WHITNEY CENTER, INCORPORATED

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

WHITNEY CENTER, INCORPORATED

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Whitney Center, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Whitney Center, Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Whitney Center, Incorporated as of December 31, 2020 and 2019, and the changes in its net assets (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

New Haven, CT
April 14, 2021

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 7,851,154	$ 3,053,100
Accounts receivable	1,020,722	1,064,874
Contract receivables	126,377	695,614
Other receivables	129,961	23,920
Prepaid expenses and other current assets	615,965	538,540
Assets held by trustee	11,722,346	13,334,686
Investments	7,179,688	6,310,770
Total Current Assets	28,646,213	25,021,504
Property and Equipment	78,559,353	80,772,046
Other Assets		
Deferred marketing costs, less accumulated amortization of $3,935,031 in 2020 and $3,598,970 in 2019	221,388	557,449
Total Assets	$ 107,426,954	$ 106,350,999

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2020 AND 2019

	2020	2019
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Accounts payable	$ 1,508,567	$ 1,149,897
Accrued expenses	4,296,321	2,961,667
Deferred revenue	216,211	--
Contract deposits	45,447	164,621
Current portion of capital lease obligation	11,055	74,572
Total Current Liabilities	6,077,601	4,350,757
Capital Lease Obligation - less current portion	--	11,055
Long-Term Debt - less current portion and deferred financing costs	58,703,495	58,824,662
U.S. Small Business Administration Paycheck Protection Program loan	2,250,000	--
Deferred Income from Entry Fees	36,521,217	38,978,050
Refundable Entry Fees	14,802,764	15,420,824
Deposits	128,931	145,292
Total Liabilities	118,484,008	117,730,640
Net Assets (Deficit)		
Without donor restrictions	(11,560,246)	(11,816,518)
With donor restrictions	503,192	436,877
Total Net Deficit	(11,057,054)	(11,379,641)
Total Liabilities and Net Assets (Deficit)	$ 107,426,954	$ 106,350,999

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

WHITNEY CENTER, INCORPORATED

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)

FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Gains			
Resident services, including amortization of entry fees of $7,481,678	$ 28,320,080	$ --	$ 28,320,080
Other operating revenues	664,929	20	664,949
CARES Act Provider Relief Funds	301,521	--	301,521
Contributions	81,853	48,829	130,682
Net assets released from restriction	28,180	(28,180)	--
Total Revenues and Gains	29,396,563	20,669	29,417,232
Expenses and Losses			
Salaries and wages	10,771,132	--	10,771,132
Depreciation and amortization	5,141,655	--	5,141,655
Interest expense	2,677,463	--	2,677,463
Employee benefits	2,709,058	--	2,709,058
Property taxes	2,255,830	--	2,255,830
Other operating expenses	927,696	--	927,696
Contract services	983,062	--	983,062
Utilities	1,217,235	--	1,217,235
Food	1,197,875	--	1,197,875
Ancillary health services	859,722	--	859,722
Supplies	793,746	--	793,746
Repairs and maintenance	361,429	--	361,429
Insurance	212,388	--	212,388
Total Expenses and Losses	30,108,291	--	30,108,291
(Deficiency) Excess of Revenues and Gains over Expenses and Losses from Operations	(711,728)	20,669	(691,059)
Nonoperating Items			
Unrealized gain on investments	565,126	39,073	604,199
Investment income, net	67,964	2,599	70,563
Realized gain on sale of investments	334,910	3,974	338,884
Total Nonoperating Items	968,000	45,646	1,013,646
Excess of Revenues and Gains over Expenses and Losses and Nonoperating Items	256,272	66,315	322,587
Net Assets (Deficit) - Beginning	(11,816,518)	436,877	(11,379,641)
Net Assets (Deficit) - Ending	$ (11,560,246)	$ 503,192	$ (11,057,054)

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

WHITNEY CENTER, INCORPORATED

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)

FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Gains			
Resident services, including amortization of entry fees of $7,851,191	$ 28,127,868	$ --	$ 28,127,868
Other operating revenues	1,205,117	90	1,205,207
Contributions	35,528	24,709	60,237
Net assets released from restriction	42,175	(42,175)	--
Total Revenues and Gains	29,410,688	(17,376)	29,393,312
Expenses and Losses			
Salaries and wages	10,736,157	--	10,736,157
Depreciation and amortization	4,946,948	--	4,946,948
Interest expense	4,600,038	--	4,600,038
Employee benefits	2,363,464	--	2,363,464
Property taxes	2,177,003	--	2,177,003
Other operating expenses	1,279,588	--	1,279,588
Contract services	1,365,506	--	1,365,506
Utilities	1,219,908	--	1,219,908
Food	1,286,895	--	1,286,895
Ancillary health services	1,059,178	--	1,059,178
Supplies	662,854	--	662,854
Repairs and maintenance	403,465	--	403,465
Insurance	186,121	--	186,121
Total Expenses and Losses	32,287,125	--	32,287,125
Deficiency of Revenues and Gains over Expenses and Losses from Operations	(2,876,437)	(17,376)	(2,893,813)
Nonoperating Items			
Unrealized gain on investments	553,518	52,031	605,549
Investment income, net	54,229	3,744	57,973
Realized gain on sale of investments	331,290	907	332,197
Loss on early extinguishment of debt	(1,872,977)	--	(1,872,977)
Total Nonoperating Items	(933,940)	56,682	(877,258)
(Deficiency) Excess of Revenues and Gains over Expenses and Losses and Nonoperating Items	(3,810,377)	39,306	(3,771,071)
Net Assets (Deficit) - Beginning	(8,006,141)	397,571	(7,608,570)
Net Assets (Deficit) - Ending	$ (11,816,518)	$ 436,877	$ (11,379,641)

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets (deficit)	$ 322,587	$ (3,771,071)
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:		
Depreciation and amortization	5,141,655	4,946,948
Amortization of entry fees	(7,517,810)	(7,851,191)
Entry fees received	5,273,559	7,000,547
Net realized and unrealized gain on investments	(943,083)	(937,746)
Loss on disposal of assets	12,060	14,882
Other amortization	(121,167)	63,080
Loss on early extinguishment of debt	--	1,855,077
Changes in operating assets and liabilities:		
Accounts receivable	44,152	376,106
Contract receivables	569,237	22,383
Other receivables	(106,041)	(7,975)
Prepaid expenses and other current assets	(103,120)	(48,595)
Accounts payable	358,670	(467,721)
Accrued expenses	1,334,654	752,411
Deferred revenue	216,211	--
Contract deposits	(119,174)	(40,566)
Deposits	(16,361)	(14,039)
Net Cash Provided by Operating Activities	4,346,029	1,892,530
Cash Flows from Investing Activities		
Purchases of property and equipment	(2,579,266)	(2,498,033)
Net change in assets held by trustee	1,612,340	(4,959,250)
Net sales of assets whose use is limited	133,021	72,326
Proceeds from sales of investments	1,989,786	2,100,806
Purchases of investments	(2,048,642)	(3,607,832)
Net Cash Used in Investing Activities	(892,761)	(8,891,983)

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Financing Activities		
Refundable entry fees received	$ 1,861,072	$ 1,483,515
Principal payments on capital lease obligation	(74,572)	(996,792)
Refunds of deposits and refundable entry fees	(2,691,714)	(1,859,760)
Proceeds of long term debt	--	10,178,743
Proceeds from Paycheck Protection Program loan	2,250,000	--
Deferred financing costs incurred	--	(783,764)
Repayment of long term debt	--	(630,000)
Net Cash Provided by Financing Activities	1,344,786	7,391,942
Net Change in Cash and Cash Equivalents	4,798,054	392,489
Cash and Cash Equivalents - Beginning	3,053,100	2,660,611
Cash and Cash Equivalents - Ending	$ 7,851,154	$ 3,053,100
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 3,811,645	$ 4,022,551
Supplemental Disclosures of Non-Cash Financing and Investing Activities		
Gross proceeds from issuance of Series 2019 bonds		$ 60,403,204
Less - Underwriter's discount		(764,431)
Net proceeds from issuance of Series 2019 bonds		59,638,773
Less - escrow deposit trust established for payoff of Series 2009 bonds		(49,460,030)
Net cash received from issuance of Series 2019 bonds		$ 10,178,743

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

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Whitney Center, Incorporated (the Corporation) is a retirement community offering its residents a comprehensive range of facilities and services including a central dining room, a health center, common lounges and meeting rooms, and other amenities for retirement living. As of December 31, 2020 and 2019, there were 245 and 243 apartment units, respectively, including units available for assisted living, and 59 nursing beds in the health center.

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

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

The Corporation follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. FASB ASC 958 establishes standards for external financial reporting by not-for-profit organizations. Resources are reported for accounting purposes, in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics are combined into the following categories:

Net Assets (Deficit) Without Donor Restrictions - Net assets without donor restrictions consist of the net assets over which the governing board has control to use in carrying out the operations of the Corporation in accordance with its charter and by-laws and are not restricted by donor-imposed restrictions

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

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of net assets whose use is limited by donor-imposed restrictions which either expire with the passage of time (time restriction) or can be fulfilled and removed by actions of the Corporation pursuant to the restrictions (purpose restrictions). When donor-imposed restrictions expire, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

(DEFICIENCY) EXCESS OF REVENUES AND GAINS OVER EXPENSES AND LOSSES FROM OPERATIONS

The statements of activities and changes in net assets include (deficiency) excess of revenues and gains over expenses and losses from operations as the performance indicator. Changes in net assets without donor restrictions that are excluded from (deficiency) excess of revenues and gains over expenses and losses from operations, consistent with industry practice, include investment income, net, realized gain on sale of investments, unrealized gain on investments, and loss on early extinguishment of debt.

USE OF ESTIMATES

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. The Corporation’s significant estimates include assessing the collectability of accounts receivable, self-insurance exposures, the extent of contractual allowances, fair value of investments, the estimated useful lives of long-lived assets and unrecognized CARES Act Funds. Actual results could differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

CASH AND CASH EQUIVALENTS

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

CONTRACT RECEIVABLES

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

ACCOUNTS RECEIVABLE

Accounts receivable result from the health care and independent living residential services provided by the Corporation. Accounts receivable are reported net of any contractual adjustments and implicit price concessions.

The Corporation estimates its accounts receivable based on its past experience, which indicates that certain patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is generally charged off against revenue as an implicit price concession.

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include assets received with donor restrictions for the benefit of residents, and assets set aside by the Board of Directors. The Board of Directors has designated $517,390 and $574,427 for the benefit of the residents and to fund other capital and service objectives as of December 31, 2020 and 2019, respectively.

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

ASSETS HELD BY TRUSTEE

Assets held by trustee are assets restricted pursuant to a trust indenture, relating to the Corporation's long-term debt. The specific accounts held by the trustee, in accordance with the requirements of the trust indenture, include a capital project fund, debt service reserve fund, bond interest account, and a cost of issuance fund.

INVESTMENT VALUATION AND INCOME RECOGNITION

Investments, which consist of marketable equity securities, U.S. Government and Agency obligations, corporate bonds, and mutual funds, are measured at fair value in the statements of financial position. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income (including realized gains and losses on investments, interest, and dividends) is included in deficiency of revenues and gains over expenses and losses from operations unless restricted by donor or law.

Unrealized gains and losses on investments are excluded from deficiency of revenues and gains over expenses and losses from operations. Expenses relating to investment income, including custodial fees and investment advisory fees, amounted to $38,374 in 2020 and $43,127 in 2019 and have been netted against investment income in the accompanying statements of activities.

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

The Corporation analyzes its investment portfolio for indicators of impairment that are other than-temporary. When declines in fair value are deemed to be other-than-temporary, the loss is reported as a component of realized losses on the statements of activities and the fair value on the date of this determination becomes the new basis of the investment. Subsequent increases in the fair value of these investments are recorded as a component of the change in net assets and are not recorded as realized gains until the investments are sold. No impairment losses were recorded in 2020 and 2019.

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

INVESTMENT VALUATION AND INCOME RECOGNITION (CONTINUED)

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

DEFERRED INCOME FROM ENTRY FEES AND REFUNDABLE ENTRY FEES

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

Other entry fee contracts provide for a 60 percent or a 90 percent refund when an entry fee is received from a resident for the same or similar apartment. The refundable portion of a resident's entrance fee is generally refundable within a certain number of months or days following contract termination or upon the resale of the unit, or in some agreements, upon the resale of a comparable unit or 18 months after the resident vacates the unit. The refundable portion of the entry fees from these contracts are recorded as "refundable entry fees" and are recognized in the statements of financial position as a long-term liability.

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

Total contractual refund obligations related to entry fee contracts with refundable options at December 31, 2020 and 2019 were $14,802,764 and $15,420,824, respectively.

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

REVENUE RECOGNITION - RESIDENT SERVICE FEES

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

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

REVENUE RECOGNITION - HEALTH CENTER

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

The Company determines transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Corporation’s charity care policy, and implicit price concessions provided primarily to uninsured patients. Residents who have health care insurance may also have discounts applied related to their copayment or deductible. Implicit price concessions are recorded as a direct reduction to net patient service revenue and are based primarily on historical collection experience.

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

REVENUE RECOGNITION - HEALTH CENTER (CONTINUED)

Estimates of contractual adjustments and discounts are determined by major payor classes for inpatient and outpatient revenues based on contractual agreements, discount policies and historical experience. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and frequent changes in commercial and managed care contractual terms resulting from contract renegotiations and renewals.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews and investigations. There were no material changes in prior period estimates that changed resident service revenue during the years ended December 31, 2020 and 2019.

Effective October 1, 2019, the Centers for Medicare and Medicaid Services (CMS) issued a new case-mix model called the Patient-Driven Payment Model (PDPM), which focuses on a resident's condition and care needs, rather than the amount of care provided to determine reimbursement levels. The PDPM utilizes clinically relevant factors for determining Medicare payment by using ICD-10 diagnosis codes and other patient characteristics as the basis for patient classification.

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

OBLIGATION TO PROVIDE FUTURE SERVICES

For the year ended December 31, 2020, the Corporation utilized the services of an actuary to calculate the present value of the net cost of future services and the use of facilities to be provided to current residents, and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. For the year ended December 31, 2019, the Corporation calculated the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entry fees. There was no future service obligation at December 31, 2020 and 2019.

OPERATING RESERVE

The State of Connecticut Department of Social Services (DSS) monitors Connecticut retirement communities and their compliance with existing state regulations. Among other things, DSS requires that retirement communities maintain an operating reserve equal to approximately one month's cash operating costs and six months of debt service. The Corporation maintained an adequate operating reserve as of December 31, 2020 and 2019. The operating reserve is included within cash and cash equivalents on the accompanying statements of financial position.

PROPERTY AND EQUIPMENT

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

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

IMPAIRMENT OF LONG-LIVED ASSETS

FASB ASC 360-10-35, *Accounting for the Impairment or Disposal of Long-Lived Assets*, requires the Corporation to review long-lived assets, such as property and equipment or intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset.

If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairment losses recognized during the years ended December 31, 2020 and 2019.

CONTRIBUTIONS AND DONOR RESTRICTED GIFTS

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is awarded or received. Conditional promises to give and indications of intentions to give are reported at fair value only when the conditions on which they depend are substantially met and the promises become unconditional.

The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions.

When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, with and without donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

CONTRIBUTED GOODS AND SERVICES

Goods or services have been provided by various organizations and a number of unpaid volunteers have contributed their time. Contributions are recognized if the services rendered (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed goods or services that do not meet the above criteria are not recognized.

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

DEFERRED FINANCING COSTS

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

Gross deferred financing costs of $1,548,495 incurred in connection with the issuance of the Series 2019 bonds are included within long-term debt on the accompanying statements of financial position as of December 31, 2020 and 2019, with accumulated amortization of $61,327 and $9,721 for the years ended December 31, 2020 and 2019.

Amortization of the deferred financing costs, reported as interest expense in the accompanying statements of activities for the years ended December 31, 2020 and 2019, was $51,606 and $93,239, respectively.

