.
 - (b) The balance of the difference is payable at the time the larger residence is available for occupancy.
- D. Should you transfer to an apartment in the main building you will receive your refund in accordance with Section XII. B, C, & D.
- E. A transfer charge to cover the cost of painting and cleaning will be charged to You for all transfers. Any moving expenses will be Your responsibility.
- F. The Monthly Service Fee will be adjusted to the Monthly Service Fee in effect for the new residence.
- G. Should You enter into a living unit transfer agreement and then cancel the agreement prior to occupancy of the new living unit, You shall pay to Us a service charge of up to 2% of the Entrance Fee as a processing fee depending on statutory limits, if any, and the requirements of the Residency Agreement.

EXHIBIT F.

IMPUTED INTEREST

In December 2006, Congress enacted legislation (Tax Relief and Health Care Act Amendments) repealing imputed interest taxation for refundable continuing care deposits for tax years after December 31, 2005. As a result, payment of a refundable deposit to Creamery Brook should not be treated as a below market interest loan under Internal Revenue Service rules.

PierceCare recommends that prospective residents consult a qualified tax advisor concerning the application of this legislation and below-market loan rules to an entrance fee paid in connection with residency at Creamery Brook.

EXHIBIT G.

HISTORICAL DATA

RENTAL/MONTHLY SERVICE FEE RATES*

Creamery Brook Village	01/01/08 to 01/01/09	01/01/09 to 01/01/10	01/01/10 to 01/01/11	01/01/12 to 01/01/13	1/01/13 To 01/01/14
Pine	\$2,233.	\$2300	\$2,323.	\$2,592.	2,618
Chestnut	\$2,655.	\$2,735	\$2,762.	\$2,818.	2,846
Maple	\$2,590.	\$2,668	\$2,695.	\$2,749.	2,776
Dogwood	\$2,552	\$2,629	\$2,655.	\$2,709.	2,736
Birch	\$3,023	\$3,114	\$3,145,	\$3,208.	3,240
Oak	\$3,023.	\$3,114	\$3,145.	\$3,208.	3,240
Willow	\$3,023.	\$3,114	\$3,145.	\$3,208.	3,240
Elm	\$3,023	\$3,114	\$3,145.	\$3,208.	3,240
Spruce	\$3,088.	\$3,181	\$3,213.	\$3,277.	3,310

***Creamery Brook began to offer the entrance fee/continuing care model for new cottages in 2007. These fees are historic apartment rental charges and not monthly fees based on a continuing care arrangement.**

*Cottages at Creamery Brook Village	01/01/08 to 01/01/09	01/01/09 to 01/01/10	01/01/10 to 01/01/11	01/01/11 To 01/01/12	01/01/12 To 01/01/13
	\$2,790	\$2,874	\$2,903.	\$2,932	2,961

ENTRANCE FEE ESCROW

PLEDGED ASSEST ACCOUNT

Pierce Memorial Baptist Home holds an Entrance Fee Escrow Account and a Pledged Asset Account. Copies of the Pledged Asset Account and Entrance Fee Escrow Account number are on file at Pierce Memorial Baptist Home.

1. Interest on the Entrance Fee Escrow account is accrued at current market rates.
2. Funds for the Entrance Fee Deposits are held until occupancy and than released to Pierce Memorial Baptist Home.
3. The Pledged Asset account represents funds held by Peoples United Bank until occupancy at Creamery Brook Retirement Village is at ninety-four percent.

Entrance Fee Escrow Fund held at:

Peoples United Bank
1244 Storrs Rd Rt 195
Storrs, CT 06268
T: 860-487-5030

Pledged Asset Fund held at:

Peoples United Bank
1244 Storrs Rd Rt 195
Storrs, CT 06268
T: 860-487-5030

NOTICE TO PROSPECTIVE RESIDENT

In accordance with Section 17b-522 (a) of the Connecticut General Statutes, this Notice is required to be given to a prospective resident or his or her legal representative prior to the earlier of (i) the execution of a contract to provide continuing care of (ii) the transfer of any money or other property to us by or on behalf of the prospective resident.

1. A continuing-care contract is a financial investment and your investment may be at risk.
2. Our ability to meet our contractual obligations under such contract depends upon our financial performance.
3. You are advised to consult an attorney or other professional experienced in matters relating to investments in continuing-care facilities before you sign a contract for continuing care.
4. The Connecticut Department of Social Services does not guarantee the security of your investment.

Acknowledgment:

I or my legal representative have received and reviewed a copy of this Notice before the earlier of (executing the Residency Agreement) or transferring any money or other property to Creamery Brook Retirement Village.

Signature of Prospective Resident

Date

Signature of Prospective Resident

Date

Signature of Legal Representative, if applicable*

Date

*State Relationship to Prospective Resident

**ACKNOWLEDGMENT OF RECEIPT
OF DISCLOSURE STATEMENT**

In accordance with Sections 17b-522(b) and (c) of the Connecticut General Statutes, Creamery Brook Retirement Village is required to deliver to a prospective resident or his or her legal representative a current Disclosure Statement not more than 60 days or less than 10 days before the execution of a Continuing Care Contract/Residency Agreement.

Acknowledgment:

I, or my legal representative have received and reviewed a copy of the current Disclosure Statement and a copy of the Residency Agreement contract for Creamery Brook Retirement Village prior to the execution of the contract or the transfer of any money or other property to Creamery Brook Retirement Village.

Signature of Prospective Resident

Date

Signature of Prospective Resident

Date

Signature of Legal Representative, if applicable

Date

*State Relationship to Prospective Resident

EXHIBIT K.

AUDITED FINANCIAL STATEMENTS

FYE

September 30, 2011

September 30, 2012

September 30, 2013

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Pierce Memorial Baptist Home, Inc.

Financial Statements

For the Year Ended September 30, 2011

Marien + Company CPAs

CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

Pierce Memorial Baptist Home, Inc.
Financial Statements
For the Year Ended September 30, 2011

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Marien + Company LLC

124 New London Turnpike
Norwich, Connecticut 06360

Tel: 860.886.1750
Fax: 860.886.0280

www.MarienCPAs.com

CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Pierce Memorial Baptist Home, Inc. (a nonprofit organization) as of September 30, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Home's 2010 financial statements and, in our report dated January 28, 2011 we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pierce Memorial Baptist Home, Inc. as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Marien + Company

January 27, 2012

Pierce Memorial Baptist Home, Inc.
Statement of Financial Position
September 30, 2011

(with summarized comparable financial information for September 30, 2010)

