



September 19, 2019

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

Dear Mr. Wysocki:

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

The changes in Whitney Center's 2019 Disclosure Statement include the following:

- The Board of Directors' changes in membership and Management changes have been reflected in I. The People
- Exhibit E been revised to reflect audited financial statements and pro forma financial statements
- Exhibit C Ancillary & Fees have been revised to include 2019 pricing.

These are the only material changes to the Disclosure Statement from the 2018 filing to our 2019 filing. Should you have any questions, please do not hesitate to contact me at [devaneyj@whitneycenter.com](mailto:devaneyj@whitneycenter.com) or 203-848-2608.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Devaney".

Jeff Devaney  
Controller

# DISCLOSURE DOCUMENTS 2019



**200 LEEDER HILL DRIVE  
HAMDEN, CT 06517-2749  
(203) 281-6745  
WWW.WHITNEYCENTER.COM**

**ACKNOWLEDGEMENT OF RECEIPT**

**WHITNEY CENTER, INC.  
CAMPUS DISCLOSURE STATEMENT**

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PURSUANT TO CONNECTICUT STATUTE 17b-522, EFFECTIVE JULY 1, 1988, THE FOLLOWING NOTICE MUST BE PROVIDED BEFORE THE SIGNING OF A CONTINUING CARE AGREEMENT.

You are advised that:

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

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

\_\_\_\_\_  
Client Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
For Whitney Center

\_\_\_\_\_  
Date

**(TO BE DETACHED AND RETAINED BY WHITNEY CENTER)**

# DISCLOSURE STATEMENT

2019



**Whitney Center, Inc.**

**200 Leeder Hill Drive, Hamden, CT 06517  
(203) 848-2641**

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Registration does not constitute approval, recommendation or endorsement by the Department of Social Services or the State of Connecticut, nor does such registration evidence the accuracy or completeness of the information set forth in this Disclosure Statement.

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## INTRODUCTION

Whitney Center is a senior living community located in Hamden, Connecticut that includes independent living apartments, memory support apartments, and a 59-bed skilled nursing unit. Whitney Center is owned and self-managed by Whitney Center, Incorporated, a Connecticut not-for-profit corporation, which is committed to serving the best interests of Whitney Center and its residents. Whitney Center also serves non-residents through its "Thrive at Home" program.

We've tried to use non-technical language in this Disclosure Statement and there may be some minor differences between the text in this statement and the Residency Agreement attached hereto. In the event of any differences, the provisions of the Residency Agreement shall govern.

Healthcare laws, general economic conditions and future developments are difficult to predict. This Disclosure Statement was prepared based on assumptions believed to be realistic as its completion date. Whitney Center constantly seeks to improve its programs and services consistent with its Mission, Vision and Values.

## MISSION

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

## VISION

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

## VALUES

Whitney Center is committed to these core values:

### *Community*

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

*Respect*

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

*Excellence*

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

*Stewardship*

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

*Teamwork*

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

## **A Culture of Giving**

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

## **DEFINITIONS**

**Activities of Daily Living (ADL)** – The basic tasks of everyday life, including ambulation, bathing, dressing, eating, oral hygiene, exercise and supervision in self-administration of medications.

**Assisted Living** – Refers to residents who require assistance with activities of daily living and/or medication management.

**Chronic & Stable** – A statutory term used to describe the health status of a resident who can appropriately receive long-term care services without the need for skilled nursing. The resident's physician typically determines whether or not the resident is Chronic & Stable through an assessment of medical, physical, cognitive and mental health conditions.

**Closing/Settlement** – The time when a depositor is entitled to all rights conveyed by the Residency Agreement. This usually occurs when both parties sign the Residency Agreement and Whitney Center receives the entry fee.

**Assessment of Care Need** - Whitney Center's guidelines for evaluating the individual healthcare requirements of residents and providing health services in the most appropriate setting possible. Briefly, the process includes the following:

- An Interdisciplinary Care Team (the resident, resident's family or representative, resident's primary care physician and Whitney Center's clinical, community health service and management staff) makes recommendations based on the resident's functional abilities in ADLs; safety, and other factors along with available support from a spouse or other sources.
- The Care Team's findings are discussed with the resident and, if appropriate, the resident's family and/or representative. Every reasonable effort is made to arrive at a consensus agreement that is in the resident's best interest.
- If determined appropriate by Whitney Center, the resident is aided in relocating to an available memory support apartment or Health Center room.

**Nursing Services** – Any service provided by a licensed nursing professional (i.e., clinical assessments, blood pressure checks, blood sugar checks, injections, wound care and medication management).

**Per Diem Period** – The period of time defined in the Modified contract, exclusive of any Medicare-part A coverage, for which a resident is responsible for paying the market rate for Assisted Living and/or Health Center services.

**Personal Options Private Duty** – Whitney Center's program of personal care and companion services available in addition to those offered under the Residency Agreement. Typically, such services address lifestyle needs by offering both assistance with activities of daily living and companion services.

**Residential Living** – Also known as independent living.



## I. THE PEOPLE

### WHITNEY CENTER, INCORPORATED

Whitney Center, Incorporated is a Connecticut 501(c)(3) not-for-profit corporation organized to own and operate the Whitney Center retirement community and provide senior services in the greater New Haven area. Its principal business address is 200 Leeder Hill Drive, Hamden, Connecticut 06517. Whitney Center, Incorporated is not affiliated with a religious, charitable, or other not-for-profit organization. Whitney Center does not own or operate any other retirement community.

No part of the earnings of Whitney Center, Incorporated may be used for the benefit of or be distributed to its officers, directors, or other private individuals except as reasonable compensation for services rendered.

The Board of Directors of Whitney Center, Incorporated has the overall responsibility for strategic planning and the approval of annual budgets. People and entities referred to herein have assumed no financial responsibility for the fulfillment of agreements of Whitney Center, Incorporated. The Board of Directors of Whitney Center, Incorporated comprises up to 18 members whose expertise lay in such areas as banking, law, hospital administration, and medicine. The Directors receive no compensation for their services on the board. Neither the directors, nor any persons involved in the management of Whitney Center, have any proprietary interest in the organization.

The officers and directors of Whitney Center, Incorporated as of 9/30/2019 are listed below:

#### **Wes Poling**

##### ***Chair***

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

#### **Robert Harrity**

##### ***Director & Treasurer***

55 Knollwood Drive, North Haven, CT 06473 - Mr. Harrity is a principal with Ross Institutional Investors LLC in New Haven, Connecticut. He is a Senior Financial Executive with extensive international and domestic experience in investment and commercial banking. Mr. Harrity's past accomplishments include Managing Director with Citigroup/Citibank, New York, NY; Managing Director, Corporate Finance at

Chemical Bank/JP Morgan Chase; Managing Director, Investment Banking at Merrill Lynch; and Vice President, Corporate Finance at The First Boston Corporation. Mr. Harity has been a guest speaker at The Wharton School, Georgetown University, and The Darden School at UVA.

**Sandra Minor Bulmer, Ph.D., M.S., C.H.E.S.**

***Director***

18 Ranney Road, Cromwell, CT 06416 - Ms. Bulmer is the Dean for the School of Health and Human Services at Southern Connecticut State University where she spent 15 prior years as a Professor of Public Health. She is the incoming President of the Board for the Connecticut American Heart Association and former President for the Society for Public Health Education. She is committed to community engaged research and programming to improve health outcomes.