DEFERRED MARKETING COSTS

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

DEFERRED REVENUE

Revenue received in advance of the related services being provided is deferred on the accompanying statements of financial position. Amounts will be recognized as revenue when the services are provided or the expenses are incurred by the Corporation. As of December 31, 2020, the Corporation elected to defer $122,084 related to Provider Relief Funds (PRF).

INCOME TAXES

The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in the Internal Revenue Code, and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities.

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

INCOME TAXES (CONTINUED)

Management has analyzed the tax positions taken and has concluded that as of December 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

FUNCTIONAL EXPENSE ALLOCATION

The Corporation allocates it expenses on a functional basis among program and management and general. Expenses that can be identified with a specific service are charged directly according to their natural expenditure classification. Salaries and benefits are supported by time records for specific services. Facility costs, including rent, utilities and insurance are allocated based upon square footage. General and administrative expenses and other indirect costs that cannot be specifically identified with any one service are allocated based on a percentage of direct and directly allocable expenses for that particular service depending on the nature of the expense.

RETIREMENT PLAN

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

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

For the years ended December 31, 2020 and 2019, contributions to the plan amounted to $172,000 and $177,000, respectively.

PROVIDER USER FEE

The State of Connecticut requires a provider user fee be assessed on resident days billed on all non-Medicare related patient days. The user fee is $21.02 per patient day, and is payable on a quarterly basis thirty days after the end of each calendar quarter. To compensate for the provider user fee, applicable Medicaid rates used to reimburse the facilities are adjusted. The specific rate adjustment is dependent on a complex formula within the legislation, based upon each facility’s prior Medicaid rate.

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

PRESENTATION OF INSURANCE CLAIMS AND RELATED INSURANCE RECOVERIES

The Corporation follows the provisions of ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries,* which indicates that health care entities should not net insurance recoveries against the related claim liabilities. As of December 31, 2020 and 2019, the Corporation recorded $35,871 and $22,220, respectively in both prepaid expenses and other current assets and accrued expenses representing the Corporation's workers' compensation claims covered by insurance for losses in excess of the Corporation's deductible amounts.

RISKS AND UNCERTAINTIES

As of December 31, 2020 and 2019, the Corporation incurred losses from operations of approximately $724,000 and $2.9 million, respectively, and has a deficiency in net assets of approximately $11.1 million and $11.4 million as of December 31, 2020 and 2019, respectively. During 2019, the Corporation refunded its Series 2009 bonds, and issued new Series 2019 bonds to reduce the annual interest expense beginning in 2020, along with a debt repayment schedule to reduce the net cost of financing activities. As of December 31, 2020, the Corporation has outstanding long term debt of approximately $58.7 million in the form of revenue bonds.

The Corporation's operating revenues were negatively impacted in 2020 by the COVID-19 pandemic. In general, healthcare organizations saw declines in revenues due to families not wanting to admit relatives due to fear of contracting the coronavirus in an institutional setting, and additionally choosing to keep them at home due to restrictions on visitation. In addition, the Corporation was unable to re-sell units as outside vendors were prohibited from being able to perform necessary renovations.

The Corporation is ultimately dependent upon its future financial performance, which will be affected by achieving an appropriate payor mix, sales of units and reducing operating costs wherever possible. However, there is no such assurance that any of these events will occur.

RECLASSIFICATIONS

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 financial statement presentation.

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

UPCOMING ACCOUNTING STANDARD

In February 2016, the FASB issued ASU 2016-02, *Leases*, which affects most leases. The main difference between the guidance in ASU 2016-02 and current guidance is the recognition of lease assets and liabilities by lessees for those leases classified as operating leases under current guidance. Recognition of these assets and liabilities will have an impact on the Corporation's statement of financial position upon adoption. The new guidance is required to be adopted by not-for-profit entities that are conduit bond obligors for fiscal years beginning after December 15, 2019 and management is currently evaluating the impact of this standard which will be adopted during the year ending December 31, 2021.

NOTE 2 - COVID-19 RELIEF REVENUE

During the year ended December 31, 2020, the Corporation received $423,605 in funding from the Department of Health and Human Services (HHS) through the Coronavirus Aid, Relief and Economic Security (CARES) Act PRF. As a condition to receiving these funds, the Corporation has agreed to certain terms and conditions including the following: (1) the funds are to reimburse the Corporation only for health care-related expenses and lost revenue that is attributable to COVID-19, (2) the funds may only be used to prevent, prepare for and respond to COVID-19, (3) noncompliance with the terms and conditions is grounds for the recoupment of some or all of the payments by HHS and (4) the Corporation will not use the funds to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.

For the year ended December 31, 2020, the Corporation has recognized $301,521 on the accompanying statement of activities and changes in net assets and as of December 31, 2020. The unrecognized amount of the HHS PRF funds is recorded in current portion of the deferred revenue liability in the Corporation's statement of financial position as of December 31, 2020.

Management's estimates of the amount of revenue recognized from these advances could change materially in the future as the regulations regarding the COVID-19 relief programs are modified in future periods. Any future adjustments to these estimates will be reported in the earnings of future periods. All amounts received under these programs may be subject to audit by the funding agencies and potentially require repayment in a future period.

NOTE 3 - ACCOUNTS RECEIVABLE

The Corporation grants credit without collateral to its residents, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of September 30, 2020 and 2019 were as follows:

	2020	2019
Medicaid	$ 71,994	$ 156,735
Medicare	130,635	169,200
Private pay	950,208	960,653
Other third party payors	104,833	78,286
	1,257,670	1,364,874
Less allowance for doubtful accounts	236,948	300,000
	$ 1,020,722	$ 1,064,874

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments at December 31 are summarized as follows:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Assets whose use is limited				
Cash and equivalents	$ 146,449	$ 146,449	$ 123,801	$ 123,801
Mutual funds	704,465	874,133	816,237	887,503
	$ 850,914	$ 1,020,582	$ 940,038	$ 1,011,304

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Long-Term investments				
Cash and equivalents	$ 1,139,173	$ 1,139,173	$ 1,126,893	$ 1,126,893
Mutual funds	565,407	579,425	378,523	378,405
U.S. Government and Agency obligations	334,558	348,190	410,943	428,055
Corporate bonds	210,686	224,599	122,568	128,631
Marketable equity securities	2,747,110	3,867,719	2,604,164	3,237,482
	$ 4,996,934	$ 6,159,106	$ 4,643,091	$ 5,299,466

FAIR VALUE MEASUREMENT

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

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

Level 2: Inputs to the valuation methodology include:

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

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

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

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

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

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

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

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

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

There have been no changes in the methodologies used at December 31, 2020 and 2019.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

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

	December 31, 2020		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	$ 1,285,622	$ --	$ 1,285,622
Mutual funds	1,453,558	--	1,453,558
U.S. Government and Agency obligations	348,190	--	348,190
Corporate bonds	--	224,599	224,599
Marketable equity securities	3,867,719	--	3,867,719
	$ 6,955,089	$ 224,599	$ 7,179,688

	December 31, 2019		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	$ 1,250,694	$ --	$ 1,250,694
Mutual funds	1,265,908	--	1,265,908
U.S. Government and Agency obligations	428,055	--	428,055
Corporate bonds	--	128,631	128,631
Marketable equity securities	3,237,482	--	3,237,482
	$ 6,182,139	$ 128,631	$ 6,310,770

INSTRUMENTS NOT MEASURED AT FAIR VALUE

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses approximate their fair value because of the short-term nature of these instruments.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

INSTRUMENTS NOT MEASURED AT FAIR VALUE (CONTINUED)

The fair value of long-term debt as of December 31, 2020 and 2019 approximates the total outstanding principal balance. The method used to determine the fair value of long-term debt is quoted prices for similar debt instruments.

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

	2020	2019
Land and land improvements	$ 858,756	$ 801,745
Intangibles	843,443	820,544
Buildings	126,690,227	125,211,736
Furniture, fixtures and equipment	5,019,905	5,226,689
Vehicles	240,503	229,655
Construction in process	2,039,946	1,189,868
	135,692,780	133,480,237
Less accumulated depreciation and amortization	57,133,427	52,708,191
	$ 78,559,353	$ 80,772,046

The estimated cost to complete the construction in progress as of December 31, 2020 is approximately $2,300,000.

NOTE 6 - ASSETS HELD BY TRUSTEE

In accordance with the Town of Hamden, Connecticut Revenue Bonds (Whitney Center Project), Series 2019, the Corporation maintains the following accounts with a trustee:

CAPITAL PROJECT FUND

The Corporation established a capital project fund of $10 million, from proceeds of the Series 2019 bond issuance.

NOTE 6 - ASSETS HELD BY TRUSTEE (CONTINUED)

CAPITAL PROJECT FUND (CONTINUED)

The funds are designated for use in specific capital projects to be undertaken by the Corporation. The balance of the capital project fund at December 31, 2020 and 2019 was $6,568,290 and $8,737,585, respectively.

DEBT SERVICE RESERVE FUND

The Corporation is required to maintain a debt service reserve fund in an amount equal to the maximum annual debt service requirement for the Series 2019 Bonds. Funds on deposit in this account shall be applied to make up any deficiencies with respect to payments on the bonds. The balance of the debt service reserve fund at December 31, 2020 and 2019 was $3,762,218 and $3,743,852, respectively.

BOND INTEREST FUND

The Corporation is required to maintain a bond interest fund, which is funded monthly for required interest payments due. The balance of the bond interest fund at December 31, 2020 and 2019 was $1,391,838 and $633,577, respectively.

COST OF ISSUANCE FUND

The Corporation established a cost of issuance fund, from proceeds of the Series 2019 bond issuance of $828,546, to be used to pay costs associated with the bond issuance. The balance of the cost of issuance fund at December 31, 2020 and 2019 was $- and $44,886, respectively.

NOTE 7 - NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS

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

	2020	2019
Undesignated	$ (31,922,439)	$ (34,252,702)
Designated by the governing board	517,390	574,427
Property and equipment, net of related debt	19,844,803	21,861,757
Total Net Assets (Deficit) Without Donor Restrictions	$ (11,560,246)	$ (11,816,518)

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Subject to Expenditure for Specified Purpose:		
Memorial and remembrance fund	$ 366,838	$ 320,750
Cultural arts fund	86,079	83,582
Staff development fund	38,480	22,545
Employee emergency fund	1,795	--
	493,192	426,877
Subject to Appropriation and Expenditure When a Specified Event Occurs:		
Endowment contribution from which the income is expendable to provide financial support to residents	10,000	10,000
Total Net Assets With Donor Restrictions	$ 503,192	$ 436,877

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from restrictions by incurring expenses satisfying the following purposes for the years ended December 31:

	2020	2019
Subject to Expenditure for Specified Purpose:		
Memorial and remembrance fund	$ 4,580	$ 21,525
Cultural arts fund	1,600	--
Staff development fund	22,000	20,650
	$ 28,180	$ 42,175

UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT

As required by GAAP, net assets are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

NOTE 9 - LONG-TERM DEBT

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

	2020	2019
Town of Hamden Revenue Bonds (Whitney Center Project) Series 2019		
Fixed Rate Revenue Bonds due January 1, 2030	$ 9,090,000	$ 9,090,000
Fixed Rate Revenue Bonds due January 1, 2040	17,690,000	17,690,000
Fixed Rate Revenue Bonds due January 1, 2050	28,815,000	28,815,000
	55,595,000	55,595,000
Less, deferred financing costs	1,499,368	1,538,474
Add, unamortized original issue premium	4,607,863	4,768,136
Long-Term portion	$ 58,703,495	$ 58,824,662

SERIES 2019 BONDS

In October 2019, the Corporation issued $55,595,000 (par value) of Town of Hamden, Connecticut Facility Revenue Bonds (Whitney Center Project), Series 2019 (Series 2019 Bonds) at an aggregate original issue premium of $4,808,204. Proceeds from the Series 2019 Bond issuance were used to refund the outstanding Series 2009 bonds effective October 1, 2019.

The Series 2019 bonds are at a fixed rate of interest of 5.00 percent, with mandatory annual sinking fund redemptions beginning in January 1, 2023 and extending through final maturity in January 1, 2050.

The Series 2019 Bonds are collateralized by (i) a first mortgage lien on the Corporation's main operating facility, (ii) a security interest in all personal property, fixtures, and equipment, (iii) a security interest in the gross revenues of the Corporation, and (iv), an assignment of the Corporation's rights under its residency agreements.

NOTE 9 - LONG-TERM DEBT (CONTINUED)

SERIES 2019 BONDS

Financing costs associated with the issuance of the Series 2019 Bonds totaling $1,548,195, have been deferred and are being amortized over the term of the bonds. In addition, the original issue premium of $4,808,204 has been capitalized and is being amortized on a yield method over the term of the bonds. At December 31, 2020 and 2019, the unamortized original issue premium was $4,607,863 and $4,768,136, respectively, and the total outstanding principal balance was $55,595,000.

The Loan Agreement (and Security Agreement) and related Trust Indenture to the Series 2019 Bonds also provides for, among other requirements, the maintenance of certain financial and operational covenants including a minimum debt service coverage ratio, and a days' cash on hand ratio. The Corporation successfully met the debt service coverage ratio and the days' cash on hand ratio covenants on the December test date in 2020.

SERIES 2009 BONDS

The Series 2009A fixed rate revenue bonds had interest rates ranging from 7.625 percent to 7.75 percent, and mandatory annual sinking fund redemptions extending through final maturity in 2043. During 2019, the Corporation redeemed $630,000 of the Series 2009A Bonds, respectively. On January 2, 2020, the remaining principal balance of $43,960,000, together with accrued interest of $1,698,280, was paid out of funds escrowed from the proceeds of the issuance of the Series 2019 Bonds, in accordance with the terms of the Series 2009 Bond Indenture.

The Series 2009C adjustable rate revenue bonds had an initial interest rate of 7.25%, reset to 5.50% on January 1, 2016, and a mandatory maturity of 2043 subject to redemption prior to maturity in whole or in part from new unit entrance fees beginning January 1, 2016. On January 2, 2020, the remaining principal balance of $3,700,000, together with accrued interest of $101,750, was paid out of funds escrowed from the proceeds of the issuance of the Series 2019 Bonds, in accordance with the terms of the Series 2009 Bond Indenture.

NOTE 9 - LONG-TERM DEBT (*CONTINUED*)

OPERATING RESERVE

The State of Connecticut requires that continuing care facilities maintain a reserve fund, which consists of six months debt service requirements plus one month's operating costs. As of December 31, 2020 and 2019, the Corporation had established the required reserve funds, which consist of U.S. Government obligations, common stocks and money market funds. These funds are not available for current operating purposes. The total reserve requirement was approximately $3.25 million and $3.28 million at December 31, 2020 and 2019, respectively. The balance in these funds amounted to approximately $5.15 million and $4.38 million at December 31, 2020 and 2019, respectively. Such amounts have been classified as assets held by trustee on the statements of financial position.

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

Years ending December 31,	
2021	$ --
2022	--
2023	955,000
2024	1,000,000
2025	1,050,000
Thereafter	52,590,000
	$ 55,595,000

NOTE 10 - U.S. SMALL BUSINESS ADMINISTRATION PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Corporation received a loan (the PPP Loan) from KeyBank National Association in the amount of $2,250,000 under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act. Subject to potential forgiveness, as described below, the PPP Loan matures in two years, bears interest at a rate of 1.00% per year and is evidenced by a promissory note dated April 30, 2020 (the Note). Monthly payments of principal and interest are deferred until after any application for forgiveness submitted by the Corporation has been acted upon, as described below. The PPP Loan is unsecured and federally guaranteed. The Note contains customary events of default relating to, among other things, failure to make payments of principal and interest and breaches of representations and warranties. The Corporation may prepay the PPP Loan at any time prior to maturity with no penalty.

All or a portion of the PPP Loan may be eligible to be forgiven by the U.S. Small Business Administration (SBA) and the lender upon application by the Corporation, provided that the Corporation shall have used the loan proceeds for eligible purposes, including the payment of payroll, benefits, rent, mortgage interest and utilities, during the 24 week period beginning on the date of funding of the loan (the “covered period”). Not more than 40% of the amount forgiven may be for non-payroll costs. The Corporation will be eligible to submit an application for forgiveness of the PPP Loan for a period of up to ten months after the end of the covered period.