	2011	2010
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,375,249	\$ 3,670,838
Accounts Receivable, Trade, Net of Allowance	1,447,354	960,031
Accounts Receivable, Other	24,501	40,893
Prepaid Expenses	78,081	28,089
Other Current Assets	11,363	11,575
Total Current Assets	4,936,548	4,711,426
Other Assets		
Investments	4,997,660	5,130,524
Investments Reserved	714,027	722,895
Plant and Equipment (Net)	9,359,461	9,739,606
Bonding Costs (Net)	497,672	517,431
Construction in Progress	645,311	645,311
Interest in Trust	1,333,031	1,361,072
Restricted Cash	247,614	295,773
Total Other Assets	17,794,776	18,412,612
Total Assets	\$ 22,731,324	\$ 23,124,038
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bonds Payable, Current Portion	\$ 300,000	\$ 290,000
Sewer Assessment, Current Portion	5,100	5,100
Accounts Payable, Trade	163,112	275,914
Accrued Expenses and Payroll	460,320	456,559
Deferred Revenue, Current Portion	28,373	29,629
Total Current Liabilities	956,905	1,057,202
Long Term Liabilities		
Bonds Payable, Less Current Portion	12,270,000	12,570,000
Liability Under Interest Rate Swap Agreement	-	158,040
Sewer Assessment, Less Current Portion	-	5,100
Security Deposits	178,600	185,855
Deferred Revenue, Less Current Portion	904,337	930,815
Due to Residents	60,298	33,775
Total Long Term Liabilities	13,413,235	13,883,585
Total Liabilities	14,370,140	14,940,787
NET ASSETS		
Unrestricted	6,234,127	5,885,383
Temporarily Restricted	26,760	122,001
Permanently Restricted	2,100,297	2,175,867
Total Net Assets	8,361,184	8,183,251
Total Liabilities and Net Assets	\$ 22,731,324	\$ 23,124,038

See accompanying notes and accountants' report.

Pierce Memorial Baptist Home, Inc.
Statement of Activities
For the Year Ended September 30, 2011
(with summarized comparable financial information for the year ended September 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
REVENUES, GAINS AND OTHER SUPPORT					
Health Services	7,482,861	-	-	7,482,861	7,327,331
Resident Fees (Apartments and Cottages)	1,985,867	-	-	1,985,867	2,056,731
Amortization of Deferred Entrance Fee Revenue	52,083	-	-	52,083	28,271
Adult Day Care	28,928	-	-	28,928	28,609
Interest and Dividends	240,909	-	-	240,909	219,365
Grant Income	-	1,099	-	1,099	9,120
Other	30,950	-	-	30,950	26,067
Net Assets Released From Restrictions	102,999	(102,999)	-	-	-
Total Revenue, Gains and Other Support	<u>9,924,597</u>	<u>(101,900)</u>	<u>-</u>	<u>9,822,697</u>	<u>9,695,494</u>
EXPENSES					
Nursing Services	3,956,122	-	-	3,956,122	3,869,424
Administrative Services	1,342,297	-	-	1,342,297	1,457,926
Dietary Services	1,034,298	-	-	1,034,298	1,049,673
Plant Operations	937,174	-	-	937,174	839,441
Housekeeping Services	284,404	-	-	284,404	299,459
Recreation Services	211,280	-	-	211,280	209,635
Marketing	156,116	-	-	156,116	166,745
Laundry Services	131,783	-	-	131,783	154,826
Chaplain Services	27,812	-	-	27,812	26,504
Social Services	74,776	-	-	74,776	96,223
Volunteer Services	15,768	-	-	15,768	14,563
Depreciation and Amortization	500,563	-	-	500,563	529,067
Interest	168,853	-	-	168,853	210,014
Bad Debt Expense	157,801	-	-	157,801	73,087
Provider Fees	364,503	-	-	364,503	354,157
Total Expenses	<u>9,363,550</u>	<u>-</u>	<u>-</u>	<u>9,363,550</u>	<u>9,350,744</u>
INCOME FROM OPERATIONS	\$ 561,047	\$ (101,900)	\$ -	\$ 459,147	\$ 344,750
NON-OPERATING INCOME (LOSSES)					
Net Realized Gains (Losses) on Investments	(63,815)	-	4,844	(58,971)	183,849
Net Unrealized Gains (Losses) on Investments	(14,442)	-	(80,414)	(94,856)	41,814
Net Unrealized Gains (Losses) on Swap	158,040	-	-	158,040	92,908
Gains (Losses) on Disposal of Property and Equipment	-	-	-	-	(59,572)
Contributions	17,155	6,659	-	23,814	175,158
Total Non-Operating Income (Losses)	<u>96,938</u>	<u>6,659</u>	<u>(75,570)</u>	<u>28,027</u>	<u>434,157</u>
NON-OPERATING EXPENSES					
Investment Management Fees	50,761	-	-	50,761	46,218
Other Fees	157,805	-	-	157,805	149,623
Total Non-Operating Expenses	<u>208,566</u>	<u>-</u>	<u>-</u>	<u>208,566</u>	<u>195,841</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 449,419	\$ (95,241)	\$ (75,570)	\$ 278,608	\$ 583,066
Changes in Net Assets	449,419	(95,241)	(75,570)	278,608	583,066
Prior Period Adjustment	(100,675)	-	-	(100,675)	-
Net Assets, Beginning of the Year	5,885,383	122,001	2,175,867	8,183,251	7,600,185
Net Assets, End of the Year	<u>\$ 6,234,127</u>	<u>\$ 26,760</u>	<u>\$ 2,100,297</u>	<u>\$ 8,361,184</u>	<u>\$ 8,183,251</u>

See accompanying notes and accountants' report.

Pierce Memorial Baptist Home, Inc.
Statement of Cash Flows
For the Year Ended September 30, 2011
(with summarized comparable financial information for the year ended September 30, 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 278,608	\$ 583,066
Adjustments to Reconcile Change in Net Assets to Cash Used by Operating Activities:		
Net Unrealized (Gains) Losses	94,856	(41,814)
Net Unrealized (Gains) Losses on Swap	(158,040)	(92,908)
Net Realized (Gains) Losses	58,971	(183,849)
Depreciation and Amortization	500,563	529,067
Loss on Disposal of Equipment	-	59,572
(Increase) Decrease in:		
Accounts Receivable, Trade	(487,323)	650,117
Accounts Receivable, Other	16,392	182,074
Prepaid Expenses	(49,992)	1,434
Other Current Assets	212	(409)
Increase (Decrease) in:		
Accounts Payable, Trade	(112,802)	126,274
Accrued Expenses and Payroll	3,761	(4,683)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	145,206	1,807,941
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,739,450)	(1,603,750)
Proceeds from Sales of Investments	1,755,247	1,408,665
Capital Additions	(100,510)	(360,372)
Construction In Progress	-	276,553
Restricted Cash	48,159	19,976
Security Deposits	(7,255)	(38,742)
Deferred Revenue	(27,734)	235,024
Due to Residents'	26,523	1,718
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	(45,020)	(60,928)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond Payments	(290,000)	(235,000)
Sewer Assessment Payments	(5,100)	(5,100)
Prior Period Adjustment	(100,675)	-
NET CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES	(395,775)	(240,100)
NET INCREASE (DECREASE) IN CASH	(295,589)	1,506,913
CASH, BEGINNING OF THE YEAR	3,670,838	2,163,925
CASH, END OF THE YEAR	\$ 3,375,249	\$ 3,670,838
Income Taxes Paid	\$ 168,649	\$ 209,690
Interest Paid		

See accompanying notes and accountants' report.