**Jane Jervis**

***Director***

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

**Karen Kmetzo**

***Director & Vice Chair***

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

**Robert O'Dea, CFP**

***Director***

22 Pierce Lane, Madison, CT 06443 - Senior Financial Advisor, Senior Vice President Wells Fargo Advisors.

**Carol Robbins*****Director***

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

**Robert Simione, CPA*****Director***

4130 Whitney Avenue, Hamden, CT 06518 - Mr. Simione is Managing Principal, Simione Healthcare Consultants LLC. He has over 40 years' experience in the healthcare industry providing home care and hospice organizations with the tools to improve their business performance. Mr. Simione is a keynote speaker for the National Association for Home Care and Hospice (NAHC) and state associations representing post-acute health care. He is a former member, Board of Directors, Home Care Alliance of Massachusetts; former member, Finance Committee, Connecticut Association for Healthcare at Home; and past Chairman, Advisory Board, Home Health and Hospice Financial Managers Association.

**Michael Rambarose, MBA*****Director Ex-Officio & President & CEO***

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

Throughout his nearly 20 years in the aging services field, Mike has served senior living and healthcare communities of New York and Connecticut in myriad capacities, including community education & outreach, marketing & public relations, business development, operations management and executive leadership. He values personal respect, collaboration and continual learning as underpinnings of his servant leadership philosophy. As an alumnus of the Leading Age Leadership Academy, current Secretary of the Leading Age Board of Directors and co-chair of its Commission for Aging Services Technology, member of the Leading Age Connecticut Board of Directors, active CARF-CCAC aging services surveyor, and former co-facilitator in the Leading Age CT Leadership Academy, Mike is keenly interested in helping advance the aging

services field for the betterment of elders and those who serve them. Mike is a regular speaker at regional and national conferences focusing on aging services and leadership. Additionally, Mike serves on the Board of Directors for Chapel Haven, Inc., a New Haven not-for-profit education and residential program for young adults with developmental challenges and has served on various economic development boards and committees with interests in advancing aging issues, particularly workforce and housing, in the greater New Haven area.

**Perry Aycock**  
**Director**

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

**Janet Henrich**  
**Director**

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

**Dale Kroop**  
**Director**

Mr. Kroop has been the Executive Director of the Hamden Economic and Community Development and the Hamden Economic Development Corporation for over nineteen years. He manages redevelopment and brownfield projects, manages business incentive programs, writes and administers State and Federal grants, is responsible for Marketing, Energy, Neighborhood Revitalization, Business Cluster Programs, Workforce Development initiatives and is a good friend to the community. He has written and/or administered over \$100 million dollars in grants funded by State and Federal programs

throughout the State of CT. Mr. Kroop manages all statutory requirements including environmental reviews/assessments, finance, labor, procurement, and Equal Opportunity. Mr. Kroop manages architects, engineers, planning and environmental consultants, etc. He is experienced in several Connecticut programs (Urban Act, Manufacturers Assistance Act, STEAP, and Brownfields Funding) and federal programs such as EDA, EPA, CDBG, HOME, HUD 202, and human services, as well as quasi-public projects such as those funded by CDA, CHFA and the Federal Home Loan Bank. He has also managed local business incentive programs, Workforce Development and small business education programs. Mr. Kroop has had significant experience is securing financing for and developing housing for low- and moderate-income senior citizens. In addition to the many projects he has raised funding for, he also previously served as the Executive Director of the Morris Housing Authority for ten years. Mr. Kroop serves on boards of many organizations. He is currently the chair of the New Haven Regional Economic Development Forum (REDFO) and is co-chair of the Economic Development Committee of the Greater New Haven Chamber of Commerce. He is a past President the CT Economic Development Association and the CT Community Development Association. He is the author of the *Grant and Proposal Writing Workshop*. Mr. Kroop has a bachelor's degree from Southern CT State College and a master's degree in Urban Studies from Southern CT State University. He is a certified Business Incubator Manager. (Year service commenced – 2019)

***Kristin Johnson***

***Director Ex Officio & President of the Resident's Council***

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

## **MANAGEMENT**

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

The senior management team leads Whitney Center's approximately 300 employees through a system of department heads, assistant department heads, managers and supervisors. An organizational chart depicting these various departments and positions can be found in Exhibit A.

From time to time, Whitney Center and Thrive at Home may contract with external providers to deliver services or enhance member programs and amenities. For on-campus services, Whitney Center currently partners with:

- Northeast Medical Group: provides the medical directorship for the Nursing Center and employs the Medical Director. Northeast Medical Group is part of Yale-New Haven Hospital and is affiliated with Yale University School of Medicine.
- Trinity Rehab Services: provides physical, occupational and speech rehabilitation services at Whitney Center. All rehabilitation employees are employed by Trinity Rehab Services.

## **THE ASSOCIATION OF RESIDENTS**

All residents of Whitney Center are members of Whitney Center's Residents' Association. Each member can vote at all regular and special meetings of the Association; general meetings are held twice a year. The Residents' Association elects a Residents' Council which, through its various committees, conducts the ongoing business of the Association.

## **II. WHITNEY CENTER**

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

Whitney Center is a Life Plan Community (also known as a continuing care retirement community) designed to serve people 62 years of age or older. The campus comprises 226 Residential Living Apartments in two buildings, 17 assisted living memory support apartments, and 59 skilled nursing beds. Community common areas include a cultural arts center, multiple dining venues, spa & salon, indoor heated swimming pool with spa, fitness center, wellness center, library, business center, convenience store/gift shop, art gallery, and parking garage. Outdoor amenities include private gardens, walking trails, patios and a dog park.

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

### **ACCREDITATION**

Whitney Center was first awarded accreditation by the Continuing Care Accreditation Commission (CCAC/CARF) in 1994. Whitney Center was most recently re-accredited in 2018 as well as receiving its initial accreditation as a Person-Centered Long-Term Care Facility through 2023. To become accredited, Whitney Center affirmed its compliance with standards of excellence in governance and administration, finance, strategy and health and wellness. Whitney Center's accreditation demonstrates that it is effectively carrying out its mission and meeting accreditation standards. The next accreditation assessment will be in August 2023.

### **FUTURE DEVELOPMENT**

Strategic planning is ongoing at Whitney Center. We seek to improve existing programs and services, explore the addition of other health and wellness services and facilities to the Whitney Center campus, and the creation of new off-campus service programs such as Thrive at Home with Whitney Center.

## **CONTRACT OPTIONS**

Whitney Center has contract options that allow people to become residents in whatever way is appropriate to their preferences and needs. Most new residents join the community in a residential living apartment with the ability to access other levels of care as needed. People with an immediate need for assisted living, memory support or nursing care can seek direct admission to those areas. Whitney Center takes pride in its ability to be flexible and meet the unique needs of each resident.

Whitney Center offers different contracts with different levels of care. Prospective residents should carefully read and understand the benefits included or excluded from their own Residency Agreement.

### **Independent Living Entry Fees**

Most residential living contracts require the payment of an entry fee in addition to an ongoing monthly fee. Direct admission to a memory support apartment or Health Center room does not have an entry fee. The amount of the entry fee depends on the size of the apartment unit and other contract options.

### **The Life Care Program**

Residents who choose the "Life Care" contract option receive basic assisted living, memory support and nursing care, when needed, with no increase from their apartment monthly fee. This is a popular option for people who want to know that they won't be hit with higher costs as their health care needs increase.

The life care monthly rate covers the basic semi-private room rate in the nursing center. There will be additional expenses for additional meals, supplies and therapy, or an upgrade to a private room. The specific obligations and benefits of this contract option are described in the contract - See Exhibit B. All contracts should be carefully reviewed before you sign.