Consistent with the requirements of the PPP for loan forgiveness, the Corporation has been using the loan proceeds solely for payment of payroll and otherwise in a manner which it believes satisfy the requirements for loan forgiveness. However, no assurance can be given that any application for loan forgiveness that the Corporation may submit will be approved, in whole or in part. The PPP loan remains on the Corporation’s statements of financial position as a liability as of December 31, 2020, and no revenue has been recognized during the year ended December 31, 2020 pursuant to it.

NOTE 11 - CAPITAL LEASE OBLIGATIONS

The Corporation entered into capital lease obligations in 2016 for computer and other equipment at an aggregate monthly rental of $10,900, with imputed interest rates ranging from 4.489% to 5.721%, through expiration dates ranging from May 2020 to March 2021. The original cost of the equipment was $577,283, and has a net book value of approximately $204,000 and $270,000 as of December 31, 2020 and 2019, respectively.

NOTE 11 - CAPITAL LEASE OBLIGATIONS (CONTINUED)

The Corporation entered into capital lease obligations in 2018 to finance LED lighting equipment at a monthly rental of $26,507, with an imputed interest rate of 19.17%, through expiration in December 2022. The equipment cost of $883,876 was placed in service December 31, 2018. In October 2019, the lease was paid in full from the proceeds of the Series 2019 Bond issuance.

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

Years ending December 31,	
2021	$ 11,153
	11,153
Less, amount representing interest	98
	$ 11,055

NOTE 12 - DISAGGREGATION OF REVENUE

The Corporation disaggregates its revenue from contracts with residents by payor source, as the Corporation believes it best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors.

NOTE 12 - DISAGGREGATION OF REVENUE (CONTINUED)

The following tables present revenue disaggregated by type of contract and payer for the years ended December 31, 2020 and 2019:

	December 31, 2020				
	Independent Living	Health Center	Assisted Living	Thrive at Home	Total
Resident Fees:					
Medicaid	$ --	715,894	$ --	$ --	$ 715,894
Medicare	--	1,812,855	--	--	1,812,855
Private pay and other third party payors	12,688,597	3,016,209	2,174,124	394,591	18,273,521
	12,688,597	5,544,958	2,174,124	394,591	20,802,270
Entry Fees:					
Amortization	5,271,671	--	--	266,404	5,538,075
Entry fees recognized	1,943,603	--	--	36,132	1,979,735
	$ 19,903,871	$ 5,544,958	$ 2,174,124	$ 697,127	$ 28,320,080

	December 31, 2019				
	Independent Living	Health Center	Assisted Living	Thrive at Home	Total
Resident Fees:					
Medicaid	$ --	776,981	$ --	$ --	$ 776,981
Medicare	--	2,100,872	--	--	2,100,872
Private pay and other third party payors	12,800,276	2,183,205	2,129,368	285,975	17,398,824
	12,800,276	5,061,058	2,129,368	285,975	20,276,677
Entry Fees:					
Amortization	5,683,105	--	--	207,208	5,890,313
Entry fees recognized	1,960,878	--	--	--	1,960,878
	$ 20,444,259	$ 5,061,058	$ 2,129,368	$ 493,183	$ 28,127,868

NOTE 13 - COMMITMENTS AND CONTINGENCIES

HEALTH CARE INDUSTRY

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, and government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with applicable government laws and regulations. However, compliance with such laws and regulations is subject to government review and interpretation as well as regulatory actions unknown or unasserted at this time.

LEGAL AND REGULATORY ENVIRONMENT

Management believes that the Corporation is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, 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.

The Corporation is involved in legal proceedings related to matters which are incidental to its business. In the opinion of management, based on consultation with counsel, the outcome of such proceedings will not significantly affect the Corporation’s financial position or results of operations, based on existing insurance coverage and contingency reserves provided by the Corporation.

COVID 19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic which continues to spread throughout the United States and the world. The Corporation is monitoring the outbreak of COVID-19 and the related business and travel restrictions and its impact on operations, financial position, cash flows, reopening trends, patient and third party payor payments, and the industry in general, in addition to the impact on its employees. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Corporation’s operations and liquidity is uncertain as of the date of this report.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

COVID 19 PANDEMIC **(CONTINUED)**

While there could ultimately be a material impact on operations and liquidity of the Company at the time of issuance, the impact could not be yet determined.

The Corporation's business has been deemed essential by the State of Connecticut during the COVID-19 pandemic; however, the operations have been impacted due to declines in the number of services provided starting in March 2020 and continuing through the issuance of this report. The extent to which the COVID-19 pandemic further impacts the Corporation's operations and financial condition will depend on numerous evolving factors, which are uncertain and cannot be predicted, including duration and scope of the pandemic and associated disruptions; effects of current and future governmental and public responses to changing conditions; financial condition of the Corporation's customers; and the ability of third party payors to meet their obligations to the Corporation for the services provided.

NOTE 14 - SELF INSURANCE

Effective January 1, 2020, the Corporation became self-insured for health and pharmacy benefits provided to employees. All eligible employees have the option of participating in the Corporation's self-funded, comprehensive medical care benefits plan. Based upon plan enrollment, the Network pays a monthly fee to a Third Party Administrator (TPA), which covers the administrative fees. The Corporation has purchased stop-loss insurance, which will reimburse the Corporation for individual claims in excess of $100,000 annually and aggregate claims of approximately $900,000 annually. The Corporation pays the claims and recognizes the expense as they are submitted by the TPA. This amount varies from month to month based upon the health care use by covered persons. As of December 31, 2020, the Corporation accrued $200,000 for unpaid claims.

The determination of such claims and expenses and the appropriateness of the related liability is continually reviewed and updated. It is reasonably possible that the accrued estimated liability of self-insured claims may need to be revised in the near term.

NOTE 15 - FUNCTIONAL EXPENSES

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

2020	Independent Living	Health Center	Resident Services	Total Programs	Marketing and Development	Management and General	Total
Salaries and wages	$ 4,199,984	$ 2,886,053	$ 988,844	$ 8,074,881	$ 568,907	$ 2,127,344	$ 10,771,132
Employee benefits	942,545	712,880	216,187	1,871,612	137,426	700,020	2,709,058
Contract services	482,838	130,260	12,233	625,331	2,067	355,664	983,062
Food	740,979	328,804	2,125	1,071,908	98	125,869	1,197,875
Supplies	280,363	163,354	91,470	535,187	3,037	255,522	793,746
Ancillary health services	168	859,554	--	859,722	--	--	859,722
Utilities	1,068,563	70,865	11,970	1,151,398	5,985	59,852	1,217,235
Repairs and maintenance	310,319	26,035	4,923	341,277	1,748	18,404	361,429
Other operating expenses	61,316	76,584	103,587	241,487	113,007	385,931	740,425
Insurance	--	--	--	--	--	212,388	212,388
Marketing and development	9,677	--	--	9,677	165,535	--	175,212
Depreciation and amortization	4,331,663	370,353	52,983	4,754,999	49,652	337,004	5,141,655
Interest expense	2,329,873	165,679	27,986	2,523,538	13,993	139,932	2,677,463
Property taxes	1,975,656	133,545	22,558	2,131,759	11,279	112,792	2,255,830
Loss on disposal of assets	10,561	714	121	11,396	60	603	12,059
	$16,744,505	$ 5,924,680	$ 1,534,987	$24,204,172	$ 1,072,794	$ 4,831,325	$ 30,108,291

NOTE 15 - FUNCTIONAL EXPENSES (CONTINUED)

2019	Independent Living	Health Center	Resident Services	Total Programs	Marketing and Development	Management and General	Total
Salaries and wages	$ 4,427,293	$ 2,798,212	$ 1,082,144	$ 8,307,649	$ 550,681	$ 1,877,827	$ 10,736,157
Employee benefits	974,628	616,000	238,224	1,828,852	121,227	413,385	2,363,464
Contract services	621,642	239,572	17,850	879,064	168,846	317,596	1,365,506
Food	932,416	300,937	14,671	1,248,024	1,919	36,952	1,286,895
Supplies	409,909	153,426	44,472	607,807	4,404	50,643	662,854
Ancillary health services	141	1,059,037	--	1,059,178	--	--	1,059,178
Utilities	1,052,742	71,160	12,020	1,135,922	6,010	60,102	1,202,034
Repairs and maintenance	336,363	30,441	14,713	381,517	1,846	20,102	403,465
Other operating expenses	80,057	68,219	103,929	252,205	9,804	825,806	1,087,815
Insurance	--	--	--	--	--	186,121	186,121
Marketing and development	50,878	--	--	50,878	143,093	794	194,765
Depreciation and amortization	3,976,608	275,859	52,771	4,305,238	48,454	593,256	4,946,948
Interest expense	4,028,714	272,322	46,000	4,347,036	23,000	230,002	4,600,038
Property taxes	1,906,619	128,879	21,770	2,057,268	10,885	108,850	2,177,003
Loss on disposal of assets	13,034	881	149	14,064	74	744	14,882
	$18,811,044	$ 6,014,945	$ 1,648,713	$26,474,702	$ 1,090,243	$ 4,722,180	$ 32,287,125

NOTE 16 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

The following table reflects the Corporation's financial assets as of December 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include donor restricted balances, board-designated investments intended to fund special board initiatives not considered in the annual operating budget, and assets held by a third party trustee. In the event the need arises to utilize the board-designated investments for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	2020	2019
Financial assets at year-end		
Cash and cash equivalents	$ 7,851,154	$ 3,053,100
Accounts and contract receivables, net	1,147,099	1,760,488
Other receivables	129,961	23,920
Investments	7,179,688	6,310,770
Assets held by trustee	11,722,346	13,334,686
Total financial assets available at year-end	28,030,248	24,482,964
Less contractual or donor-imposed restrictions		
Perpetual endowment	10,000	10,000
Restricted by donors with time or purpose restriction	493,192	426,877
Board designated	517,390	574,427
Assets held by trustee	11,722,346	13,334,686
Financial assets available to meet cash needs for general expenditures within one year	$ 15,287,320	$ 10,136,974

NOTE 17 - SUBSEQUENT EVENTS

In preparing these financial statements, The Corporation has evaluated events and transactions for potential recognition or disclosure through April 14, 2021, the date the financial statements were available to be issued. Except as disclosed above, there were no subsequent events that require recognition or disclosure in these financial statements.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Whitney Center, Incorporated

We have audited the financial statements of Whitney Center, Incorporated as of and for the years ended December 31, 2020 and 2019, and our report thereon dated April 14, , 2021, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information, Schedule I – Comparison of Changes in Unrestricted Net Deficit Before Nonoperating Items, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Marcum LLP

New Haven, CT
April 14, 2021

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WHITNEY CENTER, INCORPORATED

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

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

			Increase (Decrease)	
	2020	2019	Dollar Change	Percent Change
Changes in Net Deficit Before Nonoperating Items				
Revenues and Gains				
Resident services	$ 28,320,080	$ 28,127,868	$ 192,212	1%
Other operating revenues	664,929	1,205,117	(540,188)	-45%
CARES Act Provider Relief Funds	301,521	--	301,521	100%
Contributions and other	81,853	35,528	46,325	130%
Net assets released from restriction	28,180	42,175	(13,995)	-33%
Total Revenues and Gains	29,396,563	29,410,688	(14,125)	0%
Expenses and Losses				
Depreciation and amortization	5,141,655	4,946,948	194,707	4%
Interest expense	2,677,463	4,614,920	(1,937,457)	-42%
Health Center services	3,517,018	4,228,480	(711,462)	-17%
Administrative and general	4,300,239	4,660,795	(360,556)	-8%
Dining services	2,966,145	3,080,794	(114,649)	-4%
Employee benefits	2,709,058	2,363,464	345,594	15%
Property taxes	2,255,830	2,177,003	78,827	4%
Plant and security	1,695,228	1,716,732	(21,504)	-1%
Utilities	1,197,043	1,202,034	(4,991)	0%
Housekeeping and laundry	910,958	1,020,808	(109,850)	-11%
Assisted living and wellness	1,531,784	1,238,166	293,618	24%
Resident services	818,261	624,986	193,275	31%
At Home program	387,609	411,995	(24,386)	-6%
Total Expenses and Losses	30,108,291	32,287,125	(2,178,834)	-7%
Deficiency of Revenues and Gains over Expenses and Losses from Operations	$ (711,728)	$ (2,876,437)	$ 2,164,709	75%

See independent auditors' report on supplementary information.

WHITNEY CENTER, INCORPORATED

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

WHITNEY CENTER, INCORPORATED

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Whitney Center, Incorporated

Opinion

We have audited the financial statements of Whitney Center, Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Whitney Center, Incorporated as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Whitney Center, Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Whitney Center, Incorporated's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, Schedule I – Comparison of Changes in Unrestricted Net Deficit Before Nonoperating Items, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Marcum LLP

New Haven, CT
May 13, 2022

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 8,822,178	$ 8,000,045
Accounts receivable	761,792	1,020,722
Contract receivables	--	126,377
Other receivables	11,420	129,961
Prepaid expenses and other current assets	815,963	615,965
Assets held by trustee	6,993,362	11,722,346
Investments	10,033,665	7,030,797
Total Current Assets	27,438,380	28,646,213
Property and Equipment	78,985,720	78,559,353
Other Assets		
Deferred marketing costs, less accumulated amortization of $96,503 in 2021 and $73,796 in 2020	198,681	221,388
Total Assets	$ 106,622,781	$ 107,426,954

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2021 AND 2020

	2021	2020
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Accounts payable	$ 1,251,191	$ 1,508,567
Accrued expenses	4,749,940	4,296,321
Deferred revenue	16,179	216,211
Contract deposits	124,736	45,447
Current portion of operating lease liability	29,286	--
Current portion of capital lease obligation	--	11,055
Total Current Liabilities	6,171,332	6,077,601
Operating Lease Liability - less current portion	54,139	--
Long-Term Debt - less current portion and deferred financing costs	58,583,342	58,703,495
U.S. Small Business Administration Paycheck Protection Program loan	--	2,250,000
Deferred Income from Entry Fees	35,977,960	36,521,217
Refundable Entry Fees	15,640,335	14,802,764
Deposits	141,005	128,931
Total Liabilities	116,568,113	118,484,008
Net Assets (Deficit)		
Without donor restrictions	(10,660,042)	(11,560,246)
With donor restrictions	714,710	503,192
Total Net Deficit	(9,945,332)	(11,057,054)
Total Liabilities and Net Assets (Deficit)	$ 106,622,781	$ 107,426,954

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

WHITNEY CENTER, INCORPORATED

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)

FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Gains			
Resident services, including amortization of entry fees of $6,690,521	$ 27,786,915	$ --	$ 27,786,915
Other operating revenues	897,584	14	897,598
CARES Act Provider Relief Funds	163,808	--	163,808
Contributions	85,823	178,673	264,496
Net assets released from restriction	21,280	(21,280)	--
Total Revenues and Gains	28,955,410	157,407	29,112,817
Expenses and Losses			
Salaries and wages	11,292,676	--	11,292,676
Depreciation and amortization	4,625,920	--	4,625,920
Employee benefits	2,697,628	--	2,697,628
Interest expense	2,649,597	--	2,649,597
Property taxes	2,234,825	--	2,234,825
Contract services	1,303,915	--	1,303,915
Other operating expenses	1,726,711	--	1,726,711
Food	1,245,658	--	1,245,658
Utilities	1,136,123	--	1,136,123
Ancillary health services	871,555	--	871,555
Supplies	811,971	--	811,971
Repairs and maintenance	461,785	--	461,785
Insurance	230,722	--	230,722
Total Expenses and Losses	31,289,086	--	31,289,086
(Deficiency) Excess of Revenues and Gains over Expenses and Losses from Operations	(2,333,676)	157,407	(2,176,269)
Nonoperating Items			
Investment income, net	56,131	2,037	58,168
Realized and unrealized gain on sale of investments	927,749	52,074	979,823
Gain on forgiveness of PPP loan	2,250,000	--	2,250,000
Total Nonoperating Items	3,233,880	54,111	3,287,991
Excess of Revenues and Gains over Expenses and Losses and Nonoperating Items	900,204	211,518	1,111,722
Net Assets (Deficit) - Beginning	(11,560,246)	503,192	(11,057,054)
Net Assets (Deficit) - Ending	$ (10,660,042)	$ 714,710	$ (9,945,332)