Pierce Memorial Baptist Home, Inc.
Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 1 - Summary of Significant Accounting Policies

Pierce Memorial Baptist Home, Inc. is a non-profit continuing care retirement community located in Brooklyn, Connecticut. The Home provides independent living in an 83 apartment senior housing facility (Creamery Brook) and is in the process of completing 10 independent living units (The Cottages at Creamery Brook). The nursing facility currently provides 80 beds in three levels of care - 70 skilled nursing beds, 2 intermediate care beds and 8 home for the aged beds. The Home extends credit to residents of the facility, who come mainly from the State of Connecticut. Approximately 72% of its September 30, 2011 trade receivables are due from the State of Connecticut Medicaid program and 45% of its total revenues after contractual adjustments were from this program. Revenue is derived from private pay sources as well as Medicaid and Medicare funding.

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

The significant accounting policies followed in the preparation of the accompanying financial statements are set forth below:

Basis of Presentation

Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the Home. Generally, the donors of these assets permit the Home to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Temporarily restricted net assets - Net assets subject to donor imposed stipulations that may be met by actions of the Home and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions whose restrictions are met in the same reporting period have been reported as unrestricted support in the statement of activities.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Promises to give that are scheduled to be received after the statement of financial position date, or which are restricted by the donor to a specific purpose which has not been met as of the statement of financial position date, are shown as increases in temporarily restricted net assets. This revenue is reclassified to unrestricted net assets when the time or purpose restrictions are met.

Pierce Memorial Baptist Home, Inc.
Notes to the Financial Statements
For the Year Ended September 30, 2011

Resident Service Revenue - Resident service revenue is reported at the estimated net realizable amounts from residents, third-party payers, and others for service rendered.

Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Statement of Cash Flows - For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, short-term time deposits (three months or less), demand deposits in banks, and repurchase transactions.

Fixed Assets - Plant and equipment are recorded at cost. Depreciation is computed using the straight-line method. The lives of the property and equipment vary from 5 years for some equipment to 40 years for buildings. Generally, items with a useful life in excess of one year and with a cost of \$1,000 or more are capitalized.

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

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

The Home follows the provisions of FASB Accounting Standards Codification 740-10-45 (Formally known as Interpretation No. 48, Accounting for Uncertainty in Income Taxes: An Interpretation of FASB Statement No. 109) FASB Accounting Standards Codification 740-10-45 clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with SFAS 109. FASB Accounting Standards Codification 740-10-45 prescribed recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of FASB Accounting Standards Codification 740-10-45 had no impact on the Home's financial statements.

The Home's income tax returns are subject to review and examination by federal and state authorities. The Home is not aware of any activities that would jeopardize its tax-exempt status. The Home is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. The tax returns for the year 2008 to 2011 are open to examination by federal and state authorities.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Pierce Memorial Baptist Home, Inc.
Notes to the Financial Statements
For the Year Ended September 30, 2011

Prior Year Data - The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the Home's financial statements for the year ended September 30, 2010 from which the summarized information was derived. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Derivative Instruments - The Home uses interest rate swaps as hedges to eliminate interest rate risk on its variable rate demand bonds. The Home's risk management strategy is to offset fluctuations in debt service requirements due to changes in the interest rates.

Fair Value of Financial Instrument - On October 1, 2008, the Home adopted FASB Accounting Standards Codification 820-10-35 (Formally known as Statement of Financial Accounting Standard No. 157, Fair Value Measurements). Accounting Standards Codification 820-10-35 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. Accounting Standards Codification 820-10-35 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Home has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices or securities with similar characteristics or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The fair values of financial instruments are summarized further in Note 15.

Subsequent Events - Subsequent events have been evaluated through January 27, 2012 which is the date the financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

At September 30, 2011, cash and cash equivalents consisted of the cash in checking, savings and money market accounts and Treasury Bills. Cash in excess of FDIC limits amount to \$2,554,381 as of year end.

Pierce Memorial Baptist Home, Inc.
Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 3 - Accounts Receivable

Accounts receivable, trade are for resident revenue receivables. They are stated at unpaid balances, less an allowance for doubtful accounts. The Home provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of residents to meet their obligations. As of September 30, 2011 this allowance was \$130,000. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Home's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Accounts receivable, other are for various receivables that do not result from monthly billing of services.

Note 4 - Investments

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

	2010		2010	
	Unrestricted	Restricted	Unrestricted	Restricted
Cash and Cash Equivalents	\$ -	\$ 385,927	\$ -	\$ 385,961
Government Bonds	172,704	-	232,230	-
Gauranteed Investment Contracts	-	328,100	-	336,934
Corporate Bonds	274,389	-	549,559	-
Common Stocks	3,357,925	-	3,600,408	-
Mutual Funds	889,107	-	669,980	-
Real Estate Investment Trusts	303,535	-	78,347	-
	<u>\$ 4,997,660</u>	<u>\$ 714,027</u>	<u>\$ 5,130,524</u>	<u>\$ 722,895</u>

Pierce Memorial Baptist Home, Inc.
Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 5 - Plant and Equipment

Plant and equipment and the related accumulated depreciation are summarized as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Pierce Home:				
Capital assets being depreciated:				
Buildings	\$ 6,263,143	\$ 25,991	\$ -	\$ 6,289,134
Land Improvements	161,337	-	-	161,337
Non-Movable Equipment	387,198	19,343	(9,994)	396,547
Movable Equipment	816,354	30,589	(3,415)	843,528
Vehicles	12,000	-	-	12,000
	<u>7,640,032</u>	<u>75,923</u>	<u>(13,409)</u>	<u>7,702,546</u>
Creamery Brook:				
Capital assets being depreciated:				
Buildings	8,839,222	-	-	8,839,222
Building Improvements	-	10,998	-	10,998
Movable Equipment	401,927	-	(6,579)	395,348
Vehicles	19,590	6,165	-	25,755
	<u>9,260,739</u>	<u>17,163</u>	<u>(6,579)</u>	<u>9,271,323</u>
The Cottages at Creamery Brook:				
Capital assets being depreciated:				
Buildings	1,081,843	-	-	1,081,843
The WhiteHouse				
Capital assets being depreciated:				
Buildings	23,400	7,424	-	30,824
Movable Equipment	3,166	-	-	3,166
	<u>26,566</u>	<u>7,424</u>	<u>-</u>	<u>33,990</u>
Total Plant & Equipment	18,009,180	100,510	(19,988)	18,089,702
Less: Accumulated depreciation:	(8,269,574)	(480,655)	19,988	(8,730,241)
Net Book Value	<u>\$ 9,739,606</u>			<u>\$ 9,359,461</u>
Capital assets not being depreciated:				
Construction in progress	<u>\$ 645,311</u>			<u>\$ 645,311</u>

Depreciation amounted to \$480,655 for 2011 and \$509,304 for 2010.

