

MASONICARE AT CHESTER VILLAGE
DISCLOSURE STATEMENT

FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2020

REGISTRATION UNDER CHAPTER 319hh
CONNECTICUT GENERAL STATUTES, AS AMENDED,
DOES NOT CONSTITUTE
APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY
THE STATE OF CONNECTICUT
OR THE STATE OF CONNECTICUT DEPARTMENT OF SOCIAL SERVICES,
NOR DOES SUCH REGISTRATION EVIDENCE THE ACCURACY OR
COMPLETENESS OF THE INFORMATION SET OUT IN THIS
DISCLOSURE STATEMENT

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Attachments to the Disclosure Statement for Chester Village, Inc.
Dated: September 30, 2020

- Attachment A – Residency Agreement
- Attachment B – Current Listing of Entry and Monthly Fees –2020
- Attachment C – Masonicare Audited Financial Statements 2019
- Attachment D – Projected Financial Statements and Source and Use – 2018-2023

NAME AND ADDRESS OF PROVIDER

MASONICARE AT CHESTER VILLAGE, INC.
317 WEST MAIN STREET
CHESTER, CT 06412
(860) 526-6800

Masonicare at Chester Village, Inc. (“Masonicare at Chester Village”) was incorporated in the state of Connecticut on September 13, 2017 and has applied for 501(c)(3) recognition.

MASONICARE AT CHESTER VILLAGE BOARD OF DIRECTORS

Robert F. Polito, Jr., Chair
Christopher J. Earle, Vice Chair
Newton (Bud) Buckner, Treasurer
Janet S. Berry, Secretary
Bruce R. Bellmore
Patrick M. Birney
William E. Bohman
Francis X. Conlon
Robert J. Furce
David A. Gessert
Susan Koty
Bonnie S. McWain
Howard W. Orr
Stephen W. Petri
Thaddeus M. Stewart
Jon-Paul Venoit, Masonicare President and CEO & Assistant Secretary
James Rude, CFO & Assistant Treasurer

Members of the board of directors of Masonicare at Chester Village are appointed for a one-year term or until their respective successors are appointed and have qualified. One Masonicare board member serves on the Masonicare at Chester Village’s board of directors. The remainder of the board is comprised of four Masonicare residents, two Masonicare staff and five community members.

BUSINESS EXPERIENCE

Masonicare at Chester Village is a wholly owned affiliate of Masonicare Corporation (“Masonicare”). In 2016, Masonicare observed its 110th anniversary of providing health and health related services to elderly Masons, their wives and widows, female members of the Connecticut Order of the Eastern Star, Prince Hall Masons, and the community at large.

The daily operation of Masonicare at Chester Village is the responsibility of the Executive Director, who is supervised by and reports to Masonicare's Vice President of Residential Services.

In addition to Masonicare at Chester Village, Masonicare operates campuses in the towns of Wallingford, Mystic, and Newtown, Connecticut.

The Wallingford campus includes Masonicare Health Center ("MHC"), with 366 skilled nursing beds, 59 chronic disease geriatric hospital beds, 86 residential care home beds and 93 independent living units and Masonicare at Ashlar Village, Inc., a continuing care retirement community with 360 independent living units and 134 licensed assisted living units.

The Newtown campus offers skilled nursing care (156 licensed beds, with 137 currently available) and a 56 unit assisted living residence. This campus is under contract to be sold early in 2018.

The Mystic campus offers licensed assisted living (50 general and 48 memory care units) and 81 independent living units on a rental basis.

Masonicare also provides home health and hospice services throughout Connecticut by Masonicare Home Health and Hospice, and provides live-in, personal care attendant and homemaker services by Masonicare at Home.

The acquisition of Masonicare at Chester Village late in calendar 2017 adds another continuing care retirement community (with 105 units, 90 apartments and 15 cottages) to the continuum. All Masonicare at Chester Village residents receive priority access to the healthcare services provided at MHC as well as the other services provided throughout the continuum.

JUDICIAL PROCEEDINGS

Neither Masonicare, Chester Village nor any of the officers or directors of Chester Village has been a party to any criminal, civil, or licensure action described in Section 17b-522(b) (4) of the Connecticut General Statutes.

AFFILIATION

Masonicare is a non-profit Connecticut corporation and is tax-exempt under the provisions of Section 501 (c)(3) of the Internal Revenue Code. Masonicare is a membership corporation, whose "Voting Members" include specified current and former officers and designated persons of the Connecticut Grand Lodge of Ancient Free and Accepted Masons, and certain officers of the various Masonic Lodges throughout Connecticut. Reserved powers of the Voting Members include, among other things, appointment of certain members of the Masonicare Board of Trustees of 12 to 15 members (all of whom must be Masons or members of affiliated Masonic organizations), including three Grand Lodge officers, three ex-officio members selected from the affiliated Masonic organizations, and the remaining chosen by vote of the Voting Members.

Masonicare at Chester Village is governed by a Board of Directors, appointed by Masonicare as the sole member of the affiliate. Masonicare has certain reserved rights, including prior approval of all amendments to the certificate of incorporation and mission statement, appointment of the chair of the Board of Directors and all corporate directors, prior approval of the annual operating budget, prior approval of the written investment policy and investment manager(s), and other powers set forth in the bylaws.

Masonicare will be responsible for the financial and contractual obligations of the Residency Agreements executed by Masonicare at Chester Village, its wholly owned affiliate.

DESCRIPTION OF PROPERTY

Masonicare at Chester Village site consists of roughly 55 wooded acres, nestled among the rolling hills of the lower Connecticut River Valley and adjacent to the Cockaponsett State Forest. There are 105 total units at Masonicare at Chester Village, consisting of 90 apartments (one-bedroom, one-bedroom plus den, two-bedroom, two-bedroom plus den) and 15 single story cottage homes.

BENEFITS INCLUDED IN THE CHESTER VILLAGE MONTHLY FEE

A list of the services and amenities to be provided are described in the Masonicare at Chester Village Residency Agreement, a copy of which is attached at Attachment A.

INTEREST ON DEPOSITS HELD IN ESCROW

Interest on deposits required to be held under escrow according to Chapter 316, Connecticut General Statutes, as amended, will be payable to the provider, Masonicare at Chester Village.

TERMINATION OF THE CHESTER VILLAGE RESIDENCY AGREEMENT

The Masonicare at Chester Village Residency Agreement requires the payment of an entrance fee. The entrance fee is payable on the date the selected unit is occupied. The conditions under which the Residency Agreement may be terminated are described in Article VII of the Residency Agreement.

RIGHTS OF SURVIVING SPOUSE

A surviving spouse, who is a resident of Masonicare at Chester Village and a signatory to the Residency Agreement with his/her deceased spouse, is entitled to all the rights described in the Masonicare at Chester Village Residency Agreement.

A surviving spouse who is not a resident of Masonicare at Chester Village would require a new Residency Agreement or amendment to the resident's original contract, to receive care and services.

MARRIAGE OF A RESIDENT

The effect of a resident's marriage or remarriage while at Masonicare at Chester Village on the terms of the Residency Agreement is described in Article VI.C. of the Masonicare at Chester Village Residency Agreement.

DISPOSITION OF PERSONAL PROPERTY

In the event of a resident's death, disposition of the resident's personal property is the responsibility of the executor or representative of the resident's estate.

In the event of the resident's permanent transfer to a nursing facility, disposition of a resident's personal property is the responsibility of the resident, his/her conservator, or next of kin.

In the event the resident's Residency Agreement is terminated by Masonicare at Chester Village, disposition of the resident's personal property is the responsibility of the resident.

The Monthly Fee will continue to be due until the resident's personal property is removed from the unit and the keys are returned to Administration. If personal property is not removed within thirty (30) days, Masonicare at Chester Village shall have the right to remove it from the unit and store it at the expense of the resident or the resident's estate. Any personal property that is unclaimed after six months will be disposed of at the expense of the resident or resident's estate.

TAX CONSEQUENCES

Payment of the entrance fee required under the Masonicare at Chester Village Residency Agreement may have significant tax consequences and any person considering such a payment may wish to consult a qualified advisor.

RESERVE FUNDING-ESCROW ACCOUNTS

As required under Section 17b-525 of Chapter 319hh, Connecticut General Statutes, as amended, Chester Village, Inc. has placed on deposit with Peoples Bank, New Haven, Connecticut, monies to be held in a Reserve Fund Escrow Account. These funds are invested in an interest-bearing instrument. Investment decisions regarding this account will be the responsibility of the People's Bank, New Haven, Connecticut, as escrow agent.

FINANCIAL STATEMENTS

The audited financial statement for Masonicare for the fiscal year ending September 30, 2019 is set forth in Attachment C.

PROFORMA FINANCIAL STATEMENTS

The income projected for Masonicare at Chester Village for fiscal years 2018-2023 is set forth in Attachment D.

ENTRANCE FEES AND PERIODIC CHARGES

All Masonicare at Chester Village residents pay an entrance fee and a monthly fee, based on the type of unit and whether the resident(s) is/are a single person or a couple. As Masonicare at Chester Village began operations late in 2017, there are no records of past increases in fees and charges. Entrance and monthly fees to be paid as of the acquisition date are included in Attachment B.

Entrance fees paid by Masonicare at Chester Village residents are refundable to the resident or the residents' estate according to the prorated refund schedule described in the resident's Residency Agreement. The entrance fee is refundable over a 5-year period.

Financial assistance is available for residents unable to pay any monthly fee or other indebtedness owed to Masonicare at Chester Village under conditions described in Article V, page 15 section F of the Masonicare at Chester Village Residency Agreement.

Regarding adjustments to the monthly fee, Article V, page 14 section 4 states that increases of the monthly fees may be made at the discretion of the Masonicare at Chester Village Board of Directors.

ACTUARIAL PRESENT VALUE OF PREPAID HEALTHCARE OBLIGATIONS

The cost of certain healthcare services is included in the monthly fee, and there is no prepaid healthcare allotment.

NOTICE TO PROSPECTIVE RESIDENTS

Connecticut law requires Masonicare at Chester Village to provide notice to prospective residents; see pages 8-9.

DEPARTMENT OF SOCIAL SERVICES FILINGS

All materials regarding Masonicare at Chester Village, are required to be on file with the State of Connecticut, Department of Social Services, under Section 17b-524 Chapter 316hh, Connecticut General Statutes, as amended. These documents are on file at the following address:

Department of Social Services
55 Farmington Avenue
Hartford, CT 06106-5033

ATTACHMENT A

RESIDENCY AGREEMENT

Masonicare 
at Chester Village

RESIDENCY AGREEMENT

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GLOSSARY

Apartment	Apartment residences at Chester Village.
Application Fee	A non-refundable fee that must accompany any application to reside at Chester Village.
Chester Village Association	Chester Village's residents' council.
Chester Village Safety Standards	Procedures to promote safety of the Chester Village community published by Chester Village .
Community Rules	The Resident Handbook and policies and procedures published by Chester Village governing the Chester Village community, as may be amended from time to time.
Cottage	Free-standing residences at Chester Village.
Cottage Resident	A Resident who resides in a Cottage.
Dining Room	A dining facility operated by Chester Village serving breakfast, lunch and dinner.
Downgrade	Transferring from a more expensive residence to a less expensive residence, but excluding a transfer from a smaller residence to a larger residence.
Entry Fee	A fee paid in exchange for the rights and services provided under the Residency Agreement.
Entry Fee Refund	A refund of a portion of the Entry Fee to which a Resident may be entitled.
Executive Director	The executive leader of Masonicare at Chester Village.
Financial Disclosure Statement	A statement of a Resident's finances submitted with

	the application to Chester Village.
Flexible Dining Plan	A plan whereby Residents pay a set fee for a certain number of meals in the Dining Room.
Guest Suite	A suite maintained at Chester Village for use by Residents' guests.
Initial Fee	A fee applied to the Entry Fee, which is due when a Resident submits his or her application.
Masonicare	A nonprofit Connecticut corporation that provides senior living and healthcare services.
Masonicare Health Center	A skilled nursing facility operated by Masonicare and located at 22 Masonic Avenue, Wallingford, Connecticut.
Masonicare Medical Director	The Medical Director of Masonicare Health Center.
Monthly Fee	A monthly maintenance fee for occupying a Residence.
Monthly Statement	The monthly bill each Resident receives for his or her Monthly Fee plus any additional charges.
Refurbishment Fee	A fee charged to Residents transferring residences to cover the cost of refurbishing the residence left by the Resident, which may be adjusted by Chester Village from time to time in its sole discretion.
Rescission Period	The thirty day period after a Resident executes a Residency Agreement during which he or she may rescind this Residency Agreement.
Residence	Your Apartment or Cottage at Chester Village.
Resident	A resident of Chester Village.
Standard Administrative Fee	A fee deducted from the Entry Fee Refund when a Resident terminates residency within 30 days of

signing the Residency Agreement.

Upgrade

Transferring from a less expensive residence to a more expensive residence or from a smaller residence to a larger residence.

THIS MASONICARE AT CHESTER VILLAGE RESIDENCY AGREEMENT (the "Residency Agreement") is made as of this _____ by and between Masonicare At Chester Village, Inc., a life plan community a.k.a. a continuing care retirement community located at 317 West Main Street, Chester, Connecticut ("Chester Village") and _____. If more than one person is signing this Residency Agreement, "you" refers to each of you individually and both of you together and your obligations under this Residency Agreement are joint and several. If this Residency Agreement is signed on your behalf by your legal representative, the term "you" includes your legal representative.

ARTICLE I

DURATION OF RESIDENCY AGREEMENT

Chester Village agrees to furnish you lodging and services as set forth in this Residency Agreement for so long as you carry out your obligations under this Residency Agreement. This Residency Agreement shall commence as of _____, your agreed-upon move-in date.

ARTICLE II

ACCOMMODATIONS AND FACILITIES

A. Your Residence

You have selected Apartment/Cottage number, _____ to be your residence ("Residence"). You shall have a personal and non-assignable right to reside in the Residence, subject to the terms of this Residency Agreement and Chester Village Policies and Procedures. Your written address is:

_____.

B. Furnishings Provided

Chester Village furnishes each residence with some basic appliances (i.e., stove, refrigerator, garbage disposal), air-conditioning, carpeting, an emergency call system and smoke alarms. You must provide all other furniture and appliances. You may furnish and decorate your Residence in accordance with your own individual preferences, provided your furniture and decorations do not violate

Chester Village's Safety Standards, or applicable local, state and federal laws and codes.

C. Emergency Services

Your Residence will include a 24-hour emergency call response system that includes smoke detectors and a sprinkler system (as described in Exhibit E). It will also be equipped with an emergency pull cord in the bedrooms and bathrooms to alert staff to any emergencies that may occur. Chester Village employs security personnel for the Chester Village community as it deems necessary in its sole discretion.

D. Utilities

Electricity, air conditioning and heating are included in the Monthly Fee as are water, sewage and garbage collection. . Telephone, cable television and internet service (including their associated installation and service costs) are available at your option and expense. You are responsible for any other services not included in this Residency Agreement. Chester Village is not liable for any interruption of or failure in the supply of any utilities to your Residence, provided the interruption or failure is not directly caused by Chester Village.

E. Alterations to Your Residence

If you wish physically to alter your Residence or upgrade the standard fixtures in your Residence, you must first obtain the written approval of the Executive Director of Chester Village or his/her designee in advance for the alterations and for any outside contractors who will complete the alterations. You agree that all alterations shall be performed in a good and workmanlike manner, and shall comply with all applicable laws and regulations. Alterations to your residence shall be completed in such a manner so as not to disturb other Residents of Chester Village. You are responsible for the cost of alterations and upgrades to your Residence and the restoration of your Residence to its original condition when you vacate it. All modifications, alterations or additions to your Residence become the property of Chester Village, unless the Executive Director of Chester Village grants a special exception in writing.

You shall not allow any mechanic's lien to be created or to remain, and shall discharge any mechanic's lien which might be or become a lien, encumbrance or charge upon the real property of Chester Village or any part thereof. If any

mechanic's lien shall at any time be filed against real property of Chester Village, or any part thereof, due to work you ordered, you, within thirty (30) days after notice of the filing thereof, will cause the lien to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. If you fail to cause the lien to be so discharged within the thirty (30) day period, ten (10) days after giving written notice to you, Chester Village may, but shall not be obligated to, discharge the lien. Any amount paid by Chester Village in connection with discharging the lien (including attorneys' fees) with doing so, together with interest thereon at the rate of 1.5% per month from the date of Chester Village making the payment or incurring other costs and expenses will constitute an additional charge on your Monthly Statement.

F. Access to Residences

You hereby irrevocably give your consent and authorize Chester Village to access your Residence at any time when Chester Village in its sole discretion determines that entry is necessary to protect your health, safety or comfort or that of any other Resident of Chester Village, or the physical conditions of your Residence or other Chester Village facilities. Except in cases of emergency (as determined in Chester Village's sole discretion), Chester Village personnel will make a reasonable attempt to obtain your permission before entering. You may not change or add additional locks to your door, but you may request that your lock be changed if circumstances make it desirable and the Executive Director of Chester Village gives his or her approval.

G. Parking

Free open-air parking is available to Residents and guests. Apartment Residents may reserve a parking space in a covered carport (subject to availability) for an additional charge. The Cottages have additional parking accommodations, the cost of which is included in the Monthly Fee.

H. Community Facilities

You are entitled to share with all Residents the use of the common areas, grounds and facilities at Chester Village. You may also reserve certain facilities for special occasions in accordance with policies and procedures established by Chester Village in its sole discretion.

I. Property Protection and Insurance

You agree to keep your Residence clean and orderly. You further agree not to permit misuse of or damage to your Residence. You are responsible for providing personal property and liability insurance for yourself, your property, and your guests. **You will carry ample personal liability insurance that you obtain prior to move in per the Chester Village Resident Liability Insurance Policy.** You agree that Chester Village is not responsible for securing and safeguarding your personal property and possessions. You are responsible for keeping your Residence locked and secured and for taking other reasonable precautions. Neither Chester Village nor its insurer will be liable for any claims, , damage or expenses, including reasonable attorneys' fees, resulting from any injury or death to persons and any theft or damage to property caused by, resulting from, attributable to or in any way connected with the negligent or willful act or omission of any Resident unless caused by the gross negligence or willful misconduct of Chester Village or any of its officers, employees, contractors, or agents or by a material default on the part of Chester Village under this Residency Agreement.

J. Indemnification

You agree to indemnify and defend Chester Village, at your sole cost and expense, against all claims, expenses, damages and liabilities (including without limitation reasonable attorneys' fees) arising out of any occurrence in your Residence, any breach by you of this Residency Agreement or of any representation or warranty made by you to Chester Village, or negligence by you or that of any of your guests, employees, contractors, or agents. Such indemnification shall not apply to any claim arising out of the negligence or willful misconduct of Chester Village, or any of its officers, employees, contractors, or agents, or by default on the part of Chester Village under this Residency Agreement.

K. No Real Property Interest

You understand and agree that this Residency Agreement is primarily for the provision of services. This Residency Agreement does not confer upon you any right, title or interest in any part of the personal property, real property, buildings and improvements (including your Residence) owned by Chester Village, Inc.,

Masonicare, or its affiliates. This Residency Agreement is a continuing care contract governed by Sections 17b-520 through 17b-535 of the Connecticut General Statutes and accompanying regulations.

ARTICLE III

SERVICES

A. Dining Plan

Residents are required to participate in Chester Village's Flexible Dining Plan (as described in Exhibit C). Included in your Monthly Fee are the same number of meals in the dining room as there are days in the month.

Take-out meals are available for all Residents if a Resident is unwell or unable to eat in the Dining Room. Residents may pick up take-out meals themselves, or the meals will be delivered for a service charge.

Guests are always welcome to dine with you. Please make reservations in advance for your guests. Guest meals will be billed to you as an additional charge.

B. Housekeeping and Maintenance

Chester Village provides light cleaning services every other week. You may order extra housekeeping or maintenance services for an additional charge. Chester Village provides necessary repairs, maintenance, and replacement of its property and equipment located in your Residence. We will charge you for any repairs or replacement required as a result of the negligent acts of you or your guests. Except in an emergency, such services are provided during normal working hours, Monday through Friday. You are responsible for maintaining, repairing, and replacing your personal property.

Chester Village maintains all Common Areas, Grounds and Facilities, including lawns, walkways, and driveways. Landscaping and decorative plantings are provided and maintained by Chester Village as it deems appropriate. Additional landscaping and gardening may be permitted with prior authorization. Additional landscaping must be maintained by you. If the additional landscaping can no longer be maintained by you as determined by Chester Village in its sole discretion, it will be removed at your expense.

C. Transportation

Chester Village provides transportation to medical appointments within a fifteen (15) mile radius of Chester Village.

Chester Village provides for regularly scheduled transportation to grocery stores, shopping centers and other social and recreational activities. This transportation occurs on a published transportation schedule which is subject to change with prior notice.

ARTICLE IV

HEALTH CARE SERVICES

A. Masonicare Health Center Access and Prepaid Days

1. Admission to Masonicare Health Center

Your residency at Chester Village guarantees you access to Masonicare Health Center (the "Health Center") when needed. You agree that if you are admitted to the Health Center you will sign a separate admissions and residency agreement, describing the services to be provided and your rights and obligations at the Health Center. You agree that in the event the Health Center does not have a bed available when you are ready for admission, you will be temporarily placed in another facility by Chester Village until such time as a bed is available.

2. Ten Prepaid Inpatient Days

During the term of this Residency Agreement, you receive an Annual Allotment of ten prepaid days per calendar year of inpatient services at Masonicare Health Center covering basic services such as, room, board and nursing care (excluding any ancillary services), subject to the restrictions set forth herein. The Annual Allotment is non-cumulative and expires on December 31 of each year. The Annual Allotment is non-refundable and is not transferable to any other facility. You may use your Annual Allotment if such services are not otherwise covered by Medicare, supplemental insurance, or other third party payments. You remain responsible for the payment of any insurance deductibles or co-payments you incur associated with Medicare or your own insurance, as well as ancillary and medical charges, and any days of care in excess of the Annual Allotment.

B. Assisted Living

Chester Village offers assisted living services in Residences through the Assisted Living Services Agency (ALSA). Arrangements may be made through the Wellness Nurse if applicable. If you wish to transfer to a different Masonicare assisted living facility and it is determined, after consultation with you, your family and/or your physician, that you meet the admissions criteria for assisted living, then your residency at Chester Village will be terminated, and you will enter into a new Residency Agreement describing the services, fees and your rights and obligations as a resident of the Masonicare assisted living facility you select. If you become a resident of another Masonicare assisted living facility, you will have access to Masonicare Health Center on the same terms and conditions as a Chester Village Resident.

C. Personal, Nursing and Medical Services

1. Wellness

Chester Village operates a Wellness Office staffed by a nurse. The Wellness Nurse's primary responsibility is to respond to well elders to ensure they obtain services for routine, non-emergent medical issues.

2. Emergency Assistance

All independent living residences at Chester Village have emergency pull cords in the bathrooms and bedrooms to connect to Chester Village staff. In addition, you may purchase a remotely activated pendant or bracelet connected to the Chester Village security system.