### **Other Contract Options**

Whitney Center also offers other contract options that are variations of the Life Care contract. Contract options include lower cost contracts with less of a health care benefit and higher cost contracts with a larger guaranteed entry fee refund. There are sometimes special modifications that will be specified in the applicable contract or a mutually executed contract addendum.

## **SERVICES & AMENITIES**

The services and amenities provided by Whitney Center to residents are described below and listed in the Residency Agreement, which governs all such obligations. Further information is also provided in the Resident Guide.

The provision of services may be modified by Whitney Center in consultation with the Association of Residents. Whitney Center reserves the right to modify the nature and extent of services offered and give residents advance notice of any changes in services.



**Dining** – Whitney Center offers four distinct dining venues; Center Stage, the Bistro, Private Dining Room and Pub.

- Center Stage – Offers a more formal dining atmosphere and serve a variety of lunch and dinner options. Alcoholic beverage service is available. This venue includes a display cooking area.
- Bistro– This informal venue offers a variety of options throughout the day and evening. The Bistro features a coffee shop & dessert bar and provides a mix of made to order and pre-packaged food options.
- Private Dining Room – In addition to serving as a space for private functions, this venue is used for theme dinners or special events
- Pub – The Pub offers a full pub menu to accommodate cocktails or casual meals.

Whitney Center gives residents maximum control over their dining experience through a flexible spending plan that includes a dining points allowance. Residents make their own choice about where and what to eat including a la carte pricing, take-out service and guest meals in all dining venues. More details can be found in the resident guide.

**Emergency Response** – All apartments are equipped with a personal emergency response system that, when activated by the resident, alerts staff who are trained in first aid and CPR. Resident-worn pendants are also part of our safety system.

**Fitness Center** – Includes a variety of exercise equipment, swimming pool and whirlpool spa for use by residents on their own or under the guidance of a fitness trainer. Fitness activities are also conducted in other locations.

**Flat Laundry** - Most residency agreements require Whitney Center to provide weekly service for the residents' flat laundry including sheets, pillowcases, towels, face clothes, and dishcloths.

**Maintenance of the Apartment** - Whitney Center maintains all common areas and provides housekeeping services to personal spaces in accordance with the terms of each resident's Residency Agreement. Typical housekeeping services include cleaning, dusting, and vacuuming the interior of the apartment; washing and waxing of hard surface floors; and cleaning ovens and windows as needed. Whitney Center also performs regular maintenance and repairs of appliances, mechanical, electrical, plumbing and structural systems due to normal wear and tear in the Residential Living apartments. Any Whitney Center property damaged by a resident or guest will be repaired at the resident's expense.

Residential Living apartments are evaluated for repainting every ten years unless waived by the then current resident. A resident may request to have new carpeting installed or existing carpeting cleaned due to normal wear after ten (10) years, either of which is at Whitney Center's discretion and expense. Replacement or deep cleaning of carpeting due to damage caused by the resident or resident's guest(s) will be at the resident's expense.

The staff assists residents in arranging and moving furniture as needed during the first 30 days of occupancy at no charge. This assistance is possible after that time at the resident's expense.

**Parking** – Every resident with a vehicle is allocated one parking space in either the common garage or in an open lot.

**Personal Options Private Duty** – Whitney Center's program of personal care and companion services are available in addition to those offered under the Residency Agreement. Typically, such services address lifestyle needs by offering both assistance with activities of daily living and companion services. Services can be obtained in lieu of, or, in addition to Community Health services. The Personal Options program is not included within the scope of the Residency Agreement and is therefore billed separately by Whitney Center under a full disclosure pricing and services agreement.

**Reception Desk** – Reception desks operate at both the South (main) and North entrances of Whitney Center and provide a variety of services.

**Residential Living Apartment** – Apartments include: individually controlled heating and air conditioning; full kitchen with major appliances (refrigerator, oven/range, microwave); and, utilities (electric, water, basic satellite television). Some apartments are equipped with a washer and dryer; those apartments without a washer and dryer have access to common area laundry facilities.

**Salon & Spa** – Offers hair styling, facials, massage therapy, manicures and pedicures.

**Television** - Whitney Center provides a basic television package at no additional charge. Residents may have options for premium packages and alternative service providers depending on the location of the Residential Living apartment.

**Telephone Service** - Residents can subscribe to telephone service at their own cost.

**Transportation** - Scheduled bus or other transportation services are generally provided Monday through Saturday. Regularly scheduled transportation includes stops at area shopping centers as well as medical and other professional offices. Special events transportation may be provided at extra cost to the resident.

**Wellness Clinic**- Whitney Center helps residents monitor their health needs and coordinate with additional care providers.

**Wellness Programs** – Refers to a variety services, fitness activities, special programs and initiatives designed to foster the health and well-being of residents through seven dimensions: physical, nutritional, social, emotional, spiritual, intellectual and vocational.

**Wireless Internet Service** - Residents have wireless internet access in their apartments which is provided at additional cost. Guest wifi is available in a variety of the common spaces.

## **Assisted Living/Community Health Services**

Assisted Living (AL) services are an integral part of Whitney Center's continuum of care. Typically, AL services are rendered when a resident requires help carrying out his or her Activities of Daily Living (ADLs), which are defined as ambulation, bathing, dressing, eating, oral hygiene, exercise and supervision in self-administration of medications.

Recommendations for a change in residential status will be made by an interdisciplinary care team comprising Whitney Center's designated staff in consultation with the resident, the resident's family (or designated representative, if appropriate) and the primary care physician.

For residents with a Full Life Care Residency Agreement, Whitney Center will provide AL services in the residential apartment, up to one hour per day, at no additional cost per Exhibit C. Any additional services deemed necessary for the resident to live safely in the residential apartment will be charged on a fee-for-service basis. Residents will receive AL services until no longer needed or such time that the resident requires skilled nursing services in our Health Center or memory support services in our specialized memory support wing. Federal and state regulations determining the need for 24-hour skilled or long-term custodial nursing care will guide decisions for admission and discharge to the Health Center.

For residents with a Modified Life Care Residency Agreement (during the Per-Diem period) or Unbundled Life Care Residency Agreement, Whitney Center will provide AL services in the residential apartment on a fee-for-service basis.

To provide respite for caregivers, Whitney Center has a day program for those residents with cognitive impairment. The program, located within our memory care wing, offers structured activities throughout the day.

## **Health Center**

Whitney Center retains a physician (MD) on a consulting basis to act as medical director for the Health Center.

In the event a resident requires skilled nursing care as such is defined by federal and state regulations, he or she will move to the Health Center from the apartment or from a hospital with a physician's medical order. The Health Center clinical team determines the appropriate care plan for the resident upon his or her move to the Health Center. As a part of the determination, the resident's long-term ability to return to Residential Living is evaluated. Residents who can do so will be encouraged to return to Residential Living as soon as practicable.

Residents of Whitney Center have priority access to the Health Center over nonresident applicants desiring care. In the unusual event that the Center is at maximum capacity, Whitney Center, after consultation with the resident, family and the resident's physician will locate appropriate care in another facility until the appropriate accommodations

become available in the Health Center. Whitney Center will be financially responsible for that portion of the cost of this alternative care that would have otherwise been included as part of the resident's life care contract.