Note 6 - Interest in Trust

This represents the current value of funds held in trust for the benefit of Pierce Memorial Baptist Home, Inc. Incomes from the trusts are distributed to the home annually. The principal is reinvested.

Pierce Memorial Baptist Home, Inc.
Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 7 - Operating Leases

The Home has entered into seven leases. These leases are for automobiles, a time clock, medical instruments, copiers and a postage machine.

The following is a schedule by years of future minimum lease payments due in each of the next three succeeding fiscal years:

Annual Payments:	
2012	\$ 22,568
2013	10,634
2014	1,408
Total minimum lease payments	<u>\$ 34,610</u>

Total operating lease costs were \$20,168 for 2011 and \$26,126 for 2010.

Note 8 - Deferred Revenues

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

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

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

Pierce Memorial Baptist Home, Inc.
Notes to the Financial Statements
For the Year Ended September 30, 2011

Amounts classified as the current portion of deferred entry fees represent the estimated amount of entrance fees that will be amortized into operating revenues over the next year. The long-term portion of deferred entry fees represents unamortized fees not expected to be amortized within the next year due to life expectancy estimates and the portion of deferred entry fee revenue subject to contractually refundable provision. These amounts on September 30, 2011 are as follow:

	Current	Long Term
Non Refundable Deferred Entry Fees	\$ 6,034	\$ 80,056
Refundable Deferred Entry Fees	22,339	824,281
	\$ 28,373	\$ 904,337

Entry Fees recognized as revenue amounted to \$52,083 for 2010 and \$28,271 for 2011

Note 9 - Bonding Costs

The Home incurred capitalizable financing costs of \$643,874. This amount is being amortized on a straight-line basis over the life of the bonds. Amortization expense for the next five years is as follows:

	Amortization Expense
Fiscal Year Ending:	
2012	\$ 19,762
2013	19,762
2014	19,762
2015	19,762
2016	19,762
Total minimum amortization expense	\$ 98,810

Amortization expense was \$19,763 for 2010 and \$19,762 for 2011.

Note 10 - Bonds Payable

A. 1999 Variable Rate Demand Revenue Bonds – CDA – Original Amount \$5,660,000

The 1999 Variable Rate Demand Revenue Bonds, dated January 21, 1999, are 30 year bonds that bear interest at a weekly rate and are payable monthly. The bonds are subject to conversion to a fixed rate exercised at the direction of the Home.

In accordance with the terms of the bond indenture, the Home must maintain a debt service reserve fund in the amount of \$328,100 to be used by the trustee in the event of default of payments of principal or interest on the bonds. These funds are included as part of "Investments Reserved" on the Home's Statement of Financial Position.

Pierce Memorial Baptist Home, Inc.
Notes to the Financial Statements
For the Year Ended September 30, 2011

The bonds are secured with a mortgage lien on all of the land and improvements owned by the Home in Brooklyn, Connecticut in the name of the Connecticut Development Authority. The Home has also granted a security interest in substantially all of its other assets and income. The Home has delivered a title insurance policy to the trustee in an amount equal to the principal amount of the bonds.

B. 2008 Variable Rate Demand Revenue Bonds, Series A – CHEFA – Original Amount \$8,575,000

These bonds, in an original amount of \$8,575,000 are dated January 1, 2008 and were issued by the Home for purposes of refinancing 1999 Taxable Variable Rate Demand Bonds.

These 34 year bonds will initially bear interest at a weekly rate, and are payable monthly. The bonds are subject to conversion to a fixed rate exercised at the direction of the Home. The Home has entered into an Interest Swap Agreement with a third party bank whereby the Home will pay no more than 2.618% per annum (See Note C).

In accordance with the terms of the bond indenture, the Home must maintain a debt service reserve fund in the amount of \$385,875 to be used by the trustee in the event of default of payments of principal or interest on the bonds. These funds are included as part of "Investments Reserved" on the Home's Statement of Financial Position.

The bonds are secured with a mortgage lien in the name of the Connecticut Health and Educational Facility Authority on all of the land and improvements owned by the Home in Brooklyn, Connecticut. The Home has also granted a security interest in substantially all of its other assets and income excluding the Home's endowment funds. The Home has delivered a title insurance policy to the trustee in an amount equal to the principal amount of the bonds.

C. Interest Rate Swap

The Home has entered into a 3 year interest rate swap agreement to fix the interest rate for the 2008 Variable Rate Demand Revenue Bonds through July 1, 2011. Under the swap agreement, the Home pays the bond trustee interest based upon a variable rate. The counter-party separately calculates the interest for the same period using an annual rate of 2.618%. The Home is billed by the counter-party for the difference in rates if the counter-party's rates are higher. The Home is refunded by the counter-party for the difference in rates if the counter-party's rates are lower. Only the net difference in interest payments is exchanged with the counter-party. The bond principal is not exchanged. The interest expenditures included the payments resulting from these agreements. The Home also records an unrealized gain/loss on the present value of the difference in the amount paid to the counter-party versus the actual interest rate that would have been available if there was no interest rate swap agreement. For 2010 the unrealized gain was \$92,908 and an unrealized gain of \$158,040 for 2011.

Pierce Memorial Baptist Home, Inc.
Notes to the Financial Statements
For the Year Ended September 30, 2011

D. Annual Payments on Debt

All interest on these bonds has been expensed during this fiscal year. These bonds are payable as follows:

Fiscal Year Ending	1999 Bonds	2008 Bonds	Total
2012	185,000	115,000	300,000
2013	190,000	125,000	315,000
2014	195,000	130,000	325,000
2015	200,000	135,000	335,000
2016	215,000	140,000	355,000
Thereafter	3,400,000	7,540,000	10,940,000
Less Current Portion	(185,000)	(115,000)	(300,000)
	<u>\$ 4,200,000</u>	<u>\$ 8,070,000</u>	<u>\$ 12,270,000</u>

E. Debt Covenants

Pursuant to the terms of the bond indenture for the 1999 Variable Rate Demand Bonds and the 2008 Variable Rate Demand Bonds, the Home is required to maintain certain defined debt service coverage ratios and 200 days cash on hand.