3. Personal Assistance

Personal care is the sole responsibility of you and your family. If you hire private companions or aides, you are responsible for coordinating and paying for the services of such companions. Private companions or aides must register with Chester Village Wellness or Administration, wear an identification badge provided by Chester Village Administration, and abide by all policies and procedures as defined by the Chester Village Policy governing private aide services. Upon registration with Chester Village Administration, private companions and aides are provided with the Chester Village Policy Governing Private Companion Services and a private aide manual. Chester Village assumes no responsibility whatsoever for the qualifications of third parties such as private duty companions or aides, or for the timeliness or quality of care or any other aspect of services provided by them. If your private companion or aide is disruptive or unruly or presents any other reason which would justify Chester Village requesting, in its sole discretion, the discontinuance of his or her services at Chester Village, you agree to discontinue the services of your private companion or aide and to seek an alternate private companion or aide.

D. Health Care Services Not Included in this Residency Agreement

Except as specifically provided in this Residency Agreement, Chester Village shall not provide, pay for, or indemnify you for any medical services, including, but not limited to, medical, surgical, home care or hospital services, physical examinations, medical consultations, drugs, medications, disposable and non-disposable supplies, X-rays, medical tests, eyeglasses or refractions, hearing aids, dentistry, dentures, inlays, prescriptions, orthopedic appliances, private duty nursing care, podiatric services, physical therapy, treatment for psychiatric disorders, alcoholism, or similar items or services.

E. Illness or Accident While Away from Chester Village

If you suffer an accident or illness while away from Chester Village, you will notify Chester Village as soon as possible. You will be solely responsible for the costs of all medical care you incur while away from Chester Village, and Chester Village will not have any responsibility for the payment of such costs.

ARTICLE V

FINANCIAL ARRANGEMENTS

A. Fees

The basic fees associated with your residency at Chester Village include an Application Fee, an Initial Fee, an Entry Fee, and a Monthly Fee. These fees are subject to change, from time to time, in the sole discretion of Chester Village upon thirty (30) day's written notice. The fees in effect at the time of this Residency Agreement are shown on Exhibit A attached to this Residency Agreement.

1. Application Fee

You must submit an Application Fee to Chester Village with your application to cover the cost of review. The Application Fee is nonrefundable and is not credited toward the Entry Fee.

2. Initial Fee

At the time you submit your application to Chester Village, you must also submit an Initial Fee, which is credited toward the Entry Fee. The Initial Fee is subject to change from time to time in the sole discretion of Chester Village.

3. Entry Fee

For the right to use your Residence and to receive the services described in this Residency Agreement, you pay a one-time Entry Fee to Chester Village. A deposit equal to five (5%) percent of the Entry Fee is due when you select your Residence. Your deposit will be placed into an escrow account with our current banking institution, in accordance with Connecticut General Statutes Section 17b-524. The balance of the Entry Fee is due to Chester Village upon move-in. Details regarding the Entry Fee chosen by you are detailed in Exhibit B.

4. Monthly Fee

You agree to pay Chester Village a Monthly Fee for occupancy of your Residence.

Chester Village may adjust the Monthly Fee and ancillary charges from time to time in its sole discretion upon thirty (30) days' advance written notice to you. Chester Village will base such adjustments on projected costs, prior year per capita costs, and economic indicators as determined by Chester Village in its sole discretion. You agree that in the event of such an adjustment by Chester Village, you will pay the adjusted fee.

Each month you will receive a Monthly Statement itemizing the Monthly Fee plus any additional charges, including hair salon, guest meal, etc. All charges on the Monthly Statement are payable within thirty (30) days of receipt. If you do not make your payment on time (within 30 days of receiving the Monthly Statement), Chester Village reserves the right to assess a late penalty of 1.5% per month until you pay the amount owed. Persistently delinquent fees may trigger the Termination Provisions of this Residency Agreement at the sole discretion of the Executive Director of Chester Village. Any account balances, including interest due to late payment that remain unpaid when this Residency Agreement is terminated shall become a lien against your assets or estate after deducting any refund owed under this Residency Agreement. You agree to pay the Monthly Fee whether you are residing in your Residence, temporarily in Masonicare Health Center as an acute or sub-acute inpatient, or otherwise absent from Chester Village. If you fail or refuse to pay the amounts charged under the terms of this Residency Agreement and Chester Village must later refer the account to an attorney or collection agency, you agree to pay all resulting charges, expenses, court costs and attorneys' fees incurred by Chester Village.

B. Additional Services

You will be billed for any additional services either at the time the service is rendered or on your Monthly Statement. Payment for additional services shall be the same as for monthly fees, including the imposition of interest charges on delinquent amounts.

C. First Year Refund Policy

If you are unhappy at Chester Village, and decide to move out within your first year of residency for any reason other than ill health, we will refund your entire Entry Fee to you, minus a standard service charge as set forth on Exhibit A. This supersedes the Entry Fee Refund Options. If you leave due to ill health within the first year, the Entry Fee Refund Schedule shall apply.

D. Fees Not Held in Trust

All fees paid to Chester Village, including entry fees, shall become the sole property of Chester Village as payment for residence and services, except to the extent that the Entry Fee is refundable under Exhibit B of this Residency Agreement.

E. Personal Obligations of Residents

Chester Village shall not be liable or responsible for any expenses, debts, or obligations incurred by you on your own account, nor shall it be obligated to furnish, supply, or give you any support, maintenance, board, or lodging while you are absent from Chester Village.

F. Financial Assistance to Residents

1. Inability to Pay Monthly Fees

Chester Village is a charitable, nonprofit organization and has a policy of assisting Residents who are unable to pay the Monthly Fee, but who otherwise comply with the terms of this Residency Agreement. If you encounter financial difficulty and are unable to pay your Monthly Fee in whole or in part, Chester Village will not terminate your residency solely for that reason. If these circumstances occur, you must bring them to the attention of the Executive Director of Chester Village immediately. If your financial difficulty is unanticipated or not due to your own intentional acts, the Executive Director of Chester Village will work to develop an alternative payment plan with you. Your shortfall will first be deducted from any Entry Fee refund for which you may become eligible. If you are not eligible for a refund, you may then qualify to receive assistance from a designated Masonicare fund established for the purpose of providing financial assistance to Residents who are having difficulty paying the Monthly Fee.

F. Financial Requirements for Residency

As part of your application to Chester Village, you completed a Financial Disclosure Statement listing your total assets and income. Your Financial Disclosure Statement is retained in your personal file which is secured with Administration. Chester Village reserves the right to request annually an updated schedule of financial information, which you agree to provide as a condition of your continued residency. You also agree to notify the Executive Director of Chester Village when your assets reach a total of \$50,000 or your funds are otherwise insufficient to meet current obligations for a period of three years.

You agree to enroll in and be covered by Medicare and to have supplemental coverage appropriate to the type of Medicare coverage you carry. If you are not eligible for Medicare coverage, you agree to obtain equivalent insurance coverage acceptable to Chester Village. You further agree to make all reasonable efforts to conserve your financial resources in order to enable you to meet your financial obligations under this Residency Agreement. You further agree not to impair your ability to meet these obligations or injure your eligibility for benefits under Title XIX of the Social Security Act (Medicaid) by transferring assets or income, other than for ordinary living expenses. If you are unsure whether a contemplated transaction would place you in jeopardy of violating this Residency Agreement, please contact the Executive Director of Chester Village first for guidance.

ARTICLE VI

TRANSFERS/MARRIAGE

A. Intra-Village Transfer Policy

If you elect to transfer to another residence within Chester Village, you will be charged a Refurbishment Fee at the time of the move to cover the cost of preparing the vacated residence for new occupancy.

If you Downgrade to a residence constructed as of the date of this Residency Agreement, the new Entry Fee will be based on the difference between (i) the available Entry Fee refund amount for your current Residence and (ii) the Entry Fee for the new residence as of the date of this Residency Agreement prorated by the same percentage as that of the Entry Fee Refund to which you are entitled for your current residence.

Downgrade Example A. If a widowed Resident on a five-year refund schedule, who moved in with his or her spouse two years ago, decides to move from a two-bedroom Cottage to a one-bedroom Apartment:

<u>Original Entry Fee of Cottage</u> \$294,000	<u>Entry Fee of Apartment (As of this Residency Agreement date)</u> \$135,000
<u>Entry Fee Refund</u> \$97,020	<u>Entry Fee Adjustment</u> \$44,550

Difference = +\$52,470

Therefore, a credit will be issued to the resident's monthly fee in the sum of \$52,470 minus a Refurbishment Fee.

If you Upgrade residences, the new Entry Fee will be based on the difference between the Entry Fee paid for your current residence upon move in and the current Entry Fee for the new residence at the time of your transfer. The Entry Fee for your current residence will be adjusted to account for any available refund in accordance with the refund method you select under Exhibit B of this Residency Agreement. If the current Entry Fee for the new residence is greater than the Entry Fee Refund for your current residence, you will be required to pay the difference in Entry Fees. In order to upgrade residences, you must satisfy the financial criteria to qualify for the new residence in the sole discretion of Chester Village.

Upgrade Example. If, after two years, a Resident on a five-year refund schedule transfers from a one-bedroom Apartment to a two-bedroom Cottage:

<u>Original Entry Fee of Apartment</u> \$135,000	<u>Current Entry Fee of Cottage</u> \$248,000
<u>Entry Fee Refund</u> \$44,500	

Difference = -\$203,500

Therefore, the Resident will be charged an Entry Fee of \$203,500 plus a Refurbishment Fee.

If you transfer residences, you agree to enter into an addendum to this Residency Agreement including, among other things, the address of the new residence and the Entry Fee for the new residence. The original date of residency at Chester Village and original Entry Fee refund schedule will not change.

B. Transfer for Health Reasons

1. Change in Health

You acknowledge and agree that Chester Village is appropriate for occupancy by persons who can live independently, with assistance from a home health aide or other qualified provider, if necessary, but that Chester Village is not appropriate for persons who need 24-hour skilled nursing care or whose physical, mental or psychological condition otherwise results in their inability to live independently in this setting. You agree that if your health deteriorates such that you can no longer live in an independent setting, you will make appropriate arrangements (a) to transfer out of your current Residence to a Masonicare assisted living or skilled nursing facility, or another appropriate facility; or (b) if your personal physician and the Executive Director of Chester Village agree it is appropriate, to obtain necessary health care services in your current Residence.

You agree that in an emergency, if your mental or physical condition presents a danger to you or others, as determined by us in our sole discretion, we will arrange for private duty care in your Residence at your expense until other appropriate arrangements can be made.

2. Consultation

Except in cases of emergency, Chester Village will not transfer you from your Residence for health-related or other reasons until Chester Village has consulted with you, your personal physician, a member of your family, or your designated representative. In cases of an emergency transfer, Chester Village will make reasonable efforts to hold such consultations within ten (10) days of transfer.

3. Transfer Decisions

You agree that Chester Village shall have full authority and right to transfer you from your Residence to any Masonicare facility or elsewhere for hospitalization or other health related services without having to obtain your further consent if you do not make appropriate arrangements for obtaining the care and services you

need, and the Masonicare Medical Director or Executive Director of Chester Village determines, in his or her sole discretion, after the consultation described above that:

a. Chester Village does not have adequate facilities or staff to provide the nursing services or medical care that you need; or

b. Your continued occupancy of your Residence constitutes a danger or health hazard to you or other Residents, or is detrimental to the peace, safety or security of other Residents.

4. Transfer to an Outside Health Care Facility

If it is necessary to transfer you to an outside health facility, Chester Village will try to arrange for transfer to the facility of your choice. If you, your family or designated representative fail to choose a facility, the Executive Director of Chester Village or his/her designee may choose the facility in his or her sole discretion. You are responsible for all charges for outside facility transfers or services.

5. Charges During Stays at Any Healthcare Facility

If you are a short-term, temporary patient at Masonicare Health Center or at any other skilled nursing facility, you will continue to pay your Monthly Fee at Chester Village. If you become a permanent resident at another Masonicare facility or outside health care facility, this Residency Agreement will terminate with respect to you. If your spouse or roommate remains at Chester Village, his or her Monthly Fee will be adjusted to reflect single occupancy of the Residence. If you lived alone prior to your permanent transfer to a Masonicare facility or another health care facility, your residency and future financial obligations at Chester Village will terminate as of the date your Residence is vacated.

C. Marriage and Cohabiting

1. Between Chester Village Residents

If you marry or choose to live with another Chester Village Resident, either Resident may terminate his or her Residency Agreement and release his or her residence. Chester Village will determine the appropriate refund in accordance with the terms of the applicable Residency Agreement. The terminating Resident

may then become a party to the other existing Residency Agreement and become a second occupant in that residence. Chester Village will increase the Monthly Fee for the shared residence to the double occupancy rate.

2. Between A Chester Village Resident and Non-Resident

If you marry or choose to live with a non-resident, and you and that individual wish to live at Chester Village, the potential new resident must apply and meet the financial eligibility and other criteria to move to Chester Village. If the potential new resident qualifies for admission, he or she must become a party to this Residency Agreement and pay the then applicable Entry Fee. Chester Village will increase the Monthly Fee to the double occupancy rate.

3. Divorce or Separation

In the event married Residents divorce or separate, or persons sharing a residence separate, and each party desires a separate residence and one party remains in the residence which is the subject of this Residency Agreement, Chester Village will not refund any of the Entry Fee for the current residence. If the second Resident chooses to remain at Chester Village, that Resident must enter into a new Residency Agreement for such residence and pay the then applicable Entry Fee. Each party will pay the applicable Monthly Fee for his or her residence.

If one party desires to terminate his or her residency at Chester Village and move elsewhere, the remaining party shall retain full and exclusive rights to the residence. Neither party shall be entitled to any refund of the Entry Fee.

If both such Residents desire to cancel this Residency Agreement, Chester Village will follow the normal refund provisions of this Residency Agreement.

ARTICLE VII

TERMINATION PROVISIONS

A. Termination Prior to Occupancy

1. Rescission Rights

You (or your legal representative in the event of your death) may rescind this Residency Agreement by notifying the Chester Village Executive Director in writing by registered or certified mail within thirty (30) days of your execution of this Residency Agreement (the "Rescission Period"). If you choose to rescind the Residency Agreement, Chester Village will refund the appropriate portion of the Entry Fee paid, minus: 1) the Application Fee; 2) any costs incurred by Chester Village at your request as set forth in this Agreement or in an addendum signed by you; and 3) the Standard Administrative Fee. You are not required to move in to your residence during the Rescission Period.

2. Automatic Cancellation

If after the Rescission Period, you pass away before taking occupancy of your Residence, or you cannot occupy your Residence due to illness, injury or incapacity, this Residency Agreement shall be automatically cancelled upon Chester Village receiving written notice by registered or certified mail of your inability to take occupancy of the Residence. Chester Village will refund the appropriate portion of the Entry Fee paid, minus (i) the Application Fee, (ii) the Standard Administrative Fee; and (iii) the applicable Monthly Fee, prorated on a per diem basis for the period beginning on the later of seven (7) days after the execution of this Residency Agreement or the date on which your Residence was ready for occupancy and ending on the last day of the month in which Chester Village receives notice that you will not occupy the Residence. In all other circumstances, the provisions of Article VIII Section B govern cancellation of this Residency Agreement due to the death of a Resident.

3. Other Cancellation by Resident Prior to Occupancy

If this Residency Agreement is not terminated pursuant to Subsections A1 and A2 above, you may cancel this Residency Agreement at any time prior to taking occupancy upon written notice to the Executive Director of Chester Village sent by registered or certified mail. In the event of such a termination, Chester Village will refund the appropriate portion of the Entry Fee paid, minus (i) the Application Fee, (ii) the Standard Administrative Fee; and (iii) the applicable Monthly Fee, prorated on a per diem basis for the period beginning on the later of seven (7) days after the execution of this Residency Agreement or the date on which your Residence was ready for occupancy and ending on the last day of the month in which Chester Village receives notice that you will not occupy the Residence.

4. Termination by Chester Village Prior to Occupancy

If your Residence is constructed as of the date of this Residency Agreement, Chester Village reserves the right to cancel this Residency Agreement in its sole discretion if you do not take occupancy of your Residence within sixty (60) days of your Residence being ready for occupancy. In the event of such a termination, Chester Village will refund the appropriate portion of the Entry Fee paid, minus (i) the Application Fee; (ii) the Standard Administrative Fee; and (iii) the applicable Monthly Fee, prorated on a per diem basis for the period beginning on the later of seven (7) days after the execution of this Residency Agreement or the date on which your Residence was ready for occupancy and ending on the last day of the month in which Chester Village terminates the Agreement .

B. Termination After Occupancy

1. Termination by Resident

You may cancel this Residency Agreement at any time and for any reason upon thirty (30) days' advance written notice to the Executive Director of Chester Village. You will be responsible for Monthly Fees during the notice period and until the Residence is vacated. If you are eligible for an Entry Fee refund, it will be calculated from the date the Residence is vacated and the keys are returned to Chester Village.

2. Termination by Chester Village

Chester Village may cancel this Residency Agreement at any time for good and sufficient cause upon sixty (60) days' advance written notice to you. If you have not corrected the problem identified within thirty (30) days of receiving written notice thereof, you agree to leave Chester Village upon the termination of the Residency Agreement at the end of the 60 day notice period. If the Medical Director or the Executive Director of Chester Village determines that either the giving of notice or the lapse of time might be detrimental to you, other Residents, or Chester Village staff, or if the Executive Director of Chester Village determines in his or her sole discretion that the problem constituting cause for termination cannot be cured, then any notice or waiting period prior to termination shall not be required. Good and sufficient cause shall include, but is not limited to:

a. Failure to perform your obligations under this Residency Agreement, including your obligation to pay the Monthly Fee and other charges on

a timely basis, and failure to appropriately conserve your financial resources as required under this Residency Agreement;

b. Failure to abide by the Chester Village Policy and Procedures, including conduct by you that, in the sole discretion of the Executive Director of Chester Village, is detrimental to the health, safety, comfort, security or peaceful living of you or any of the other Residents or Chester Village staff;

c. Your refusal of treatment or care, or refusal to be transferred to an appropriate facility to receive treatment or care that, in the opinion of your personal physician, is medically required for your physical or mental health or the health and safety of other Residents or Chester Village staff;

d. Material misstatements or failure to state a material fact in your Application, Financial Disclosure Statement, or Health History Statement filed with Chester Village; or

e. Permanent transfer to another public or private institution for medical reasons.

If upon termination you are eligible for an Entry Fee refund, it will be calculated pursuant to Exhibit B of this Residency Agreement.

3. Termination for Medical Reasons

If the Masonicare Medical Director or the Chester Village Executive Director determines in his or her sole discretion that (a) Chester Village does not have adequate facilities or staff to provide the medical services you need; or (b) that your continued occupancy of your Residence constitutes a danger to other Residents or to yourself, or is detrimental to the peace or health of other Residents, then your residency at Chester Village will be terminated. If termination is necessary for medical reasons, you may transfer to a Masonicare facility or other facility under the direction of the Medical Director.

4. Termination by Reason of Death

a. Sole Occupant

In the event of your death, if you are the sole occupant of your Residence, this Residency Agreement will terminate on the date when the personal property in your Residence has been removed and the Residence is vacated. Your Monthly Fee for that month will be prorated, and, if you were eligible for an Entry Fee Refund, it will be calculated as of that date and paid over to your estate.

b. Surviving Spouse or Roommate

In the event of a Resident's death, and there is a surviving spouse or roommate, the Monthly Fee will be adjusted appropriately to reflect a single occupant. No Entry Fee Refund will be calculated or remitted at this time. The interest in the Entry Fee refund will only be calculated on the termination of residency of the surviving spouse or roommate.

c. Payment of Entry Fee Refund

In the event of a termination due to a Resident's death, a refund of a Resident's Entry Fee will be calculated as of the date when the personal property in your Residence has been removed and the Residence is vacated. If you would like the Entry Fee refund to be paid to a specific person or entity, indicate here to whom it should be paid:

If you do not designate a specific person or entity, the refund will be paid over to your estate.

5. Vacating Residence/Removal of Property

You must vacate your Residence and remove all personal property from your Residence within thirty (30) days after termination of the Residency Agreement. You will be obligated to continue paying the Monthly Fee plus any additional charges on a pro-rated basis until your personal property is removed from the Residence and the keys returned to Administration. If your personal property is not removed within the thirty (30) day period, Chester Village shall have the right to remove it from the Residence. Chester Village will store the property for a fee for up to six (6) months and then dispose of it at your expense.

ARTICLE VIII

OTHER RESIDENCY PROVISIONS

A. Facility Financial Condition

The financial condition of Chester Village is set forth in Masonicare's Annual Report. The Annual Report includes financial statements audited by an independent firm of certified public accountants, and is available for your review in the library reading areas.

B. Admission and Discharge of Other Residents

You agree that you have no right to determine or appeal the admission, terms of admission, placement, discharge of, or any other issues regarding, any other Resident.

C. Chester Village Association

Residents participate in and operate a residents' council, the Chester Village Association. Chester Village Administration meets with the Chester Village Association monthly. The Chester Village Association has no legal or contractual right to direct or operate Chester Village or any portion thereof.

D. Community Rules

For the proper management and operation of the community and the safety, health, and comfort of the Residents, Chester Village reserves the right to adopt or amend such policies and procedures as it deems necessary or desirable in its sole discretion. You agree to abide by Chester Village policies and procedures, as amended from time to time, which are incorporated by reference into this Residency Agreement. The Chester Village policies and procedures are available for your review at the Chester Village Administration Office.

E. Guest Policy

You are welcome to invite guests to your Residence. Guest accommodations are also available in the Guest Suite, on a first-come, first-serve basis. Chester Village will charge a reasonable daily guest rate for use of the Guest Suite. If your guest

stays in your Residence and his or her stay exceeds 30 nights, you will be billed the guest rate then in effect for the visit. Chester Village defines a "guest" as anyone staying overnight in a residence who has not signed this Residency Agreement. All guests are subject to the Chester Village policy and procedures and have no rights under this Residency Agreement.

F. Pet Policy

Pets are permitted in certain residences, under certain conditions, as set forth in Chester Village's Pet Policy. If you keep a pet in your Residence while you are a Resident of Chester Village, you agree to abide by the Pet Policy, and any amendments thereto. The Pet Policy is incorporated by reference into this Residency Agreement.

G. Smoking Policy

Smoking is prohibited. You agree to abide by the smoking policy and any amendments thereto. The smoking policy is incorporated by reference into this Residency Agreement.

ARTICLE IX

MISCELLANEOUS PROVISIONS

A. Variance Among Residency Agreements

You understand that Chester Village may enter into agreements with other Residents that may contain terms different from those contained in this Residency Agreement. These differences may be a result of different economic conditions at different times or other factors. Despite any different terms in other agreements, you agree that this Residency Agreement alone sets forth your rights and obligations with respect to Chester Village, and that you are not a third party beneficiary of any other Residency Agreement.