When a resident is the sole occupant of an Apartment, the resident's permanent relocation to a memory support apartment or Health Center room shall result in the release of the resident's Residential Living apartment to Whitney Center for reservation by a new resident. If the Apartment is not released within thirty (30) days of permanent relocation, monthly service fees for the Apartment will continue in addition to other occupancy and service charges. In case of double occupancy, the remaining resident can continue to reside in the Apartment.

Additional charges will be incurred by residents in the Health Center depending on the terms of their Residency Agreement and the care they receive including charges for some or all meals, therapy services, medicine or nursing supplies. Services provided in the Health Center are described in Exhibit C.

## **COMMUNITY ADMISSIONS**

### **THE RESERVATION PROCESS**

A prospective resident's application for residency; Whitney Center's consideration of such application; and, how an applicant becomes a resident shall be uniformly applied to all applicants in accordance with Whitney Center's fair housing and non-discrimination policies and practices.

The applicant must meet certain financial and physical health requirements for Residential Living. Whitney Center works with applicants to verify that they have assets and income which are sufficient under foreseeable circumstances to cover payments to Whitney Center as well as personal living expenses. The resident's physical and cognitive health must be such that the resident is determined to be able to live safely and independently by a comprehensive health assessment; additionally, the resident must be free of communicable disease.

The typical reservation and qualification process ask the prospective resident to:

1. Meet with a Whitney Center Senior Living Counselor to select a specific Residential Living Apartment;
2. Complete a Confidential Financial Statement and submit it with supporting documentation (tax returns, brokerage statements, etc.);
3. Provide a Personal Health History Form completed by the applicant's primary care physician;
4. Meet with a member of the Whitney Center health services staff for a medical interview;
5. Submit proof of health insurance that meets Whitney Center requirements as

stipulated in Paragraph IX of the Residency Agreement; and,

6. Submit a fully refundable 10% Reservation Deposit that will be applied to the eventual Entry Fee payable upon move in.

## **THE RESIDENCY AGREEMENT**

Prospective residents are urged to carefully review the details of their Residency Agreement before signing. Prospective residents are reminded that the Residency Agreement is personal in nature and does not give any person who is not a party to the Residency Agreement any right to reside at Whitney Center or receive any services provided under the Residency Agreement; this includes a nonresident spouse. The Residency Agreement contains, among other things, the terms concerning termination and rescission rights, rights to use of the Apartment, rights to use of Assisted Living services, memory support services and the Health Center, provisions concerning reimbursement of the entry fee, and services provided to residents. A sample Residency Agreement is attached as Exhibit B.

A resident may rescind the Residency Agreement by giving Whitney Center written notice by registered or certified mail during the right of rescission period (within thirty (30) days from the date the Agreement is signed). In such event, the resident's entry fee deposit will be returned in full without interest, less those costs specifically incurred by Whitney Center at the resident's request and described in an addendum to the Residency Agreement signed by the resident. During the right of rescission period and until the apartment selected by the resident is available for occupancy, any entry fee payments made by the resident are required by state law to be held in an escrow account.

After the thirty (30) day right of rescission period, should the resident cancel or terminate the Residency Agreement prior to occupying the apartment, the timing and amount refunded will depend upon the circumstances surrounding cancellation as set forth in Paragraphs XII.B and XII.C of the Residency Agreement.

Whitney Center may terminate the Residency Agreement only for reasons set forth in Paragraph XI of the Residency Agreement. Decisions concerning termination will be made by administrative personnel of Whitney Center with the advice of the medical director, as applicable. Unless required by a relevant statute, the resident will have no right to appeal a decision concerning termination.

In cases where personal financial resources prove inadequate, a resident may apply for special financial consideration by Whitney Center. Whitney Center will not ask a resident to leave solely because of justifiable inability to pay the monthly service fee. The circumstances under which a resident may remain at Whitney Center in the event of possible financial difficulty are set forth in Paragraph VIII.A. of the Residency Agreement.

## ENTRY FEE AND MONTHLY SERVICE FEE

There are separate entry and monthly fees for first and second persons moving into a residential apartment. An initial deposit (usually 10%), is required to reserve an apartment. The resident then pays the balance of the entry fee upon execution of the Residency Agreement by both parties. Monthly service fees are payable at the beginning of each month to cover current operating expenses.

The amount of the entry fee and the monthly service fees will be clearly stated in Paragraph III of the Residency Agreement.

The amount of the fees varies according to the size of Apartment, the life care option, and the entry fee refund plan selected. A price sheet of entry fee and monthly service fees is shown on the summary attached as Exhibit C. Monthly service fees may be increased by Whitney Center upon thirty (30) days written notice to the residents if Whitney Center, in its sole discretion, deems it necessary to meet the financial needs of operating Whitney Center and to provide the required services to the residents.

Whitney Center typically adjusts monthly fees on January 1 of each year. Historically, service fee and entry increases for the past five years have been:

Year	Monthly Fee	Entry Fee
2019	3.0%	0.00%
2018	3.0%	5.00%
2017	3.0%	3.00%
2016	3.0%	0.00%
2015	3.0%	0.00%

## ENTRY FEE REFUND

Refund rules for contracts terminated before a resident closes are set forth in Section X and after closing in Section XII of the Residency Agreement.

The amount to be returned to the resident or the resident's estate, without interest, shall be equal to one of the following:

**1. Traditional Entry Fee Option**

An amount equal to the total Entry Fee paid less an administrative fee of ten percent (10%) of the Entry Fee and a two percent (2%) reduction of the original Entry Fee for each month after closing for forty-five (45) months. Net of charges owed to Whitney Center.

**2. 60% Refundable Entry Fee Option**

An amount equal to the Primary Entry Fee less an administrative fee of ten percent (10%) of the Entry Fee and a two percent (2%) reduction of the original Entry Fee for each month after closing for fifteen (15) months. Refund of the Second Person

Entry Fee, if applicable, shall be calculated according to the Traditional Entry Fee Option.

### **3. 90% Refundable Entry Fee Option**

An amount equal to the Primary Entry less an administrative fee of ten percent (10%) of the Entry Fee. Refund of the Second Person Entry Fee, if applicable, shall be calculated according to the Traditional Entry Fee Option.

## **APARTMENT RELOCATIONS**

Residential Living residents may, at Whitney Center's discretion, relocate from one Apartment to another. The moving resident may need to pay a partial entry fee on the new unit, a transfer fee, or pay a portion of renovation expenses on their vacated unit depending on the circumstances of the move. For life care residents, their monthly fee while in health care will be the weighted average of their different apartment fees. All terms of the move will be reviewed with the resident in the advance of the move.

## **MARRIAGE AND RIGHTS OF SURVIVING SPOUSE**

Married residents must each sign the Residency Agreement. Second Person Entry Fees and Second Person Monthly Service Fees will apply. If one spouse dies, the surviving spouse retains all rights as a resident and will be charged the Primary Monthly Service Fee. Entry Fee refunds, if applicable, would not be made until the surviving spouse terminates occupancy.

## **MARRIAGE AND SECOND PERSON AFTER OCCUPANCY**

After occupancy, no person other than the resident signing the Residency Agreement may occupy the Apartment, except with written approval of the Center. Such second person must be qualified for residency in accordance with Whitney Center policy; residents may meet financial requirements jointly if their assets are joined through marriage. If a spouse or other person is accepted for residency, then both residents will sign an addendum to the resident's Residency Agreement. The Addendum will provide for payment of the then current Second Person Entry Fee; the Second Person Monthly Service Fee will commence upon occupancy by the new resident.