Note 11 - Sewer and Water Line Assessments

The Home was assessed a total of \$102,000 for a sewer assessment for both the nursing home facility and the administrator's house located on the property. The first payment was due on February 1, 1993, with subsequent annual installments, plus interest at 2% per annum, due each February 1. The assessment will be paid in full on February 1, 2012. The maturities for the sewer assessment are as follows:

Fiscal Year Ending:	<u>Principal</u>
2012	<u>\$ 5,100</u>

Pierce Memorial Baptist Home, Inc.
Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 12 - Net Assets

The Home shows restricted revenues whose restrictions are met in the same reporting period as unrestricted support. Temporarily restricted net assets are available for the following purposes:

	2011	2010
Donation requiring principal to be maintained during lifetime of a resident	\$ -	\$ 92,500
Brooklyn Collaborative	1,309	709
Dementia Program	16,307	16,307
Donor Restricted Gifts	9,144	12,485
	\$ 26,760	\$ 122,001

Note 13 - Pension Expense

The Home has established a defined contribution pension plan. The plan qualifies as a 401(k) plan. As a result a participant may elect to defer a percentage of their compensation each year. The Board may make matching contributions up to 4% of the covered payroll for the 2011 calendar year. Amounts in each participant's account are fully vested after six years of service.

Pension expense for 2010 amounted to \$13,301 and 2011 expense was \$16,568.

Note 14 - Contractual Allowances with Third-Party Payers

Pierce Memorial Baptist Home, Incorporated provides service to certain residents under various third-party payer agreements. The amounts and percentages of resident revenue derived from residents covered under these agreements are as follows:

	Gross Revenues			Contractual Adjustments	
	Percent of Total Revenues	Amount	Anticipated Reimbursement	Amount	Percent of Related Gross Revenues
Private	14%	\$ 1,333,536	\$ 1,333,536	\$ -	0%
Medicaid	67%	6,248,102	4,321,934	1,926,168	31%
Medicare	19%	1,811,591	1,811,591	-	0%
Total	100%	\$ 9,393,229	\$ 7,467,061	\$ 1,926,168	31%

Pierce Memorial Baptist Home, Inc.
Notes to the Financial Statements
For the Year Ended September 30, 2011

Note 15 - Fair Value Measurements

The following table presents the Home's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2011:

	Level 1	Level 2	Level 3	Total
Investments				
Government Bonds	\$ 172,704	\$ -	\$ -	\$ 172,704
Corporate Bonds	274,389	-	-	274,389
Common Stocks	3,357,925	-	-	3,357,925
Mutual Funds	889,107	-	-	889,107
Real Estate Investment Trusts	303,535	-	-	303,535
	<u>\$ 4,997,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,997,660</u>
Assets Limited as to Use				
Cash and Cash Equivalents	\$ 385,927	\$ -	\$ -	\$ 385,927
Guaranteed Investment Contract	328,100	-	-	328,100
	<u>\$ 714,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 714,027</u>

Note 16 – Prior Period Adjustment

The Medicaid rates paid to reimburse the Home are subject to audit. The prior period adjustment for a retroactive change in rated for the fiscal years 2006-2009.

Pierce Memorial Baptist Home, Inc.

Financial Statements

For the Year Ended September 30, 2012

Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Pierce Memorial Baptist Home, Inc. (a nonprofit organization) as of September 30, 2012 and the related statements of activities, functional expenses and cash flows for the year then ended. The prior year summarized comparative information has been derived from the Home's 2011 financial statements and, in our report dated January 27, 2012 we expressed an unqualified opinion on those statements. These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pierce Memorial Baptist Home, Inc. as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies, LLP

Wethersfield, Connecticut
January 28, 2013

Pierce Memorial Baptist Home, Inc.

Statement of Financial Position
September 30, 2012
(with comparative amounts at September 30, 2011)

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,497,814	\$ 3,375,249
Accounts receivable, trade, net of allowance	1,005,181	1,447,354
Accounts receivable, other	36,578	24,503
Prepaid expenses	79,808	78,081
Other current assets	2,530	11,363
Total Current Assets	5,621,911	4,936,550
Other Assets		
Investments	5,952,740	4,997,660
Investments, restricted	722,797	714,027
Plant and equipment (net)	9,499,856	9,359,461
Bonding costs (net)	497,420	497,672
Construction in progress	113,962	645,311
Entry fee mortgage receivable	219,150	-
Interest in trust	1,508,684	1,333,031
Restricted cash	239,397	247,614
Total Other Assets	18,754,006	17,794,776
	\$ 24,375,917	\$ 22,731,326
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bonds payable, current portion	\$ 315,000	\$ 300,000
Sewer assessment, current portion	-	5,100
Accounts payable, trade	146,491	163,112
Accrued expenses and payroll	455,138	460,320
Deferred revenue, current portion	44,391	28,373
Total Current Liabilities	961,020	956,905
Long Term Liabilities		
Bonds payable, less current portion	11,955,000	12,270,000
Security deposits	191,143	178,600
Deferred revenue, less current portion	1,333,998	904,337
Due to residents	36,899	60,298
Total Long Term Liabilities	13,517,040	13,413,235
Total Liabilities	14,478,060	14,370,140
Net Assets		
Unrestricted	7,524,012	6,234,129
Temporarily restricted	21,823	26,760
Permanently restricted	2,352,022	2,100,297
Total Net Assets	9,897,857	8,361,186
	\$ 24,375,917	\$ 22,731,326

Pierce Memorial Baptist Home, Inc.

Statements of Activities

Year Ended September 30, 2012

(with summarized totals for the year ended September 30, 2011)