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

WHITNEY CENTER, INCORPORATED

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)

FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Gains			
Resident services, including amortization of entry fees of $7,517,810	$ 28,320,080	$ --	$ 28,320,080
Other operating revenues	664,929	20	664,949
CARES Act Provider Relief Funds	301,521	--	301,521
Contributions	81,853	48,829	130,682
Net assets released from restriction	28,180	(28,180)	--
Total Revenues and Gains	29,396,563	20,669	29,417,232
Expenses and Losses			
Salaries and wages	10,748,537	--	10,748,537
Depreciation and amortization	5,141,655	--	5,141,655
Interest expense	2,677,463	--	2,677,463
Employee benefits	2,664,376	--	2,664,376
Property taxes	2,255,830	--	2,255,830
Utilities	1,197,043	--	1,197,043
Food	1,196,577	--	1,196,577
Other operating expenses	1,117,550	--	1,117,550
Contract services	965,039	--	965,039
Ancillary health services	859,846	--	859,846
Supplies	710,558	--	710,558
Repairs and maintenance	361,429	--	361,429
Insurance	212,388	--	212,388
Total Expenses and Losses	30,108,291	--	30,108,291
(Deficiency) Excess of Revenues and Gains over Expenses and Losses from Operations	(711,728)	20,669	(691,059)
Nonoperating Items			
Investment income, net	67,964	2,599	70,563
Realized and unrealized gain on sale of investments	900,036	43,047	943,083
Total Nonoperating Items	968,000	45,646	1,013,646
Excess of Revenues and Gains over Expenses and Losses and Nonoperating Items	256,272	66,315	322,587
Net Assets (Deficit) - Beginning	(11,816,518)	436,877	(11,379,641)
Net Assets (Deficit) - Ending	$ (11,560,246)	$ 503,192	$ (11,057,054)

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets (deficit)	$ 1,111,722	$ 322,587
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:		
Depreciation and amortization	4,625,920	5,141,655
Amortization of entry fees	(6,690,521)	(7,517,810)
Entry fees received	6,147,264	5,273,559
Net realized and unrealized gain on investments	(979,823)	(943,083)
Loss on disposal of assets	121,244	12,060
Other amortization	(120,153)	(121,167)
Gain on forgiveness of PPP loan	(2,250,000)	--
Changes in operating assets and liabilities:		
Accounts receivable	258,930	44,152
Contract receivables	126,377	569,237
Other receivables	118,541	(106,041)
Prepaid expenses and other current assets	(199,998)	(103,120)
Accounts payable	(257,376)	358,670
Accrued expenses	453,619	1,334,654
Deferred revenue	(200,032)	216,211
Contract deposits	79,289	(119,174)
Deposits	12,074	(16,361)
Net Cash Provided by Operating Activities	2,357,077	4,346,029
Cash Flows from Investing Activities		
Purchases of property and equipment	(5,044,290)	(2,579,266)
Net change in assets held by trustee	4,728,984	1,612,340
Net sales of assets whose use is limited	27,351	281,912
Proceeds from sales of investments	1,833,327	1,989,786
Purchases of investments	(3,883,723)	(2,048,642)
Net Cash Used in Investing Activities	(2,338,351)	(743,870)

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows from Financing Activities		
Refundable entry fees received	$ 1,433,111	$ 1,861,072
Principal payments on lease obligations	(34,164)	(74,572)
Refunds of deposits and refundable entry fees	(595,540)	(2,691,714)
Proceeds from Paycheck Protection Program loan	--	2,250,000
Net Cash Provided by Financing Activities	803,407	1,344,786
Net Change in Cash and Cash Equivalents	822,133	4,946,945
Cash and Cash Equivalents - Beginning	8,000,045	3,053,100
Cash and Cash Equivalents - Ending	$ 8,822,178	$ 8,000,045
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 2,800,191	$ 3,811,045
Supplemental Disclosures of Non-Cash Financing and Investing Activities		
ROU assets obtained in exchange for operating lease obligations	$ 106,534	

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

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Whitney Center, Incorporated (the Corporation) is a retirement community offering its residents a comprehensive range of facilities and services including a central dining room, a health center, common lounges and meeting rooms, and other amenities for retirement living. As of December 31, 2021 and 2020, there were 244 and 245 apartment units, respectively, including 14 units available for memory care, and 59 nursing beds in the health center.

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

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

The Corporation follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. FASB ASC 958 establishes standards for external financial reporting by not-for-profit organizations. Resources are reported for accounting purposes, in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics are combined into the following categories:

Net Assets (Deficit) Without Donor Restrictions - Net assets without donor restrictions consist of the net assets over which the governing board has control to use in carrying out the operations of the Corporation in accordance with its charter and by-laws and are not restricted by donor-imposed restrictions

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

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of net assets whose use is limited by donor-imposed restrictions which either expire with the passage of time (time restriction) or can be fulfilled and removed by actions of the Corporation pursuant to the restrictions (purpose restrictions). When donor-imposed restrictions expire, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

RECENTLY ADOPTED ACCOUNTING GUIDANCE

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Corporation adopted the standard effective January 1, 2021 and recognized and measured leases existing at, or entered into after, January 1, 2021 (the beginning of the adoption period), with certain practical expedients. Lease disclosures for the year ended December 31, 2020 are made under prior lease guidance in FASB ASC 840.

The Corporation elected the practical expedients to account for our existing operating leases as finance leases or operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Corporation recognized on January 1, 2021 a lease liability at the carrying amount of the capital lease obligations on December 31, 2020, and a right-of-use asset and operating lease liability at the carrying amount of the capital lease asset of approximately $82,000, which represents the present value of the remaining operating lease, discounted using an incremental borrowing rate of 6.45%.

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

(DEFICIENCY) EXCESS OF REVENUES AND GAINS OVER EXPENSES AND LOSSES FROM OPERATIONS

The statements of activities and changes in net assets include (deficiency) excess of revenues and gains over expenses and losses from operations as the performance indicator. Changes in net assets without donor restrictions that are excluded from (deficiency) excess of revenues and gains over expenses and losses from operations, consistent with industry practice, include investment income, net, realized gain on sale of investments, and unrealized gain on investments.

USE OF ESTIMATES

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. The Corporation's significant estimates include assessing the collectability of accounts receivable, self-insurance exposures, the extent of contractual allowances, fair value of investments, the estimated useful lives of long-lived assets and unrecognized CARES Act Funds. Actual results could differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

CASH AND CASH EQUIVALENTS

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

CONTRACT RECEIVABLES

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

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

ACCOUNTS RECEIVABLE

Accounts receivable result from the health care and independent living residential services provided by the Corporation. Accounts receivable are reported net of any contractual adjustments and implicit price concessions.

The Corporation estimates its accounts receivable based on its past experience, which indicates that certain patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is generally charged off against revenue as an implicit price concession.

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include assets received with donor restrictions for the benefit of residents, and assets set aside by the Board of Directors. The Board of Directors has designated $526,885 and $517,390 for the benefit of the residents and to fund other capital and service objectives as of December 31, 2021 and 2020, respectively.

ASSETS HELD BY TRUSTEE

Assets held by trustee are assets restricted pursuant to a trust indenture, relating to the Corporation's long-term debt. The specific accounts held by the trustee, in accordance with the requirements of the trust indenture, include a capital project fund, debt service reserve fund, bond interest account, and a cost of issuance fund.

INVESTMENT VALUATION AND INCOME RECOGNITION

Investments, which consist of marketable equity securities, U.S. Government and Agency obligations, corporate bonds, and mutual funds, are measured at fair value in the statements of financial position. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income (including realized gains and losses on investments, interest, and dividends) is included in deficiency of revenues and gains over expenses and losses from operations unless restricted by donor or law.

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

INVESTMENT VALUATION AND INCOME RECOGNITION (CONTINUED)

Unrealized gains and losses on investments are excluded from deficiency of revenues and gains over expenses and losses from operations. Expenses relating to investment income, including custodial fees and investment advisory fees, amounted to $57,888 in 2021 and $43,240 in 2020 and have been netted against investment income in the accompanying statements of activities.

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

The Corporation analyzes its investment portfolio for indicators of impairment that are other than-temporary. When declines in fair value are deemed to be other-than-temporary, the loss is reported as a component of realized losses on the statements of activities and the fair value on the date of this determination becomes the new basis of the investment. Subsequent increases in the fair value of these investments are recorded as a component of the change in net assets and are not recorded as realized gains until the investments are sold. No impairment losses were recorded in 2021 and 2020.

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

DEFERRED INCOME FROM ENTRY FEES AND REFUNDABLE ENTRY FEES

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

Other entry fee contracts provide for a 60 percent or a 90 percent refund when an entry fee is received from a resident for the same or similar apartment. The refundable portion of a resident's entrance fee is generally refundable within a certain number of months or days following contract termination or upon the resale of the unit, or in some agreements, upon the resale of a comparable unit or 18 months after the resident vacates the unit.

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

DEFERRED INCOME FROM ENTRY FEES AND REFUNDABLE ENTRY FEES (CONTINUED)

The refundable portion of the entry fees from these contracts are recorded as “refundable entry fees” and are recognized in the statements of financial position as a long-term liability.

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

Total contractual refund obligations related to entry fee contracts with refundable options at December 31, 2021 and 2020 were $15,640,335 and $14,802,764, respectively.

REVENUE RECOGNITION - RESIDENT SERVICE FEES

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

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

REVENUE RECOGNITION - HEALTH CENTER

The Corporation recognizes revenue for skilled nursing residency, assistance with activities of daily living, and personalized health services in accordance with the provisions of ASC 606, *Revenue from Contracts with Customers* (ASC 606). The Corporation has determined that the senior living services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time.

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

REVENUE RECOGNITION - HEALTH CENTER (CONTINUED)

The Corporation receives revenue for services under various third-party payor programs which include Medicare, Medicaid and other third-party payors. Settlements with third-party payor for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services.

The Company determines transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Corporation's charity care policy, and implicit price concessions provided primarily to uninsured patients. Residents who have health care insurance may also have discounts applied related to their copayment or deductible. Implicit price concessions are recorded as a direct reduction to net patient service revenue and are based primarily on historical collection experience.

Estimates of contractual adjustments and discounts are determined by major payor classes for inpatient and outpatient revenues based on contractual agreements, discount policies and historical experience. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and frequent changes in commercial and managed care contractual terms resulting from contract renegotiations and renewals.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews and investigations. There were no material changes in prior period estimates that changed resident service revenue during the years ended December 31, 2021 and 2020.

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

OBLIGATION TO PROVIDE FUTURE SERVICES

For the year ended December 31, 2021, the Corporation calculated the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. For the year ended December 31, 2020, the Corporation utilized the services of an actuary to calculate the present value of the net cost of future services and the use of facilities to be provided to current residents, and compares that amount with the balance of deferred revenue from advance fees.

If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. There was no future service obligation at December 31, 2021 and 2020.

OPERATING RESERVE

The State of Connecticut Department of Social Services (DSS) monitors Connecticut retirement communities and their compliance with existing state regulations. Among other things, DSS requires that retirement communities maintain an operating reserve equal to approximately one month's cash operating costs and six months of debt service. The Corporation maintained an adequate operating reserve as of December 31, 2021 and 2020. The operating reserve is included within cash and cash equivalents on the accompanying statements of financial position.

PROPERTY AND EQUIPMENT

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

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

IMPAIRMENT OF LONG-LIVED ASSETS

FASB ASC 360-10-35, *Accounting for the Impairment or Disposal of Long-Lived Assets*, requires the Corporation to review long-lived assets, such as property and equipment or intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset.

If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairment losses recognized during the years ended December 31, 2021 and 2020.

CONTRIBUTIONS AND DONOR RESTRICTED GIFTS

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is awarded or received. Conditional promises to give and indications of intentions to give are reported at fair value only when the conditions on which they depend are substantially met and the promises become unconditional.

The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions.

When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, with and without donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

CONTRIBUTED GOODS AND SERVICES

Goods or services have been provided by various organizations and a number of unpaid volunteers have contributed their time. Contributions are recognized if the services rendered (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed goods or services that do not meet the above criteria are not recognized.

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

DEFERRED FINANCING COSTS

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

Gross deferred financing costs of $1,548,495 incurred in connection with the issuance of the Series 2019 bonds are included within long-term debt on the accompanying statements of financial position as of December 31, 2021 and 2020, with accumulated amortization of $88,948 and $48,827 for the years ended December 31, 2021 and 2020.

Amortization of the deferred financing costs, reported as interest expense in the accompanying statements of activities for the years ended December 31, 2021 and 2020, was $40,121 and $39,107, respectively.

DEFERRED MARKETING COSTS

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

DEFERRED REVENUE

Revenue received in advance of the related services being provided is deferred on the accompanying statements of financial position. Amounts will be recognized as revenue when the services are provided or the expenses are incurred by the Corporation.

INCOME TAXES

The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in the Internal Revenue Code, and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities.

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

INCOME TAXES (CONTINUED)

Management has analyzed the tax positions taken and has concluded that as of December 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

FUNCTIONAL EXPENSE ALLOCATION

The Corporation allocates it expenses on a functional basis among program and management and general. Expenses that can be identified with a specific service are charged directly according to their natural expenditure classification. Salaries and benefits are supported by time records for specific services. Facility costs, including rent, utilities and insurance are allocated based upon square footage. General and administrative expenses and other indirect costs that cannot be specifically identified with any one service are allocated based on a percentage of direct and directly allocable expenses for that particular service depending on the nature of the expense.

LEASES

The Corporation has obligations as a lessee for vehicles with initial noncancelable terms in excess of one year. The Corporation determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets, and operating lease liabilities in the statement of financial position. Finance leases are included in property and equipment, and liabilities in the statement of financial position.

ROU assets represent the Corporation's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Corporation uses an incremental borrowing rate based on the information available in determining the present value of lease payments.

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

RETIREMENT PLAN

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

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

For the years ended December 31, 2021 and 2020, contributions to the plan amounted to approximately $218,000 and $200,000, respectively.

PRESENTATION OF INSURANCE CLAIMS AND RELATED INSURANCE RECOVERIES

The Corporation follows the provisions of ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries,* which indicates that health care entities should not net insurance recoveries against the related claim liabilities. As of December 31, 2021 and 2020, the Corporation recorded $211,366 and $35,871, respectively in both prepaid expenses and other current assets and accrued expenses representing the Corporation's workers' compensation claims covered by insurance for losses in excess of the Corporation's deductible amounts.

RISKS AND UNCERTAINTIES

As of December 31, 2021 and 2020, the Corporation incurred losses from operations of approximately $2.3 million and $711,000, respectively, and has a deficiency in net assets of approximately $9.9 million and $11.1 million as of December 31, 2021 and 2020, respectively. During 2020, the Corporation refunded its Series 2009 bonds, and issued new Series 2019 bonds to reduce the annual interest expense beginning in 2020, along with a debt repayment schedule to reduce the net cost of financing activities.

As of December 31, 2021, the Corporation has outstanding long term debt of approximately $55.6 million in the form of revenue bonds.

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

RISKS AND UNCERTAINTIES (CONTINUED)

The Corporation's operating revenues were negatively impacted in 2021 and 2020 by the COVID-19 pandemic. In general, healthcare organizations saw declines in revenues due to families not wanting to admit relatives due to fear of contracting the coronavirus in an institutional setting, and additionally choosing to keep them at home due to restrictions on visitation. In addition, the Corporation experienced delays in the ability to re-sell independent living units due to delays to make the necessary renovations to those units.