Two residents occupying different apartments may move into one apartment together subject to the Whitney Center's approval and review of financial eligibility criteria. Both residents must sign an Addendum to the Residency Agreement. The Addendum will provide for payment of the then current Primary and Second Person Entry Fee, less the sum of prior Entry Fees paid. If the combined prior Entry Fees are less than the then current Entry Fee for the chosen apartment, the residents must pay the difference; no refund will be issued if the combined prior Entry Fees are more than the then current Entry Fee for the chosen apartment. The Second Person Monthly Service Fee will commence upon joint occupancy.

## **FINANCIAL STATEMENTS**

Whitney Center has been a successful senior living community since it opened in 1979. Whitney Center strives to be completely transparent about our financial condition. We have voting resident members on both the board of directors and the board's finance committee. We seek resident input during our annual planning process and give residents an annual update on our budget and financial performance. Whitney Center makes operational and financial decisions to support current operations and achieve its long-term goals. Our sales team is ready to answer the questions of prospective residents or direct them to our Controller, Jeff Devaney.

### **FORECAST AND AUDITED FINANCIAL STATEMENTS**

Whitney Center engages an outside accounting firm to prepared audited financial statements every year. Audited financial statements of Whitney Center for the years ended December 31, 2018 and 2017 and for the years ended December 31, 2016 and 2015 are attached as part of Exhibit E. A 5-year financial forecast prepared by management is also included in Exhibit E.

### **FUTURE HEALTH CARE SERVICE OBLIGATION**

Whitney Center and other senior living communities that provide discounted health care are responsible for estimating the total present value of prepaid health care for present residents of Whitney Center. The calculation is based upon relevant actuarial assumptions and procedures. This calculated figure, if positive, is not a current obligation but an estimate of future liability that will be incurred over time as residents incur health care costs. There was no reportable future service obligation in Whitney Center's 2018 annual audit.



### **III. REGULATORY MATTERS**

#### **REGISTRATION**

Whitney Center is subject to the provision of the Connecticut Continuing-Care Facility Act - Public Act 86-252. In compliance with the Act, it has filed the following documents with the Connecticut Department on Social Services:

- (1) a current disclosure statement,
- (2) financial and actuarial information, and
- (3) escrow account verification and escrow agreements.

All documents filed are a matter of public record and may be reviewed at the Department's office at:

Department of Social Services  
Elderly Services Division  
25 Sigourney Street  
Hartford, Connecticut 06106-5033

#### **OPERATING RESERVE ESCROW**

Whitney Center is required to establish and maintain on a current basis an aggregate reserve deposit equal to:

- (1) all principal and interest, rental or lease payments due during the next 12 months for its first mortgage loan or other long-term financing; and
- (2) the total cost of operation of the community for a one-month period, excluding debt service and capital expenditures.

The Department is authorized to require a lesser amount, but Whitney Center does not now anticipate requesting such approval.

The reserve fund escrow account is held by the trustee for Whitney Center's bonds:

US Bank  
225 Asylum Street  
Hartford, Connecticut 06103

## **INVESTMENT DIRECTION**

Required escrow balances and unrestricted reserves are invested in accordance with applicable regulations, the terms of applicable financing documents, and Whitney Center's investment policy as approved by its Board of Directors. Under the provisions of Public Act No. 86-252, operating reserve funds may not be invested in any building or health care center of any kind or used for capital construction or improvements or for the purchase of real estate. Investment decisions will be made with an expectation of reasonable return while maintaining the security of the fund.

## **TAX DEDUCTIONS**

Residents of Whitney Center may be allowed certain tax deductions related to actual or prepaid medical expense. Historically, about 35% of life care entry fees have been deductible as a pre-paid medical expense in the year in which it is paid. Annually, a portion of monthly service fees may also be a deduction. In January of each year, Whitney Center will provide residents with information about tax deductions. All Whitney Center deductions are subject to limitations imposed by the Internal Revenue Code. It is advisable that the resident seek tax counsel before taking any of these deductions.

## **JUDICIAL PROCEEDINGS**

No judicial proceedings have been initiated against Whitney Center, Incorporated as defined under Section 17a-362 (a) (4) of the Connecticut General Statutes or pursuant to State Regulation 17-548-3 (c) which govern the management of continuing-care facilities.