	2012			Total	2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUES, GAINS AND OTHER SUPPORT					
Health services	\$ 6,765,991	-	-	\$ 6,765,991	\$ 7,483,960
Resident fees (apartments and cottages)	2,094,511	-	-	2,094,511	1,985,867
Amortization of deferred entrance fee revenue	45,486	-	-	45,486	52,083
Adult day care	32,300	-	-	32,300	28,928
Interest and dividends	224,944	-	-	224,944	240,909
Other	96,610	-	-	96,610	30,946
Net assets released from restrictions	6,178	(6,178)	-	-	-
Total Revenue, Gains and Other Support	<u>9,266,020</u>	<u>(6,178)</u>	<u>-</u>	<u>9,259,842</u>	<u>9,822,693</u>
EXPENSES					
Nursing services	3,720,548	-	-	3,720,548	3,956,122
Administrative services	1,220,358	-	-	1,220,358	1,342,297
Dietary services	996,131	-	-	996,131	1,034,298
Plant operations	829,930	-	-	829,930	937,174
Housekeeping services	271,441	-	-	271,441	284,404
Recreation services	204,891	-	-	204,891	211,280
Marketing services	172,627	-	-	172,627	156,116
Laundry services	131,243	-	-	131,243	131,783
Chaplain services	25,901	-	-	25,901	27,812
Social services	77,324	-	-	77,324	74,776
Volunteer services	15,789	-	-	15,789	15,768
Depreciation and amortization	508,645	-	-	508,645	500,563
Interest	19,300	-	-	19,300	168,853
Bad debt expense	6,116	-	-	6,116	157,801
Provider fees	436,333	-	-	436,333	364,503
Total Expenses	<u>8,636,577</u>	<u>-</u>	<u>-</u>	<u>8,636,577</u>	<u>9,363,550</u>
Income From Operations	629,443	(6,178)	-	623,265	459,143
NON-OPERATING INCOME (LOSSES)					
Net realized gains (losses) on investments	(25,800)	-	9,630	(16,170)	(58,971)
Net unrealized gains (losses) on investments	869,957	-	242,095	1,112,052	(94,856)
Net unrealized gains (losses) on swap	-	-	-	-	158,040
Contributions	17,532	1,241	-	18,773	23,814
Total Non-Operating Income (Losses)	<u>861,689</u>	<u>1,241</u>	<u>251,725</u>	<u>1,114,655</u>	<u>28,027</u>
NON-OPERATING EXPENSES					
Investment management fees	50,117	-	-	50,117	50,761
Medicaid rate adjustment	-	-	-	-	100,675
Other fees	151,132	-	-	151,132	157,803
Total Non-Operating Expenses	<u>201,249</u>	<u>-</u>	<u>-</u>	<u>201,249</u>	<u>309,239</u>
Changes in Net Assets	1,289,883	(4,937)	251,725	1,536,671	177,931
Net Assets, Beginning of the Year	<u>6,234,129</u>	<u>26,760</u>	<u>2,100,297</u>	<u>8,361,186</u>	<u>8,183,251</u>
Net Assets, End of the Year	<u>\$ 7,524,012</u>	<u>\$ 21,823</u>	<u>\$ 2,352,022</u>	<u>\$ 9,897,857</u>	<u>\$ 8,361,182</u>

Pierce Memorial Baptist Home, Inc.

Statements of Functional Expenses
Year Ended September 30, 2012

(with summarized totals for the year ended September 30, 2011)

	2012						2011 Total
	Nursing Home	Independent Living	Cottages	Other Programs	Administration	Total	
Salaries	\$ 3,304,409	\$ 539,841	\$ 26,806	\$ 14,235	\$ 399,957	\$ 4,285,248	\$ 4,521,611
Retirement Services	11,547	1,585	-	-	2,147	15,279	16,568
Employee Benefits	365,493	38,999	189	336	53,094	458,111	399,275
Payroll Taxes	247,066	30,415	1,425	1,450	29,491	309,847	333,518
Fees for Services	496,781	-	-	30,687	167,052	694,520	813,932
Advertising and Marketing	44,230	84,075	6	-	-	128,311	156,757
Office Expenses	25,828	15,346	-	863	-	42,037	40,000
Utilities and Heating Oil	228,404	172,456	20,258	5,579	-	426,697	485,676
Financing Costs	79,552	270,870	-	150	-	350,572	502,224
Depreciation, Depletion, and Amortization	199,024	247,869	36,921	5,071	-	488,885	480,801
Insurance	73,728	57,738	9,556	-	23,085	164,107	227,893
Other Expenses	49,288	25,388	2,421	12,277	23,484	112,858	104,340
Repairs and Maintenance	112,403	92,336	3,866	-	4,699	213,304	213,368
Supplies	525,360	178,192	1,421	312	318	705,603	753,852
Provider Fees	436,333	-	-	-	-	436,333	364,503
Bad Debt Expense	6,116	-	-	-	-	6,116	157,801
	<u>\$ 6,205,562</u>	<u>\$ 1,755,110</u>	<u>\$ 102,869</u>	<u>\$ 70,960</u>	<u>\$ 703,327</u>	<u>\$ 8,837,828</u>	<u>\$ 9,572,119</u>

Pierce Memorial Baptist Home, Inc.

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,536,671	\$ 177,931
Adjustments to reconcile change in net assets to net cash from operating activities		
Net unrealized (gains) losses	(1,112,052)	94,856
Net unrealized (gains) losses on swap	-	(158,040)
Net realized (gains) losses	16,170	58,971
Depreciation and amortization	508,645	500,563
Changes in operating assets and liabilities		
Accounts receivable, trade	442,173	(487,323)
Accounts receivable, other	(12,075)	16,397
Prepaid expenses	(1,727)	(49,992)
Other current assets	8,833	212
Accounts payable, trade	(16,621)	(112,802)
Accrued expenses and payroll	(5,182)	3,761
Deferred revenue	445,679	(27,734)
Due to residents	(23,399)	26,523
Net Cash Flows from Operating Activities	1,787,115	43,323
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(692,343)	(1,739,450)
Proceeds from sales of investments	648,722	1,755,247
Capital additions	(92,682)	(100,510)
Construction in progress	(5,250)	-
Restricted cash	8,217	48,159
Security deposits	12,543	(7,255)
Entry fee mortgage receivable	(219,150)	-
Net Cash Flows from Investing Activities	(339,943)	(43,809)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Bond payments	(300,000)	(290,000)
Capitalized Bond Costs	(19,507)	-
Sewer assessment payments	(5,100)	(5,100)
Net Cash Flows from Financing Activities	(324,607)	(295,100)
 Net Change in Cash and Cash Equivalents	1,122,565	(295,586)
 CASH AND CASH EQUIVALENTS		
Beginning of year	3,375,249	3,670,835
End of year	\$ 4,497,814	\$ 3,375,249
 SUPPLEMENTAL INFORMATION		
Interest paid	\$ 19,150	\$ 168,649

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

1. Nature of Business

Pierce Memorial Baptist Home, Inc. is a non-profit continuing care retirement community located in Brooklyn, Connecticut. The Home provides independent living in an 83 apartment senior housing facility (Creamery Brook) and is in the process of completing 10 independent living units (The Cottages at Creamery Brook). The nursing facility currently provides 80 beds in three levels of care - 70 skilled nursing beds, 2 intermediate care beds and 8 home for the aged beds.

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

2. Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of the accompanying financial statements are set forth below:

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the Home. Generally, the donors of these assets permit the Home to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Temporarily restricted net assets - Net assets subject to donor imposed stipulations that may be met by actions of the Home and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support in the statement of activities.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Promises to give that are scheduled to be received after the statement of financial position date, or which are restricted by the donor to a specific purpose which has not

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

2. Summary of Significant Accounting Policies (Continued)

been met as of the statement of financial position date, are shown as increases in temporarily restricted net assets. This revenue is reclassified to unrestricted net assets when the time or purpose restrictions are met.