B. Accuracy of Information

You represent and warrant that all information you have submitted or will submit to Chester Village as required in completing your application to Chester Village is true and complete. You understand and acknowledge that Chester Village is relying on such information. You agree at any time to update the information

contained in your application upon the request of Chester Village. You must update your application if it is more than six (6) months old and you have not yet taken occupancy of your Residence for any reason, including construction of your Residence. If, before you take occupancy of your Residence, Chester Village determines in its sole discretion that you no longer meet the criteria for residency at Chester Village due to a change in your health or financial circumstances, Chester Village will so notify you in writing and this Residency Agreement shall automatically cancel in accordance with Article VII A.2. If Chester Village determines your application contains a material misstatement of fact or fails to state a material fact, Chester Village may cancel this Residency Agreement in accordance with Article VII A.4 or Article VII.B.2, as applicable.

C. Waiver

Chester Village's failure in any one or more instances to insist upon strict compliance by you with any of the terms of this Residency Agreement shall not waive Chester Village's right to insist upon your strict compliance with any of the terms of this Residency Agreement on other occasions.

D. Attorneys' Fees

In the event that Chester Village takes action to enforce the terms of this Residency Agreement, Chester Village is entitled to recover attorneys' fees and all costs of any such action.

E. Assignment

Your rights under this Residency Agreement are personal and cannot be assigned, transferred, inherited or devised. The Residency Agreement shall bind and inure to the benefit of Chester Village's successors and assigns and shall bind and inure to the benefit of your heirs, executors and administrators in accordance with its terms.

F. Entire Residency Agreement

This Residency Agreement, including all exhibits, constitutes the entire Residency Agreement between you and Chester Village. Chester Village is neither liable for, nor bound in any manner by, any statements, representations or promises made by any person representing or proposing to represent Chester Village unless such statements, representations, or promises are set forth in the Residency Agreement. Any modification of the Residency Agreement must be in writing and signed by

you and by Chester Village.

G. Partial Illegality

If any portion of this Residency Agreement shall be determined to be illegal or not in conformity with applicable laws, such portion shall be deleted and the validity of the balance of this Residency Agreement shall not be affected.

H. Governing Law

This Residency Agreement shall be construed in accordance with the laws of the State of Connecticut.

Remainder of page intentionally left blank.

I. No Third-Party Beneficiary

This Residency Agreement is between only you and Chester Village. Nothing in this Residency Agreement shall be interpreted to confer any rights or benefits to a third party.

IN WITNESS WHEREOF, the parties have signed this Residency Agreement this _____.

By signing this Residency Agreement, you also acknowledge receipt of the Disclosure Statement.

Resident(s)

or

Resident’s Legal Representative

MASONICARE AT CHESTER VILLAGE, INC.

By: _____

Executive Director

EXHIBIT A
CURRENT FEES

Resident Name(s)
Residence #
Move-in Date

Application Fee (non-refundable): \$

Initial Fee: \$

Deposit: \$

*Entry Fee: _____ \$

Balance Due Prior to Move In: \$

**Monthly Fee: _____ \$

Standard Administrative Fee: \$1500

*Please note: Entry Fee does not include any Options Extra that may be added before move-in.

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

EXHIBIT B

ENTRY FEE REFUND

Resident Name(s)
Residence #
Move-in Date
Entry Fee Amount

Five Year Declining Entry Fee Refund Schedule

Should you terminate your residency at Chester Village within 5 years (60 months) of taking occupancy, Chester Village will refund your Entry Fee according to the following schedule:

<u>Month</u>	<u>Amount of Entry Fee Refund</u>
1 (First 30 Days)	100% minus a Standard Administrative Fee*
2-12	83.25%
13-24	66.50%
25-36	49.75%
37-48	33.00%
49-60	16.25%
60+	0%

*The current Standard Administrative Fee is \$1500

EXHIBIT C

FLEXIBLE DINING PLANS

Resident Name(s)

Residence #

Move-in Date

Residents are required to participate in Chester Village's Flexible Dining Plan as described below.

- 1) **Standard Meal Plan**- Residents may choose the Standard Meal Plan. Residents choosing the Standard Meal Plan will receive an allocated amount of Dining Dollars per month equivalent to 1 meal per day for the entire month. This plan is included in the Monthly Fee.

- 2) **20 Meal Plan**- Residents may choose the 20 Meal per month plan. Residents choosing the 20 Meal Plan will receive a credit to their Monthly Fee in an amount equal to the cost of the additional ten meals included as part of the Standard Meal Plan.

***All Dining Plans are subject to change with 30 Days written notice.**

EXHIBIT D

FIRE SPRINKLER SYSTEM NOTICE

Resident Name(s)

Residence #

Move-in Date

In accordance with P.A. 15-005, Section 57, of the Connecticut General Statutes, you are being notified that all apartment units at Chester Village are equipped with working fire sprinkler systems.

Our systems are maintained and inspected by a sprinkler contractor licensed by the State of Connecticut. The date of the most recent inspection was December 12, 2016.

Please note that our cottages and villas are not equipped with fire sprinkler systems.

ATTACHMENT B

CURRENT LISTING OF ENTRY AND
MONTHLY FEES

Independent Living	Entrance Fee* 1 Person	Entrance Fee* 2 People	Monthly Fee 1 Person	Monthly Fee 2 People	Sq. Ft.
--------------------	---------------------------	---------------------------	-------------------------	-------------------------	---------

Monthly fee includes utilities and one meal per day. Telephone, cable & internet not included.

Apartment Residences

One Bedroom	\$134,900	\$154,900	\$3,550	\$4,410	850
One Bedroom w/Den	\$157,900	\$177,900	\$4,070	\$4,930	1005
Two Bedroom	\$186,900	\$206,900	\$4,520	\$5,380	1190
Two Bedroom Deluxe	\$189,900	\$209,900	\$4,570	\$5,430	1209
Two Bedroom Custom	\$208,900	\$228,900	\$4,860	\$5,720	1337
Two Bedroom w/Den	\$238,900	\$258,900	\$4,920	\$5,780	1467

Maplewood Homes

(all have an attached garage)

One Bedroom w/Den	\$248,200	\$268,200	\$4,340	\$5,200	1253
Two Bedroom	\$294,200	\$314,200	\$4,830	\$5,690	1403
Two Bedroom w/Den	\$306,400	\$326,400	\$5,290	\$6,150	1529
Two Bedroom w/Den w/Two Car Garage	\$312,600	\$332,600	\$5,290	\$6,150	1529

*Subject to change - Five year declining refund of Entrance Fee applied..

ATTACHMENT C

AUDITED FINANCIAL STATEMENTS



MASONICARE
CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

22 Masonic Avenue • P.O. Box 70 • Wallingford, Connecticut 06492
Toll Free 1-888-332-0033 • 203-679-5900 • masonicare.org



Residential Living . Skilled Nursing & Rehabilitation . Senior Hospital . Home Care . Hospice & Palliative Care

MASONICARE
CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Masonicare

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Masonicare and its subsidiaries (Masonicare), which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Masonicare as of September 30, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, Masonicare has adopted ASU 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, ASU 2016-14 – *Presentation of Financial Statements of Not-for-Profit Entities* and ASU 2016-18 – *Statement of Cash Flows: Restricted Cash*. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheets and consolidating statements of operations are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.


Crowe LLP

Simsbury, Connecticut
January 2, 2020

MASONICARE
CONSOLIDATED BALANCE SHEETS
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	<i>(in thousands)</i>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,158	\$ 2,161
Restricted cash	6,504	3,967
Accounts receivable	21,175	20,867
Other receivables	1,028	1,724
Inventories	257	251
Prepaid expenses and other current assets	1,970	1,842
Interest rate swap asset, current portion	-	15
Assets whose use is limited or restricted - required for current liabilities and operating purposes	<u>3,545</u>	<u>3,551</u>
Total current assets	<u>38,637</u>	<u>34,378</u>
Assets whose use is limited or restricted:		
By Board of Trustees	86,248	96,763
Under patient asset management, trust agreements and patient escrow accounts	172	162
Under indenture agreement - held by Trustee	2,532	2,494
Under trust for estimated self-insurance liabilities	18,576	21,198
By donors with time or purpose restrictions	4,121	3,795
By donors with restrictions in perpetuity	<u>42,939</u>	<u>43,661</u>
Total assets whose use is limited or restricted	154,588	168,073
Less: Assets whose use is limited or restricted - required for current liabilities and operating purposes		
	<u>(3,545)</u>	<u>(3,551)</u>
Non-current assets whose use is limited or restricted	151,043	164,522
Property and equipment, net	190,748	201,045
Interest rate swap asset, net of current portion	-	161
Recoveries of estimated insurance liabilities insured through commercial policies	<u>1,104</u>	<u>813</u>
Total assets	<u>\$ 381,532</u>	<u>\$ 400,919</u>

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

MASONICARE
CONSOLIDATED BALANCE SHEETS (CONTINUED)
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	<i>(in thousands)</i>	
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 3,094	\$ 2,880
Accounts payable and accrued expenses	15,346	14,761
Accrued salaries and related expenses	5,469	6,004
Accrued pension and postretirement benefits, current portion	382	507
Estimated self-insurance liabilities, current portion	1,251	1,370
Estimated settlements due to third-party payers	609	1,204
Annuities payable, current portion	265	271
Refundable entry fees, current portion	1,692	1,645
Deferred patient service and other revenues	3,312	3,390
Deposits	2,233	2,103
Interest rate swap liability, current portion	60	-
Long-term debt classified as payable in one year	-	44,243
Other liabilities	928	457
Total current liabilities	34,641	78,835
Accrued pension and postretirement benefits, net of current portion	15,694	11,167
Annuities payable, net of current portion	1,283	1,370
Refundable entry fees, net of current portion	47,616	46,611
Deferred entry fee revenues	3,178	3,068
Assets held for patient asset management, trust agreements and patient escrow accounts	133	122
Asset retirement obligation	847	814
Estimated insurance liabilities insured through commercial policies	1,104	813
Estimated self-insurance liabilities, net of current portion	9,470	9,635
Interest rate swap asset, net of current portion	216	-
Long-term debt, net of current maturities, unamortized costs and amounts classified as payable in one year	155,943	111,601
Total liabilities	270,125	264,036
Net assets:		
Masonicare net assets without donor restrictions	25,764	49,749
Non-controlling interest in consolidated subsidiary	1,591	2,746
Net assets without donor restrictions	27,355	52,495
Net assets with donor restrictions	84,052	84,388
Total net assets	111,407	136,883
Total liabilities and net assets	\$ 381,532	\$ 400,919

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

MASONICARE
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	<i>(in thousands)</i>	
Operating revenues:		
Net patient service revenues	\$ 113,862	\$ 138,013
Resident fees	38,353	35,570
Other revenues	6,039	5,623
Total operating revenues	158,254	179,206
Operating expenses:		
Salaries and wages	89,039	102,107
Employee benefits	26,760	29,200
Supplies and other services	27,532	31,076
Professional fees	14,332	17,620
Depreciation and amortization	13,376	14,032
Interest and other fees	8,150	8,113
Total operating expenses	179,189	202,148
Loss from operations	(20,935)	(22,942)
Non-operating income without donor restrictions:		
Contributions	3,583	3,201
Investment income	5,425	11,084
Total non-operating income	9,008	14,285
Expenses in excess of revenues before other items	(11,927)	(8,657)
Construction in progress write-off (MHC)	-	(1,177)
Provision for dissolution costs (MPHH&H)	-	(1,703)
Gain on sale of facility (MAN)	-	2,561
Provision for restructuring costs	(701)	-
Write-down of Medical Records / Billing software (MC)	(3,494)	-
Inherent contribution on purchase of facility (MCV)	-	1,886
Expenses in excess of revenues before change in fair value of interest rate swap agreement	(16,122)	(7,090)
Change in fair value of interest rate swap agreement	(452)	176
Expenses in excess of revenues	(16,574)	(6,914)
Expenses in excess of revenues attributable to non-controlling interest in consolidated subsidiaries	617	1,127
Expenses in excess of revenues of Masonicare	(15,957)	(5,787)
Other changes in net assets without donor restrictions:		
Change in unrealized appreciation (depreciation) on investments	(2,868)	(1,761)
Post-retirement changes other than net periodic benefit costs	(5,160)	3,291
Change in net assets without donor restrictions of Masonicare	\$ (23,985)	\$ (4,257)

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

MASONICARE
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
Years Ended September 30, 2019 and 2018

	<i>(in thousands)</i>						
	Without Donor Restrictions				With Donor Restrictions		
	Total	Masonicare	Non- controlling Interest	Total	Time/Purpose	Perpetual	Total
Balances, September 30, 2017	\$ 141,877	\$ 54,006	\$ 3,872	\$ 57,878	\$ 3,245	\$ 80,754	\$ 83,999
Expenses in excess of revenues	(6,913)	(5,787)	(1,126)	(6,913)			-
Change in unrealized gains and losses on investments	(1,988)	(1,761)	-	(1,761)			(227)
Change in post-retirement benefit plans' liability to be recognized in future periods	3,291	3,291	-	3,291			-
Gifts, grants & bequests with donor restrictions	91	-	-	-			91
Investment gains (losses) on assets with donor restrictions	1,081	-	-	-			1,081
Change in annuity obligations	(31)	-	-	-			(31)
Net assets released from restrictions	(525)	-	-	-			(525)
Change in net assets	<u>(4,994)</u>	<u>(4,257)</u>	<u>(1,126)</u>	<u>(5,383)</u>			<u>389</u>
Balances, September 30, 2018	136,883	49,749	2,746	52,495	\$ 2,966	\$ 81,422	84,388
Expenses in excess of revenues	(16,574)	(15,957)	(617)	(16,574)			-
Change in unrealized gains and losses on investments	(3,688)	(2,868)	-	(2,868)			(820)
Change in post-retirement benefit plans' liability to be recognized in future periods	(5,160)	(5,160)	-	(5,160)			-
Distribution of noncontrolling interest	(538)	-	(538)	(538)			-
Gifts, grants & bequests with donor restrictions	737	-	-	-			737
Investment gains (losses) on assets with donor restrictions	67	-	-	-			67
Change in annuity obligations	(184)	-	-	-			(184)
Net assets released from restrictions	(136)	-	-	-			(136)
Change in net assets	<u>(25,476)</u>	<u>(23,985)</u>	<u>(1,155)</u>	<u>(25,140)</u>			<u>(336)</u>
Balances, September 30, 2019	<u>\$ 111,407</u>	<u>\$ 25,764</u>	<u>\$ 1,591</u>	<u>\$ 27,355</u>	<u>\$ 3,317</u>	<u>\$ 80,735</u>	<u>\$ 84,052</u>

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

MASONICARE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	<i>(in thousands)</i>	
Cash flows from operating activities:		
Change in net assets	\$ (25,476)	\$ (4,994)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of deferred entry fee revenues	(6,085)	(5,903)
Depreciation and financing cost amortization	13,376	14,053
Amortization of net bond premium	51	(21)
Construction in progress write-off (MHC)	-	1,177
Provision for dissolution costs (MPHH&H)	-	1107
Gain on sale of facility (MAN)	-	(2,561)
Provision for restructure costs	701	-
Medical record & billing software system write-off	3,494	-
Inherent contribution on purchase of facility (MCV)	-	(1886)
Change in fair value of interest rate swap agreements	452	(176)
Unrealized (gains) losses on investments	3,688	1,988
Post-retirement changes other than net periodic benefit costs	5,160	(3,292)
Contributions with donor restrictions	(737)	(91)
Changes in operating assets and liabilities:		
Accounts receivable	(308)	513
Other receivables	695	357
Other assets	(133)	33
Accounts payable and accrued expenses	407	3,637
Accrued salaries and related expenses	(535)	(1,163)
Accrued pension and postretirement benefits	(1,478)	(348)
Estimated self-insurance liabilities	993	(1,452)
Estimated settlements due to third-party payers	(596)	427
Annuities payable	(92)	(186)
Deferred patient service and other revenues	(79)	379
Deposits	131	(228)
Other liabilities	300	(4)
Assets held for patient asset management, trust agreements & patient escrow accounts	<u>2</u>	<u>(314)</u>
Net cash used in operating activities	<u>(6,069)</u>	<u>1052</u>
Cash flows from investing activities:		
Proceeds from sales of investments	36,873	68,313
Purchases of investments	(27,975)	(73,389)
Proceeds from the sale of business and property and equipment (MAN)	-	11844
Property and equipment acquired with business and facility purchase (MCV)	-	(953)
Purchases of property and equipment	<u>(6,603)</u>	<u>(6,968)</u>
Net cash used in investing activities	<u>2,295</u>	<u>(1,153)</u>
Cash flows from financing activities:		
Proceeds from entrance fees	11,153	8,515
Refunds of entrance fees	(3,904)	(2,582)
Long-term debt-borrowings	3,363	6,928
Long-term debt-repayments	(3,041)	(2,451)
Long-term debt redemption	-	(5,545)
Line of credit borrowings	-	6,245
Line of credit repayments	-	(6,281)
Contributions with donor restrictions	<u>737</u>	<u>91</u>
Net cash provided by financing activities	<u>8,308</u>	<u>4,920</u>
Net change in cash and cash equivalents	<u>4,534</u>	<u>4,819</u>
Cash and cash equivalents, beginning of year	<u>6,128</u>	<u>1,309</u>
Cash and cash equivalents, end of year	<u>\$ 10,662</u>	<u>\$ 6,128</u>
Supplemental disclosure of cash flow information:		
Non-cash invest activity: amounts accrued but not paid for CIP	<u>\$ 306</u>	<u>\$ 477</u>
Cash paid for Interest	<u>\$ 8,073</u>	<u>\$ 7,996</u>
Property and equipment acquired with facility purchase (MCV)	<u>\$ -</u>	<u>\$ 17,240</u>
Acquired refundable entry fee & other liabilities with facility purchase (MCV)	<u>\$ -</u>	<u>\$ 14,207</u>

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

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 1 - GENERAL

Organization: Masonicare is a not-for-profit Connecticut corporation and a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code. Masonicare is the parent holding company and support organization for its affiliate corporations (collectively referred to as Masonicare or the System). Masonicare, organized in 1995 for the benefit of providing long-range strategic and financial planning, policy development and support services for its affiliates, provides a continuum of healthcare services, residential living services, and home & community based services primarily focused on older adults. The System provides services statewide to all, with a mission to enhance quality of life through an exceptional continuum of person-centered care. The predecessor organization (The Masonic Charity Foundation of Connecticut) was founded in 1889. As of September 30, 2019 the affiliate corporations in the System are: Masonicare Health Center (MHC, with 357 licensed skilled nursing beds, 93 independent & 86 assisted living units, and 59 available geriatric acute and psychiatric beds), The Masonic Charity Foundation of Connecticut, Inc. (MCF, philanthropic support), Masonicare at Ashlar Village (MAV, with 360 continuing care retirement community and 134 assisted living units), Masonicare Home Health and Hospice (MHH&H, provider of licensed in-home health care and hospice services), Masonicare at Home (MAH, provider of unlicensed in-home services), Keystone Indemnity Company, Ltd. (Keystone, a captive insurance company), Masonicare at Mystic (MAM), Senior Living by Masonicare (SLM, with 179 independent and assisted living units) and Masonicare at Chester Village (MCV, with 105 continuing care retirement community units).

SLM is a strategic partnership formed in 2014 by MAM and Mystic Senior Living Associates, LLC (MSLA), an unaffiliated for-profit entity. The partnership is a Connecticut Limited Liability Company to provide assisted living (including memory care assisted living) and independent living to the elderly in Mystic, Connecticut. MAV currently owns 88.4% of SLM through its 100% owned subsidiary, MAM, with the remaining 11.6% owned by MSLA. MAM was formed in 2014 as a Connecticut non-stock 501(c)(3) corporation for the purposes of serving as manager of SLM, and received approval from the Internal Revenue Service of its tax-exempt status in 2015. MAM contributed \$2,157 and \$2,737 of equity to SLM during 2019 and 2018, respectively; MSLA contributed \$-0- and \$-0- of equity to SLM during 2019 and 2018, respectively. MAM recorded the non-controlling interest in SLM of \$1,591 and \$2,208 on the consolidated balance sheets at September 30, 2019 and 2018, respectively.

MCV was formed on September 13, 2017, and received approval from the Internal Revenue Service of its tax-exempt status on April 23, 2018. On December 21, 2017, MCV acquired a 105-unit continuing care retirement community in Chester, Connecticut (See Note 2, Acquisition/Divestiture). With the appraised value of such assets more than the consideration paid, an inherent contribution of assets for 2018 of \$1,886 is reflected in the accompanying consolidated statements of operations and changes in net assets.

Masonic Management Services (MMS) ceased active operations of its primary care and psychiatric physician practices during December 2017, and was dissolved as of June 30, 2019.

The business and assets of Masonicare at Newtown (MAN) were sold to a regional operator of skilled nursing and assisted living facilities effective as of June 1, 2018 (See Note 2, Acquisition/Divestiture). The gain on the sale of MAN for 2018 of \$2,561 is reflected in the accompanying consolidated statements of operations and changes in net assets. MAN was dissolved as of September 30, 2019.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 1 - GENERAL (Continued)

Masonicare Partners Home Health & Hospice (MPHH&H) was a strategic partnership formed in 2007 by MHH&H and Saint Francis Hospital and Medical Center (SFH) to collaborate on the provision of services to the greater Hartford area. MHH&H owned 65% of MPHH&H, with the remaining 35% owned by SFH. On August 2, 2018 MHH&H and SFH announced the pending dissolution of MPHH&H. As of September 4, 2018 MPHH&H stopped accepting the referral of new patients and started the transition of existing patients to other care providers (in many instances MHH&H); the final patient care visits were provided on November 9, 2018. The orderly wind-up of the partnership has occurred, and MPHH&H was dissolved as of September 30, 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting: The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). New accounting pronouncements adopted by Masonicare during 2019 are as follows:

ASU 2016-18 Statement of Cash Flows: Restricted Cash- This new standard changes the reporting of cash flows to include the total of unrestricted and restricted cash & equivalents, requires a reconciliation to amounts reported in the consolidated balance sheets and disclosure of the nature of the restrictions. This standard has been applied retrospectively to all periods presented.

ASU 2016-14 Presentation of Financial Statements of Not-for-Profit Entities- This new standard changes the reporting of net assets to two classes (net assets without donor restrictions and net assets with donor restrictions); requires additional disclosures about liquidity and the availability of assets to meet future cash requirements; and requires additional disclosures about functional expenses. This standard has been applied retrospectively to all periods presented, except as permitted for the liquidity and functional expense disclosures.

ASU 2014-09 Revenue from Contracts with Customers- This new standard requires the recognition of revenue in an amount that reflects the consideration expected to be received for the provision of services. This standard (including revised revenue recognition footnote disclosures) has been applied retrospectively to all periods presented, with no impact on consolidated expenses in excess of revenues or net assets. For the years ending September 30, 2019 and 2018, \$1,699 and \$2,862, respectively, was recorded of implicit price concessions as a direct reduction of net operating revenues that would have been recorded as provision for doubtful accounts prior to the adoption of ASU 2014-09. For the years ending September 30, 2019 and 2018, \$5,194 and \$6,084, respectively, was recorded as a direct reduction of accounts receivable that would have been reflected as allowance for doubtful accounts prior to the adoption of ASU 2014-09.