The Corporation is ultimately dependent upon its future financial performance, which will be affected by achieving an appropriate payor mix, sales of units and reducing operating costs wherever possible. However, there is no such assurance that any of these events will occur.

RECLASSIFICATIONS

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 financial statement presentation.

NOTE 2 - COVID-19 RELIEF REVENUE

During the years ended December 31, 2021 and 2020, the Corporation received $71,738 and $423,605, respectively, in funding from the Department of Health and Human Services (HHS) through the Coronavirus Aid, Relief and Economic Security (CARES) Act PRF. As a condition to receiving these funds, the Corporation has agreed to certain terms and conditions including the following: (1) the funds are to reimburse the Corporation only for health care-related expenses and lost revenue that is attributable to COVID-19, (2) the funds may only be used to prevent, prepare for and respond to COVID-19, (3) noncompliance with the terms and conditions is grounds for the recoupment of some or all of the payments by HHS and (4) the Corporation will not use the funds to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.

For the years ended December 31, 2021 and 2020, the Corporation has recognized $163,808 and $301,521, respectively, in the accompanying statement of activities and changes in net assets. The unrecognized amount of the HHS PRF funds, amounting to $30,014 in 2021 and $122,084 in 2020 is included in current portion of the deferred revenue liability in the Corporation's statement of financial position.

NOTE 2 - COVID-19 RELIEF REVENUE (CONTINUED)

Management's estimates of the amount of revenue recognized from these advances could change materially in the future as the regulations regarding the COVID-19 relief programs are modified in future periods. Any future adjustments to these estimates will be reported in the earnings of future periods. All amounts received under these programs may be subject to audit by the funding agencies and potentially require repayment in a future period.

NOTE 3 - ACCOUNTS RECEIVABLE

The Corporation grants credit without collateral to its residents, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of September 30, 2021 and 2020 were as follows:

	2021	2020
Medicaid	$ 26,385	$ 71,994
Medicare	82,275	130,635
Private pay	1,029,869	950,208
Other third party payors	21,476	104,833
	1,160,005	1,257,670
Less allowance for doubtful accounts	398,213	236,948
	$ 761,792	$ 1,020,722

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments at December 31 are summarized as follows:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Assets whose use is limited				
Cash and equivalents	$ 22,851	$ 22,851	$ 21,891	$ 21,891
Mutual funds	594,817	857,770	618,743	788,411
	$ 617,668	$ 880,621	$ 640,634	$ 810,302

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Long-Term investments				
Cash and equivalents	$ 1,115,614	$ 1,115,614	$ 1,200,562	$ 1,200,562
Mutual funds	941,187	926,887	565,407	579,425
U.S. Government and Agency obligations	640,728	632,074	334,558	348,190
Corporate bonds	346,371	343,110	210,686	224,599
Marketable equity securities	4,441,919	6,135,359	2,747,110	3,867,719
	$ 7,485,819	$ 9,153,044	$ 5,058,323	$ 6,220,495

FAIR VALUE MEASUREMENT

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

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

Level 2: Inputs to the valuation methodology include:

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

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

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

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

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

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

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

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

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

There have been no changes in the methodologies used at December 31, 2021 and 2020.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

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

	December 31, 2021		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	$ 1,138,465	$ --	$ 1,138,465
Mutual funds	1,784,657	--	1,784,657
U.S. Government and Agency obligations	632,074	--	632,074
Corporate bonds	--	343,110	343,110
Marketable equity securities	6,135,359	--	6,135,359
	$ 9,690,555	$ 343,110	$ 10,033,665

	December 31, 2020		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	$ 1,222,453	$ --	$ 1,222,453
Mutual funds	1,367,836	--	1,367,836
U.S. Government and Agency obligations	348,190	--	348,190
Corporate bonds	--	224,599	224,599
Marketable equity securities	3,867,719	--	3,867,719
	$ 6,806,198	$ 224,599	$ 7,030,797

INSTRUMENTS NOT MEASURED AT FAIR VALUE

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses approximate their fair value because of the short-term nature of these instruments.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

INSTRUMENTS NOT MEASURED AT FAIR VALUE (CONTINUED)

The fair value of long-term debt as of December 31, 2021 and 2020 approximates the total outstanding principal balance. The method used to determine the fair value of long-term debt is quoted prices for similar debt instruments.

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

	2021	2020
Land and land improvements	$ 835,874	$ 858,756
Intangibles	833,504	843,443
Buildings	117,325,749	126,690,227
Furniture, fixtures and equipment	3,986,029	5,019,905
Operating lease right-of-use asset	106,534	--
Vehicles	185,959	240,503
Construction in process	3,830,473	2,039,946
	127,104,122	135,692,780
Less accumulated depreciation and amortization	48,118,402	57,133,427
	$ 78,985,720	$ 78,559,353

The estimated cost to complete the construction in progress as of December 31, 2021 is approximately $950,000.

NOTE 6 - ASSETS HELD BY TRUSTEE

In accordance with the Town of Hamden, Connecticut Revenue Bonds (Whitney Center Project), Series 2019, the Corporation maintains the following accounts with a trustee:

CAPITAL PROJECT FUND

The Corporation established a capital project fund of $10 million, from proceeds of the Series 2019 bond issuance.

NOTE 6 - ASSETS HELD BY TRUSTEE (CONTINUED)

CAPITAL PROJECT FUND (CONTINUED)

The funds are designated for use in specific capital projects to be undertaken by the Corporation. The balance of the capital project fund at December 31, 2021 and 2020 was $1,838,237 and $6,568,290, respectively.

DEBT SERVICE RESERVE FUND

The Corporation is required to maintain a debt service reserve fund in an amount equal to the maximum annual debt service requirement for the Series 2019 Bonds. Funds on deposit in this account shall be applied to make up any deficiencies with respect to payments on the bonds. The balance of the debt service reserve fund at December 31, 2021 and 2020 was $3,763,120 and $3,762,218, respectively.

BOND INTEREST FUND

The Corporation is required to maintain a bond interest fund, which is funded monthly for required interest payments due. The balance of the bond interest fund at December 31, 2021 and 2020 was $1,392,005 and $1,391,838, respectively.

NOTE 7 - NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS

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

	2021	2020
Undesignated	$ (31,535,166)	$ (31,922,439)
Designated by the governing board	526,885	517,390
Property and equipment, net of related debt	20,348,239	19,844,803
Total Net Assets (Deficit) Without Donor Restrictions	$ (10,660,042)	$ (11,560,246)

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Subject to Expenditure for Specified Purpose:		
Memorial and remembrance fund	$ 425,052	$ 366,838
A. Krenta legacy fund	114,273	-
Cultural arts fund	88,651	86,079
Staff development fund	56,687	38,480
Other	20,047	1,795
	704,710	493,192
Subject to Appropriation and Expenditure When a Specified Event Occurs:		
Endowment contribution from which the income is expendable to provide financial support to residents	10,000	10,000
Total Net Assets With Donor Restrictions	$ 714,710	$ 503,192

Net assets were released from restrictions by incurring expenses satisfying the following purposes for the years ended December 31:

	2021	2020
Subject to Expenditure for Specified Purpose:		
Memorial and remembrance fund	$ --	$ 4,580
Cultural arts fund	1,975	1,600
Staff development fund	13,695	22,000
Other	5,610	-
	$ 21,280	$ 28,180

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT

As required by GAAP, net assets are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

NOTE 9 - LONG-TERM DEBT

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

	2021	2020
Town of Hamden Revenue Bonds (Whitney Center Project) Series 2019		
Fixed Rate Revenue Bonds due January 1, 2030	$ 9,090,000	$ 9,090,000
Fixed Rate Revenue Bonds due January 1, 2040	17,690,000	17,690,000
Fixed Rate Revenue Bonds due January 1, 2050	28,815,000	28,815,000
	55,595,000	55,595,000
Less, deferred financing costs	1,459,247	1,499,368
Add, unamortized original issue premium	4,447,589	4,607,863
Long-Term portion	$ 58,583,342	$ 58,703,495

In October 2019, the Corporation issued $55,595,000 (par value) of Town of Hamden, Connecticut Facility Revenue Bonds (Whitney Center Project), Series 2019 (Series 2019 Bonds) at an aggregate original issue premium of $4,808,204. The Series 2019 bonds are at a fixed rate of interest of 5.00 percent, with mandatory annual sinking fund redemptions beginning in January 1, 2023 and extending through final maturity in January 1, 2050.

The Series 2019 Bonds are collateralized by (i) a first mortgage lien on the Corporation's main operating facility, (ii) a security interest in all personal property, fixtures, and equipment, (iii) a security interest in the gross revenues of the Corporation, and (iv), an assignment of the Corporation's rights under its residency agreements.

The Loan Agreement (and Security Agreement) and related Trust Indenture to the Series 2019 Bonds also provides for, among other requirements, the maintenance of certain financial and operational covenants including a minimum debt service coverage ratio, and a days' cash on hand ratio. The Corporation successfully met the debt service coverage ratio and the days' cash on hand ratio covenants on the December test date in 2021.

NOTE 9 - LONG-TERM DEBT (CONTINUED)

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

Years ending December 31,	
2022	$ --
2023	955,000
2024	1,000,000
2025	1,050,000
2026	1,100,000
Thereafter	51,490,000
	$ 55,595,000

OPERATING RESERVE

The State of Connecticut requires that continuing care facilities maintain a reserve fund, which consists of six months debt service requirements plus one month's operating costs. As of December 31, 2021 and 2020, the Corporation had established the required reserve funds, which consist of U.S. Government obligations, common stocks and money market funds. These funds are not available for current operating purposes. The total reserve requirement was approximately $3.37 million and $3.25 million at December 31, 2021 and 2020, respectively. The balance in these funds amounted to approximately $5.15 million in each of the years ended December 31, 2021 and 2020. Such amounts have been classified as assets held by trustee on the statements of financial position.

NOTE 10 - U.S. SMALL BUSINESS ADMINISTRATION PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization applied for and received a forgivable loan in the amount of $2,250,000 under the U.S. Small Business Administration Paycheck Protection Program. As of December 31, 2020, the loan was recorded under long-term liabilities, "U.S. Small Business Administration Paycheck Protection Program Loan", until such time as the forgiveness was formally approved. During 2020, the loan proceeds were used solely for payment of payroll and otherwise in a manner to satisfy the requirements for loan forgiveness. The forgiveness was formally approved by the SBA on July 22, 2021. As a result, a gain in the amount of $2,250,000 has been recognized and is presented within the caption "Gain on forgiveness of PPP loan" in the Non-Operating Items section of the Statement of Activities.

NOTE 11 - LEASE OBLIGATIONS

The Corporation has obligations as a lessee for vehicles, with remaining lease terms expiring through October 2024. The Corporation has classified these leases as operating leases. Payment due under these leases include fixed monthly payments aggregating $2,788 per month, with the total operating lease cost, based on the fixed monthly rent, amounting to approximately $28,000 for the year ended December 31, 2021.

Future minimum lease payments as of December 31, are as follows:

Years ending December 31,	
2022	$ 33,454
2023	33,454
2024	22,629
	89,537
Less, amount representing interest	6,112
	$ 83,425

The Corporation entered into capital lease obligations in 2016 for computer and other equipment at an aggregate monthly rental of $10,900, with imputed interest rates ranging from 4.489% to 5.721%, with expiration dates through March 2021.

NOTE 12 - DISAGGREGATION OF REVENUE

The Corporation disaggregates its revenue from contracts with residents by payor source, as the Corporation believes it best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors.

The following tables present revenue disaggregated by type of contract and payer for the years ended December 31, 2021 and 2020:

	December 31, 2021				
	Independent Living	Health Center	Assisted Living	Thrive at Home	Total
Resident Fees:					
Medicaid	$ --	$ 908,206	$ --	$ --	$ 908,206
Medicare	--	2,365,841	--	--	2,365,841
Private pay and other third party payors	12,744,651	2,491,893	2,163,490	422,313	17,822,347
	12,744,651	5,765,940	2,163,490	422,313	21,096,394
Entry Fees:					
Amortization	5,003,869	--	--	289,954	5,293,823
Entry fees recognized	1,361,251	--	--	35,447	1,396,698
	$ 19,109,771	$ 5,765,940	$ 2,163,490	$ 747,714	$ 27,786,915

NOTE 12 - DISAGGREGATION OF REVENUE (CONTINUED)

	December 31, 2020				
	Independent Living	Health Center	Assisted Living	Thrive at Home	Total
Resident Fees:					
Medicaid	$ --	715,894	$ --	$ --	$ 715,894
Medicare	--	1,812,855	--	--	1,812,855
Private pay and other third party payors	12,688,597	3,016,209	2,174,124	394,591	18,273,521
	12,688,597	5,544,958	2,174,124	394,591	20,802,270
Entry Fees:					
Amortization	5,271,671	--	--	266,404	5,538,075
Entry fees recognized	1,943,603	--	--	36,132	1,979,735
	$ 19,903,871	$ 5,544,958	$ 2,174,124	$ 697,127	$ 28,320,080

NOTE 13 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

The following table reflects the Corporation's financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include donor restricted balances, board-designated investments intended to fund special board initiatives not considered in the annual operating budget, and assets held by a third party trustee. In the event the need arises to utilize the board-designated investments for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	2021	2020
Financial assets at year-end		
Cash and cash equivalents	$ 8,822,178	$ 8,000,045
Accounts and contract receivables, net	761,792	1,147,099
Other receivables	11,420	129,961
Investments	10,033,665	7,030,797
Assets held by trustee	6,993,362	11,722,346
Total financial assets available at year-end	26,622,417	28,030,248
Less contractual or donor-imposed restrictions		
Perpetual endowment	10,000	10,000
Restricted by donors with time or purpose restriction	704,710	493,192
Board designated	526,885	517,390
Assets held by trustee	6,993,362	11,722,346
Financial assets available to meet cash needs for general expenditures within one year	$ 18,387,460	$ 15,287,320

NOTE 14 - COMMITMENTS AND CONTINGENCIES

HEALTH CARE INDUSTRY

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, and government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with applicable government laws and regulations. However, compliance with such laws and regulations is subject to government review and interpretation as well as regulatory actions unknown or unasserted at this time.

LEGAL AND REGULATORY ENVIRONMENT

Management believes that the Corporation is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, 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.

The Corporation is involved in legal proceedings related to matters which are incidental to its business. In the opinion of management, based on consultation with counsel, the outcome of such proceedings will not significantly affect the Corporation's financial position or results of operations, based on existing insurance coverage and contingency reserves provided by the Corporation.

COVID 19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic which continues to spread throughout the United States and the world. The Corporation continues to monitor the outbreak of COVID-19 and the related business and travel restrictions and its impact on operations, financial position, cash flows, reopening trends, patient and third party payor payments, and the industry in general, in addition to the impact on its employees. Due to the fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Corporation's operations and liquidity is uncertain as of the date of this report.

NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

COVID 19 PANDEMIC (CONTINUED)

The Corporation's business has been deemed essential by the State of Connecticut during the COVID-19 pandemic; however, the operations have been impacted due to declines in the number of services provided starting in March 2020 and continuing through the issuance of this report. The extent to which the COVID-19 pandemic further impacts the Corporation's operations and financial condition will depend on numerous evolving factors, which are uncertain and cannot be predicted, including duration and scope of the pandemic and associated disruptions; effects of current and future governmental and public responses to changing conditions; financial condition of the Corporation's customers; and the ability of third party payors to meet their obligations to the Corporation for the services provided.

NOTE 15 - SELF INSURANCE

Effective January 1, 2020, the Corporation became self-insured for health and pharmacy benefits provided to employees. All eligible employees have the option of participating in the Corporation's self-funded, comprehensive medical care benefits plan. Based upon plan enrollment, the Network pays a monthly fee to a Third Party Administrator (TPA), which covers the administrative fees. The Corporation has purchased stop-loss insurance, which will reimburse the Corporation for individual claims in excess of $100,000 annually and aggregate claims of approximately $900,000 annually. The Corporation pays the claims and recognizes the expense as they are submitted by the TPA. This amount varies from month to month based upon the health care use by covered persons. As of December 31, 2021 and 2020, the Corporation accrued $400,000 and $200,000, respectively, for unpaid claims.