Statement of Cash Flows

For the purposes of the statement of cash flows, cash and cash equivalents include highly liquid investments with maturities of three months or less at the time of purchase.

Accounts Receivable

Accounts receivable, trade are for resident revenue receivables. They are stated at unpaid balances, less an allowance for doubtful accounts. The Home provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of residents to meet their obligations.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At September 30, 2012 and 2011, the allowance for uncollectible receivables was \$112,815 and \$130,000.

Entry Fee Mortgage Receivable

Entry fee mortgage receivable is for entry fees for cottages reserved with a 10 percent deposit but not yet paid by the prospective resident. These receivables are classified as long term due to the receipt of the entry fee being contingent on the prospective resident selling their current house.

Fixed Assets

Plant and equipment are recorded at cost. Depreciation is computed using the straight-line method. The lives of the property and equipment vary from 5 years for some equipment to 40 years for buildings. Generally, items with a useful life in excess of one year and with a cost of \$1,000 or more are capitalized.

Compensated Absences

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

Resident Service Revenue

Resident service revenue is reported at the estimated net realizable amounts from residents, third-party payers, and others for service rendered.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

2. Summary of Significant Accounting Policies (Continued)

Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Uncertain Income Taxes

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

The Home recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Home had no uncertain tax positions that would require financial statement recognition or disclosure. The Home is no longer subject to U.S. federal, state or local income tax examinations for periods prior to September 30, 2009.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 28, 2013.

Prior Year Data

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Home's financial statements for the year ended September 30, 2011 from which the summarized information was derived. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Derivative Instruments

The Home uses interest rate swaps as hedges to eliminate interest rate risk on its variable rate demand bonds. The Home's risk management strategy is to offset fluctuations in debt service requirements due to changes in the interest rates.

Fair Value Measurements

The Home follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

2. Summary of Significant Accounting Policies (Continued)

data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation

Investments are carried at fair value.

Investment Income Recognition

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

3. Cash and Cash Equivalents

At September 30, 2012, cash and cash equivalents consisted of the cash in checking, savings and money market accounts and Treasury Bills. Cash in excess of the Federal Deposit Insurance Company ("FDIC") limits amount to \$2,567,067 as of year end.

4. Accounts Receivable

As of September 30, 2012 the allowance for uncollectible accounts was \$112,815. Receivables are considered uncollectible if full payments are not received in accordance with the contractual terms. It is the Home's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Accounts receivable, other are for various receivables that do not result from monthly billing of services.

5. Investments

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

	2012		2011	
	Unrestricted	Restricted	Unrestricted	Restricted
Cash and Cash Equivalents	\$ -	\$ 385,888	\$ -	\$ 385,927
Government Bonds	140,013	-	172,704	-
Guaranteed Investment Contracts	-	336,909	-	328,100
Corporate Bonds	243,918	-	274,389	-
Common Stocks	4,399,069	-	3,357,925	-
Mutual Funds	475,358	-	889,107	-
Real Estate Investment Trusts	694,382	-	303,535	-
	<u>\$5,952,740</u>	<u>\$ 722,797</u>	<u>\$4,997,660</u>	<u>\$ 714,027</u>

The restricted investments above are amounts maintained for a debt service reserve fund as described in Note 11.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

6. Plant and Equipment

Plant and equipment and the related accumulated depreciation are summarized as follows for the year ended September 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Pierce Home				
Capital assets being depreciated				
Buildings	\$6,289,134	\$ -	\$ -	\$6,289,134
Land improvements	161,337	-	-	161,337
Non-Movable equipment	396,546	27,981	-	424,527
Movable equipment	843,529	31,755	-	875,284
Vehicles	12,000	-	-	12,000
	<u>7,702,546</u>	<u>59,736</u>	<u>-</u>	<u>7,762,282</u>
Creamery Brook				
Capital assets being depreciated				
Buildings	8,839,221	-	-	8,839,221
Building improvements	10,998	1,125	-	12,123
Movable equipment	395,349	10,150	-	405,499
Vehicles	25,755	19,620	-	45,375
	<u>9,271,323</u>	<u>30,895</u>	<u>-</u>	<u>9,302,218</u>
The Cottages at Creamery Brook				
Capital assets being depreciated				
Buildings	<u>1,081,842</u>	<u>538,650</u>	<u>-</u>	<u>1,620,492</u>
The WhiteHouse				
Capital assets being depreciated				
Buildings	30,824	-	-	30,824
Movable equipment	3,166	-	-	3,166
	<u>33,990</u>	<u>-</u>	<u>-</u>	<u>33,990</u>
Total plant and equipment	18,089,701	629,281	-	18,718,982
Less accumulated depreciation	<u>(8,730,240)</u>	<u>(488,886)</u>	<u>-</u>	<u>(9,219,126)</u>
Net book value	<u>\$9,359,461</u>	<u>\$ 140,395</u>	<u>\$ -</u>	<u>\$9,499,856</u>
Capital assets not being depreciated				
Construction in progress	<u>\$ 645,311</u>	<u>\$ 5,250</u>	<u>\$ (536,599)</u>	<u>\$ 113,962</u>

Depreciation amounted to \$488,886 for 2012 and \$480,655 for 2011.

7. Interest in Trust

Interest in Trust represents the current value of funds held in trust for the benefit of Pierce Memorial Baptist Home, Inc. Incomes from the trusts are distributed to the home annually. The principal is reinvested.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

8. Restricted Cash

Cash is restricted for the following purposes at September 30:

	<u>2012</u>	<u>2011</u>
Resident funds	\$ 41,064	\$ 59,521
Creamery Brook security deposit	198,333	188,093
	<u>\$ 239,397</u>	<u>\$ 247,614</u>

9. Operating Leases

The Home has entered into various operating leases.

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

<u>Fiscal Year Ended</u>	<u>Annual Payments</u>
2013	\$ 13,507
2014	5,729
2015	1,758
	<u>\$ 20,994</u>

Total operating lease costs were \$23,683 for 2012 and \$20,168 for 2011.

10. Deferred Revenues

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

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

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

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

10. Deferred Revenues (Continued)

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

These amounts at September 30, 2012 are as follow:

	<u>Current</u>	<u>Long Term</u>
Non-refundable deferred entry fees	\$ 33,297	114,758
Refundable deferred entry fees	11,094	1,219,240
	<u>\$ 44,391</u>	<u>\$ 1,333,998</u>

Entry Fees recognized as revenue amounted to \$42,013 in 2012 and \$28,271 in 2011.