Principles of Consolidation: The consolidated financial statements include the accounts of Masonicare, MHC, MCF, MAV, MHH&H, MAH, Keystone, MAM, SLM and MCV (and prior to dissolution, MAN, MPHH&H and MMS). Intercompany accounts and transactions have been eliminated in consolidation.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Acquisition/Divestiture: MCV acquired certain assets, liabilities and the operations of the continuing care retirement community on December 21, 2017 for a cash purchase price of \$953. The acquisition was accounted for as a business combination under the acquisition method of accounting, with the purchase price allocated based on the fair value of the individual identifiable assets and liabilities acquired; the difference between the fair value of the net assets acquired and the purchase price is reported as an inherent contribution (the facility no longer fit the seller's ongoing business model). Acquisition date property and equipment of \$17,240 and acquisition date refundable entry fees and related liabilities of \$14,207 are the major elements of the acquisition date net assets.

With the completion of due diligence and other requirements of the Purchase and Sale Agreement dated October 23, 2017, MAN was sold on June 1, 2018 for a gross sale price of \$13,100. Net sale proceeds of \$11,844 (after an \$800 purchase price concession for facility updates, conveyance taxes of \$87 and broker's fees of \$369) were partially utilized to redeem the outstanding tax-exempt debt on the facility (See Note 5, Long-term Debt).

Unrestricted Cash & Cash Equivalents / Restricted Cash: Unrestricted cash & cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less from the date of acquisition, excluding amounts whose use is limited or restricted. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250 per customer, per bank. Amounts in excess of the FDIC limits are uninsured. Most of Masonicare's banking activity is maintained with several regional banks and, from time-to-time, exceeds FDIC limits. It is Masonicare's policy to monitor these banks' financial strength on an ongoing basis.

Restricted cash primarily consists of required continuing care retirement community security deposits at MAV and MCV, loan collateral requirements related to SLM and MCV debt, and escrowed amounts under the MAN Purchase and Sale Agreement for potential third-party liabilities.

The reconciliation of unrestricted cash & cash equivalents and restricted cash to amounts reported in the consolidated statements of cash flows are as follows:

	<u>2019</u>	<u>2018</u>
Unrestricted cash & equivalents	\$ 4,158	\$ 2,161
Restricted cash:		
Loan agreement collateral requirements	4,464	2,080
Continuing care retirement community security deposits	1,738	1,587
Escrowed under MAN Purchase & Sale Agreement	302	300
	6,504	3,967
Total cash & equivalents	\$ 10,662	\$ 6,128

Accounts Receivable: Accounts receivable includes both patient/resident accounts receivable (primarily represents the unpaid amounts billed to patients/residents and third-party payers for services performed under contracts of \$18,333 and \$17,827 as of September 30, 2019 and 2018, respectively; historical collections are utilized to report receivables for patient care services and resident fees at net realizable value) and patient customer contracts receivable (amounts due for services performed under contracts which have not yet been billed to patients or third-party payers of \$2,842 and \$3,040 as of September 30, 2019 and 2018, respectively; historical collections are utilized to report patient customer contracts at net realizable value). The System does not accrue interest on any of its accounts receivable.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories: Inventories are stated at the lower of cost or fair market value, using the first-in, first-out method.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities and mutual funds are measured at fair value in the consolidated balance sheets. Assets received as donations or bequests are recorded as contributions on the date received at the estimated fair value. Investment income or loss (including interest & dividends and realized gains & losses on investments, net of fees) is included in expenses in excess of revenues. Realized investment gains and losses on marketable equity securities sold are determined on a specific identification basis.

Masonicare invests in several limited partnerships (the Investment Companies). Some of these investments are in the form of both a master and feeder fund structure. The Investment Companies invest primarily in securities of publicly traded companies, securities of privately held distressed companies, real estate ventures and other financial instruments including a variety of derivative products such as call and put options, warrants and convertible securities. These Investment Companies are not traded on an exchange and do not provide Masonicare with the ability to redeem shares on a daily basis. There is generally no secondary market for trading interests in the Investment Companies. Instead, the net asset value serves as the basis for the investor's periodic (i.e. monthly or quarterly) subscription and redemption activity pursuant to the terms of each Investment Companies' governing documents. In accordance with FASB ASC 958-10, "Consolidation" and AAG HCO-1, "Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations", Masonicare reports the carrying values of the Investment Companies at cost, which amounted to \$20,613 and \$20,318 as of September 30, 2019 and 2018, respectively. No impairment related to the investments in limited partnerships was recorded in 2019 or 2018.

As of September 30, 2019 and 2018, Masonicare had \$8,682 and \$9,818, respectively, of unfunded commitments owed to the Investment Companies.

Restricted Assets: Assets whose use is limited or restricted include assets set aside by the Board of Trustees (the Board) for future capital purposes, over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets restricted by donors; patient assets & patient escrow accounts; assets held in trust for estimated self-insurance liabilities; and assets held in trust under a State of Connecticut Health and Educational Facilities Authority (CHEFA) Indenture Agreement.

Net assets with donor restrictions include annuities and residual interest trusts; these net assets may be utilized only in accordance with the purposes established by the donor or by the passage of time. Net assets with donor restrictions also include funds subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity.

Annuity funds are held conditional upon Masonicare paying stipulated amounts or the income earned on contributed amounts to designated individuals. A liability has been determined based on the present value of future payments for the expected lives of each annuitant; such payments terminate upon death of the beneficiary. Upon termination, the remaining principal becomes part of Masonicare's net assets with donor restrictions held in perpetuity.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The income earned on donor-restricted funds is generally available for operations of Masonicare and is recorded as revenue in the consolidated statements of operations, unless restricted by the donor or to pay future annuity obligations at which time the income is added to the appropriate net asset with donor restrictions balance. Administration of Masonicare's restricted funds is subject to the general provisions of the Uniform Management of Institutional Funds Act (UMIFA) as updated by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under the provisions of this law, a governing board may appropriate for expenditure for the uses and purposes for which a donor-restricted perpetual fund is established, so much of the net appreciation as is deemed prudent based on standards established by UMIFA and UPMIFA.

While a governing board must exercise ordinary business care in the appropriation of such appreciation, the general provisions of UMIFA and UPMIFA do not mandate that institutions retain gains on donor-restricted assets in perpetuity. Accordingly, institutions that are subject to general UMIFA and UPMIFA provisions report gains on donor-restricted assets held in perpetuity as donor-restricted net assets with a time/purpose restriction until those amounts are appropriated for expenditure by the Board of Trustees. However, if a specific gift instrument explicitly requires the re-investment of appreciation, or a portion thereof, such reinvested amounts shall be classified within donor-restricted net assets held in perpetuity.

Patient assets and escrow accounts are managed by Masonicare through asset management agreements and are utilized to pay for care and other services rendered by Masonicare. Patient assets are pooled together and each patient is credited with income earned monthly based on a percentage of patient assets to total assets in the pool.

Assets whose use is limited or restricted, with the exception of patient assets, are pooled for investment purposes. Each participating fund's equity in the pool is represented by pool units based on fair value. Investment income and gains and losses from sales of pooled investments are apportioned among the invested funds based on earnings per pool unit.

Property and Equipment, Net: Property and equipment are stated at cost or, in the case of donated property, at the fair value at the date of the gift, less accumulated depreciation. Major improvements and betterments to existing plant and equipment are capitalized. Expenditures for maintenance and repairs, which do not extend the lives of the applicable assets, are charged to expense as incurred. Upon disposition or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and resulting gains and losses are included in the results of operations.

Depreciation expense is computed on a straight-line half-year basis over the asset's estimated useful life, using a full month convention beginning in the month the asset is placed in service. Useful lives assigned to assets range from 5 to 40 years.

MCV assets acquired as part of the acquisition of the continuing care retirement community on December 21, 2017 are stated at appraised value as of the date of acquisition. Estimated remaining useful lives assigned to these assets range from 1 to 25 years.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MAV Entrance Fees: MAV residents are provided living accommodations, other facilities and services and certain medical care in exchange for payment of entrance fees and monthly service charges. Deferred entry fee revenue represents the amount of unamortized initial entry fees paid by residents of MAV, with amounts amortized to income on a straight-line basis over the estimated remaining residential life expectancies of the individual residents. Refundable entry fees are refundable in the event of termination of the Residency Agreement or upon the resident's death (up to 96 months) at a declining rate based on length of stay as provided by the Residency Agreements. Residential life expectancies are determined annually by reference to appropriate actuarial tables.

Based upon MAV's existing fee structure and management's expectation that future monthly service charges will be reflective of related operating costs, MAV is not required to record a liability for its obligation to provide future services and facilities to current residents.

MCV Entrance Fees: MCV residents are also provided living accommodations, other facilities and services (and in some instances certain medical care) in exchange for payment of entry fees and monthly service charges.

All Acquired Residency Agreements provide for specified levels of refunds, which are reflected in refundable entry fees in the accompanying consolidated balance sheets; there was no deferred entry fee revenue from non-refundable contracts recorded by MCV.

All post-acquisition Residency Agreements include certain medical care as part of the payment of entry fees and monthly service charges; deferred entry fee revenue represents the amount of unamortized initial fees paid by such residents of MCV, with amounts amortized to income on a straight-line basis over the estimated remaining residential life expectancies of the individual residents. Refundable entry fees are refundable in the event of termination of the Residency Agreement or upon the resident's death (up to 60 months) at a declining rate based on length of stay as provided by the Residency Agreements. Residential life expectancy is determined annually by reference to appropriate actuarial tables.

Based upon MCV's existing fee structure and management's expectation that future monthly service charges will be reflective of related operating costs, MCV is not required to record a liability for its obligation to provide future services and facilities to its current residents.

Deferred Patient Service and Other Revenue: Deferred patient service revenue represents the amount of unamortized Medicare billings for home care services under the prospective payment methodology. Deferred patient service revenue is amortized to income on a straight-line basis over an expected 60-day treatment period. Deferred other revenue represents pre-billing of certain fees associated with MHC, MAV, SLM and MCV that are not earned until the subsequent month.

Net Assets: Net assets are classified as without donor restrictions or with donor restrictions. Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the System, and include undesignated net assets and net assets that are Board-designated. Net assets with donor restrictions are net assets subject to stipulations imposed by donors, and include restrictions that are temporary in nature and will be met by actions of the System or by the passage of time, or restrictions that are perpetual in nature due to a stipulation that the funds be maintained in perpetuity.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions received with donor restrictions are recorded as a gift, grant or bequest with donor restriction in the statement of changes in net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Donor restricted gifts that are received for which their restricted purpose is met during the same year are reported as net assets with donor restrictions and then reflected as net assets released from restrictions and reclassified as net assets without donor restrictions.

Operating Revenues: Operating revenues include net patient service revenues, resident fees and other revenues. Net patient service revenue is reported at the amount that reflects the consideration Masonicare expects to receive for providing patient care services as the performance obligations are satisfied. Resident fee revenue is reported when services are rendered and amounts billed are due from residents in the period in which the services are provided. Other revenue consists primarily of fees for discretionary services, recognized as services are provided and is generally billed in arrears. See footnote 7, Operating Revenues.

Functional Expenses: Masonicare provides health and social care services to the aging population, primarily residents of Connecticut. Expenses related to providing these services for the years ended September 30, 2019 and 2018 are as follows:

	Program Services			Management & General	Fund Raising	2019 Total	2018 Total
	Health Care	Home & Community	Residential				
Salaries and wages	\$ 33,053	\$ 34,624	\$ 10,142	\$ 11,016	\$ 443	\$ 89,278	\$ 102,107
Employee benefits	10,912	9,439	2,787	3,519	103	26,760	29,200
Supplies and other services	11,205	5,655	7,868	2,383	182	27,293	31,076
Professional fees	6,154	2,735	4,432	910	101	14,332	17,620
Depreciation and amortization	2,215	294	8,760	2,107	-	13,376	14,032
Interest and other fees	828	-	6,309	686	327	8,150	8,113
Total operating expenses	<u>\$ 64,367</u>	<u>\$ 52,747</u>	<u>\$ 40,298</u>	<u>\$ 20,621</u>	<u>\$ 1,156</u>	<u>\$ 179,189</u>	<u>\$ 202,148</u>

The consolidated financial statements report certain expenses that are attributable to one or more direct and/or supporting program services. Expenses are allocated as necessary based upon reasonable allocation methodologies consistently applied.

Non-operating income without donor restrictions: Non-operating income includes certain contributions received without donor restrictions and investment income from assets without donor restrictions. Investment income from assets without donor restrictions is comprised of the following for the years ended September 30, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 3,523	\$ 3,978
Realized gains on sales of investments	2,293	7,528
Less: investment management fees	(390)	(422)
	<u>\$ 5,426</u>	<u>\$ 11,084</u>

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses in Excess of Revenues: The consolidated statements of operations and changes in net assets include expenses in excess of revenues as the performance indicator. Changes in net assets without donor restriction, which are excluded from expenses in excess of revenues consistent with industry practice, include the change in unrealized gains and losses on investments other than trading securities, certain adjustments to the post-retirement liability, and the change attributable to the non-controlling interest in consolidated subsidiaries.

Use of Estimates: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the estimated net realizable value of receivables from patients and third-party payers, settlement of third-party reimbursement cost reports with Medicare and Medicaid, valuation of investments, useful lives of buildings and equipment and other estimates included in actuarial calculations for deferred entry fee revenue, pension expense, postretirement healthcare costs and estimated self-insurance liabilities. Actual results could differ from those estimates.

Income Taxes: Masonicare, MHC, MCF, MAV, MHH&H, MAH, Keystone, MAM and MCV (and prior to dissolution MAN and MPHH&H) qualify as tax-exempt corporations under Section 501(c)(3) of the Internal Revenue Code. The Code provides for taxation of unrelated business income under certain circumstances. The System has no material unrelated business income, with income tax expense for the System immaterial for the years ended 2019 and 2018.

SLM is organized as a limited liability company and is being taxed as a partnership under the provisions of the Internal Revenue Code. SLM's taxable income or loss is reported by its members individually. The liability for payment of federal and state income tax on SLM's earnings is the responsibility of its members rather than that of SLM. As MAM is an 88.4% owner of SLM and qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code, the earnings allocated to MAM by SLM are non-taxable.

Masonicare accounts for uncertain tax positions in accordance with certain provisions of FASB ASC 740, which provides a framework for how companies should recognize, measure, present and disclose uncertain tax positions in their consolidated financial statements. Under FASB ASC 740, Masonicare may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Masonicare did not record any unrecognized tax benefits for the years ended September 30, 2019 and 2018. Masonicare anticipates that it will not have a change in unrecognized tax benefits during the next twelve months that would have a material impact on the consolidated financial statements.

All U.S. federal tax years from fiscal 2016 onwards are eligible for audit by the IRS.

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MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liquidity and funds availability: Financial assets available for general expenditure within one year of the most recent balance sheet date consist of the following:

Cash & Cash Equivalents	\$ 4,158
Less:Keystone cash & equivalents	(527)
Patient accounts receivable	21,175
Assets restricted by Board of Trustees	86,248
Less:Board of Trustees restricted assets with liquidity restrictions	<u>(18,709)</u>
Total financial assets	<u>\$ 92,345</u>

The assets restricted by Board of Trustees above is classified as a non-current asset in the consolidated balance sheets, with management's intention to use the liquidation of any such assets only if necessary to support operations. In addition, the System has certain donor-restricted assets where the income on such assets is unrestricted. Such income is not reflected in the table above. Certain Keystone assets may be available to support general expenditures, pending Board and regulatory approvals.

The System maintains a \$10,000 revolving line of credit with a bank, of which \$6,362 is available as of September 30, 2019.

Reclassifications: Certain reclassifications have been made to the amounts reported for fiscal 2018 to conform the presentation with the 2019 presentation. These reclassifications had no effect on total net assets or the change in net assets.

Subsequent Events: Subsequent events have been evaluated through January 2, 2020, the date the consolidated financial statements were issued.

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MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 3 - ASSETS WHOSE USE IS LIMITED OR RESTRICTED

Assets whose use is limited or restricted and classified as current assets consist of funds required for interest payable on bonds, annuities payable recorded as current liabilities and amounts approved by the Board of Trustees for operating purposes in the following years.

Assets whose use is limited or restricted consists of the following at September 30, 2019 and 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Fair Value (**)</u>	<u>Cost</u>	<u>Fair Value (**)</u>	<u>Cost</u>
Cash, cash equivalents and interest receivable	\$ 13,711	\$ 13,711	\$ 15,726	\$ 15,726
Marketable equity securities	65,107	64,192	71,645	67,820
Fixed income securities	21,944	22,137	24,976	26,158
Perpetual interest trusts	12,561	8,519	12,838	8,519
Residual interest trusts	1,137	817	1,124	1,076
Real estate	6,600	7,216	7,216	7,215
Other investments	33,503	36,308	34,548	37,194
Other assets	<u>25</u>	<u>25</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 154,588</u>	<u>\$ 152,925</u>	<u>\$ 168,073</u>	<u>\$ 163,708</u>

** Included in the above fair value are alternative investments that are carried at cost. The total cost of these investments amounted to \$20,163 and \$20,319 as of September 30, 2019 and 2018 respectively.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 7,435	\$ 7,435
Land improvements	27,849	27,316
Buildings	274,190	269,311
Furniture and equipment	<u>70,978</u>	<u>73,662</u>
	380,452	377,724
Less: accumulated depreciation	<u>(193,874)</u>	<u>(182,129)</u>
	186,578	195,595
Construction in progress (estimated cost to complete - \$810)	<u>4,170</u>	<u>5,450</u>
	<u>\$ 190,748</u>	<u>\$ 201,045</u>

Depreciation expense was \$13,326 and \$13,973 for the years ended September 30, 2019 and 2018, respectively.

During 2019, Masonicare disposed of \$3,494 of fixed assets related to the replacement of its Medical Records & Billing software system. Skilled nursing and hospital services operations have migrated to new software as of September 30, 2019, with residential services operations scheduled to be fully migrated by calendar year-end 2019.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Connecticut Health & Educational Facilities Authority (CHEFA) tax-exempt Revenue Bonds:		
Series F	\$ 103,965	\$ 106,335
Net original issue premium(discount)	5,834	6,086
Subtotal	<u>109,799</u>	<u>112,421</u>
Line of Credit	3,638	3,638
Obligated Group	<u>113,437</u>	<u>116,059</u>
Bank Construction Loan	37,759	38,280
Bank Credit Agreement	9,826	6,463
Other	48	108
Non-Obligated Group	<u>47,633</u>	<u>44,851</u>
	161,070	160,910
Less: unamortized financing costs	(2,033)	(2,186)
Less: current maturities	(3,094)	(2,880)
Less: amounts classified as payable in one year	-	(44,243)
	<u>\$ 155,943</u>	<u>\$ 111,601</u>

Obligated Group Debt

The Series F and Series G bonds issued by CHEFA under separate Trust Indentures each dated as of November 1, 2016 were loaned to the Obligated Group (Masonicare, MHC, MCF, MAV [excluding MAM and SLM], MAH, MHH&H [excluding MPH&H] and MAN) pursuant to separate Loan Agreements each dated as of November 1, 2016. Proceeds were used, together with other available funds, to: refund all of the then outstanding Series C and Series E bonds; fund ongoing capital expenditures at the Obligated Group's facilities; pay Series C Interest Rate Swap Agreement (Series C Swap Agreement) termination fees with respect to swaps entered into in connection with the Series C bonds; and pay costs of issuance and other financing costs with respect to the issuance of the Series F and G bonds.

In connection with the sale of MAN, certain proceeds of the transaction were utilized to redeem the outstanding Series G bonds as of July 1, 2018. Coincidental with the redemption, \$100 of deferred financing costs and \$114 of bond discount were written-off (included as a component of the gain on the sale in the accompanying consolidated statements of operations and changes in net assets). Effective with the redemption of the Series G bonds, MAN ceased to be an Obligated Group member with the achievement of the withdrawal requirements of the bond agreements.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 5 - LONG-TERM DEBT (Continued)

The Series F bonds [Serial Bonds due at various dates through 2034 at rates from 2.0% to 5.0% and Term Bonds due at several dates from 2030 through 2043 at rates from 4.0% to 5.0%] were issued in the amount of \$110,030 at a net premium. The net premium on the Series F bonds is amortized using the effective interest method over the life of the related debt issue, and amounted to \$252 and \$263 for the years ended September 30, 2019 and 2018. The Series F bonds maturing after July 1, 2026 are subject to optional redemption prior to maturity commencing July 1, 2026 at a Redemption Price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the date set for redemption.

Under the Series F Trust Indenture, the Obligated Group is required to make monthly deposits with the Trustee to fund scheduled future principal and interest payments. The loan agreements place limits on additional borrowings and require the Obligated Group to maintain certain financial covenants; the Obligated Group was in compliance with these covenants for the years ended September 30, 2019 and 2018.

The maturities of obligated group long-term debt in each of the succeeding five years and thereafter are as follows: \$2,469, 2020; \$2,565, 2021; \$2,665, 2022; \$2,800, 2023; \$2,940, 2024; and \$90,530 thereafter.

Funds held by Trustees under the indenture agreement are as follows at September 30, 2019 and 2018:

	2019	2018
Principal and interest funds, held by U.S. Bank	\$ 1,890	\$ 1,868
Series F construction escrow, held by Fidelity	642	626
	\$ 2,532	\$ 2,494

Masonicare has a revolving line of credit agreement with a bank for \$10,000. Advances under the line of credit bear interest at the higher of a 4% interest rate or the Eurodollar rate plus 175 basis points. The agreement expires upon mutual consent of both parties.

Non-Obligated Group Debt

Mystic: In connection with the construction of the 179-unit facility in Mystic, Connecticut, SLM entered into a \$38,280 construction loan credit agreement with a bank. Under the terms of the amended agreement dated September 25, 2019, the credit facility bears an interest rate of 1-month LIBOR plus 400 basis points; is partially guaranteed by SLM's partners (along with their parent corporations); and has a maturity date of May 1, 2021 (with an option for SLM to extend the maturity date for an additional one-year period). This credit facility requires the payment of interest only through November 1, 2018, with payments of principal and interest due monthly thereafter based upon a 27 year amortization period. Utilizing the bank-provided nominal rate as of December 2018 of 6.313%, the maturities of this debt in each of the succeeding years are as follows: \$581, 2020; maturity in 2021.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 5 - LONG-TERM DEBT (Continued)

The credit agreement requires SLM to maintain specified occupancy and financial covenants; SLM is in compliance with the amended covenants as of September 30, 2019. SLM was not in compliance with certain of these covenants for the period ended September 30, 2018, with negotiations in process regarding modifications to the terms of the then existing credit agreement when the 2018 financial statements were finalized. As a result of the financial covenant violations at that time, the possibility of a declaration of an event of default and the related possibility of the acceleration of payment terms, SLM 2018 amounts noted as long-term were reclassified as a current obligation in the accompanying consolidated balance sheets as of September 30, 2018.

Chester Village: In connection with the acquisition of the continuing care retirement community in Chester, Connecticut, MCV has entered into a \$10,145 credit agreement with a bank. Under the terms of the agreement dated December 21, 2017, the loan bears interest rate of 1-month LIBOR plus 300 basis points and has a maturity date of December 21, 2022. The credit agreement requires the payment of interest only through December 31, 2020, with payments of principal and interest due monthly thereafter based upon a 20 year amortization period. The maturities of this debt in each of the succeeding years are as follows: \$-0-, 2020; \$234, 2021; \$295, 2022; maturity in 2024.