## **IV. EXHIBITS**

**EXHIBIT A: ORGANIZATIONAL CHART**

**EXHIBIT B: LIFE CARE RESIDENCY AGREEMENT**

**EXHIBIT C: ANCILLARY PRICE SCHEDULE & FEES**

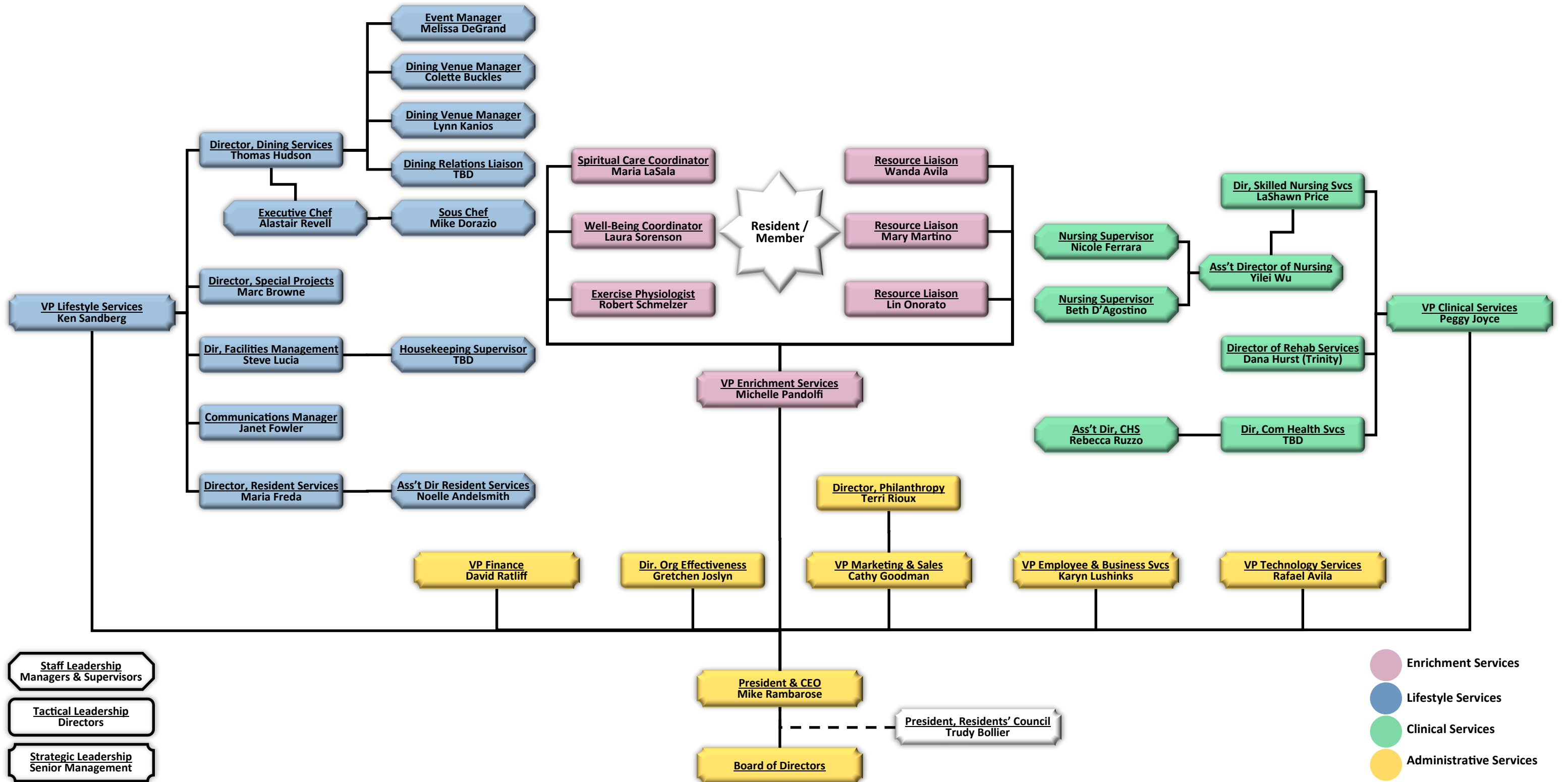
**EXHIBIT D: RESIDENT BILL OF RIGHTS**

**EXHIBIT E: FORECAST AND AUDITED FINANCIAL STATEMENTS**

## EXHIBIT A: ORGANIZATIONAL CHART



**WHITNEY CENTER**  
Organizational Chart as of November 2018



**Staff Leadership**  
Managers & Supervisors

**Tactical Leadership**  
Directors

**Strategic Leadership**  
Senior Management

● Enrichment Services

● Lifestyle Services

● Clinical Services

● Administrative Services

## **EXHIBIT B: LIFE CARE RESIDENCY AGREEMENT**

**WHITNEY CENTER  
RESIDENCY AGREEMENT  
LIFE CARE**

**RECITALS:**

A. Whitney Center, Incorporated, (“Center”) is a not-for-profit corporation organized under the laws of the State of Connecticut. Center is exempt from the payment of federal income tax under Section 501 (c) (3) of the Internal Revenue Code.

B. \_\_\_\_\_, (“You”), being at least sixty-two (62) years of age, (or when two people are named in this Agreement, (“Agreement”), each of you and the survivor of you except as otherwise indicated) have entered into this Agreement with Center on this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

**I. CENTER OBLIGATION** Center agrees to make available to you for as long as you live, subject to the terms of this Agreement, a Residential Living Apartment, (“Apartment”), No. \_\_\_\_\_, and to provide, for your lifetime, the services, and utilities (“Services”) described in Section II.A. below:

**II. DESCRIPTION OF SERVICES TO BE PROVIDED**

A. Center will provide for you the following services, and utilities, herein referred to as “Services” and also described in Section II of the Disclosure Statement under Services & Amenities, without extra charge:

A flexible point plan of \_\_\_\_\_ points per quarter to be used in the various dining venues on campus;

Utilities, including: electric, water, and basic satellite television service;

Building and grounds maintenance;

Weekly housekeeping and flat laundry service;

Washer and dryer, either in common areas or in the Apartment;

Scheduled local transportation;

A variety of programs and activities;

On-site parking;

On-site security services;

24-hour emergency response;

Use of common areas, including: fitness center, swimming pool, whirlpool spa, library, business center and patios;

Access to Wellness Center services;

Meal delivery, when prescribed by Center’s nursing staff;

Assisted Living Services, hands on assistance with activities of daily living provided after an assessment and development of a plan of care to meet needs;

Memory Support Services in a designated Memory Support Apartment, per the Assessment of Care Need and;

Nursing / personal care services in semi-private accommodations in the Center's licensed Health Center ("Health Center") for temporary stays up to one hundred (100) days per Spell of Illness, unless a permanent stay has been deemed necessary by Center. If permanent placement has been determined or more than one hundred (100) days per Spell of Illness the responsible party has 30 days to release the memory support apartment or independent living apartment. If the apartment is not released within 30 days, you will be charged for health care occupancy and services in addition to your Apartment Monthly Service Fee.

Center, from time to time, may modify the nature and scope of the services outlined above. Center will notify residents in advance of any such change in service.

B. Center will provide for you the following services and features, herein referred to as "Additional Service", for an extra charge:

Additional dining;

Meal delivery for convenience;

Guest dining not included in your meal plan;

Premium television service;

Phone service;

Long distance phone plan;

Guest accommodations;

Catering services;

Spa services;

Facsimile and copier services;

Supplemental chore services in the Apartment, such as personal laundry and handyman services;

Additional personal transportation services;

Organized travel and tickets to various attractions and events;

Additional Assisted Living Services in the Residential Apartment;

Memory Support Day Program;

Personal Options Private Duty

Upgrade charge for private accommodations in the Health Center;

Nursing / personal care services in the Nursing Center for temporary stays exceeding one hundred (100) days per Spell of Illness;



Physical, speech, and occupational therapies; and,  
Other optional services as approved by Center.

### III. COST TO YOU

#### A. Entry Fee and Security Deposit

1. Amount of Entry Fee. Based on your selection of the \_\_\_\_\_ Entry Fee Option as also indicated in Section XII.B, you agree to pay Center a Primary Entry Fee in the amount of \$ \_\_\_\_\_. If two of you are residents pursuant to this Agreement, you agree to pay a Second Person Entry Fee in the amount of \$ \_\_\_\_\_. Your Total Entry Fee will be \$ \_\_\_\_\_.

#### 2. Payment Schedule:

a. Ten percent (10%) of the Primary Entry Fee is due upon signing this Agreement, which may be held by an escrow agent under the terms of an escrow agreement and subject to the laws of the State of Connecticut;

b. The balance of \$ \_\_\_\_\_ of the Total Entry Fee, less deposits or other payments, shall be paid on or before final closing, not to exceed ninety (90) days from the date that this Agreement is signed by both parties. Any extension of this deadline must be mutually agreed upon by you and Center in accordance with Center's policy.

c. A security deposit of \$ \_\_\_\_\_ must also be paid to Center at closing and will be fully refunded upon termination of the residency agreement unless there is excess damage to the unit as described in Section IV.C.2, the unit is not released as described in Section IV.E, or there are other outstanding charges on the resident's account.

#### B. Monthly Service Fee and Charges for Additional Service

1. Amount of Monthly Service Fee. The Primary Monthly Service Fee payable by you is \$ \_\_\_\_\_. You will pay the additional Second Person Monthly Service Fee of \$ \_\_\_\_\_ if two of you are residents pursuant to this Agreement. The Total Monthly Service Fee will be \$ \_\_\_\_\_.

2. Payment. The Total Monthly Service Fee shall be billed in advance on the first day of each month. The first Total Monthly Service Fee, less deposits or other payments will be payable on the date the balance of the Total Entry Fee is due or upon occupancy, whichever is earlier. Pro-ration for a partial Monthly Service Fee, if applicable, shall be applied to the second month's payment.

3. Additional Service. Your monthly invoice will include charges for additional service applicable to the billing period.

4. Monthly Service Fee Increases. Center may increase the Monthly Service Fee (including any Second Person Monthly Service Fee) subject to thirty (30) days' prior written notice if Center, in its sole discretion, deems it necessary to meet the financial requirements of Center or to provide the Services to the residents.

#### C. Costs Related to Assisted Living and Health Center Services

1. Medical and personal care supplies;
2. Additional meals not covered by your meal plan;

3. If applicable, an upgrade charge for private Health Center accommodations; and,
4. If you receive Health Center Services on a temporary status for more than one hundred (100) days per Spell of Illness, or if permanent placement has been deemed necessary and you have not released your Memory Support or Independent Living apartment within 30 days, while maintaining single occupancy, you will be charged for health care occupancy and services in addition to your Apartment Monthly Service fee.