The determination of such claims and expenses and the appropriateness of the related liability is continually reviewed and updated. It is reasonably possible that the accrued estimated liability of self-insured claims may need to be revised in the near term.

NOTE 16 - SUBSEQUENT EVENTS

In preparing these financial statements, The Corporation has evaluated events and transactions for potential recognition or disclosure through May 13, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.

NOTE 17 - FUNCTIONAL EXPENSES

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

2021	Independent Living	Health Center	Resident Services	Total Programs	Marketing and Development	Fundraising	Management and General	Total
Salaries and wages	$ 4,302,792	$ 2,994,442	$ 1,070,415	$ 8,367,649	$ 517,218	$ 87,505	$ 2,320,304	$ 11,292,676
Employee benefits	1,019,128	769,104	271,956	2,060,188	136,983	21,378	479,079	2,697,628
Contract services	687,630	229,734	13,687	931,051	3,216	--	369,648	1,303,915
Food	776,853	406,110	511	1,183,474	--	--	62,184	1,245,658
Supplies	297,742	148,341	144,582	590,665	2,052		219,254	811,971
Ancillary health services	156	871,399	--	871,555	--	--	--	871,555
Utilities	995,017	67,258	11,361	1,073,636	5,681	--	56,806	1,136,123
Repairs and maintenance	386,694	32,656	17,718	437,068	2,163	--	22,554	461,785
Other operating expenses	87,488	305,478	77,433	470,399	11,664	47,757	697,068	1,226,888
Insurance	--	--	--	--	--	--	230,722	230,722
Marketing and development	2,100	--	--	2,100	376,479	--	--	378,579
Depreciation and amortization	4,099,688	288,292	50,128	4,438,108	23,331	--	164,481	4,625,920
Interest expense	2,425,747	163,969	27,697	2,617,413	13,849	--	18,335	2,649,597
Property taxes	1,957,260	132,302	22,348	2,111,910	11,174	--	111,741	2,234,825
Loss on disposal of assets	106,186	7,178	1,212	114,576	606	-	6,062	121,244
	$17,144,481	$ 6,416,263	$ 1,709,048	$25,269,792	$ 1,104,416	$ 156,640	$ 4,758,238	$ 31,289,086

NOTE 17 - FUNCTIONAL EXPENSES (CONTINUED)

2020	Independent Living	Health Center	Resident Services	Total Programs	Marketing and Development	Fundraising	Management and General	Total
Salaries and wages	$ 4,199,984	$ 2,886,053	$ 988,844	$ 8,074,881	$ 492,180	$ 76,727	$ 2,104,749	$ 10,748,537
Employee benefits	942,545	712,880	216,187	1,871,612	118,070	19,356	655,338	2,664,376
Contract services	482,838	130,260	12,233	625,331	2,067	--	337,641	965,039
Food	740,979	328,804	2,125	1,071,908	98	--	124,571	1,196,577
Supplies	280,363	163,354	91,470	535,187	3,037	--	172,334	710,558
Ancillary health services	168	859,678	--	859,846	--	--	--	859,846
Utilities	1,048,371	70,865	11,970	1,131,206	5,985	--	59,852	1,197,043
Repairs and maintenance	310,319	26,035	4,923	341,277	1,748	--	18,404	361,429
Other operating expenses	61,316	76,584	103,587	241,487	9,542	103,465	575,785	930,279
Insurance	--	--	--	--	--	--	212,388	212,388
Marketing and development	9,677	--	--	9,677	165,535	--	--	175,212
Depreciation and amortization	4,331,663	370,353	52,983	4,754,999	49,652	--	337,004	5,141,655
Interest expense	2,329,873	165,679	27,986	2,523,538	13,993	--	139,932	2,677,463
Property taxes	1,975,656	133,545	22,558	2,131,759	11,279	--	112,792	2,255,830
Loss on disposal of assets	10,561	714	121	11,396	60	-	603	12,059
	$16,724,313	$ 5,924,804	$ 1,534,987	$24,184,104	$ 873,246	$ 199,548	$ 4,851,393	$ 30,108,291

WHITNEY CENTER, INCORPORATED

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

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020	Increase (Decrease) Dollar Change	Increase (Decrease) Percent Change
Changes in Net Deficit Before Nonoperating Items				
Revenues and Gains				
Resident services	$ 27,786,915	$ 28,320,080	$ (533,165)	-2%
Other operating revenues	897,584	664,929	232,655	35%
CARES Act Provider Relief Funds	163,808	301,521	(137,713)	100%
Contributions and other	85,823	81,853	3,970	5%
Net assets released from restriction	21,280	28,180	(6,900)	-24%
Total Revenues and Gains	28,955,410	29,396,563	(441,153)	-2%
Expenses and Losses				
Depreciation and amortization	4,625,920	5,141,655	(515,735)	-10%
Interest expense	2,649,597	2,677,463	(27,866)	-1%
Health Center services	3,743,324	3,517,018	226,306	6%
Administrative and general	5,169,428	4,300,239	869,189	20%
Dining services	2,952,759	2,966,145	(13,386)	0%
Employee benefits	2,697,628	2,709,058	(11,430)	0%
Property taxes	2,234,825	2,255,830	(21,005)	-1%
Plant and security	1,862,180	1,695,228	166,952	10%
Utilities	1,136,123	1,197,043	(60,920)	-5%
Housekeeping and laundry	1,032,170	910,958	121,212	13%
Assisted living and wellness	1,569,646	1,531,784	37,862	2%
Resident services	1,208,863	818,261	390,602	48%
At Home program	406,623	387,609	19,014	5%
Total Expenses and Losses	31,289,086	30,108,291	1,180,795	4%
Deficiency of Revenues and Gains over Expenses and Losses from Operations	$ (2,333,676)	$ (711,728)	$ (1,621,948)	-228%

See independent auditors' report.

WHITNEY CENTER, INCORPORATED

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

WHITNEY CENTER, INCORPORATED

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Whitney Center, Incorporated

Opinion

We have audited the financial statements of Whitney Center, Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Whitney Center, Incorporated as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Marcum LLP ▪ 555 Long Wharf Drive ▪ 8th Floor ▪ New Haven, CT 06511 ▪ 203.781.9600 ▪ www.marcumllp.com

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Whitney Center, Incorporated's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Whitney Center, Incorporated's ability to continue as a going concern for a reasonable period of time.

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

Marcum LLP

New Haven, CT
May 30, 2023

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 5,407,983	$ 8,822,178
Accounts receivable	992,535	761,792
Other receivables	5,103	11,420
Prepaid expenses and other current assets	1,419,037	815,963
Assets held by trustee	11,226,667	6,993,362
Investments	13,530,807	10,033,665
Total Current Assets	32,582,132	27,438,380
Property and Equipment	88,175,269	78,985,720
Other Assets		
Goodwill, less accumulated amortization of $54,542 in 2022	1,447,981	--
Deferred marketing costs, less accumulated amortization of $119,209 in 2022 and $96,503 in 2021	175,975	198,681
Total Assets	$ 122,381,357	$ 106,622,781

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2022 AND 2021

Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,809,823	$ 1,251,191
Accrued expenses	5,135,097	4,749,940
Deferred revenue	--	16,179
Contract deposits	59,900	124,736
Current portion of operating lease liability	31,171	29,286
Current portion of bonds payable	955,000	--
Total Current Liabilities	7,990,991	6,171,332
Operating Lease Liability - less current portion	22,969	54,139
Long-Term Debt - less current portion and deferred financing costs	74,590,047	58,583,342
Deferred Income from Entry Fees	35,500,256	35,977,960
Refundable Entry Fees	18,042,018	15,640,335
Deposits	137,286	141,005
Total Liabilities	136,283,567	116,568,113
Net Assets (Deficit)		
Without donor restrictions	(14,501,076)	(10,660,042)
With donor restrictions	598,866	714,710
Total Net Assets Deficit	(13,902,210)	(9,945,332)
Total Liabilities and Net Assets (Deficit)	$ 122,381,357	$ 106,622,781

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

WHITNEY CENTER, INCORPORATED

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)

FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Gains			
Resident services, including amortization of entry fees of $7,725,127	$ 28,852,410	$ --	$ 28,852,410
Other operating revenues	1,306,826	8	1,306,834
CARES Act Provider Relief Funds	16,179	--	16,179
Contributions	63,264	29,358	92,622
Net assets released from restriction	73,198	(73,198)	--
Total Revenues and Gains	30,311,877	(43,832)	30,268,045
Expenses and Losses			
Salaries and wages	11,936,481	--	11,936,481
Depreciation and amortization	4,952,364	--	4,952,364
Interest expense	2,882,960	--	2,882,960
Employee benefits	2,796,709	--	2,796,709
Property taxes	2,296,488	--	2,296,488
Other operating expenses	1,610,836	--	1,610,836
Food	1,373,300	--	1,373,300
Contract services	1,344,650	--	1,344,650
Utilities	1,178,287	--	1,178,287
Supplies	1,028,581	--	1,028,581
Repairs and maintenance	552,433	--	552,433
Ancillary health services	470,427	--	470,427
Insurance	258,851	--	258,851
Total Expenses and Losses	32,682,367	--	32,682,367
Deficiency of Revenues and Gains over Expenses and Losses from Operations	(2,370,490)	(43,832)	(2,414,322)
Nonoperating Items			
Investment income, net	67,144	2,768	69,912
Realized and unrealized loss on investments	(1,537,688)	(74,780)	(1,612,468)
Gain on forgiveness of PPP loan	--	--	--
Total Nonoperating Items	(1,470,544)	(72,012)	(1,542,556)
Deficiency of Revenues and Gains over Expenses and Losses and Nonoperating Items	(3,841,034)	(115,844)	(3,956,878)
Net Assets (Deficit) - Beginning	(10,660,042)	714,710	(9,945,332)
Net Assets (Deficit) - Ending	$ (14,501,076)	$ 598,866	$ (13,902,210)

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

WHITNEY CENTER, INCORPORATED

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)

FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Gains			
Resident services, including amortization of entry fees of $6,690,521	$ 27,786,915	$ --	$ 27,786,915
Other operating revenues	897,584	14	897,598
CARES Act Provider Relief Funds	163,808	--	163,808
Contributions	85,823	178,673	264,496
Net assets released from restriction	21,280	(21,280)	--
Total Revenues and Gains	28,955,410	157,407	29,112,817
Expenses and Losses			
Salaries and wages	11,292,676	--	11,292,676
Depreciation and amortization	4,625,920	--	4,625,920
Employee benefits	2,697,628	--	2,697,628
Interest expense	2,649,597	--	2,649,597
Property taxes	2,234,825	--	2,234,825
Other operating expenses	1,726,711	--	1,726,711
Contract services	1,303,915	--	1,303,915
Food	1,245,658	--	1,245,658
Utilities	1,136,123	--	1,136,123
Ancillary health services	871,555	--	871,555
Supplies	811,971	--	811,971
Repairs and maintenance	461,785	--	461,785
Insurance	230,722	--	230,722
Total Expenses and Losses	31,289,086	--	31,289,086
(Deficiency) Excess of Revenues and Gains over Expenses and Losses from Operations	(2,333,676)	157,407	(2,176,269)
Nonoperating Items			
Investment income, net	56,131	2,037	58,168
Realized and unrealized gain on investments	927,749	52,074	979,823
Gain on forgiveness of PPP loan	2,250,000	--	2,250,000
Total Nonoperating Items	3,233,880	54,111	3,287,991
Excess of Revenues and Gains over Expenses and Losses and Nonoperating Items	900,204	211,518	1,111,722
Net Assets (Deficit) - Beginning	(11,560,246)	503,192	(11,057,054)
Net Assets (Deficit) - Ending	$ (10,660,042)	$ 714,710	$ (9,945,332)

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets (deficit)	$ (3,956,878)	$ 1,111,722
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:		
Depreciation and amortization	4,952,364	4,625,920
Amortization of entry fees	(7,725,127)	(6,690,521)
Entry fees received	8,054,617	6,147,264
Net realized and unrealized loss (gain) on investments	1,612,468	(979,823)
Loss on disposal of assets	135,117	121,244
Other amortization	(112,365)	(120,153)
Gain on forgiveness of PPP loan	--	(2,250,000)
Changes in operating assets and liabilities:		
Accounts receivable	(110,894)	258,930
Contract receivables	--	126,377
Other receivables	6,317	118,541
Prepaid expenses and other current assets	(603,074)	(199,998)
Accounts payable	541,341	(257,376)
Accrued expenses	310,285	453,619
Deferred revenue	(16,179)	(200,032)
Contract deposits	(64,836)	79,289
Deposits	(3,719)	12,074
Net Cash Provided by Operating Activities	3,019,437	2,357,077
Cash Flows from Investing Activities		
Purchases of property and equipment	(3,729,782)	(5,044,290)
Net change in assets held by trustee	1,637,336	4,728,984
Net sales of assets whose use is limited	(8,726)	27,351
Proceeds from sales of investments	1,818,490	1,833,327
Purchases of investments	(6,919,374)	(3,883,723)
Net Cash Used in Investing Activities	(7,202,056)	(2,338,351)

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

WHITNEY CENTER, INCORPORATED

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Financing Activities		
Refundable entry fees received	$ 6,176,890	$ 1,433,111
Deferred financing costs incurred	(796,780)	--
Principal payments on lease obligations	(29,285)	(34,164)
Refunds of deposits and refundable entry fees	(4,582,401)	(595,540)
Net Cash Provided by Financing Activities	768,424	803,407
Net Change in Cash and Cash Equivalents	(3,414,195)	822,133
Cash and Cash Equivalents - Beginning	8,822,178	8,000,045
Cash and Cash Equivalents - Ending	$ 5,407,983	$ 8,822,178
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 2,784,220	$ 2,800,191
Supplemental Disclosures of Non-Cash Financing and Investing Activities		
ROU assets obtained in exchange for operating lease obligations		$ 106,533
Gross proceeds from issuance of Series 2022 bonds	$ 18,120,000	
Less - Underwriter's discount	(249,150)	
Net proceeds	17,870,850	
Less - Purchase price of property acquired	(12,000,208)	
Less - Funds deposited to trustee accounts	(5,870,642)	
	$ --	

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

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Whitney Center, Incorporated (the Corporation) is a non-profit life plan retirement community offering its residents a comprehensive range of living options, activities, and services including dining venues, exercise areas, a pool, walking trails, theater, a health center, common lounges and meeting rooms, and other amenities for retirement living. As of December 31, 2022 and 2021 there were 228 and 230 apartment homes, 60 and 14 memory support units, respectively, and 59 skilled nursing beds in the health center. The community currently operates 35 of the 59 licensed skilled nursing beds.

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

In 2022, the Corporation acquired an existing 60-bed memory care community known as "Meadow Mills". In connection with the acquisition, the Corporation issued $18,120,000 of Town of Hamden, Connecticut Revenue Bonds, Series 2022 to finance the acquisition of Meadow Mills, and to provide resources for the subsequent conversion of the Corporation's existing memory care units to new independent living units.

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

The Corporation follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. FASB ASC 958 establishes standards for external financial reporting by not-for-profit organizations. Resources are reported for accounting purposes, in separate classes of net assets based on the existence or absence of donor-imposed restrictions.

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

BASIS OF PRESENTATION

In the accompanying financial statements, net assets that have similar characteristics are combined into the following categories:

Net Assets (Deficit) Without Donor Restrictions - Net assets without donor restrictions consist of the net assets over which the governing board has control to use in carrying out the operations of the Corporation in accordance with its charter and by-laws and are not restricted by donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of net assets whose use is limited by donor-imposed restrictions which either expire with the passage of time (time restriction) or can be fulfilled and removed by actions of the Corporation pursuant to the restrictions (purpose restrictions). When donor-imposed restrictions expire, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

(DEFICIENCY) EXCESS OF REVENUES AND GAINS OVER EXPENSES AND LOSSES FROM OPERATIONS

The statements of activities and changes in net assets include (deficiency) excess of revenues and gains over expenses and losses from operations as the performance indicator. Changes in net assets without donor restrictions that are excluded from (deficiency) excess of revenues and gains over expenses and losses from operations, consistent with industry practice, include investment income, net, realized gain on sale of investments, and unrealized gain on investments.