The credit agreement requires MCV to maintain specified financial covenants; MCV is in compliance with the covenants as of September 30, 2019. MCV was not in compliance with certain of these covenants for the period ended September 30, 2018, with amendment of the covenants only for periods prior to September 30, 2019. As a result, the possibility of an event of default and the related possibility of the acceleration of payments terms as of September 30, 2018, MCV 2018 amounts noted as long-term were reclassified as a current obligation in the accompanying consolidated balance sheets as of September 30, 2018.

In connection with the credit agreement, MCV has entered into an interest rate swap agreement (MCV Swap Agreement) to synthetically fix the variable interest payment on an initial notional value of \$4,000 (subject to adjustment in accordance with a schedule up to a maximum value of \$8,844). MCV makes fixed payments to the swap agreement counterparty at a rate of 2.4% and receives variable payments from the counterparty equal to 1-month LIBOR. The change in the difference between these rates is recorded as an increase or decrease of interest expense, with the cumulative change in the fair value of the MCV Swap Agreement (a liability of \$276 as of September 30, 2019, an asset of \$176 as of September 30, 2018) recorded in the accompanying consolidated balance sheets. Management has not designated the MCV Swap Agreement as a hedging instrument; accordingly, the change in fair value of the MCV Swap Agreement for the fiscal years ended September 30, 2019 and 2018 is recorded in the accompanying consolidated statements of operations and changes in net assets of \$452 and \$176, respectively.

The use of an interest rate swap to manage exposure to changes in the interest rate on the MCV variable rate debt exposes Masonicare to additional risks related to this derivative instrument. These risks, and Masonicare's risk management practices to mitigate these risks, are as follows:

Market risk represents the potential adverse effect on the fair value and cash flow of a derivative instrument due to changes in interest rates or rate spreads. Market risk is managed through ongoing monitoring of interest rate exposure based on set parameters regarding the type and degree of market risk that Masonicare will accept.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 5 - LONG-TERM DEBT (Continued)

Credit risk is the risk that the counterparties on a derivative instrument may be unable to perform their obligation during the term of the contract. When the fair value of a derivative contract is positive, the counterparties owe Masonicare, which creates credit risk. Credit risk is managed by setting stringent requirements for qualified counterparties at the date of the execution of a derivative transaction and requiring counterparties to post collateral in the event of a credit rating downgrade or if the fair value of the derivative instrument exceeds a negotiated threshold.

Termination risk represents the risk that Masonicare may be required to make a significant payment to the counterparties, if the derivative contract is terminated early. Termination risk is assessed at the onset by performing a statistical analysis of the potential for a significant termination payment under various scenarios designed to encompass expected interest rate changes over the life of the proposed contract.

Unamortized Financing Costs

Financing costs have been deferred, and are being amortized using the effective interest method over the term of the related financing agreement.

Recurring amortization expense was \$203 and \$147 for the years ended September 30, 2019 and 2018 respectively.

NOTE 6 - SELF-INSURANCE LIABILITIES

Workers' Compensation Effective January 1, 2001, Masonicare became self-insured for the deductible portion of workers' compensation claims. During fiscal 2009, Masonicare was notified that the State of Connecticut would no longer permit the self-insurance of workers' compensation claims, and effective March 1, 2009 has obtained commercial insurance coverage for such claims. The workers' compensation trust will continue to cover the costs of the deductible portion of claims arising through the date of the change (\$250 per claim through December 31, 2004 and \$350 through February 28, 2009). During 2009, Masonicare obtained a surety bond to secure the future obligations of the self-insured deductible program, with \$300 in collateral (held in trust at J.P Morgan Chase Bank N.A.) included in assets under trust for self-insurance liabilities within the consolidated balance sheets as of September 30, 2019 and 2018, respectively.

Beginning March 1, 2009, Masonicare has purchased a pre-funded large deductible policy from a commercial carrier with a deductible limit of \$350 per claim and a \$4,300 aggregate limit (\$4,200 through March 1, 2010). Masonicare is required to pre-fund a loss escrow account with the commercial carrier; amounts held in escrow by the commercial carrier total \$4,537 and \$5,530 as of September 30, 2019 and 2018, respectively, and are carried within assets under trust for estimated self-insurance liabilities on the consolidated balance sheets.

Masonicare employed independent actuaries to estimate the ultimate costs of the self-insured deductibles and the pre-funded large deductible policies, which approximate \$3,757 and \$3,680 at September 30, 2019 and 2018, respectively. These liabilities (included in estimated self-insurance liabilities within the accompanying consolidated balance sheets) have also been discounted at a rate of 3% at September 30, 2019 and 2018, and in management's opinion provide an adequate reserve for loss contingencies.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 6 - SELF-INSURANCE LIABILITIES (Continued)

Malpractice and General Liability

Masonicare is self-insured for its long-term care professional and general liability exposure through Keystone, a wholly-owned subsidiary domiciled in Connecticut. Keystone provides claims-made coverage of \$10,000 per claim with an annual aggregate of \$14,000 for general liability insurance and \$13,000 per claim with an annual aggregate of \$16,000 for professional liability insurance, subject to reinsurance. The liability for incurred but not reported claims of \$450 and \$522 as of September 30, 2019 and 2018, respectively, has been retained at Masonicare. Investments of Keystone total \$13,739 and \$15,368 as of September 30, 2019 and 2018, respectively, and are carried within assets under trust for estimated self-insurance liabilities on the consolidated balance sheets.

Masonicare has employed independent actuaries to estimate the ultimate costs of the settlement of claims under the program. Accrued professional and general liability reserves are discounted at a rate of 3% as of September 30, 2019 and 2018. Management considers the liability to be adequate as of September 30, 2019 and 2018; however, no assurance can be given that the ultimate settlement of losses may not vary materially from the liability recorded. Future adjustment to the amounts recorded resulting from the continual review process, as well as differences between estimates and ultimate payments, will be reflected in the consolidated statements of operations of future years when such adjustments, if any, become known.

Activity in the estimated liability for outstanding losses and loss-related adjustment expenses at Keystone for the years ended September 30, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 5,432	\$ 5,998
Less: reinsurance recoverable	<u>(647)</u>	<u>(697)</u>
Net balance, beginning of year	4,785	5,301
Incurred related to:		
Current year	1,762	2,243
Prior years	<u>(1,877)</u>	<u>(2,611)</u>
Total incurred	(115)	(368)
Paid related to:		
Current year	(1)	(1)
Prior years	<u>(65)</u>	<u>(106)</u>
Total paid	(66)	(107)
Impact of change in discounting	<u>24</u>	<u>(41)</u>
Net balance, end of year	4,628	4,785
Add: reinsurance recoverable	<u>633</u>	<u>647</u>
Balance, end of year	<u>\$ 5,261</u>	<u>\$ 5,432</u>

As a result of changes in estimates of insured events in prior years, the provision for incurred losses and loss adjustment expenses decreased by \$1,877 and \$2,611 in 2019 and 2018, respectively, as a result of favorable development in professional liability reserves from original expectations.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 6 - SELF-INSURANCE LIABILITIES (Continued)

Medical and Dental Insurance

Masonicare self-insures liabilities related to medical coverage on its employees and dependents (covered members) up to \$150 per covered member, and has procured a stop loss policy for coverage in excess of \$150 per covered member. Masonicare has estimated the value of incurred but not reported liabilities of the self-insured medical and dental benefit plans of \$1,251 and \$1,370 as of September 30, 2019 and 2018 respectively. Masonicare paid claims and administrative fees related to this program of \$14,176 and \$15,761 for the years ended September 30, 2019 and 2018, respectively.

NOTE 7 - OPERATING REVENUES

Net patient service revenue: A summary of net patient service revenue by payer type for the fiscal years ended September 30, 2019 and 2018 is presented below:

<u>2019</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>Commercial</u>	<u>Self-Pay/Other</u>	<u>Total</u>
Net revenues from services to patients	\$ 50,629	\$ 31,280	\$ 14,885	\$ 17,068	\$ 113,862
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>2018</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>Commercial</u>	<u>Self-Pay/Other</u>	<u>Total</u>
Net revenues from services to patients	\$ 62,928	\$ 38,133	\$ 17,438	\$ 19,514	\$ 138,013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Patient care service revenue is reported at the amount that reflects the consideration Masonicare expects to receive for providing patient care services. These amounts are due from third-party payers (including government programs and commercial health insurers), patients and others; and may include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and/or investigations. Generally, Masonicare bills the third-party payers, patients and others after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Masonicare. Revenue for performance obligations satisfied over time is recognized based on actual services performed in relation to total expected (or actual) services or is recognized as services are performed depending on the payer and the type of service performed. Masonicare believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the satisfaction of the obligation. Generally, performance obligations satisfied over time relate to patients receiving skilled nursing home care services, inpatient hospital care services, and home care services (including care of the sick and hospice care). Masonicare measures the performance obligation from admission (into the skilled nursing facility, the hospital or the home care service) to the point when Masonicare is no longer required to provide services to that patient, which is generally at the time of discharge (from the skilled nursing facility, the hospital or the home care service). Revenue for performance obligations satisfied at a point in time (hospital outpatient services) is recognized when such services are provided.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 7 - OPERATING REVENUES (Continued)

Because all of its performance obligations relate to contracts with a duration of less than one year, Masonicare has elected not to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient hospital services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Masonicare determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured/underinsured patients in accordance with Masonicare's policy, and/or implicit price concessions provided to uninsured/underinsured patients. Masonicare determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The System determines its estimate of implicit price concessions based on its historical collection experience from that category of payer.

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers follows:

Medicare Services rendered to Medicare program beneficiaries are reimbursed under a variety of reimbursement methodologies:

Geriatric acute care beds of MHC are reimbursed on a Diagnostic Related Group (DRG) Prospective Payment System (PPS) methodology. Reimbursement amounts differ based on diagnosis and acuity level.

Geriatric medical psychiatric beds of MHC are reimbursed on an Inpatient Psychiatric Facility Prospective Payment System, which considers patient diagnosis along with clinical and functional factors such as a length of stay and comorbidity.

Skilled nursing care beds of MHC (and prior to dissolution, MAN) are reimbursed using the Resource Utilization Groups (RUGS) PPS methodology, which considers patient diagnosis with the level of clinical & rehab care given determined through Minimum Data Set (MDS) evaluation.

Home health services are reimbursed using the home health resource groups (HHRG) PPS methodology. Under home health PPS, an agency receives a fixed amount of reimbursement which covers all services (with a limited number of exceptions) provided to a patient for a specific treatment episode of 60 days. The reimbursement rate is developed based on the clinical, functional and service needs specific to the individual patient. The prospective rate is wage-adjusted based on where the service is provided (as opposed to where the benefit agency is located), and is subject to a variety of final claim adjustments which can modify the payment based on actual utilization and level of clinical and functional severity reported at the end of the episode.

Hospice services are reimbursed on a per diem basis based on level of care.

Outpatient services (non-home health) are reimbursed either on a rate per case outpatient prospective payment Ambulatory Payment Classification (APC) system, or on a cost basis or a blend of cost and fee schedules.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 7 – OPERATING REVENUES (Continued)

Medicaid Services rendered to Medicaid program beneficiaries are reimbursed under a variety of reimbursement methodologies:

Skilled nursing care beds of MHC and MAN are reimbursed by applying a prospective rate system that categorizes costs into five major groupings, with the facilities' actual costs compared to state maximums-with the lower amounts determining reimbursement. Although the base period used to compute the rates is to be updated every two to four years, the Connecticut legislature has overridden the rebasing with reimbursement continuing to be based on 1996 costs, updated by a defined percentage as established by the legislature. This update has consistently been less than the level of inflation.

Home health services are reimbursed based on a fixed fee for service rates.

Hospice services are reimbursed on a per diem basis.

Other payers Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

MHC and MHH&H (and prior to dissolution, MAN and MPHH&H) must file annual Medicare cost reports and MHC (and prior to dissolution, MAN) must file annual Medicaid cost reports. Masonicare (as the corporate parent) files a home office cost report with Medicare in order to define the cost of services to each of the other cost reporting entities. Although there is no direct reimbursement for the home office, the allocated costs to the other cost reporting entities are incorporated into their respective Medicare cost reports.

As a result of audits by the Medicare and Medicaid intermediaries, the cost reports may be subject to audit adjustments and retroactive settlements. Masonicare has recorded provisions for future audits and related estimated settlement amounts. No material adjustments are expected to result from future audit settlements. Medicare cost reports have been settled through September 30, 2015 for MHC and through September 30, 2017 for MAN, MHH&H and MPHH&H. The Medicaid cost reports for MHC and MAN have been reviewed through September 30, 2012 and 2010, respectively. Settlements with third-party payers (including commercial payers) for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

Masonicare participates in the Centers for Medicare & Medicaid Services Bundled Payments for Care Improvement initiative- Model 3 for selective episodes of skilled nursing. These arrangements include financial and performance accountability for the selected episodes of care. Participation in this initiative has not had a material impact on results of operations.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, governmental health care program participation requirements, reimbursement for patient services, and Medicare & Medicaid fraud and abuse. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. While there can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations, Management believes that Masonicare is in compliance with fraud and abuse regulations as well as other applicable governmental laws and regulations.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 7 - OPERATING REVENUES (Continued)

Patients who are covered by third-party payer arrangements may be responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The System estimates the transaction price for patients with deductibles and coinsurance, and from those who are uninsured, based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ending September 30, 2019 and 2018, no significant adjustments to revenue were recognized due to changes in the estimates of implicit price concessions for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ending September 30, 2019 and 2018 was not significant.

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients. Patients who meet the System's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Masonicare has elected the portfolio approach and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a financing component due to Masonicare's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. However, Masonicare does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract. Masonicare has applied the portfolio approach and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the System otherwise would have recognized is one year or less in duration.

Resident fees: Resident fees consists primarily of monthly fees for basic housing and certain support services and fees associated with additional housing and expanded support requirements such as assisted living care, memory care, and ancillary services. Basic housing and certain support services revenue is recorded when services are rendered and amounts billed are due from residents in the period in which the rental and other services are provided. Residency agreements are generally short term in nature with durations of one year or less and are typically terminable by either party, under certain circumstances, upon providing 30 days' notice, with resident fees billed monthly in advance. The System has contract liabilities for deferred fees paid by residents prior to the month housing and support services are to be provided.

The System determines the transaction price based on standard charges for goods and services provided and/or concessions provided to residents, determining its variable consideration based on its historical collection experience. The System considers the resident's ability and intent to pay the amount of consideration upon admission; subsequent changes resulting from a resident's ability to pay are recorded as bad debt expense, which is insignificant for the years ending September 30, 2019 and 2018.

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MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 7 - OPERATING REVENUES (Continued)

Other revenue: Other revenue consists primarily of fees for discretionary services (such as medical alert system rental, daily living activities, beautician/barber, laundry, television, guest meals, pets and parking), rental income and day care tuition. Such revenue is recognized as services are provided and is generally billed in arrears.

NOTE 8 - PENSION AND OTHER POST-RETIREMENT BENEFITS

For fiscal 2019 and 2018, Masonicare offers to substantially all of its employees a defined contribution retirement plan with various investment options. Masonicare provides a "safe-harbor" (immediately vested) 3% contribution for eligible plan participants (beginning after the first year of service with at least 1,000 hours of service) based upon eligible compensation as defined. Also as part of this retirement plan, Masonicare matches \$0.25 for every dollar contributed into the savings plan up to 4% of eligible compensation as defined (beginning after the first month of service). The employer match is subject to a 3-year graduated vesting schedule (0%-50%-100%) based upon at least 1,000 hours of service. Total defined contribution pension expense was \$2,956 and \$3,243 for the years ended 2019 and 2018, respectively.

Masonicare has a frozen defined benefit pension plan, with all participants 100% vested in their account balances. Benefits will be fully payable upon retirement as defined or upon plan termination. Pension cost for the defined benefit retirement plan was \$1,211 and \$1,526 for fiscal 2019 and 2018, respectively.

Masonicare also has a frozen nonqualified supplemental retirement plan for certain executives. During fiscal 2015, the plan's final liabilities were determined.

Masonicare also has a postretirement health plan for certain eligible employees who were hired prior to January 1, 2000 if they retire after attaining specified age and service requirements while they worked for Masonicare. The cost of such benefits is accrued during an employee's years of service. Generally, Masonicare pays a portion of the plan costs and the retirees pay premiums based on age and years of service at retirement. Postretirement health plan cost was \$(316) and \$(303) for the years ended September 30, 2019 and 2018, respectively.

Total pension and other postretirement benefits expense for the years ended September 30, 2019 and 2018 was \$3,851 and \$4,465, respectively.

Significant assumptions are as follows as of September 30, 2019 and 2018:

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Weighted average assumptions:				
Discount rate on Qualified Plan	3.10%	4.10%	2.95%	4.10%
Expected return on plan assets	6.50%	6.50%	N/A	N/A
Health care cost trend rate:				
Initial health care cost trend rate	N/A	N/A	6.00%	6.00%
Ultimate health care cost trend rate	N/A	N/A	5.00%	5.00%
Number of years to ultimate rate	N/A	N/A	5 years	5 years

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 8 - PENSION AND OTHER POST-RETIREMENT BENEFITS (Continued)

The discount rate is the rate at which obligations could be effectively settled and is based on high-grade bond yields after allowing for call and default risk. The expected rate of return on assets for the defined benefit pension plan is determined by adding expected inflation to expected long-term returns.

The health care cost trend rate assumption has a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

		1-Percentage Point Increase		1-Percentage Point Decrease
Effect on total of service and interest cost components	\$	2	\$	(2)
Effect on postretirement benefit obligation	\$	79	\$	(82)

The following table sets forth the funded status of the postretirement benefit plans and the related amounts recognized in Masonicare's consolidated financial statements at September 30, 2019 and 2018.

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 32,725	\$ 35,140	\$ 2,667	\$ 2,973
Participant contributions	-	-	38	34
Service cost	-	-	4	4
Interest cost	1,225	1,210	104	100
Actuarial loss (gain)	4,420	(1,348)	412	(147)
Benefits paid	(2,167)	(2,277)	(269)	(298)
Benefit obligation at end of year	<u>\$ 36,203</u>	<u>\$ 32,725</u>	<u>\$ 2,956</u>	<u>\$ 2,666</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 23,738	\$ 22,818	\$ -	\$ -
Actual return on plan assets	129	1,755	-	-
Employer contributions	1,273	1,442	232	264
Participant contributions	-	-	38	34
Benefits paid	(2,167)	(2,277)	(270)	(298)
Fair value of plan assets at end of year	<u>\$ 22,973</u>	<u>\$ 23,738</u>	<u>\$ -</u>	<u>\$ -</u>
Accrued liability	<u>\$ (13,230)</u>	<u>\$ (8,987)</u>	<u>\$ (2,956)</u>	<u>\$ (2,666)</u>
Defined benefit pension plan	\$ (13,093)	\$ (8,719)		
Supplemental executive retirement plan	(137)	(268)		
Accrued liability	<u>\$ (13,230)</u>	<u>\$ (8,987)</u>		
Postretirement health plan, net			\$ (2,956)	\$ (2,666)
Retiree Part D subsidy receivable			(20)	(21)
Accrued liability			<u>\$ (2,976)</u>	<u>\$ (2,687)</u>

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 8 - PENSION AND OTHER POST-RETIREMENT BENEFITS (Continued)

Components of net periodic benefit costs are as follows for the years ended September 30, 2019 and 2018:

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ -	\$ -	\$ 4	\$ 4
Interest cost	1,225	1,210	104	100
Expected return on plan assets	(987)	(983)	-	-
Amortization of prior service credit	-	-	(437)	(437)
Actuarial loss recognized	973	1,299	412	(147)
	<u>\$ 1,211</u>	<u>\$ 1,526</u>	<u>\$ 83</u>	<u>\$ (480)</u>

Postretirement changes other than net periodic benefit costs of \$5,160 were recorded in the consolidated statements of changes in net assets without donor restrictions for the year ended September 30, 2019. Of the \$4,305 related to the defined benefit pension plan, \$4,151 reflects liability loss due to assumption change (updated mortality tables); \$268 reflects liability loss due to participant experience, \$857 reflects asset return loss and \$972 reflects the actuarial loss recognized. Of the \$837 related to the post-retirement health plan, \$412 reflects liability loss due to assumption change, \$437 reflects recognition of prior service credit and (\$12) reflects the actuarial loss recognized.

Amounts recorded in net assets without donor restrictions as of September 30, 2019, not yet amortized as components of net periodic benefit costs are as follows:

Unamortized prior service credit	\$ (172)
Unamortized actuarial loss	16,451
Amount recognized as a reduction in net assets without donor restrictions	<u>\$ 16,279</u>

The amortization of the above items expected to be recognized in net periodic costs for the year ended September 30, 2019 is \$(437) and \$(437) for prior service credit and actuarial loss, respectively.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 8 - PENSION AND OTHER POST-RETIREMENT BENEFITS (Continued)

The fair values of Masonicare's pension plan assets as of September 30, 2019 and 2018, by asset category classified as Level 1, 2 and 3, as defined in Note 13, are as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<u>2019</u>				
Cash, cash equivalents and interest receivable	\$ -	\$ -	\$ -	\$ -
Mutual and other equity funds:				
Fixed income taxable bond	11,289	-	-	11,289
U.S. equity	8,311	-	-	8,311
International	3,373	-	-	3,373
Commodities	-	-	-	-
	<u>\$ 22,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,973</u>
<u>2018</u>				
Cash, cash equivalents and interest receivable	\$ -	\$ -	\$ -	\$ -
Mutual and other equity funds:				
Fixed income taxable bond	8,402	-	-	8,402
U.S. equity	11,790	-	-	11,790
International	3,546	-	-	3,546
Commodities	-	-	-	-
	<u>\$ 23,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,738</u>

The investment objectives for the defined benefit pension plan is to obtain a favorable relative return for the entire fund, consistent with preservation of capital emphasizing some income generation and long-term growth. While some risk is warranted pursuing long-term growth of capital, consistent annual returns with low volatility in investment performance are desirable.

Masonicare expects to contribute approximately \$2,090 to its defined benefit pension plan and \$231 to its postretirement health plan in fiscal year 2020. The costs and related obligations of the supplemental executive retirement plan are included within the pension benefit tables set forth above.

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MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 8 - PENSION AND OTHER POST-RETIREMENT BENEFITS (Continued)

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

	<u>Pension</u> <u>Benefits</u>	<u>Other</u> <u>Postretirement</u> <u>Benefits</u>
2020	\$ 4,920	\$ 253
2021	\$ 3,360	\$ 256
2022	\$ 2,680	\$ 252
2023	\$ 2,490	\$ 245
2024	\$ 2,680	\$ 234
Thereafter	\$ 10,670	\$ 890

NOTE 9 - DONOR-RESTRICTED ASSETS

Masonicare's donor-restricted assets consist of funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with donor-restricted funds are classified and reported based on the nature of the donor restrictions, either held in perpetuity or held pending the end of the donor-stipulated time restriction or the accomplishment of the restriction.