#### D. **Collection**

1. Late Payment Fee. A Late Payment Fee of one and one half percent (1½%) per month will be assessed on balances for Monthly Service Fees and other charges not paid by the due date. Center will continue to charge the late payment fee until any delinquent balance is paid in full.

2. Collection Costs. In the event Center must institute a legal action to collect any amounts owed to Center by you, you will be responsible for paying for the costs of such an action, including reasonable attorneys' fees and costs.

### IV. **TERMS OF RESIDENCY**

A. Right to Occupy. Your right to occupy an Apartment at Center shall exist and continue during your lifetime unless revoked as provided for in Sections X. and XI. This Agreement grants to you a revocable privilege to occupy and use the Apartment. It does not grant you exclusive possession of any Apartment in Center. This Agreement is not a lease or easement and does not transfer or grant to you any interest in real property owned by Center. Your rights under this Agreement are not assignable and no rights or benefits under this Agreement shall inure to the use or benefit of your heirs, legatees, assignees or representatives.

B. Right of Entry. You agree that Provider and its employees and agents shall have the right, at all reasonable times, to enter your residence for purposes of management, housekeeping, maintenance, enforcement of applicable laws and regulations, emergency purposes or any other reasonable purpose. Moreover, Center may conduct periodic inspections to ensure that the Apartment is being maintained in safe and habitable conditions. If conditions are determined to be unsafe or uninhabitable by reasonable standards, Center may take action as necessary to appropriately rectify the situation.

#### C. Changes to Apartment and Refurbishment.

1. Notwithstanding any other provisions in this Agreement, Center may change the Apartment to meet the requirements of the law. You agree not to make any structural or physical changes to your Apartment without Center's prior written consent. All such changes must comply with applicable governmental codes and regulations. You will be responsible for the cost of any materials and labor required to make any such approved changes. You or your estate will also be responsible for restoring the original decor when your Apartment is vacated, unless Center specifically grants you an exemption from this requirement.

2. You agree that you or your estate, upon vacancy of the Apartment, will be responsible for the cost of any materials and labor required to repair major damage to the Apartment caused by you or your guests and not as a result of normal use and wear. Such

refurbishment shall include replacing or repairing damaged appliances, fixtures, walls, ceilings, floor coverings, cabinets, counter tops, windows, doors, lights and locks.

D. Pets

1. Pets will be permitted in the Apartment upon approval by Center. If Center determines that the pet is not suitable, then permission to keep the pet will be denied or revoked. Pets must be controlled by owner, properly registered, and routinely inoculated. Pets are permitted only in designated areas on the grounds of Center.

2. A plan to care for the pet, in the event of your inability to do so, must be provided to Center as a condition of approval.

3. You shall be responsible for keeping the pet properly restrained at all times, for cleaning up after the pet, and for the repair of any damages to the Apartment or common areas that may be caused by the pet.

E. Removal of Property.

1. All personal property must be removed from your Apartment and Storage Bin or Memory Support unit within thirty (30) days of relocating to another Apartment, to a Memory Support apartment, to the Health Center, or upon termination of this Agreement. If the Agreement has been voluntarily terminated as described in Section X., then property must be removed before the end of the notice period.

2. Upon relocation from the Health Center or upon termination of this Agreement while occupying a nursing bed, all personal property must be removed from your Health Center room within twenty-four (24) hours.

3. In the event removal is not accomplished within the applicable timeframes as set forth above, then Center may at its sole discretion continue to charge a Monthly Service Fee or remove and store such possessions and property at your expense or that of your estate.

F. Furnishings. Furnishings within the Residential Living Apartment or Memory Support apartments will not be provided by Center. Furnishings provided by you shall not interfere with the health, safety and general welfare of all residents.

G. Level of Care Evaluations. Center may conduct periodic health evaluations to determine whether you require Assisted Living, Memory Support or Health Center services. You consent to such evaluations and agree to cooperate with the Center's staff conducting such evaluations. If Center determines based on such an evaluation that you require Assisted Living Services, you agree to receive and pay for such services, as applicable. If Center determines based on such an evaluation that you require permanent Health Center or Memory Support services, in accordance with Section VI. below, you agree to vacate the Apartment within thirty (30) days and assume occupancy in the Health Center or in a Memory Support unit.

H. Second Person After Occupancy.

1. No person other than you may occupy the Apartment except with the express written approval of Center. Such second person must be financially qualified for residency in accordance with Center policy, unless his or her assets are legally joined with yours.

2. In the event that a spouse or other person who is not a party to this Agreement is accepted for residency after the date of this Agreement (said acceptance to be in accordance with policies governing all other residency criteria except that your spouse may be under age sixty-two

(62)), you and such person shall execute an addendum to this Agreement. Such addendum shall require that you and your spouse or other person be obligated to pay the then current Primary and Second Person Entry Fees for the Apartment of your choice, less the sum of prior Entry Fees paid. The Second Person Monthly Service Fee will commence upon occupancy by the new resident.

3. In the event that you and another Center resident wish to move into an Apartment together, you may do so subject to Center's approval and review of financial eligibility criteria. You must both sign an Addendum to this Agreement. The Addendum will provide for payment of the then current Primary and Second Person Entry Fees less the sum of prior Entry Fees paid. If the combined prior Entry Fees are less than the then current total Entry Fee for the chosen Apartment, then you must pay the difference; no refund will be issued if the combined prior Entry Fees are more than the then current Entry Fee for the chosen Apartment. The Second Person Monthly Service Fee will commence upon join occupancy.

4. If such spouse or other person is not eligible for residency, he or she will not be permitted to occupy the Apartment for more than thirty (30) days (except with the express written approval of Center), and you may terminate this Agreement as provided in Section X. of this Agreement. The rights you have, if under age sixty-two (62), with respect to the Health Center are set forth in Section VI.C.

I. Resident Remaining in Apartment. In the event two (2) of you occupy an Apartment under this Agreement, upon the death or relocation of one to a Memory Support apartment or to the Health Center, the other person shall continue to be allowed to occupy the Apartment, as the primary resident, under the terms of this Agreement.

## **V. ASSISTED LIVING**

A. In the event Center determines, , that you require Assisted Living services, you agree to utilize or receive appropriate additional care. At that time, you may have to sign a service plan agreement. Some services may be billable at rates established by Center as defined in Exhibit D.

B. In order to utilize Assisted Living Services, your attending Physician must certify that your health is in a "chronic and stable" condition.

C. Independent living residents are able to receive up to one free hour per day of assisted living hands on personal care in the Apartment if such is determined to be medically necessary and appropriate.

D. Independent living residents who occupy Memory Support apartments will receive additional charges for 2 extra meals not covered by the meal plan per day, medicine, therapy, supplies and optional assistance as described in Center's ancillary price list.

## **VI. HEALTH CENTER**

A. In the event Center determines, that you require temporary nursing care, you agree to relocate on a temporary basis to the Health Center where Center is licensed to provide such care. Such nursing care accommodations shall be in a semi-private room.

B. In the event your medical condition requires that you permanently relocate to the Health Center or the memory support wing per Center's Assessment of Care Need and you are a single occupant in the Apartment, Center shall have the right to assign the Apartment for

occupancy by others. If the Apartment is not released within thirty (30) days of permanent relocation, monthly service fees for the Apartment will continue in addition to other occupancy and service charges. If Center subsequently determines that you can resume occupancy in accommodations equivalent to those you previously occupied, you shall have the right to relocate to such accommodations as soon as they are available.