USE OF ESTIMATES

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. The Corporation's significant estimates include assessing the collectability of accounts receivable, self-insurance exposures, the extent of contractual allowances, fair value of investments, the estimated useful lives of long-lived assets and unrecognized CARES Act Funds. Actual results could differ from those estimates.

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

CASH AND CASH EQUIVALENTS

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

CONTRACT RECEIVABLES

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

ACCOUNTS RECEIVABLE

Accounts receivable result from the health care and independent living residential services provided by the Corporation. Accounts receivable are reported net of any contractual adjustments and implicit price concessions.

The Corporation estimates its accounts receivable based on its past experience, which indicates that certain patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is generally charged off against revenue as an implicit price concession.

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include assets received with donor restrictions for the benefit of residents, and assets set aside by the Board of Directors. The Board of Directors has designated $409,006 and $526,885 for the benefit of the residents and to fund other capital and service objectives as of December 31, 2022 and 2021, respectively.

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

ASSETS HELD BY TRUSTEE

Assets held by trustee are assets restricted pursuant to a trust indenture, relating to the Corporation's long-term debt. The specific accounts held by the trustee, in accordance with the requirements of the trust indenture, include capital project funds, debt service reserve funds, bond principal and interest accounts, and a cost of issuance fund.

INVESTMENT VALUATION AND INCOME RECOGNITION

Investments, which consist of marketable equity securities, U.S. Government and Agency obligations, corporate bonds, and mutual funds, are measured at fair value in the statements of financial position. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income (including realized gains and losses on investments, interest, and dividends) is included in deficiency of revenues and gains over expenses and losses from operations unless restricted by donor or law.

Unrealized gains and losses on investments are excluded from deficiency of revenues and gains over expenses and losses from operations. Expenses relating to investment income, including custodial fees and investment advisory fees, amounted to approximately $64,000 in 2022 and $58,000 in 2021 and have been netted against investment income in the accompanying statements of activities.

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

The Corporation analyzes its investment portfolio for indicators of impairment that are other than-temporary. When declines in fair value are deemed to be other-than-temporary, the loss is reported as a component of realized losses on the statements of activities and the fair value on the date of this determination becomes the new basis of the investment. Subsequent increases in the fair value of these investments are recorded as a component of the change in net assets and are not recorded as realized gains until the investments are sold. No impairment losses were recorded in 2022 and 2021.

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

INVESTMENT VALUATION AND INCOME RECOGNITION (CONTINUED)

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

DEFERRED INCOME FROM ENTRY FEES AND REFUNDABLE ENTRY FEES

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

Other entry fee contracts provide for a 60 percent or a 90 percent refund when an entry fee is received from a resident for the same or similar apartment. The refundable portion of a resident's entrance fee is generally refundable within a certain number of months or days following contract termination or upon the resale of the unit, or in some agreements, upon the resale of a comparable unit or 18 months after the resident vacates the unit.

The refundable portion of the entry fees from these contracts are recorded as "refundable entry fees" and are recognized in the statements of financial position as a long-term liability.

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

Total contractual refund obligations related to entry fee contracts with refundable options at December 31, 2022 and 2021 were $18,042,018 and $15,640,335, respectively.

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

REVENUE RECOGNITION - RESIDENT SERVICE FEES

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

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

REVENUE RECOGNITION - HEALTH CENTER

The Corporation recognizes revenue for skilled nursing residency, assistance with activities of daily living, and personalized health services in accordance with the provisions of ASC 606, *Revenue from Contracts with Customers* (ASC 606). The Corporation has determined that the senior living services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time.

The Corporation receives revenue for services under various third-party payor programs which include Medicare, Medicaid and other third-party payors. Settlements with third-party payor for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services.

The Company determines transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Corporation’s charity care policy, and implicit price concessions provided primarily to uninsured patients. Residents who have health care insurance may also have discounts applied related to their copayment or deductible. Implicit price concessions are recorded as a direct reduction to net patient service revenue and are based primarily on historical collection experience.

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

REVENUE RECOGNITION - HEALTH CENTER (CONTINUED)

Estimates of contractual adjustments and discounts are determined by major payor classes for inpatient and outpatient revenues based on contractual agreements, discount policies and historical experience. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and frequent changes in commercial and managed care contractual terms resulting from contract renegotiations and renewals.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews and investigations. There were no material changes in prior period estimates that changed resident service revenue during the years ended December 31, 2022 and 2021.

OBLIGATION TO PROVIDE FUTURE SERVICES

For the years ended December 31, 2022 and 2021, the Corporation calculated the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. For the year ended December 31, 2020, the Corporation utilized the services of an actuary to calculate the present value of the net cost of future services and the use of facilities to be provided to current residents, and compares that amount with the balance of deferred revenue from advance fees.

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

OBLIGATION TO PROVIDE FUTURE SERVICES (CONTINUED)

If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. There was no future service obligation at December 31, 2022 and 2021.

OPERATING RESERVE

The State of Connecticut Department of Social Services (DSS) monitors Connecticut retirement communities and their compliance with existing state regulations. Among other things, DSS requires that retirement communities maintain an operating reserve equal to approximately one month's cash operating costs and six months of debt service. The Corporation maintained an adequate operating reserve as of December 31, 2022 and 2021 (see Note 9).

PROPERTY AND EQUIPMENT

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

IMPAIRMENT OF LONG-LIVED ASSETS

FASB ASC 360-10-35, *Accounting for the Impairment or Disposal of Long-Lived Assets*, requires the Corporation to review long-lived assets, such as property and equipment or intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset.

If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairment losses recognized during the years ended December 31, 2022 and 2021.

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

CONTRIBUTIONS AND DONOR RESTRICTED GIFTS

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is awarded or received. Conditional promises to give and indications of intentions to give are reported at fair value only when the conditions on which they depend are substantially met and the promises become unconditional.

The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions.

When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, with and without donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

CONTRIBUTED GOODS AND SERVICES

Goods or services have been provided by various organizations and a number of unpaid volunteers have contributed their time. Contributions are recognized if the services rendered (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed goods or services that do not meet the above criteria are not recognized.

GOODWILL

The acquisition of the Meadow Mills assisting living facility in October 2022 resulted in recognized goodwill of $1,472,523. The Corporation adopted FASB 2014-02, *Intangibles – Goodwill and Other* in 2022. Under the guidance, a not-for-profit entity may elect to amortize goodwill on a straight-line basis over a period of ten years or over a shorter period if the Corporation demonstrates that another useful life is more appropriate. Goodwill is subject to impairment testing only upon the occurrence of a triggering event. The Corporation elected to amortize goodwill on a straight-line basis over a period of ten years, commencing November 1, 2022, resulting in annual amortization of $147,252 through 2032. At December 31, 2022, accumulated amortization amounted to $24,542. Management has concluded there were no triggering events to subject the goodwill to impairment testing for the year ended December 31, 2022.

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

DEFERRED FINANCING COSTS

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

Gross deferred financing costs of $1,548,495 incurred in connection with the issuance of the Series 2019 bonds, and $796,780 incurred in connection with the issuance of the Series 2022 bonds are included within long-term debt on the accompanying statements of financial position as of December 31, 2022 and 2021, net of accumulated amortization of $130,063 and $88,948 for the Series 2019 costs for the years ended December 31, 2022 and 2021, respectively, and accumulated amortization of $5,410 for the Series 2022 costs.

Amortization of the deferred financing costs, reported as interest expense in the accompanying statements of activities for the years ended December 31, 2022 and 2021, was $46,525 and $40,121, respectively.

DEFERRED MARKETING COSTS

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

DEFERRED REVENUE

Revenue received in advance of the related services being provided is deferred on the accompanying statements of financial position. Amounts will be recognized as revenue when the services are provided or the expenses are incurred by the Corporation.

INCOME TAXES

The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities.

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

INCOME TAXES (CONTINUED)

Management has analyzed the tax positions taken and has concluded that as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

FUNCTIONAL EXPENSE ALLOCATION

The Corporation allocates it expenses on a functional basis among program and management and general. Expenses that can be identified with a specific service are charged directly according to their natural expenditure classification. Salaries and benefits are supported by time records for specific services. Facility costs, including rent, utilities and insurance are allocated based upon square footage. General and administrative expenses and other indirect costs that cannot be specifically identified with any one service are allocated based on a percentage of direct and directly allocable expenses for that particular service depending on the nature of the expense.

LEASES

The Corporation has obligations as a lessee for vehicles with initial noncancelable terms in excess of one year. The Corporation determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets, and operating lease liabilities in the statement of financial position. Finance leases are included in property and equipment, and liabilities in the statement of financial position.

ROU assets represent the Corporation's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Corporation uses an incremental borrowing rate based on the information available in determining the present value of lease payments.

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

RETIREMENT PLAN

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

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

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

For the years ended December 31, 2022 and 2021, contributions to the plan amounted to approximately $202,000 and $218,000, respectively.

PRESENTATION OF INSURANCE CLAIMS AND RELATED INSURANCE RECOVERIES

The Corporation follows the provisions of ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries,* which indicates that health care entities should not net insurance recoveries against the related claim liabilities. As of December 31, 2022 and 2021, the Corporation recorded $411,733 and $211,366, respectively in both prepaid expenses and other current assets and accrued expenses representing the Corporation's workers' compensation claims covered by insurance for losses in excess of the Corporation's deductible amounts.

RISKS AND UNCERTAINTIES

As of December 31, 2022 and 2021, the Corporation incurred losses from operations of approximately $2.37 million and $2.33 million, respectively, and has a deficiency in net assets of approximately $13.90 and $9.95 million as of December 31, 2022 and 2021, respectively. In 2019, the Corporation refunded its Series 2009 bonds, and issued new Series 2019 bonds to reduce the annual interest expense beginning in 2020, along with a debt repayment schedule to reduce the net cost of financing activities. In 2022, the Corporation issued new Series 2022 bonds for the acquisition of a 60-bed assisted living facility, to be operated as a memory care facility.

As of December 31, 2022, the Corporation has outstanding long term debt of approximately $73.71 million in the form of revenue bonds.

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

RISKS AND UNCERTAINTIES (CONTINUED)

The Corporation's operating revenues were negatively impacted in 2021 by the COVID-19 pandemic. While the impact of COVID-19 on the Corporation's activities improved in 2022, in general, healthcare organizations have experienced declines in revenues due to families not wanting to admit relatives due to fear of contracting the coronavirus in an institutional setting, and additionally choosing to keep them at home due to restrictions on visitation. In addition, the Corporation experienced delays in the ability to re-sell independent living units due to delays to make the necessary renovations to those units.

The Corporation is ultimately dependent upon its future financial performance, which will be affected by achieving an appropriate payor mix, sales of units and reducing operating costs wherever possible. However, there is no such assurance that any of these events will occur.

RECLASSIFICATIONS

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 financial statement presentation.

NOTE 2 - COVID-19 RELIEF REVENUE

During the years ended December 31, 2021 and 2020, the Corporation received a total of $495,343 in funding from the Department of Health and Human Services (HHS) through the Coronavirus Aid, Relief and Economic Security (CARES) Act PRF. As a condition to receiving these funds, the Corporation has agreed to certain terms and conditions including the following: (1) the funds are to reimburse the Corporation only for health care-related expenses and lost revenue that is attributable to COVID-19, (2) the funds may only be used to prevent, prepare for and respond to COVID-19, (3) noncompliance with the terms and conditions is grounds for the recoupment of some or all of the payments by HHS and (4) the Corporation will not use the funds to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.

For the years ended December 31, 2022 and 2021, the Corporation recognized $16,179 and $163,808, respectively, of HHS PRF funds in the accompanying statement of activities and changes in net assets.

NOTE 3 - ACCOUNTS RECEIVABLE

The Corporation grants credit without collateral to its residents, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2022 and 2021 were as follows:

	2022	2021
Medicaid	$ 39,115	$ 26,385
Medicare	88,428	82,275
Private pay	1,001,209	1,029,869
Other third party payors	123,849	21,476
	1,252,601	1,160,005
Less allowance for doubtful accounts	260,066	398,213
	$ 992,535	$ 761,792

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments at December 31 are summarized as follows:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Assets whose use is limited				
Cash and equivalents	$ 25,104	$ 25,104	$ 22,851	$ 22,851
Mutual funds	610,608	706,072	594,817	857,770
	$ 635,712	$ 731,176	$ 617,668	$ 880,621

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Long-Term investments				
Cash and equivalents	$ 6,180,320	$ 6,180,320	$ 1,115,614	$ 1,115,614
Mutual funds	1,008,604	772,191	941,187	926,887
U.S. Government and Agency obligations	551,046	506,304	640,728	632,074
Corporate bonds	343,736	284,620	346,371	343,110
Marketable equity securities	4,567,776	5,056,196	4,441,919	6,135,359
	$ 12,651,482	$ 12,799,631	$ 7,485,819	$ 9,153,044

FAIR VALUE MEASUREMENT

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

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

Level 2: Inputs to the valuation methodology include:

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

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

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

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

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

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

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

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

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

There have been no changes in the methodologies used at December 31, 2022 and 2021.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

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

	December 31, 2022		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	$ 6,205,424	$ --	$ 6,205,424
Mutual funds	1,478,263	--	1,478,263
U.S. Government and Agency obligations	506,304	--	506,304
Corporate bonds	--	284,620	284,620
Marketable equity securities	5,056,196	--	5,056,196
	$ 13,246,187	$ 284,620	$ 13,530,807

	December 31, 2021		
	Quoted Prices in Active Markets (Level 1)	Other Than Quoted Market Inputs (Level 2)	Total
Cash and equivalents	$ 1,138,465	$ --	$ 1,138,465
Mutual funds	1,784,657	--	1,784,657
U.S. Government and Agency obligations	632,074	--	632,074
Corporate bonds	--	343,110	343,110
Marketable equity securities	6,135,359	--	6,135,359
	$ 9,690,555	$ 343,110	$ 10,033,665

INSTRUMENTS NOT MEASURED AT FAIR VALUE

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses approximate their fair value because of the short-term nature of these instruments.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

INSTRUMENTS NOT MEASURED AT FAIR VALUE (CONTINUED)

The fair value of long-term debt as of December 31, 2022 and 2021 approximates the total outstanding principal balance. The method used to determine the fair value of long-term debt is quoted prices for similar debt instruments.

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

	2022	2021
Land and land improvements	$ 2,476,290	$ 835,874
Intangibles	658,304	833,504
Buildings	124,138,742	117,325,749
Furniture, fixtures and equipment	3,694,230	3,986,030
Operating lease right-of-use asset	106,533	106,533
Vehicles	185,959	185,959
Construction in process	4,002,590	3,830,473
	135,262,648	127,104,122
Less accumulated depreciation and amortization	47,087,379	48,118,402
	$ 88,175,269	$ 78,985,720

The estimated cost to complete the construction in progress as of December 31, 2022 is approximately $980,000.

NOTE 6 - ASSETS HELD BY TRUSTEE

In accordance with the Town of Hamden, Connecticut Revenue Bonds (Whitney Center Project), Series 2019 and Town of Hamden, Connecticut Revenue Bonds (Whitney Center Project), Series 2022, the Corporation maintains the following accounts with a trustee:

CAPITAL PROJECT FUND

The Corporation established capital project funds from proceeds of the Series 2019 and Series 2022 bond issuance.

NOTE 6 - ASSETS HELD BY TRUSTEE (CONTINUED)

CAPITAL PROJECT FUND (CONTINUED)

The funds are designated for use in specific capital projects to be undertaken by the Corporation. The balance of the Series 2019 capital project fund at December 31, 2022 and 2021 was $68,076 and $1,838,237, respectively. The balance of the Series 2022 capital project fund at December 31, 2022 was $3,272,850.