Masonicare has interpreted the relevant laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted fund held in perpetuity absent explicit donor stipulations to the contrary. The remaining portion of the donor-restricted fund that is not classified as a net asset held in perpetuity is classified as a donor-restricted net asset held pending accomplishment of the time/purpose restriction until appropriated for expenditure by the Board of Trustees. Masonicare considers the following factors in making a determination to appropriate or accumulate donor-restricted funds held in perpetuity: (1) the duration and preservation of the fund; (2) the purposes of Masonicare and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of Masonicare; and (7) the investment policies of Masonicare.

Donor-restricted net assets held in perpetuity consist of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Investments held in perpetuity, the income from which is dedicated to support Masonicare's activities	\$ 40,489	\$ 39,977
Investment in SLM*	25,594	25,594
Investments held in perpetuity, the income from which is dedicated to support annuity contractual obligations	914	1,836
Investments held in perpetuity, the income from which is dedicated to support MHH&H activities	1,177	1,177
Fair value of perpetual trusts	<u>12,561</u>	<u>12,838</u>
	<u>\$ 80,735</u>	<u>\$ 81,422</u>

*See Spending Policy section of Note 9 for more information

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 9 - DONOR-RESTRICTED ASSETS (Continued)

Donor-restricted net assets held pending accomplishment of the time/purpose restriction are available for the following purposes at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Residual interest trusts not available for Masonicare's purposes until the expiration of the trusts	\$ 619	\$ 612
Investments held to support annuity contractual obligations that are not available for Masonicare's purposes until the expiration of interest income	139	211
Support of MAV residents	1,417	1,437
Support for scholarship activities	1,142	706
	<u>\$ 3,317</u>	<u>\$ 2,966</u>

Of the \$2,966 of donor-restricted net assets held pending accomplishment of the time/purpose restriction as of September 30, 2018, \$479 reflects the unexpended accumulated earnings related to donor-restricted net assets held in perpetuity. During fiscal 2019, these time/purpose restricted net assets were increased by realized and unrealized investment earnings of \$14 and reduced by distributions of \$54, resulting in an unexpended accumulated earnings balance of \$439 as of September 30, 2019.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted funds held in perpetuity may fall below the level that the donor or relevant law requires Masonicare to retain as a fund of perpetual duration. Deficiencies of this nature are reported in donor-restricted net assets held in perpetuity. As of September 30, 2019, there was one fund below the level required by donor or law in the amount of \$616; as of September 30, 2018, there were no funds that were below the level required by donor or law.

Return Objectives and Risk Parameters: Masonicare's investment and spending policies attempt to provide a predictable stream of funding to programs supported by its donor-restricted assets held in perpetuity while seeking to maintain the purchasing power of the restricted assets.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, Masonicare's investment and spending policies for its donor-restricted assets held in perpetuity attempt to provide preservation of capital, growth after inflation, capital appreciation and compliance with bond covenants. In addition, the objectives include adequate liquidity with limited volatility.

Spending Policy: During fiscal year 2014, MCF's Board of Directors and Masonicare's Board of Trustees approved the appropriation of \$12,594 of donor-restricted assets held in perpetuity for the purpose of loaning these funds to MAV which in turn loaned these funds to MAM to capitalize SLM. During fiscal year 2015, MCF's Board of Directors and Masonicare's Board of Trustees approved the additional appropriation of \$13,000 of donor-restricted assets held in perpetuity for the same purpose. These transactions have resulted in the effectuation of four intercompany loan agreements- two agreements between MCF and MAV and another two agreements between MAV and MAM. Both intercompany loan agreements in the amount of \$12,594 and \$13,000 bear interest at a rate equivalent to the Applicable Federal Rate as published in Revenue Rulings of the Internal Revenue Service from time to time, until paid in full, and mature on May 15, 2028 and April 29, 2029. Repayment shall be interest only until maturity. MAM utilized these monies to invest in SLM, which has constructed an independent and assisted living facility in Mystic, CT in order to further continue the mission of Masonicare. The new facility was completed and commenced operations during year ended September 30, 2017. Interest expense paid on the note was \$714 and \$714 for the years ended September 30, 2019 and 2018, respectively.

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MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 9 - DONOR-RESTRICTED ASSETS (Continued)

MCF's Board of Directors and Masonicare's Board of Trustees previously approved the appropriation of donor-restricted assets held in perpetuity for the purpose of acquiring land in Oxford, CT (during fiscal 2014) and Mansfield, CT (during fiscal 2011) for a total cost of \$7,216. The land will be used to develop independent and assisted living facilities to provide services to the elderly and further continue the mission of Masonicare.

For fiscal periods beginning October 1, 2009 Masonicare's Spending Policy is to support Masonicare's strategic plan initiatives and operational objectives by making available up to a maximum of 23.5% annually of the 3 year rolling average of the unrestricted portfolio's market value measured annually as of May 31st. The annual percentage allocation may only exceed 0% in years that the unrestricted investment portfolio's market value has not incurred a decline from the prior year market value as measured as of May 31st. To comply with this Spending Policy, the Investment Committee provides recommendations of the annual percentage allocation to the Board of Trustees based on its evaluation of management's proposal for how the appropriated funds will be utilized including consideration of the projected impact on the investment portfolio. Management presents its proposals at the beginning of each year's internal budget process. Additional requests may be submitted by management to the Investment Committee for evaluation at other times during the year due to timing or extraordinary circumstances for recommendation to the Board of Trustees. The Board of Trustees also approves additional amounts to be withdrawn from funds which are restricted to certain uses pursuant to donor stipulation that are subject to appropriation and expenditure for the relevant specified uses.

MCF's investment portfolio allocation policy for long-term returns (Spending Policy) provides for the appropriation of funds from principal and or earnings to support annual operational losses of Masonicare. Subsequent to September 2009 and primarily due to unfavorable investment returns within the global equity markets, MCF's Board of Directors and Masonicare's Board of Trustees has also approved the expenditure of up to \$20 million of invested assets to ensure compliance with Masonicare's bond covenants. None of the \$20 million appropriated has been expended as of September 30, 2019 and 2018.

NOTE 10 - FAIR VALUES

Effective October 1, 2008, Masonicare adopted FASB ASC 820-10, "*Fair Value Measurements and Disclosures*", which defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

FASB ASC 820 does not require any new fair value measurements but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. The new definition of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability, which is referred to as the exit price. The standards provide guidance on how to measure fair value, when required, under existing accounting standards and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels (Level 1, 2 and 3).

Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets that Masonicare has the ability to access at the measurement date.

Level 2 - Observable inputs (other than quoted prices included in Level 1) for the asset or liability based on data not quoted in active markets but corroborated by market data available to Masonicare.

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MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 10 - FAIR VALUES (Continued)

Level 3 - Unobservable inputs reflecting Masonicare's estimates of the assumptions that market participants could use in pricing the asset or liability (including assumptions about risk).

Management determines the appropriate classification of its investments in all securities at the time of purchase and re-evaluates such determination at each balance sheet date. Masonicare has classified its investments in available for sale securities as Level 1, 2 and 3, as follows:

<u>2019</u>	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash, cash equivalents and interest receivable	\$ 13,711	\$ -	\$ -	\$ 13,711
Equity securities:				
U.S. equity securities	16,498	-	-	16,498
U.S. mutual funds	25,838	-	-	25,838
International mutual funds	28,828	-	-	28,828
Other assets	7,106	-	-	7,106
Debt securities:				
U.S. government securities	5,581	-	-	5,581
Corporate bonds	4,748	-	-	4,748
Mortgage backed securities	2,342	-	-	2,342
Taxable bond fund	9,020	-	-	9,020
Other assets	26	-	-	26
Perpetual interest trusts	-	-	12,561	12,561
Real estate	-	6,600	-	6,600
Residual interest trusts	-	1,137	-	1,137
Other invested assets	-	429	-	429
Total	<u>\$ 113,698</u>	<u>\$ 8,166</u>	<u>\$ 12,561</u>	<u>\$ 134,425</u>

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 10 - FAIR VALUES (Continued)

<u>2018</u>	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	<u>Total</u>
Cash, cash equivalents and interest receivable	\$ 15,726	\$ -	\$ -	\$ 15,726
Equity securities:				
U.S. equity securities	17,296	-	-	17,296
U.S. mutual funds	31,115	-	-	31,115
International mutual funds	32,444	-	-	32,444
Other assets	4,610	-	-	4,610
Debt securities:				
U.S. government securities	2,555	-	-	2,555
Corporate bonds	7,523	-	-	7,523
Mortgage backed securities	2,753	-	-	2,753
Taxable bond fund	12,177	-	-	12,177
Other assets	26	-	-	26
Perpetual interest trusts	-	-	12,838	12,838
Real estate	-	7,216	-	7,216
Residual interest trusts	-	1,124	-	1,124
Other invested assets	-	352	-	352
Total	<u>\$ 126,225</u>	<u>\$ 8,692</u>	<u>\$ 12,838</u>	<u>\$ 147,755</u>

Investments in Investment Companies, carried at cost, are excluded from the above and amount to \$20,163 and \$20,318 as of September 30, 2019 and 2018, respectively.

A roll-forward of the investments classified as Level 3, within the fair value hierarchy, are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 12,838	\$ 12,428
Interest and dividends	-	-
Contributions	-	-
Fees	-	-
Net unrealized gains	(277)	410
	<u>\$ 12,561</u>	<u>\$ 12,838</u>

Masonicare's financial instruments recorded at Level 1 fair value are primarily investments or financial instruments with underlying investments traded actively on exchanges and price quotes for these shares are readily available. The fair value of Masonicare's Level 2 and Level 3 investments are determined by management after considering prices received from third-party pricing services.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 10 - FAIR VALUES (Continued)

The following methods and assumptions were used by Masonicare in estimating the fair value of its other financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the consolidated balance sheets for cash and cash equivalents approximates its fair value.

Receivables and Payables: The fair value of receivables and payables approximates the carrying amount reported in the consolidated balance sheets as of September 30, 2019 and 2018.

Real Estate: Real estate is carried at appraised value.

Residual Interest Trusts: Primarily corporate bonds, with fair value determined based on defined sector, benchmark yields, yield to maturity and considering any adjustment required related to corporate action(s).

Interest Rate Swap Asset: The MCV Swap Agreement was entered into during 2018. The \$(452) fair value at September 2019 and \$176 fair value at September 30, 2018 of the interest rate swap asset (classified as Level 2) was based on information provided by the swap providers, and considers the underlying notional debt principal amounts and the current interest rates paid by the parties under the terms of the swap contract.

Long-Term Debt: Fair values of Masonicare's long-term debt are based on current traded value. The fair value of the CHEFA Series F Bonds, determined using quoted market prices at the valuation date, was approximately \$113,927 and \$110,975 at September 30, 2019 and 2018, respectively. For the variable rate debt, fair value is considered to be equal to carrying value.

NOTE 11 - COMMITMENTS, CONTINGENCIES AND OTHER OBLIGATIONS

Leases

Masonicare leases certain real estate and equipment under several non-cancelable operating leases. Future minimum rental payments under non-cancelable operating leases with initial terms in excess of one year are as follows at September 30, 2019: \$520, 2020; \$497, 2021; \$349, 2022; \$358, 2023; and \$270, 2024.

Total rent expense under all operating leases was approximately \$450 and \$856 for the years ended September 30, 2019 and 2018, respectively.

Asset Retirement Obligation

During March 2005, the FASB issued Interpretation No. 47, which clarifies the term "conditional asset retirement obligation" as used in FASB ASC 410-20, "Asset Retirement Obligations". FASB ASC 410-20 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets such as facilities containing asbestos, when the amount of the liability can be reasonably estimated. Management has evaluated the fair market value of its Asset Retirement Obligation (ARO), relating to its various facilities, with an ARO liability of \$847 and \$814 established as of September 30, 2019 and 2018, respectively. Management will continue to evaluate its exposure to asbestos removal and adjust the ARO for the fair value of the associated costs.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 11 - COMMITMENTS, CONTINGENCIES AND OTHER OBLIGATIONS (Continued)

Medical Records & Billing Software Contingency

As more fully described below, Masonicare is in dispute with the former provider of the System's Medical Records & Billing software for healthcare & residential services. The determination of whether any costs of this contingency should be accrued (in accordance with FASB ASC 450-20, "Loss Contingencies") is made by assessing whether a loss is deemed probable and can be reasonably estimated. Masonicare has developed its view on this matter in consultation with outside legal counsel engaged related to this matter, evaluating the current status of this matter and considering possible litigation & potential settlement strategies. Should future developments in this matter cause a change in the determination as to an unfavorable outcome and result in the need to recognize a material cost, or should the result be a settlement or a final adverse judgment for significant amounts, it could have a material adverse effect on the consolidated results of operations, cash flows and financial position of the System in the period or periods in which such change in determination, settlement or judgment occurs. In the event this contingency results in a gain, such gain could have a material positive effect on the consolidated results of operations, cash flows and financial position of the System in the period or periods in which such gain is realized.

Masonicare implemented new Medical Records & Billing software for healthcare & residential services in December 2017 as part of the plan to convert all service lines to a fully-integrated health record for services to all System-wide patients and residents. Due to unsurmountable problems with this new software and the elimination of an offering in the home & community-based services space, the decision was made to sunset this software; accordingly, a \$3,494 write-off of the software is reflected in the accompanying consolidated statement of operations and changes in net assets.

Conversations have been ongoing with the software vendor; no final demand for payment (or filing of litigation) has been made by either side, with settlement discussions being considered. Accordingly, it is not probable that a loss has been incurred and an amount cannot be reasonably estimated at this time.

Legal Matters

Masonicare is involved in various legal actions arising in the normal course of business. Although the ultimate outcome is not determinable at this time, management, after taking into consideration advice of legal counsel, believes that the resolution of these pending matters will not have a material adverse effect, individually or in the aggregate, upon the consolidated balance sheets and the related consolidated statements of operations and changes in net assets and cash flows.

NOTE 12 - RECENT ACCOUNTING GUIDANCE

During March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715)*. The standard requires the current-service-cost component to be disaggregated from other components of the net benefit cost and presented within other current compensation costs in the income statement. The standard also requires non-service cost components of the net benefit cost to be presented in the income statement below net operating income. ASU 2017-07 is effective for fiscal years beginning after December 15, 2018; Masonicare expects to adopt this ASU during 2020 and is in the process of assessing the effect on Masonicare's consolidated financial statements.

(Continued)

MASONICARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 12 - RECENT ACCOUNTING GUIDANCE (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU affects any entity that enters into a lease (as that term is defined in this update), with some specified scope exemptions. The guidance in this update supersedes Topic 840, *Leases*. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018; Masonicare expects to adopt this ASU during 2020 and is in the process of assessing the effect on Masonicare's consolidated financial statements.

During January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard requires measurement of equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) at fair value with changes in fair value recognized in net income. Further, to the extent an entity holds any equity investments without a readily determinable fair value, the standard allows for a practical expedient to be applied to value such investments at cost with assessment criteria for impairment. ASU 2016-01 is effective for fiscal years beginning after December 15, 2018; Masonicare expects to adopt this ASU during 2020 and is in the process of assessing the effect on Masonicare's consolidated financial statements.

MASONICARE
CONSOLIDATING BALANCE SHEET
September 30, 2019
(Dollars in thousands)

	M/C	M/HC	M/CF	M/AV	M/AH	M/HH	Elims	Ob.Grd.	Keystone	MAM	SLM	MCV	Elims	Total
Assets														
Current assets:														
Cash and cash equivalents	\$ 167	\$ 2	\$ 7	\$ 2	\$ -	\$ 4	\$ -	\$ 162	\$ 527	\$ 161	\$ -	\$ 3,288	\$ -	\$ 4,158
Restricted cash	302	-	-	748	-	-	-	10,500	-	-	1,500	3,954	-	6,504
Accounts receivable	-	9,407	-	2,253	909	7,095	-	19,664	-	-	986	525	-	21,175
Other receivables	4,574	(3)	15	151	22	7	(4,456)	310	5,090	2	-	82	(4,456)	10,228
Inventories	57	179	-	21	-	-	-	257	-	-	-	-	-	257
Prepaid expenses and other current assets	445	575	10	196	12	472	-	1,770	80	24	133	23	-	1,970
Assets whose use is limited or restricted - required for current liabilities & operating purposes	3,280	-	265	-	-	-	-	3,545	-	-	-	-	-	3,545
Total current assets	8,825	10,160	297	3,371	943	7,578	(4,456)	26,719	5,697	187	2,619	7,872	(4,456)	38,637
Intercompany	4,766	-	-	-	-	-	-	4,766	-	-	(3,888)	(878)	-	-
Assets whose use is limited or restricted:														
By Board of Trustees	-	-	86,248	25,594	-	-	-	111,842	-	-	-	-	(25,594)	86,248
Under patient asset management, trust agreements and patient escrow accounts	-	172	-	-	-	-	-	172	-	-	-	-	-	172
Under indenture agreement - held by Trustees	2,532	-	-	-	-	-	-	2,532	-	-	-	-	-	2,532
Under trust for estimated self-insurance liabilities	4,837	-	-	-	-	-	-	4,837	13,739	-	-	-	-	18,576
By donors with time or purpose restrictions	-	-	4,121	-	-	-	-	4,121	-	-	-	-	-	4,121
By donors restrictions in perpetuity	-	-	68,533	-	-	-	(25,594)	42,939	-	-	-	-	-	42,939
Total assets whose use is limited or restricted	7,369	172	158,902	25,594	-	-	(25,594)	166,443	13,739	-	-	-	(25,594)	154,588
Less: Assets whose use is limited or restricted - required for current liabilities & operating purposes	(3,280)	-	(265)	-	-	-	-	(3,545)	-	-	-	-	-	(3,545)
Non-current assets whose use is limited or restricted	4,089	172	158,637	25,594	-	-	(25,594)	162,898	13,739	-	-	-	(25,594)	151,043
Property and equipment, net	13,391	23,420	73	71,806	33	805	-	109,528	-	-	61,390	19,830	-	190,748
Recoveries of estimated insurance liabilities insured through commercial policies	1,104	-	-	-	-	-	-	1,104	-	-	-	-	-	1,104
Investment in subsidiaries	26,582	-	-	28,845	-	-	(55,427)	-	-	28,845	-	-	(28,845)	-
Total assets	\$ 58,757	\$ 33,752	\$ 159,007	\$ 129,616	\$ 976	\$ 8,383	\$ (85,477)	\$ 305,014	\$ 19,436	\$ 29,032	\$ 60,121	\$ 26,824	\$ (58,895)	\$ 381,532

See accompanying Independent Auditor's Report.

MASONICARE
CONSOLIDATING BALANCE SHEET (CONTINUED)
 September 30, 2019
(Dollars in thousands)

	M.C.	M.H.C.	M.C.F.	M.A.V.	M.A.H.	M.H.H.	Elims	Ob.Grp.	Keystone	M.A.M.	S.L.M.	M.C.V.	Elims	Total
Liabilities and Net Assets (Deficit)														
Current liabilities:														
Current maturities of long-term debt	\$ 2,465	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,465	\$ -	\$ -	\$ 629	\$ -	\$ -	\$ 3,094
Accounts payable and accrued expenses	5,063	3,572	72	2,157	108	2,509	-	13,421	632	-	741	562	-	15,346
Accrued salaries and related expenses	1,249	1,847	69	410	94	1,603	-	5,272	-	115	-	82	-	5,469
Accrued pension and postretirement benefits, current portion	382	-	-	-	-	-	-	382	-	-	-	-	-	382
Estimated self-insurance liabilities, current portion	1,251	-	-	-	-	-	-	1,251	-	-	-	-	-	1,251
Estimated settlements due to third-party payers	-	123	-	-	-	486	-	609	-	-	-	-	-	609
Amortizable, current portion	-	-	265	-	-	-	-	265	-	-	-	-	-	265
Refundable entry fees, current portion	-	-	-	1,692	-	-	-	1,692	-	-	-	-	-	1,692
Deferred patient service and other revenues	-	104	-	1,604	-	547	-	2,255	-	-	665	392	-	3,312
Deposits	19	196	-	1,125	-	-	-	1,340	-	-	809	84	-	2,233
Interest rate swap liability, current portion	-	-	-	-	-	-	-	-	-	-	-	60	-	60
Other liabilities	500	50	-	-	-	378	-	928	-	-	-	-	-	928
Total current liabilities	10,929	5,832	406	6,988	202	5,523	-	29,860	632	115	2,844	1,170	-	34,641
Accrued pension and postretirement benefits, net of current portion	15,694	-	-	-	-	-	-	15,694	-	-	-	-	-	15,694
Amortizable, net of current portion	-	-	1,283	-	-	-	-	1,283	-	-	-	-	-	1,283
Refundable entry fees, net of current portion	-	-	-	32,937	5	-	-	32,942	-	-	14,674	-	-	47,616
Deferred entry fee revenues	-	-	-	3,178	-	-	-	3,178	-	-	-	-	-	3,178
Assets held for patient asset management, trust agreements and patient escrow accounts	-	133	-	-	-	-	-	133	-	-	-	-	-	133
Asset retirement obligation	-	847	-	-	-	-	-	847	-	-	-	-	-	847
Estimated insurance liabilities insured through commercial policies	1,104	-	-	-	-	-	-	1,104	-	-	-	-	-	1,104
Estimated self-insurance liabilities, net of current portion	4,208	-	-	-	-	-	-	4,208	5,262	-	-	-	-	9,470
Interest rate swap liability, net of current portion	-	-	-	-	-	-	-	-	-	-	-	216	-	216
Long-term debt, net of current maturities, unamortized costs and amounts classified as payable in one year	113,867	-	-	25,594	-	-	(30,050)	109,411	-	25,594	38,571	12,417	(30,050)	155,943
Total liabilities	145,802	6,812	1,689	68,697	207	5,523	(30,050)	198,680	5,894	25,709	41415	28,477	(30,050)	270,125
Net assets (deficit):														
Masonicare net assets without donor restrictions	(87,045)	26,940	73,266	60,919	769	2,860	(55,427)	22,282	13,542	3,323	17,115	(1,653)	(28,845)	25,764
Non-controlling interest in consolidated subsidiary	-	-	-	-	-	-	-	-	-	-	1,591	-	-	1,591
Net assets without donor restrictions	(87,045)	26,940	73,266	60,919	769	2,860	(55,427)	22,282	13,542	3,323	18,706	(1,653)	(28,845)	27,355
Net assets with donor restrictions	-	-	84,052	-	-	-	-	84,052	-	-	-	-	-	84,052
Total net assets (deficit)	(87,045)	26,940	157,318	60,919	769	2,860	(55,427)	106,334	13,542	3,323	18,706	(1,653)	(28,845)	111,407
Total liabilities and net assets (deficit)	\$ 58,757	\$ 33,752	\$ 159,007	\$ 129,616	\$ 976	\$ 8,383	\$ (85,477)	\$ 305,014	\$ 19,436	\$ 29,032	\$ 60,121	\$ 26,824	\$ (58,895)	\$ 381,532

See accompanying Independent Auditor's Report.