11. Bonding Costs

The Home incurred capitalizable financing costs of \$643,874. This amount is being amortized over the life of the bonds. Amortization expense for the next five years is as follows:

<u>Fiscal Year Ended</u>	<u>Amortization Expense</u>
2013	\$ 19,760
2014	19,760
2015	19,760
2016	19,760
2017	19,760
	<u>\$ 98,800</u>

Amortization expense was \$19,762 for 2011 and \$19,762 for 2012. Accumulated amortization as of September 30, 2012 is \$165,962.

12. Bonds Payable

A. 1999 Variable Rate Demand Revenue Bonds – CDA – Original Amount \$5,660,000

The 1999 Variable Rate Demand Revenue Bonds, dated January 21, 1999, are 30 year bonds that bear interest at a weekly rate and are payable monthly. The bonds are subject to conversion to a fixed rate exercised at the direction of the Home.

In accordance with the terms of the bond indenture, the Home must maintain a debt service reserve fund in the amount of \$328,100 to be used by the trustee in the event of default of payments of principal or interest on the bonds. These funds are included as part of "Investments Reserved" on the Home's Statement of Financial Position.

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements

September 30, 2012

12. Bonds Payable (Continued)

The bonds are secured with a mortgage lien on all of the land and improvements owned by the Home in Brooklyn, Connecticut in the name of the Connecticut Development Authority. The Home has also granted a security interest in substantially all of its other assets and income. The Home has delivered a title insurance policy to the trustee in an amount equal to the principal amount of the bonds.

B. 2008 Variable Rate Demand Revenue Bonds, Series A – CHEFA – Original Amount \$8,575,000

These bonds, in the original amount of \$8,575,000 are dated January 1, 2008 and were issued by the Home for purposes of refinancing 1999 Taxable Variable Rate Demand Bonds.

These 34 year bonds will initially bear interest at a weekly rate, and are payable monthly. The bonds are subject to conversion to a fixed rate exercised at the direction of the Home. During 2011, the Home ended an Interest Swap Agreement with a third party bank whereby the Home was paying no more than 2.618% per annum.

In accordance with the terms of the bond indenture, the Home must maintain a debt service reserve fund in the amount of \$385,875 to be used by the trustee in the event of default of payments of principal or interest on the bonds. These funds are included as part of "Investments Reserved" on the Home's Statement of Financial Position.

The bonds are secured with a mortgage lien in the name of the Connecticut Health and Educational Facility Authority on all of the land and improvements owned by the Home in Brooklyn, Connecticut. The Home has also granted a security interest in substantially all of its other assets and income excluding the Home's endowment funds. The Home has delivered a title insurance policy to the trustee in an amount equal to the principal amount of the bonds.

C. Annual Payments on Debt

All interest on these bonds has been expensed during this fiscal year. These bonds are payable as follows:

Fiscal Year Ended	1999 Bonds	2008 Bonds	Total
2013	\$ 190,000	\$ 125,000	\$ 315,000
2014	195,000	130,000	325,000
2015	200,000	135,000	335,000
2016	210,000	140,000	350,000
2017	215,000	150,000	365,000
Thereafter	3,190,000	7,390,000	10,580,000
Less current portion	<u>(190,000)</u>	<u>(125,000)</u>	<u>(315,000)</u>
	<u>\$4,010,000</u>	<u>\$7,945,000</u>	<u>\$ 11,955,000</u>

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

12. Bonds Payable (Continued)

D. Debt Covenants

Pursuant to the terms of the bond indenture for the 1999 Variable Rate Demand Bonds and the 2008 Variable Rate Demand Bonds, the Home is required to maintain certain defined debt service coverage ratios and 200 days cash on hand.

13. Sewer and Water Line Assessments

The Home was assessed a total of \$102,000 for a sewer assessment for both the nursing home facility and the administrator's house located on the property. The first payment was due on February 1, 1993, with subsequent annual installments, plus interest at 2% per annum, due each February 1. The assessment was paid in full on February 1, 2012.

14. Net Assets

Temporarily restricted net assets are available for the following purposes:

	2012	2011
Brooklyn collaborative	\$ 323	\$ 1,309
Dementia program	16,307	16,307
Donor restricted gifts	5,193	9,144
	<u>\$ 21,823</u>	<u>\$ 26,760</u>

15. Pension Expense

The Home has a defined contribution pension plan. The plan qualifies as a 401(k) plan. As a result a participant may elect to defer a percentage of their compensation each year. The Board may make matching contributions up to 4% of the covered payroll for the 2012 calendar year. Amounts in each participant's account are fully vested after six years of service.

Pension expense for 2011 amounted to \$16,568 and 2012 expense was \$15,279.

16. Contractual Allowances with Third-Party Payers

Pierce Memorial Baptist Home, Incorporated provides service to certain residents under various third-party payer agreements. The amounts and percentages of resident revenue derived from residents solely living in the nursing home covered under these agreements are as follows:

	Gross Revenues			Contractual Adjustments	
	Percent of Total Revenues	Amount	Anticipated Reimbursement	Amount	Percent of Related Gross Revenues
Private	14%	\$ 1,156,221	\$ 1,156,221	\$ -	0%
Medicaid	70%	5,965,968	4,261,182	1,704,786	29%
Medicare	<u>16%</u>	<u>1,343,187</u>	<u>1,343,187</u>	<u>-</u>	<u>0%</u>
	<u>100%</u>	<u>\$ 8,465,376</u>	<u>\$ 6,760,590</u>	<u>\$ 1,704,786</u>	<u>29%</u>

Pierce Memorial Baptist Home, Inc.

Notes to Financial Statements
September 30, 2012

17. Fair Value Measurements

The following table presents the Home's fair value hierarchy for those assets and liabilities measured at fair value as of September 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash equivalents	\$ -	\$ -	\$ -	\$ -
Government bonds	140,013	-	-	140,013
Corporate bonds	243,918	-	-	243,918
Common stocks	4,399,069	-	-	4,399,069
Mutual funds	475,358	-	-	475,358
Real estate investment trusts	694,382	-	-	694,382
	<u>\$5,952,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,952,740</u>
Assets limited as to use				
Cash equivalents	\$ 385,888	\$ -	\$ -	\$ 385,888
Guaranteed investment contracts	336,909	-	-	336,909
	<u>\$ 722,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722,797</u>

17. Credit Concentration

The Home extends credit to residents of the facility, who come mainly from the State of Connecticut. Approximately 72% of its September 30, 2012 trade receivables are due from the State of Connecticut Medicaid program and 45% of its total revenues after contractual adjustments were from this program. Revenue is derived from private pay sources as well as Medicaid and Medicare funding.

18. Medicaid Rate Adjustment

The Medicaid rates paid to reimburse the Home are subject to audit. The prior period adjustment recorded as a non-operating expense of \$100,675 in 2011 is for a retroactive change in Medicaid rates for the fiscal years 2006-2009.