DEBT SERVICE RESERVE FUND

The Corporation is required maintain a debt service reserve funds in an amount equal to the maximum annual debt service requirement for the Series 2019 and Series 2022 Bonds. Funds on deposit in this account shall be applied to make up any deficiencies with respect to payments on the bonds. The balance of the Series 2019 debt service reserve fund at December 31, 2022 and 2021 was $3,799,769 and $3,763,120, respectively. The balance of the Series 2022 debt service reserve fund at December 31, 2022 was $1,339,677.

BOND PRINCIPAL AND INTEREST FUND

The Corporation is required maintain a bond interest fund, which is funded monthly for required interest payments due. The balance of the Series 2019 bond interest fund at December 31, 2022 and 2021 was $2,362,141 and $1,392,005, respectively. The balance of the Series 2022 bond interest fund at December 31, 2022 was $321,578.

COST OF ISSUANCE FUND

The Corporation established cost of issuance funds, from proceeds of the Series 2022 bond issuance of $851,758, to be used to pay costs associated with the bond issuance. The balance of the Series 2022 cost of issuance fund at December 31, 2022 was $62,576.

NOTE 7 - NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS

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

	2022	2021
Undesignated	$ (27,486,164)	$ (31,505,880)
Designated by the governing board	409,006	526,885
Property and equipment, net of related debt	12,576,082	20,318,953
Total Net Assets (Deficit) Without Donor Restrictions	$ (14,501,076)	$ (10,660,042)

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Subject to Expenditure for Specified Purpose:		
Memorial and remembrance fund	$ 354,952	$ 425,052
A. Krenta legacy fund	92,110	114,273
Cultural arts fund	77,027	88,651
Staff development fund	44,720	56,687
Other	20,057	20,047
	588,866	704,710
Subject to Appropriation and Expenditure When a Specified Event Occurs:		
Endowment contribution from which the income is expendable to provide financial support to residents	10,000	10,000
Total Net Assets With Donor Restrictions	$ 598,866	$ 714,710

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from restrictions by incurring expenses satisfying the following purposes for the years ended December 31:

	2022	2021
Subject to Expenditure for Specified Purpose:		
A. Krenta legacy fund	$ 22,163	$ --
Cultural arts fund	14,940	1,975
Staff development fund	29,657	13,695
Other	6,438	5,610
	$ 73,198	$ 21,280

UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT

As required by GAAP, net assets are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

NOTE 9 - LONG-TERM DEBT

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

	2022	2021
Town of Hamden Revenue Bonds (Whitney Center Project) Series 2019		
Fixed Rate Revenue Bonds due January 1, 2030	$ 9,090,000	$ 9,090,000
Fixed Rate Revenue Bonds due January 1, 2040	17,690,000	17,690,000
Fixed Rate Revenue Bonds due January 1, 2050	28,815,000	28,815,000
	55,595,000	55,595,000
Town of Hamden Revenue Bonds (Whitney Center Project) Series 2022		
Series 2022A Fixed Rate Revenue Bonds due January 1, 2053	17,675,000	--
Series 2022B Fixed Rate Revenue Bonds due January 1, 2030	445,000	--
	18,120,000	--
	73,715,000	55,595,000
Less, current portion	955,000	--
Less, deferred financing costs	2,209,502	1,459,247
Less, unamortized original issue discount, Series 2022	247,766	--
Add, unamortized original issue premium, Series 2019	4,287,315	4,447,589
Long-Term portion	$ 74,590,047	$ 58,583,342

SERIES 2019 BONDS

In October 2019, the Corporation issued $55,595,000 (par value) of Town of Hamden, Connecticut Facility Revenue Bonds (Whitney Center Project), Series 2019 (Series 2019 Bonds) at an aggregate original issue premium of $4,808,204. The Series 2019 bonds are at a fixed rate of interest of 5.00 percent, with mandatory annual sinking fund redemptions beginning in January 1, 2023 and extending through final maturity in January 1, 2050.

NOTE 9 - LONG-TERM DEBT (CONTINUED)

SERIES 2019 BONDS (CONTINUED)

The Series 2019 Bonds are collateralized by (i) a first mortgage lien on the Corporation's main operating facility, (ii) a security interest in all personal property, fixtures, and equipment, (iii) a security interest in the gross revenues of the Corporation, and (iv), an assignment of the Corporation's rights under its residency agreements.

The Loan Agreement (and Security Agreement) and related Trust Indenture to the Series 2019 Bonds also provides for, among other requirements, the maintenance of certain financial and operational covenants including a minimum debt service coverage ratio, and a days' cash on hand ratio. The Corporation successfully met the debt service coverage ratio and the days' cash on hand ratio covenants on the December test date in 2022.

SERIES 2022 BONDS

In October 2022, the Corporation issued $18,120,000 (par value) of Town of Hamden, Connecticut Facility Revenue Bonds (Whitney Center Project), Series 2022 (Series 2022 Bonds) at an aggregate original issue discount of $249,150. The Series 2022 bonds are at a fixed rate of interest of 7.00 percent, with mandatory annual sinking fund redemptions beginning in January 1, 2025 for the Series 2022B bonds extending to final maturity January 1, 2030, and January 1, 2030 for the Series 2022 A bonds and extending through final maturity in January 1, 2053.

The Series 2022 Bonds are collateralized by (i) a first mortgage lien on the Corporation's main operating facility, (ii) a security interest in all personal property, fixtures, and equipment, (iii) a security interest in the gross revenues of the Corporation, and (iv), an assignment of the Corporation's rights under its residency agreements.

The Loan Agreement (and Security Agreement) and related Trust Indenture to the Series 2022 Bonds also provides for, among other requirements, the maintenance of certain financial and operational covenants including a minimum debt service coverage ratio, and a days' cash on hand ratio, effective in 2024.

NOTE 9 - LONG-TERM DEBT (CONTINUED)

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

Years ending December 31,	
2023	$ 955,000
2024	1,000,000
2025	1,120,000
2026	1,175,000
2027	1,235,000
Thereafter	68,230,000
	$ 73,715,000

OPERATING RESERVE

The State of Connecticut requires that continuing care facilities maintain a reserve fund, which consists of six months debt service requirements plus one month's operating costs. As of December 31, 2022 and 2021, the Corporation had established the required reserve funds, which consist of U.S. Government obligations, common stocks and money market funds. These funds are not available for current operating purposes. The total reserve requirement was approximately $5.05 million and $3.37 million at December 31, 2022 and 2021, respectively. The balance in these funds amounted to approximately $7.82 and $5.15 million for the years ended December 31, 2022 and 2021, respectively. Such amounts have been classified as assets held by trustee on the statements of financial position.

NOTE 10 - U.S. SMALL BUSINESS ADMINISTRATION PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization applied for and received a forgivable loan in the amount of $2,250,000 under the U.S. Small Business Administration Paycheck Protection Program. As of December 31, 2021, the loan was recorded under long-term liabilities, "U.S. Small Business Administration Paycheck Protection Program Loan", until such time as the forgiveness was formally approved. During 2020, the loan proceeds were used solely for payment of payroll and otherwise in a manner to satisfy the requirements for loan forgiveness. The forgiveness was formally approved by the SBA on July 22, 2021. As a result, a gain in the amount of $2,250,000 has been recognized and is presented within the caption "Gain on forgiveness of PPP loan" in the Non-Operating Items section of the Statement of Activities in 2021.

NOTE 11 - LEASE OBLIGATIONS

The Corporation has obligations as a lessee for vehicles, with remaining lease terms expiring through October 2024. The Corporation has classified these leases as operating leases. Payment due under these leases include fixed monthly payments aggregating $2,788 per month, with the total operating lease cost, based on the fixed monthly rent, amounting to approximately $28,000 for the year ended December 31, 2022. The present value of the of the future minimum lease payments was determined using an incremental borrowing rate of 6.45%.

Future minimum lease payments as of December 31, are as follows:

Years ending December 31,	
2023	$ 33,454
2024	22,629
	56,083
Less, amount representing interest	1,943
	$ 54,140

NOTE 12 - DISAGGREGATION OF REVENUE

The Corporation disaggregates its revenue from contracts with residents by payor source, as the Corporation believes it best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors. The following tables present revenue disaggregated by type of contract and payer for the years ended December 31, 2022 and 2021:

December 31, 2022	Independent Living	Health Center	Assisted Living/ Memory Care	Thrive at Home	Total
Resident Fees:					
Medicaid	$ --	$ 941,661	$ --	$ --	$ 941,661
Medicare	--	871,930	--	--	871,930
Private pay and other third party payors	14,316,187	2,227,887	2,286,779	482,839	19,313,692
	14,316,187	4,041,478	2,286,779	482,839	21,127,283
Entry Fees:					
Amortization	5,081,914	--	--	350,416	5,432,330
Entry fees recognized	2,264,840	--	--	27,957	2,292,797
	$ 21,662,941	$ 4,041,478	$ 2,286,779	$ 861,212	$ 28,852,410

December 31, 2021	Independent Living	Health Center	Assisted Living/ Memory Care	Thrive at Home	Total
Resident Fees:					
Medicaid	$ --	908,206	$ --	$ --	$ 908,206
Medicare	--	1,950,965	--	--	1,950,965
Private pay and other third party payors	12,744,651	2,906,769	2,163,490	422,313	18,237,223
	12,744,651	5,765,940	2,163,490	422,313	21,096,394
Entry Fees:					
Amortization	5,003,869	--	--	289,954	5,293,823
Entry fees recognized	1,361,251	--	--	35,447	1,396,698
	$ 19,109,771	$ 5,765,940	$ 2,163,490	$ 747,714	$ 27,786,915

NOTE 13 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

The following table reflects the Corporation's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include donor restricted balances, board-designated investments intended to fund special board initiatives not considered in the annual operating budget, and assets held by a third-party trustee. In the event the need arises to utilize the board-designated investments for liquidity purposes, the reserves could be drawn upon through board resolution.

	2022	2021
Financial assets at year-end		
Cash and cash equivalents	$ 5,407,983	$ 8,822,178
Accounts and contract receivables, net	992,535	761,792
Other receivables	5,103	11,420
Investments	13,530,807	10,033,665
Assets held by trustee	11,226,667	6,993,362
Total financial assets available at year-end	31,163,095	26,622,417
Less contractual or donor-imposed restrictions		
Perpetual endowment	10,000	10,000
Restricted by donors with time or purpose restriction	588,866	704,710
Board designated	409,006	526,885
Assets held by trustee	11,226,667	6,993,362
Financial assets available to meet cash needs for general expenditures within one year	$ 18,928,556	$ 18,387,460

NOTE 14 - COMMITMENTS AND CONTINGENCIES

HEALTH CARE INDUSTRY

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, and government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with applicable government laws and regulations. However, compliance with such laws and regulations is subject to government review and interpretation as well as regulatory actions unknown or unasserted at this time.

LEGAL AND REGULATORY ENVIRONMENT

Management believes that the Corporation is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, 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.

The Corporation is involved in legal proceedings related to matters which are incidental to its business. In the opinion of management, based on consultation with counsel, the outcome of such proceedings will not significantly affect the Corporation’s financial position or results of operations, based on existing insurance coverage and contingency reserves provided by the Corporation.

NOTE 15 - SELF INSURANCE

Effective January 1, 2020, the Corporation became self-insured for health and pharmacy benefits provided to employees. All eligible employees have the option of participating in the Corporation's self-funded, comprehensive medical care benefits plan. Based upon plan enrollment, the Network pays a monthly fee to a Third-Party Administrator (TPA), which covers the administrative fees. The Corporation has purchased stop-loss insurance, which will reimburse the Corporation for individual claims in excess of $100,000 annually and aggregate claims of approximately $900,000 annually. The Corporation pays the claims and recognizes the expense as they are submitted by the TPA. This amount varies from month to month based upon the health care use by covered persons. As of December 31, 2022 and 2021, the Corporation accrued $225,000 and $400,000, respectively, for unpaid claims.

The determination of such claims and expenses and the appropriateness of the related liability is continually reviewed and updated. It is reasonably possible that the accrued estimated liability of self-insured claims may need to be revised in the near term.

NOTE 16 - SUBSEQUENT EVENTS

In preparing these financial statements, The Corporation has evaluated events and transactions for potential recognition or disclosure through May 30, 2023, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.

NOTE 17 - FUNCTIONAL EXPENSES

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

2022	Independent Living	Health Center	Community Health Services	Resident Services	Total Programs	Marketing and Development	Fundraising	Management and General	Total
Salaries and wages	$ 2,517,212	$ 2,588,157	$ 3,151,321	$ 1,119,276	$ 9,375,966	$ 480,247	$ 86,155	$ 1,994,113	$ 11,936,481
Depreciation and amortization	4,222,281	295,034	58,134	78,329	4,653,778	24,003	--	274,583	4,952,364
Interest expense	2,524,819	170,708	--	28,835	2,724,362	14,418	--	144,180	2,882,960
Employee benefits	619,698	659,318	626,722	254,100	2,159,838	130,554	21,310	485,007	2,796,709
Property taxes	1,987,178	134,326	27,500	22,690	2,171,694	11,345	--	113,449	2,296,488
Other operating expenses	339,864	142,873	37,192	104,100	624,029	10,140	53,512	677,434	1,365,115
Food	882,417	382,089	31,911	1,256	1,297,673	1,610	20	73,997	1,373,300
Contract services	811,099	218,364	48,576	14,115	1,092,154	3,247	--	249,249	1,344,650
Utilities	1,004,042	74,749	24,726	11,464	1,114,981	5,732	--	57,574	1,178,287
Supplies	447,107	331,794	36,031	153,508	968,440	3,004	41	57,096	1,028,581
Ancillary health services	264	469,081	1,063	3	470,411	1	--	15	470,427
Repairs and maintenance	455,015	40,582	13,987	13,686	523,270	2,486	--	26,677	552,433
Insurance	222,550	15,043	4,740	2,541	244,874	1,271	--	12,706	258,851
Marketing and development	1,885	22	--	4	1,911	107,186	989	518	110,604
Loss on disposal of assets	118,016	6,540	--	2,447	127,003	552	--	7,562	135,117
	$ 16,153,447	$ 5,528,680	$ 4,061,903	$ 1,806,354	$ 27,550,384	$ 795,796	$ 162,027	$ 4,174,160	$ 32,682,367

NOTE 17 - FUNCTIONAL EXPENSES (CONTINUED)

2021	Independent Living	Health Center	Resident Services	Total Programs	Marketing and Development	Fundraising	Management and General	Total
Salaries and wages	$ 4,302,792	$ 2,994,442	$ 1,070,415	$ 8,367,649	$ 517,218	$ 87,505	$ 2,320,304	$ 11,292,676
Depreciation and amortization	4,099,688	288,292	50,128	4,438,108	23,331	--	164,481	4,625,920
Employee benefits	1,019,128	769,104	271,956	2,060,188	136,983	21,378	479,079	2,697,628
Interest expense	2,425,747	163,969	27,697	2,617,413	13,849	--	18,335	2,649,597
Property taxes	1,957,260	132,302	22,348	2,111,910	11,174	--	111,741	2,234,825
Contract services	687,630	229,734	13,687	931,051	3,216	--	369,648	1,303,915
Food	776,853	406,110	511	1,183,474	--	--	62,184	1,245,658
Other operating expenses	87,488	305,478	77,433	470,399	11,664	47,757	697,068	1,226,888
Utilities	995,017	67,258	11,361	1,073,636	5,681	--	56,806	1,136,123
Ancillary health services	156	871,399	--	871,555	--	--	--	871,555
Supplies	297,742	148,341	144,582	590,665	2,052	--	219,254	811,971
Repairs and maintenance	386,694	32,656	17,718	437,068	2,163	--	22,554	461,785
Marketing and development	2,100	--	--	2,100	376,479	--	--	378,579
Insurance	--	--	--	--	--	--	230,722	230,722
Loss on disposal of assets	106,186	7,178	1,212	114,576	606	--	6,062	121,244
	$ 17,144,481	$ 6,416,263	$ 1,709,048	$ 25,269,792	$ 1,104,416	$ 156,640	$ 4,758,238	$ 31,289,086