MASONICARE
CONSOLIDATING BALANCE SHEET
 September 30, 2018
 (Dollars in thousands)

	M.C.	M.H.C.	M.C.F.	MAV.	MAH.	M.H.H.*	Elims	OB.Grp.	MAN.	Keystone	M.M.S.	M.A.M.	S.L.M.	M.C.V.	Elims	Total
Assets																
Current assets:																
Cash and cash equivalents	\$ (1094)	\$ 2	\$ 35	\$ 2	\$ -	\$ 26	\$ -	\$ (1029)	\$ -	\$ 706	\$ -	\$ 18	\$ -	\$ 2,466	\$ -	\$ 2,161
Restricted cash	-	-	-	770	-	-	-	770	300	-	-	9	-	2,888	-	3,967
Accounts receivable	8,027	9	2,299	2,299	72	8,606	-	19,644	200	-	-	648	-	375	-	20,867
Other receivables	2,166	9	30	1274	22	(459)	(2,080)	962	-	2,728	24	-	-	90	(2,080)	1,724
Inventories	60	171	-	20	-	-	-	251	-	-	-	-	-	-	-	251
Prepaid expenses and other current assets	339	578	7	179	33	492	-	1,528	-	82	-	15	106	11	-	1,842
Interest rate swap asset, current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15
Assets whose use is limited or restricted - required for current liabilities & operating purposes	3,280	-	271	-	-	-	-	3,551	-	-	-	-	-	-	-	3,551
Total current assets	4,751	8,787	343	4,544	767	8,665	(2,080)	25,777	500	3,576	24	42	754	5,845	(2,080)	34,378
Intercompany	(29,715)	(30)	(344)	272	28	34,498	-	4,709	-	-	-	-	(3,888)	(821)	-	-
Assets whose use is limited or restricted:																
By Board of Trustees	-	-	96,763	25,594	-	-	-	122,357	-	-	-	-	-	-	-	96,763
Under patient asset management, trust agreements and patient escrow accounts	-	162	-	-	-	-	-	162	-	-	-	-	-	-	-	162
Under indenture agreement - held by Trustees	2,494	-	-	-	-	-	-	2,494	-	-	-	-	-	-	-	2,494
Under trust for estimated self-insurance liabilities	5,830	-	-	-	-	-	-	5,830	-	15,368	-	-	-	-	-	21,198
By donors with time or purpose restrictions	-	-	3,795	-	-	-	-	3,795	-	-	-	-	-	-	-	3,795
By donors restrictions in perpetuity	-	-	69,255	-	-	-	(25,594)	43,661	-	-	-	-	-	-	-	43,661
Total assets whose use is limited or restricted	8,324	162	169,813	25,594	-	-	(25,594)	178,299	-	15,368	-	-	-	-	(25,594)	168,073
Less: Assets whose use is limited or restricted - required for current liabilities & operating purposes	(3,280)	-	(271)	-	-	-	-	(3,551)	-	-	-	-	-	-	-	(3,551)
Non-current assets whose use is limited or restricted	5,044	162	169,542	25,594	-	-	(25,594)	174,748	-	15,368	-	-	-	-	(25,594)	164,522
Property and equipment, net	19,487	24,199	12	73,908	34	641	-	118,381	-	-	-	-	64,738	17,926	-	201,045
Recoveries of estimated insurance liabilities insured through commercial policies	813	-	-	-	-	-	-	813	-	-	-	-	-	-	-	813
Interest rate swap asset, net of current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	161	-	161
Investment in subsidiaries	26,581	-	-	-	-	13,48	(27,929)	-	-	-	-	28,846	-	-	(28,846)	-
Total assets	\$ 26,961	\$ 33,118	\$ 169,653	\$ 104,378	\$ 829	\$ 45,152	\$ (55,603)	\$ 324,428	\$ 500	\$ 18,884	\$ 24	\$ 28,888	\$ 61,604	\$ 23,111	\$ (56,520)	\$ 400,919

* Home Health Care Services include the accounts of Masonicare Home Health & Hospice and Masonicare Partners Home Health & Hospice.

See accompanying Independent Auditor's Report.

MASONICARE
CONSOLIDATING BALANCE SHEET (CONTINUED)
 September 30, 2018
(Dollars in thousands)

	M/C	M/H-C	M/C-E	M/A-V	M/A-H	M/H-H-T	Elims	Ob.Grd.	MAN	Keystone	M/M-S	M/A-M	SLM	M/C-V	Elims	Total
Liabilities and Net Assets (Deficit)																
Current liabilities:																
Current maturities of long-term debt	\$ 2,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,370	\$ -	\$ -	\$ -	\$ -	\$ 510	\$ -	\$ -	\$ 2,880
Accounts payable and accrued expenses	4,550	3,021	71	1,239	164	3,985	-	13,030	698	78	130	-	491	334	-	14,761
Accrued salaries and related expenses	1,360	1,961	56	423	109	1,932	-	5,841	-	-	5	79	-	79	-	6,004
Accrued pension and postretirement benefits, current portion	507	-	-	-	-	-	-	507	-	-	-	-	-	-	-	507
Estimated self-insurance liabilities, current portion	1,370	-	-	-	-	-	-	1,370	-	-	-	-	-	-	-	1,370
Estimated settlements due to third-party payers	-	134	-	-	-	-	-	1,204	-	-	-	-	-	-	-	1,204
Annuities payable, current portion	-	-	271	-	-	-	-	271	-	-	-	-	-	-	-	271
Refundable entry fees, current portion	-	-	-	1,645	-	-	-	1,645	-	-	-	-	-	-	-	1,645
Deferred patient service and other revenues	-	92	-	1,579	-	1,029	-	2,640	-	-	-	445	305	47	-	3,390
Deposits	19	186	-	1,286	-	-	-	1,491	-	-	-	565	-	-	-	2,403
Long-term debt classified as payable in one year	-	-	-	-	-	-	-	-	-	-	-	37,780	6,463	-	-	44,243
Other liabilities	179	33	-	19	-	64	-	295	77	-	85	-	-	-	-	457
Total current liabilities	10,355	5,427	398	6,131	273	8,080	-	30,664	775	78	220	79	39,791	7,228	-	78,835
Accrued pension and postretirement benefits, net of current portion	11,167	-	-	-	-	-	-	11,167	-	-	-	-	-	-	-	11,167
Annuities payable, net of current portion	-	-	1,370	-	-	-	-	1,370	-	-	-	-	-	-	-	1,370
Refundable entry fees, net of current portion	-	-	-	32,647	6	-	-	32,653	-	-	-	-	-	13,958	-	46,611
Deferred entry fee revenues	-	-	-	3,068	-	-	-	3,068	-	-	-	-	-	-	-	3,068
Assets held for patient asset management, trust agreements and patient escrow accounts	-	122	-	-	-	-	-	122	-	-	-	-	-	-	-	122
Asset retirement obligation	-	814	-	-	-	-	-	814	-	-	-	-	-	-	-	814
Estimated insurance liabilities insured through commercial policies	813	-	-	-	-	-	-	813	-	-	-	-	-	-	-	813
Estimated self-insurance liabilities, net of current portion	4,203	-	-	-	-	-	-	4,203	-	5,432	-	-	-	-	-	9,635
Long-term debt, net of current maturities, unamortized costs and amounts classified as payable in one year	114,156	-	-	25,594	-	-	(27,674)	12,076	-	-	-	25,594	-	1,605	(27,674)	111,601
Total liabilities	140,694	6,363	1,768	67,440	279	8,080	(27,674)	196,950	775	5,510	220	25,673	39,791	22,791	(27,674)	264,036
Net assets (deficit):																
Masonicare net assets without donor restrictions	(113,733)	26,755	83,487	36,878	550	36,534	(27,929)	42,552	(275)	13,374	(196)	3,215	19,605	320	(28,846)	49,749
Non-controlling interest in consolidated subsidiary	-	-	-	-	-	538	-	538	-	-	-	-	2,208	-	-	2,746
Net assets without donor restrictions	(113,733)	26,755	83,487	36,878	550	37,072	(27,929)	43,090	(275)	13,374	(196)	3,215	21,813	320	(28,846)	52,495
Net assets with donor restrictions	-	-	84,388	-	-	-	-	84,388	-	-	-	-	-	-	-	84,388
Total net assets (deficit)	(113,733)	26,755	167,885	36,878	550	37,072	(27,929)	127,478	(275)	13,374	(196)	3,215	21,813	320	(28,846)	136,883
Total liabilities and net assets (deficit)	\$ 26,961	\$ 33,118	\$ 169,653	\$ 104,318	\$ 829	\$ 45,152	\$ (55,603)	\$ 324,428	\$ 500	\$ 19,884	\$ 24	\$ 25,888	\$ 61,604	\$ 23,111	\$ (56,520)	\$ 400,919

* Home Health Care Services include the accounts of Masonicare Home Health & Hospice and Masonicare Partners Home Health & Hospice.

See accompanying Independent Auditor's Report.

MASONICARE
CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended September 30, 2019
(Dollars in thousands)

	MC	MHC	MCF	MAV	MHHH	MAH	Elims	ObGrp	Keystone	MAM	SLM	MICV	Elims	Total
Operating revenues:														
Net patient service revenues	\$ -	\$ 57,583	\$ -	\$ -	\$ 50,135	\$ 6,626	\$ (482)	\$ 13,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,862
Resident fees	-	2,445	-	25,099	-	-	-	27,544	-	-	6,378	4,431	-	38,353
Other revenues	1,314	751	136	2,414	618	-	(482)	4,751	-	-	1,027	237	24	6,039
Total operating revenues	1,314	60,779	136	27,513	50,753	6,626	(964)	146,157	-	-	7,405	4,668	24	158,254
Operating expenses:														
Salaries and wages	11,016	32,968	443	5,456	30,187	4,283	-	84,353	-	-	2,941	1,745	-	89,039
Employee benefits	3,519	10,912	103	1,675	8,619	820	-	25,648	-	-	623	489	-	26,760
Supplies and other services	2,943	10,549	1,145	4,256	5,509	146	(483)	24,065	(77)	-	1,875	1,645	24	27,532
Professional fees	1,170	6,154	101	2,623	2,623	112	(481)	12,252	221	-	974	885	-	14,332
Depreciation and amortization	2,107	2,215	-	3,746	294	-	-	8,362	-	-	3,542	1,472	-	13,376
Interest and other fees	686	828	327	4,198	-	-	(772)	5,267	-	714	2,478	463	(772)	8,160
Management fee	(8,193)	3,631	50	838	2,825	323	-	(526)	-	-	236	290	-	3,453
Total operating expenses	13,248	67,257	2,169	22,742	50,057	5,694	(1,736)	159,421	144	714	12,669	6,989	(748)	179,189
(Loss) income from operations	(11,934)	(6,478)	(2,033)	4,771	696	942	772	(13,264)	(144)	(714)	(5,264)	(2,321)	772	(20,935)
Non-operating income (expense) without donor restrictions:														
Contributions	-	-	3,583	-	-	-	-	3,583	-	-	-	-	-	3,583
Intercompany investment income	58	-	714	-	-	-	(772)	714	58	-	-	-	(772)	-
Investment income (loss)	66	-	3,422	1,293	-	-	-	4,781	644	-	-	-	-	5,425
Total non-operating income (expense)	124	-	7,719	2,007	-	-	(772)	9,078	702	-	-	-	(772)	9,008
Excess of revenues (under) over expenses before one-time items	(11,810)	(6,478)	5,686	6,778	696	942	-	(4,186)	558	(714)	(5,264)	(2,321)	-	(11,927)
Provision for restructuring costs	(269)	(93)	-	(25)	(314)	-	-	(701)	-	-	-	-	-	(701)
Write-down of Medical Records/ Billing software	(3,494)	-	-	-	-	-	-	(3,494)	-	-	-	-	-	(3,494)
Excess of revenues (under) over expenses before change in fair value of interest rate swap agreement	(15,573)	(6,571)	5,686	6,753	382	942	-	(8,381)	558	(714)	(5,264)	(2,321)	-	(16,122)
Change in fair value of interest rate swap agreement	-	-	-	-	-	-	-	-	-	-	-	(452)	-	(452)
Excess of revenues (under) over expenses	(15,573)	(6,571)	5,686	6,753	382	942	-	(8,381)	558	(714)	(5,264)	(2,773)	-	(16,574)
Excess of revenues (under) over expenses attributable to non-controlling interest in consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	617
Excess of revenues (under) over expenses of Masonicare	(15,573)	(6,571)	5,686	6,753	382	942	-	(8,381)	558	(714)	(4,647)	(2,773)	-	(15,957)

See accompanying Independent Auditor's Report.

MASONICARE
CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended September 30, 2018
(Dollars in thousands)

	MC	MHC	MCE	MAN	MAV	MHHH*	MAH	Elims	Oh.Grp	Keystone	MMS	MAM	SLM	MCV	Elims	Total
Operating revenues:																
Net patient services revenues	\$ 59,082	\$ -	\$ 9,210	\$ -	\$ 64,364	\$ 5,903	\$ (1,112)	\$ 137,447	\$ -	\$ 566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,013
Resident fees	2,369	-	842	25,179	-	-	-	28,395	-	-	-	4,447	2,728	-	-	35,570
Other revenues	988	750	138	877	2,534	383	5	4,984	541	118	-	191	126	-	(337)	5,623
Total operating revenues	988	62,201	138	10,929	27,713	64,757	5,913	(1,823)	170,826	541	684	-	4,638	2,854	(337)	179,206
Operating expenses:																
Salaries and wages	12,760	32,387	460	5,813	5,359	37,162	4,111	-	98,052	-	519	-	2,209	1,327	-	102,107
Employee benefits	3,686	10,469	132	1,943	1,593	9,760	748	-	28,331	-	130	-	468	271	-	29,200
Supplies and other services	2,433	12,444	1,303	2,362	4,410	6,886	159	(939)	28,058	(399)	113	-	1,491	1,126	(313)	31,076
Professional fees	1,146	6,335	51	1,321	2,672	5,105	109	(952)	15,787	222	190	-	875	703	(157)	17,620
Depreciation and amortization	2,193	2,544	(2)	686	3,986	327	2	9,718	-	-	39	-	3,529	746	-	14,032
Interest and other fees	724	843	333	159	4,259	-	(743)	5,575	-	-	714	-	2,357	217	(750)	8,113
Management fee	(9,545)	3,768	59	665	833	3,636	311	(253)	-	-	47	(232)	232	206	-	-
Total operating expenses	13,357	68,790	2,336	12,949	23,114	62,876	5,440	(2,634)	186,268	(177)	1,038	482	11,161	4,596	(1,220)	202,146
(Loss) income from operations	(12,369)	(6,589)	(2,198)	(2,020)	4,599	1,881	473	811	(15,442)	718	(354)	(482)	(6,523)	(1,742)	883	(22,942)
Non-operating income (expense) without donor restrictions:																
Contributions	-	-	3,201	-	-	-	-	-	3,201	-	-	-	-	-	-	3,201
Intercompany investment income	29	-	714	-	714	-	-	(743)	714	29	-	-	-	-	(743)	-
Investment income (loss)	52	-	8,657	-	1,263	-	-	(68)	9,904	1,320	-	-	-	-	(140)	11,084
Total non-operating income (expense)	81	-	12,572	-	1,977	-	-	(81)	13,819	1,349	-	-	-	-	(883)	14,285
Excess of revenues (under) over expenses before one-time and financing transactions items	(12,318)	(6,589)	10,374	(2,020)	6,576	1,881	473	-	(1,623)	2,067	(354)	(482)	(6,523)	(1,742)	-	(6,657)
Construction in progress write-off MHC	-	(1,177)	-	-	-	-	-	-	(1,177)	-	-	-	-	-	-	(1,177)
Provision for dissolution costs (MPHH&H)	-	-	-	-	-	(1,703)	-	-	(1,703)	-	-	-	-	-	-	(1,703)
Gain on sale of facility (MAN)	-	-	-	2,561	-	-	-	-	2,561	-	-	-	-	-	-	2,561
Inherent contribution on purchase of facility (MCV)	-	-	-	-	-	-	-	-	-	-	-	-	-	1,886	-	1,886
Excess of revenues (under) over expenses before loss on ref financing and change in fair value of interest rate swap agreement	(12,318)	(7,766)	10,374	541	6,576	178	473	-	(1,942)	2,067	(354)	(482)	(6,523)	144	-	(7,090)
Loss on ref financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of interest rate swap agreement	-	-	-	-	-	-	-	-	-	-	-	-	-	176	-	176
Excess of revenues (under) over expenses	(12,318)	(7,766)	10,374	541	6,576	178	473	-	(1,942)	2,067	(354)	(482)	(6,523)	320	-	(6,914)
Excess of revenues (under) over expenses attributable to non-controlling interest in consolidated subsidiaries	-	-	-	-	-	290	-	-	290	-	-	-	837	-	-	1,127
Excess of revenues (under) over expenses of Masonicare	\$(12,318)	\$(7,766)	\$10,374	\$541	\$6,576	\$468	\$473	\$-	\$(1,652)	\$2,067	\$(354)	\$(482)	\$(5,696)	\$320	\$-	\$(5,787)

* Home Health Care Services include the account of Masonicare Home Health & Hospice and Masonicare Partners Home Health & Hospice.

See accompanying Independent Auditor's Report.

ATTACHMENT D

PROJECTED FINANCIAL STATEMENTS



Trusted Guidance to the Senior Living Industry

**PROJECTED FINANCIAL STATEMENTS and
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS**

for

**Masonicare at Chester Village
Chester, Connecticut**

August 30, 2017 - DRAFT

**Masonicare at Chester Village
Financial Feasibility Analysis
Six Years Ending September 30, 2023**



**Projected Statements of Activities and Changes in Net Assets (Deficit)
(In thousands of dollars)**

	2018	2019	2020	2021	2022	2023
Revenues:						
Independent living - existing residents	\$ 3,362	\$ 2,787	\$ 2,057	\$ 1,240	\$ 409	\$ -
Independent living - new residents	707	2,221	3,373	4,303	5,237	5,789
Other revenue	244	300	327	333	339	348
Amortization of nonrefundable entrance payments	529	896	1,180	1,400	1,612	1,829
Total revenues	4,842	6,204	6,936	7,277	7,598	7,965
Expenses:						
General and administrative	1,657	1,286	1,321	1,353	1,387	1,422
Plant	1,256	1,289	1,326	1,361	1,399	1,437
Housekeeping	307	326	340	347	354	362
Dietary	984	1,142	1,206	1,233	1,262	1,293
Resident care	563	667	728	747	768	789
Management Fee	287	287	284	297	304	312
Nursing	21	26	28	29	30	6
Depreciation	732	839	850	865	881	897
Interest and other fees	360	525	542	534	519	502
Total expenses	6,168	6,387	6,625	6,765	6,903	7,020
Operating income (loss)	(1,326)	(184)	311	511	694	945
Non-operating income:						
Interest and dividend income	1	52	115	143	147	165
Total non-operating income	1	52	115	143	147	165
Net income (loss)	(1,325)	(131)	426	654	841	1,110
Net Assets (Deficit), Beginning	-	(1,325)	(1,456)	(1,030)	(376)	466
Net Assets (Deficit), Ending	\$ (1,325)	\$ (1,456)	\$ (1,030)	\$ (376)	\$ 466	\$ 1,575

**Masonicare at Chester Village
Financial Feasibility Analysis
Six Years Ending September 30, 2023**



**Projected Statements of Cash Flows
(in thousands of dollars)**

	2018	2019	2020	2021	2022	2023
Cash flows from operating activities:						
Net Income (loss)	\$ (1,325)	\$ (131)	\$ 426	\$ 654	\$ 841	\$ 1,110
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:						
Depreciation	737	839	850	865	881	897
Amortization of deferred financing costs	34	34	34	34	34	34
Proceeds from nonrefundable entrance fees	5,009	4,334	3,081	2,831	2,887	2,945
Amortization of earned entrance fees	(529)	(896)	(1,180)	(1,400)	(1,612)	(1,829)
Changes in assets and liabilities:						
Accounts receivable	(135)	(31)	(14)	(4)	(3)	(5)
Prepaid expenses and other current assets	(171)	2	(7)	(4)	(5)	(4)
Accounts payable	179	(2)	7	5	5	4
Accrued expenses and other liabilities	244	43	9	4	5	4
Net cash provided by operating activities	4,039	4,192	3,207	2,984	3,033	3,155
Cash flows from investing activities:						
Net purchases of property and equipment	(3,105)	(1,608)	(223)	(229)	(236)	(243)
Change in assets limited as to use	(2,109)	1,205	(41)	(276)	(35)	(10)
(Increase) decrease in investments	(5,176)	(2,081)	(907)	(138)	(584)	(2,601)
Net cash (used in) investing activities	(10,390)	(2,484)	(1,171)	(644)	(855)	(2,854)
Cash flows from financing activities:						
Issuance of long term debt	10,000	-	-	-	-	-
Deferred financing costs	(500)	-	-	-	-	-
Principal payments	-	-	-	(272)	(311)	(327)
Proceeds from refundable entrance fees	659	567	399	365	373	380
Refunds of entrance fees - prior residents	(1,500)	-	-	-	-	-
Refunds of entrance fees - existing residents	(1,891)	(2,279)	(2,418)	(2,423)	(2,197)	-
Refunds of entrance fees - new residents	-	-	-	-	(31)	(344)
Net cash provided by (used in) financing activities	6,768	(1,712)	(2,019)	(2,330)	(2,167)	(291)
Change in cash and cash equivalents	417	(4)	17	11	11	10
Cash and cash equivalents, beginning		417	413	430	441	452
Cash and cash equivalents, ending	\$ 417	\$ 413	\$ 430	\$ 441	\$ 452	\$ 462

**Masonicare at Chester Village
Financial Feasibility Analysis
Six Years Ending September 30, 2023**



**Projected Statements of Financial Position
(in thousands of dollars)**

	2018	2019	2020	2021	2022	2023
Assets						
Current assets:						
Cash and cash equivalents	\$ 417	\$ 413	\$ 430	\$ 441	\$ 452	\$ 462
Accounts receivable	135	166	180	184	187	192
Prepaid expenses and other current assets	171	169	176	180	185	189
Assets limited as to use, entrance fee escrow	11	11	11	11	11	11
Total current assets	734	759	797	816	835	854
Investments	1,676	3,757	4,664	4,803	5,387	7,987
Assets whose use is limited						
Project Fund	1,395	-	-	-	-	-
Statutory Operating Reserve Fund	714	903	944	1,220	1,255	1,265
Total assets limited as to use	2,109	903	944	1,220	1,255	1,265
Property and equipment	18,809	20,417	20,640	20,870	21,106	21,349
less accumulated depreciation	(8,399)	(9,298)	(10,088)	(10,953)	(11,834)	(12,731)
Property and equipment, net	10,411	11,180	10,552	9,917	9,272	8,619
Other assets						
Goodwill	13,276	13,276	13,276	13,276	13,276	13,276
Total assets	\$ 28,206	\$ 29,876	\$ 30,235	\$ 30,032	\$ 30,026	\$ 32,002
Liabilities and Net Assets (Deficit)						
Current liabilities:						
Current maturities of long-term debt - 2017 Note Payable	\$ -	\$ -	\$ 272	\$ 311	\$ 327	\$ 343
Accounts payable	179	177	184	189	194	198
Accrued expenses	209	207	216	221	227	232
Accrued interest	35	81	81	79	78	77
Refundable deposits	11	11	11	11	11	11
Total current liabilities	435	476	764	812	837	861
Long-term debt, less current maturities - 2017 Note Payable	9,534	9,568	9,330	9,054	8,761	8,452
Refundable entrance fees	12,720	11,008	8,989	6,931	5,075	5,111
Deferred revenue - entrance fees	6,842	10,280	12,181	13,612	14,887	16,003
Total liabilities	29,531	31,332	31,265	30,408	29,560	30,427
Net assets (deficit):						
Unrestricted	(1,325)	(1,456)	(1,030)	(376)	465	1,575
Net assets (deficit)	(1,325)	(1,456)	(1,030)	(376)	465	1,575
Total liabilities and net assets (deficit)	\$ 28,206	\$ 29,876	\$ 30,235	\$ 30,032	\$ 30,026	\$ 32,002

**Masonicare at Chester Village
Financial Feasibility Analysis
Six Years Ending September 30, 2023**



**Projected Schedule of Financial Ratios
(in thousands of dollars)**

Debt Service Coverage Ratio	2018	2019	2020	2021	2022	2023
Net income (loss)	\$ (1,325)	\$ (131)	\$ 426	\$ 654	\$ 841	\$ 1,110
Deduct:						
Amortization of earned entrance fees	(529)	(896)	(1,180)	(1,400)	(1,612)	(1,829)
Add:						
Depreciation	732	839	850	865	881	897
Interest expense	360	525	542	534	519	502
Proceeds from entrance fees	5,668	4,900	3,480	3,196	3,260	3,325
Refunds of entrance fees - prior residents	(1,500)	-	-	-	-	-
Refunds of entrance fees - existing residents	(1,891)	(2,279)	(2,418)	(2,423)	(2,197)	-
Refunds of entrance fees - new residents	-	-	-	-	(31)	(344)
Income Available for Debt Service	\$ 1,516	\$ 2,959	\$ 1,701	\$ 1,426	\$ 1,660	\$ 3,661
Annual Debt Service	\$ 291	\$ 485	\$ 508	\$ 773	\$ 797	\$ 797
Annual Debt Service Coverage Ratio	5.21x	6.10x	3.35x	1.84x	2.08x	4.59x
Maximum Annual Debt Service	\$ 797	\$ 797	\$ 797	\$ 797	\$ 797	\$ 797
Maximum Annual Debt Service Coverage Ratio	1.90x	3.71x	2.14x	1.79x	2.08x	4.59x

Days Cash on Hand	2018	2019	2020	2021	2022	2023
Cash and cash equivalents	\$ 417	\$ 413	\$ 430	\$ 441	\$ 452	\$ 462
Investments	1,676	3,757	4,664	4,803	5,387	7,987
Statutory Operating Reserve Fund	714	903	944	1,220	1,255	1,265
Cash on hand	\$ 2,807	\$ 5,074	\$ 6,039	\$ 6,464	\$ 7,094	\$ 9,714
Total expenses	\$ 6,168	\$ 6,387	\$ 6,625	\$ 6,765	\$ 6,903	\$ 7,020
Less:						
Depreciation	(732)	(839)	(850)	(865)	(881)	(897)
Amortization of deferred financing costs	(34)	(34)	(34)	(34)	(34)	(34)
Total expenses less depreciation and amortization	\$ 5,402	\$ 5,514	\$ 5,741	\$ 5,866	\$ 5,989	\$ 6,090
Daily operating expenses (a)	\$ 15	\$ 15	\$ 16	\$ 16	\$ 16	\$ 17
Days cash on hand	190	336	384	402	432	582

(a) Daily operating expenses are equal to total operating expenses less depreciation and amortization divided by 365 days.



Summary of Significant Projection Assumptions

The assumptions utilized in the financial projections for Masonicare at Chester Village ("MCV" or the "Community") dated 08/28/2017 are summarized below and are based on:

- Acquisition date of October 1, 2017
- Implementation of a new pricing model to include 90% utilization of a declining balance entrance fee contract and 10% utilization of a 75% refundable entrance fee contract
- Assumed fill up from 64.8% occupancy to 93.3% stabilized occupancy
- FY2017 budgeted operating expenses, adjusted to capture assumed savings post acquisition
- Debt assumptions provided by Ziegler

Unit Mix

The following table details MCV's unit mix:

Table 1 Unit Mix and Square Footage		
Unit Type	# of units	Square Footage
Apartment Residences		
One-Bedroom	19	850
One-Bedroom w/ Den	36	1,005
Two-Bedroom	17	1,190
Two-Bedroom Deluxe	4	1,209
Two-Bedroom Custom	4	1,337
Two-Bedroom w/ Den	10	1,467
Apartment Total/Average	90	1,082
Cottage Residences		
One-Bedroom w/ Den	1	1,253
Two-Bedroom	7	1,403
Two-Bedroom w/ Den	6	1,529
Two-Bedroom w/ Den (2-Car)	1	1,529
Apartment Total/Average	15	1,452
GRAND TOTAL/AVERAGE	105	1,135



Fill-up and Stabilized Occupancy

- At the time of acquisition (i.e., October 1, 2017), 58 apartments and 10 cottages are assumed to be occupied for a total of 68 units (64.8% occupancy).
- Occupancy is assumed to increase to 98 units (93.3% occupancy) over a 24-month fill-up period beginning January 1, 2018 at an average of 1.25 net move-ins per month (see move-in table provided on page 3).
- The first fully stabilized year of occupancy is FY2021.
- Occupancy of the independent living units is assumed to turn over at a rate of 15% per year. By FY2023, all of the existing units occupied at the time of acquisition are assumed to have turned over and be occupied by residents on the new contracts offered post acquisition.

Table 2 Utilization of Independent Living Units					
Year Ending September 30,	Average Units Occupied			Units Available	Avg. Occupancy Percentage
	Existing Residents	New Residents	Total		
2018	62.6	13.6	76.2	105	72.6%
2019	49.8	42.3	92.1	105	87.7%
2020	35.4	62.4	97.8	105	93.1%
2021	20.7	77.3	98.0	105	93.3%
2022	6.7	91.3	98.0	105	93.3%
2023	0.0	98.0	98.0	105	93.3%

**Masonicare at Chester Village
Financial Feasibility Analysis
Six Years Ending September 30, 2023**



**Table B
Assumed Monthly Fill-up of the Independent Living Units (Net of Turnover)**

Fiscal Year/Month	Total Monthly Move-Ins ⁽¹⁾	Less Turnover ⁽¹⁾	Net Monthly Move-Ins	Cumulative Total	Cumulative Percentage
Starting occupancy				68	64.8%
2018					
October	1	(1)	-	68	64.8%
November	1	(1)	-	68	64.8%
December	1	(1)	-	68	64.8%
January	4	(1)	3	71	67.6%
February	4	(1)	3	74	70.5%
March	4	(1)	3	77	73.3%
April	3	(1)	2	79	75.2%
May	3	(1)	2	81	77.1%
June	3	(1)	2	83	79.0%
July	2	(1)	1	84	80.0%
August	2	(1)	1	85	81.0%
September	2	(1)	1	86	81.9%
2019					
October	2	(1)	1	87	82.9%
November	2	(1)	1	88	83.8%
December	2	(1)	1	89	84.8%
January	2	(1)	1	90	85.7%
February	2	(1)	1	91	86.7%
March	2	(1)	1	92	87.6%
April	2	(1)	1	93	88.6%
May	2	(1)	1	94	89.5%
June	2	(1)	1	95	90.5%
July	2	(2)	-	95	90.5%
August	2	(1)	1	96	91.4%
September	2	(2)	-	96	91.4%
2020					
October	2	(1)	1	97	92.4%
November	1	(1)	-	97	92.4%
December	2	(1)	1	98	93.3%
Total	59	(29)	30	98	93.3%

(1) The number of assumed total monthly move-ins and turnovers is rounded for disclosure purposes.



Summary of Revenue and Entrance Fee Assumptions

All new residents execute a residency agreement prior to assuming occupancy of their selected unit. The residency agreement details an entrance fee and monthly service fee that will be paid by the resident and the services and benefits to be provided by the Community.

Chester Village West currently offers two types of contracts: a 65% return-of-capital contract and a traditional (0% refundable) contract. Both existing contracts are fee-for-service ("Type C") contracts, offering access to healthcare services but not including any discount for such services. Post-acquisition, MCV will cease to offer the 65% ROC and Traditional contracts and instead offer two types of entrance fee contracts with different refund provisions: (1) a declining balance contract with a 60-month amortization, and (2) a 75% return-of-capital contract. Both proposed contracts will be Modified Life Care ("Type B") contracts that will provide residents 10 days of skilled care at Masonicare Health Center in Wallingford, Connecticut. The contracts will be consistent in terms of services with the existing contract provided by Masonicare's Ashlar Village campus, also in Wallingford, Connecticut.

Existing residents at MCV at the time of acquisition are assumed to continue to pay their current monthly fee and their refund obligation remains the same. Existing entrance fees (included for comparison purposes) and monthly fees at the Community are detailed below.

Table 4 Pricing for Existing Residents						
Unit Type	#	Sq Ft	Entrance Fee Plans (Type C Contract)			
			Entrance Fee		Monthly Fee	
			65% Refund	Traditional	65% Refund	Traditional
Apartment Residences						
One-Bedroom	19	850	\$226,000	\$144,640	\$3,513	\$3,513
One-Bedroom w/ Den	36	1005	\$249,000	\$159,360	\$4,026	\$4,026
Two-Bedroom	17	1190	\$299,000	\$191,360	\$4,554	\$4,554
Two-Bedroom Deluxe	4	1209	\$324,000	\$207,360	\$4,686	\$4,686
Two-Bedroom Custom	4	1337	\$345,000	\$220,800	\$4,832	\$4,832
Two-Bedroom w/ Den	10	1467	\$399,000	\$255,360	\$4,884	\$4,884
Apartment Total/Average	90	1082	\$277,856	\$177,828	\$4,178	\$4,178
Cottage Residences						
One-Bedroom w/ Den	1	1253	\$387,000	n/a	\$4,200	n/a
Two-Bedroom	7	1403	\$463,000	n/a	\$4,832	n/a
Two-Bedroom w/ Den	6	1529	\$489,000	n/a	\$5,041	n/a
Two-Bedroom w/ Den (2-Car)	1	1529	\$499,000	n/a	\$5,250	n/a
Apartment Total/Average	15	1452	\$470,733	n/a	\$4,901	n/a
GRAND TOTAL/AVERAGE	105	1185	\$303,410	\$177,828	\$4,281	\$4,178
Second person fees						
Apartment Residences			\$0	\$0	\$1,043	\$1,043
Cottage Residences			\$0	\$0	\$1,043	\$1,043

*Pricing effective 1/1/2017



The monthly fees for existing residents (detailed in Table 4) are assumed to increase 2.25% on January 1, 2018 and then 3% on October 1, 2018 and annually thereafter for the remainder of the projection period.

Any resident that moves in post-acquisition is assumed to be on one of the two new Type B entrance fee contracts (i.e., the Declining Balance or 75% Refund plan). The proposed pricing for new residents is detailed below.

Table 5 Pricing for New Move-ins						
Unit Type	#	Sq Ft	Entrance Fee Plans (Type B Contracts)			
			Entrance Fee		Monthly Fee	
			Declining	75% Refund	Declining	75% Refund
Apartment Residences						
One-Bedroom	19	850	\$134,900	\$219,900	\$3,350	\$3,350
One-Bedroom w/ Den	36	1005	\$157,900	\$257,400	\$3,840	\$3,840
Two-Bedroom	17	1190	\$186,900	\$304,600	\$4,260	\$4,260
Two-Bedroom Deluxe	4	1209	\$189,900	\$309,500	\$4,310	\$4,310
Two-Bedroom Custom	4	1337	\$208,900	\$340,500	\$4,580	\$4,580
Two-Bedroom w/ Den	10	1467	\$238,900	\$389,400	\$4,640	\$4,640
Apartment Total/Average	90	1082	\$171,211	\$279,074	\$3,959	\$3,959
Cottage Residences						
One-Bedroom w/ Den	1	1253	\$248,200	\$404,500	\$4,100	\$4,100
Two-Bedroom	7	1403	\$294,200	\$479,500	\$4,550	\$4,550
Two-Bedroom w/ Den	6	1529	\$306,400	\$499,500	\$4,990	\$4,990
Two-Bedroom w/ Den (2-Car)	1	1529	\$312,600	\$509,500	\$4,990	\$4,990
Apartment Total/Average	15	1452	\$297,240	\$484,500	\$4,725	\$4,725
GRAND TOTAL/AVERAGE	105	1135	\$189,215	\$308,421	\$4,068	\$4,068
Second person fees						
Apartment Residences			\$20,000	\$20,000	\$850	\$850
Cottage Residences			\$20,000	\$20,000	\$550	\$550

*Pricing effective for new residents as of 10/1/2017

For new residents, monthly fees are assumed to inflate 3.0% annually, beginning October 1, 2018, throughout the projection period. Entrance fees are assumed to inflate 2.0% annually, beginning October 1, 2018, throughout the projection period.

Contract Mix

The assumed utilization of the two contract types offered during the projection period is as follows:

Type B Declining Balance	90%
Type B 75% Refund	10%

Second person utilization is based on the historical experience of both Chester Village and Ashlar Village and assumed as follows:

18.65%	FY2018
20.00%	FY2019
22.00%	FY2020 and thereafter

Other Revenue & Investment Income

Other revenue includes fees for additional services such as garages, additional meal income from residents/employees/guests, catering income, home health services revenue, additional housekeeping and maintenance services, guest room rentals, beauty and barber shop, gift store, etc. Based on the historical experience at Chester Village West, other revenue is assumed to be 6% of total independent living monthly fee revenue each year.

Investment income is assumed to be earned at a rate of 3% on the investment balance and 0.25% on the Statutory Operating Reserve Funds balance.

Entrance Fee Cash Flow

Entrance receipts are based on fill-up of vacant units at the time of acquisition as well as turnover (attrition) of occupied units. The turnover rate is assumed to be 15%. There has been no actuarial report completed for the acquisition; therefore, the assumed turnover rate is based on historical experience at Chester Village, as well as industry norms. Each entrance fee turnover is assumed to generate an entrance fee refund, which is expected to be repaid in a timely fashion. For projection purposes, the 64 units assumed occupied at the time of acquisition are assumed to be the first 64 units assumed to turn over and generate a refund.

In addition, the projections incorporate an assumed \$500,000 entrance fee incentive pool to be made available to marketing to facilitate move-ins during the fill-up period. For the 30 net-move-ins needed to reach stabilized occupancy, this represents an average entrance fee discount of \$16,667 per unit.

Table 6 on the following page summarizes the assumed entrance fee cash flow from FY2018 – FY2023.

Entrance Fee Revenue Recognition

Entrance fee refunds at MCV are not assumed to be limited by proceeds from re-occupancy of the unit. Therefore, the refundable portion of entrance fees received is classified as a refund liability on the balance sheet and is not amortized. The non-refundable portion of entrance fee receipts, however, is amortized into income over the estimated remaining life expectancy of the resident in the independent living units.

**Masonicare at Chester Village
Financial Feasibility Analysis
Six Years Ending September 30, 2023**



Table 6 Initial and Turnover Entrance Fees Receipts and Entrance Fee Refunds (In Thousands)						
For the Year Ending September 30,	2018	2019	2020	2021	2022	2023
Initial						
Number of Entrance Fees Received	18	10	2	-	-	-
Entrance Fees Received	\$3,311	\$2,001	\$353	-	-	-
Turnovers						
Number of Entrance Fees Received ⁽¹⁾	12	14	15	15	15	15
Entrance Fees Received	\$2,357	\$2,899	\$3,127	\$3,196	\$3,260	\$3,325
Total Entrance Fee Receipts	\$5,668	\$4,900	\$3,480	\$3,196	\$3,260	\$3,325
Refunds – Prior Residents ⁽²⁾						
Number of Entrance Fees Refunded ⁽¹⁾ :	12	-	-	-	-	-
Entrance Fees Refunded:	(\$1,500)	-	-	-	-	-
Refunds – Existing Residents at Acquisition						
Number of Entrance Fees Refunded ⁽¹⁾ :	12	14	15	15	14	-
Entrance Fees Refunded:	(\$1,891)	(\$2,279)	(\$2,418)	(\$2,423)	(\$2,197)	-
Refunds – New Residents Post-Acquisition ⁽³⁾						
Number of Entrance Fees Refunded ⁽¹⁾ :	-	-	-	-	1	15
Entrance Fees Refunded:	-	-	-	-	(\$31)	(\$344)
Total Entrance Fee Refunds	(\$3,391)	(\$2,279)	(\$2,418)	(\$2,423)	(\$2,229)	(\$344)
Entrance Fees Received, Net of Refunds	\$2,277	\$2,621	\$1,062	\$773	\$1,031	\$2,981

- (1) The number of turnover entrance fees received and refunded are rounded for disclosure purposes.
- (2) At the time of acquisition, there are assumed to be \$1.5m in pending refunds due to resident units that have already been vacated at CVW. These refunds are assumed to be funded by the 2017 Note Payable and paid out in FY2018.
- (3) Ninety percent of "new" residents (i.e., move-ins post acquisition) are assumed to be on the declining balance plan. For projection purposes, these contracts are assumed to fully decline and result in a \$0 refund at the time of turnover.



Summary of Operating Expense Assumptions

MCV's operating expenses are based on the FY2017 operating budget, as prepared by LCS, inflated 2.0% and then adjusted by Masonicare for assumed changes in operations post acquisition. The following provides highlights of the major adjustments made by Masonicare with regard to operating expenses:

- Reduction of 1.0 FTE in maintenance and 0.9 FTE in accounting
- Reduction of benefits expense as a percent of wages from 32% in the FY17 operating budget to 30% in the projections
- Increase of \$38,500 in employee onboarding and training expenses in the first year of operations post acquisition (FY2019); reduction of onboarding expenses by \$33,000 starting in FY2019
- Decrease of \$7,500 in general and administrative travel expenses
- Decrease of \$105,000 in insurance expenses
- Decrease of \$48,000 in accounting/payroll expenses
- Replaced ~\$530,000 of marketing expenses in the FY2017 budget with \$500,000 assumed marketing expenses in FY2018 and \$200,000 in FY2019, inflated annually thereafter
- Decrease in real estate tax expense starting in FY2019 associated with receipt of an assumed 75% PILOT rate
- Addition of ~\$5,000 of nursing expense associated with the 10 free nursing days benefit offered under the Type B entrance fee contract

Staffing

Staffing is the largest expense item for MCV. Staffing is projected to increase by two FTEs in dining in FY2019 as the vacant units are sold and occupied. The following table illustrates the staffing assumptions for MCV at the close of the acquisition and upon stabilized occupancy:

Table 7 Total FTEs by Department		
Department	FY2018	FY2021
General and administrative	7.12	7.12
Plant	7.38	7.38
Housekeeping	6.44	6.44
Dietary	15.09	17.09
Resident care	3.85	3.85
Total FTE's	39.88	41.88

Wage rates are based off those included in the FY2017 operating budget and are assumed to hold flat until December 1, 2018, at which point they are assumed to begin increasing 2.0% annually. The cost of employee fringe benefits is assumed to be 30% of salaries and wages, based on the historical experience of Masonicare.

Other Operating Expense Assumptions

The following highlights other major operating expense assumptions post-acquisition:

- Variable costs, such as utilities and food costs, are assumed to fluctuate with occupancy.
- Management fee expense is assumed to equal 6% of operating expenses from the prior year (excluding interest, depreciation and amortization expense).
- Marketing expenses are assumed to approximate \$500,000 in FY2018, \$200,000 in FY2019 and inflated annually thereafter.
- Real estate tax expenses are assumed to approximate \$253,000 in FY2018, \$195,000 in FY2019 (with receipt of a 75% assumed PILOT rate) and inflate annually thereafter.
- Insurance expense is assumed to approximate \$100,000 in FY2018 and inflate annually thereafter.

Non-staffing operating expenses are assumed to increase 3.0% on October 1, 2018 and annually thereafter throughout the remainder of the projection period.

Capital Expenditures

Capital expenditures consist of (1) upgrades to the existing physical plant upon acquisition, and (2) routine upgrades.

Project Improvements

MCV has identified certain improvements it would make to the physical plant upon closing of the acquisition. These improvements mainly consist of upgrades to the vacant Independent living units, certain enhancements to the common areas (particularly the front entrance and lobby), and landscaping. The preliminary budget for these project improvements is \$4 million and is included in the financing of the acquisition (see the "Summary of Financing Assumptions" section below). It is important to note, however, that this budget reflects a conservative estimate and it is possible that the final budget will come in at a lower amount.

Routine Capital Expenditures

Routine capital expenditures are assumed to approximate \$105,000 (i.e., \$1,000/unit) in FY2018, inflated 3% annually and then increased to approximately \$223,000 in FY2020 (i.e., \$2,000/unit in FY2018 year dollars) inflated annually throughout the remainder of the projection period. This level of investment in the physical plant is based on the past experience at the Community, as well as Masonicare's inspection of the facility.



Summary of Financing Assumptions

Masonicare is assumed to finance the acquisition of Chester Village with 100% conventional financing through a bank loan (the "2017 Note Payable"). The 2017 Note Payable is assumed to be structured as a revolving line of credit, which would be drawn down at closing to fund the acquisition, and then with periodic draws to fund other identified needs. There would be a three-year interest only period, followed by a 20-year amortization of the outstanding balance.

The 2017 Note Payable is assumed to total \$10.0 million, with allowances for (i) the acquisition price, (ii) capital expenditures to improve the property, (iii) a working capital reserve, (iv) availability for refunds that come due, and (v) closing costs. The interest rate on the bank loan is assumed to be 5.0%.

Sources and Uses for the financing are detailed below:

Uses	\$000s	Sources	\$000s
Acquisition	3,500	Bank Loan - Revolving Line of Credit	10,000
Capital Expenditures	4,000		
Working Capital Reserve	500		
Refunds Reserve	1,500		
Closing Costs	500		
Total Uses	\$10,000	Total Sources	\$10,000

For initial projection purposes, Masonicare has conservatively assumed the financing need will be a maximum of \$10.0 million and that the full amount will be drawn at closing. It is possible that the financing need may be less; it is expected that Masonicare will draw on the line of credit as needed over a two-year period, rather than assume the full borrowing amount at closing as reflected in the initial projections.

Other Financial Assumptions

Project Fund

At closing of the 2017 Notes Payable, \$4.5 million is assumed to be placed into a Project Fund to be used to fund \$4.0 million in capital expenditures to improve the property during fiscal years 2018 and 2019 as well as a \$500,000 working capital reserve.

Statutory Operating Reserve Fund

As required by the State of Connecticut, the projections include an operating reserve escrow account equal to approximately one month of cash operating costs at the Community plus one year of debt service.

Current Assets and Current Liabilities

Working capital components have been estimated as follows based the historical experience at MCV and industry standards:

Table 3 Working Capital - Days on Hand		
Cash and cash equivalents	30	days operating expenses
Accounts receivable	11	days operating revenues
Prepaid expenses and other current assets	12	days operating expenses
Accounts payable	13	days operating expenses
Accrued expenses	15	days operating expenses