C. In the event you are under age sixty-two (62), and occupy an Apartment under this Agreement, you may relocate to the Health Center for care but you will be charged the then-current per diem rate being charged a non-resident until you reach age sixty-two (62). If you are at least sixty-two (62) years old, you will be entitled to services in a semi-private accommodation in the Health Center as described in Section II.A. without additional charge, except as described in Section III.C.

D. Relocation to the Health Center, whether short or long-term, requires that you sign a Health Center Residency Agreement. All terms and conditions therein apply until such time that you return or relocate to an Apartment.

E. In the unlikely event that Center's Health Center is at maximum capacity, Center, after consultation with you, your family and physician, will locate appropriate care in another area Health Center until the appropriate accommodations at Center become available.

F. Center will designate a member in good standing of a licensed Connecticut general hospital as Medical Director. The Medical Director or a qualified physician designated by him or her will be on emergency call. Center will not be responsible for the cost of your medical treatment by the Medical Director, nor will Center be responsible for the cost of medicine, drugs, prescribed therapy, and any other ancillary products or services.

## **VII. REPRESENTATIONS AND WARRANTIES OF RESIDENT**

You represent and warrant to Center that:

A. All facts stated on your Confidential Data Application for Residency in Center are true and complete;

B. You have not made any transfers of assets or property that would materially diminish your ability to meet the financial obligations of this Agreement; and

C. Upon execution of this Agreement, you shall be at least sixty-two (62) years old or shall be the spouse of a resident at least sixty-two (62) years old.

## **VIII. COVENANTS BY CENTER**

Center covenants and agrees:

A. That it is and shall be the declared policy of Center to operate as a charitable organization and not to terminate this Agreement solely for reason of your financial inability to pay the Monthly Service Fee, when you establish facts to justify deferment of such charges, and deferment of such charges can (in the sole discretion of Center) be granted without impairing the ability of Center to operate on a sound financial basis on behalf of the other residents; provided, however, that you abide by the covenants expressed in Section IX. of this Agreement and that your representations and warranties in Section VII. were true, accurate and complete;

- B. To perform its obligations under this Agreement.

## **IX. COVENANTS BY YOU**

You agree:

- A. To comply with all operating procedures of Center as now existing or as hereafter amended;
- B. To pay the Entry Fee, Monthly Service Fee, and charges for Additional Services as provided in this Agreement;
- C. To perform your obligations under this Agreement;
- D. Within sixty (60) days following assumption of residency hereunder, to make provision by Will or otherwise, for the disposition of all your furniture, possessions and property located at the premises of Center;
- E. That you are capable of meeting the eligibility criteria for Apartment residency and have demonstrated that your assets and income are sufficient under foreseeable circumstances and after payment of your obligations under this Agreement to meet ordinary and customary living expenses after you assume occupancy;
- F. Not to impair your ability to meet financial obligations under this Agreement by transferring and/or depleting assets other than to meet ordinary and customary living expenses;
- G. Not to assume significant changes in expenses after being financially qualified by Center which could impair your ability to meet financial obligations under this Agreement;
- H. To utilize all available resources, including any refundable portion of your entrance fee as a pre-requisite to fee deferral or hardship application;
- I. To maintain coverage under Medicare Parts A, B and D, if eligible, and one supplementary health insurance policy which covers skilled nursing care at Center. If not eligible for Medicare Parts A and B, you agree to maintain a health insurance policy which covers skilled nursing care at Center substantially equivalent to skilled nursing coverage under Medicare Parts A and B; if not eligible for Medicare Part D, or if you choose not to participate in Medicare Part D, you agree to maintain a health insurance policy that provides creditable prescription drug coverage. If you change any aspect of your health insurance coverage during residency, you agree to notify Center prior to such change; Center shall determine whether or not such change constitutes adequate coverage according to the provisions herein. If Center deems that you do not have adequate coverage and such coverage is unattainable by you, you agree to self-insure and demonstrate the financial wherewithal to do so for all health care services that would have otherwise been covered by an appropriate policy; you shall execute an addendum to this Agreement acknowledging your intent to self-insure.
- J. If applicable, you agree to assist Center to obtain payments for services from applicable government, private or supplemental insurance plans or entitlements not including long term care insurance policies. Center bills the resident and the resident must seek reimbursement from their long term care insurance carrier. Center will provide informational support to residents upon request;
- K. To maintain tenant or renters insurance in a reasonable and appropriate amount to cover your personal property and personal liability;

L. To maintain automobile insurance covering bodily injury and property damage liability in a reasonable and recommended amount including uninsured motorist protection \$300,000 as long as you own or operate a motor vehicle;

M. To maintain the Apartment in a reasonably clean, safe and livable condition; reporting any mechanical or structural failures to Center as soon as detected;

N. To provide an annual update to the insurance section of the Confidential Data Form;

O. If you hire an outside contractor, the contractor is required to adhere to Center's standards of performance and behavior as defined by the Center's work rules while working on our property. Contractors are required to be properly insured and licensed and,

P. To abide by all other terms of this Agreement.

## **X. YOUR TERMINATION AND RESCISSION RIGHTS**

A. You may rescind this Agreement by giving written notice of rescission to Center within thirty (30) days from the date of this Agreement. Upon timely rescission this Agreement will automatically be canceled. Any money paid by you to Center will be refunded to you without interest, less those costs specifically incurred by Center at your request and described in an addendum to this Agreement signed by you. You shall not be required to pay the balance of the Entry Fee before the expiration of the thirty (30) day right of rescission period.

B. After the right of rescission period and before the date your Apartment is ready for occupancy, if you die or provide written notice to Center, this Agreement will be canceled. Any money paid by you will be refunded to you or your estate, without interest, within sixty (60) days, less those costs specifically incurred by Center on your behalf.

C. You may terminate this Agreement for any reason after Closing by giving Center one hundred twenty (120) days' written notice, and you shall pay the Monthly Service Fee until the expiration of such time. If you have not vacated and released your Apartment within one hundred twenty (120) days after giving notice, your Monthly Service Fee and other charges will continue until your Apartment is released. You may be entitled to reimbursement of a portion of the Entry Fee as provided, and subject to the conditions indicated in Section XII. hereof.

## **XI. TERMINATION BY CENTER**

Center may, upon notice and opportunity to cure as hereinafter provided, revoke your right to reside at Center and terminate this Agreement upon the occurrence of any of the following events (hereinafter called "Default"):

A. Your failure to comply with Center operating procedures now existing or hereafter amended by Center;

B. Creation by you of disturbance within Center detrimental to yourself or to other residents and staff;

C. Your failure to pay the unpaid balance of the Entry Fee when due;

D. Your failure to pay any Monthly Service Fee and charges for Additional Service when due; unless other mutually satisfactory arrangements have been made;

E. Your failure to uphold the Covenants defined in Section IX. of this Agreement;

F. You:

1. Are or become infected with a dangerous or contagious disease; or
2. Develop a medical condition which the Center is not licensed to treat or which is beyond the Center's area of specialization; or
3. Transfer or deplete assets other than to meet ordinary and customary expenses.

Prior to termination for any Default by you as described in Subsections A-F of this Section (except with respect to Subsections A, B or F as provided below), Center shall give you notice in writing of such Default and you shall have thirty (30) days thereafter within which to correct such Default. If you correct such Default within such time, this Agreement shall not be then terminated. If you fail to correct such Default within such time, this Agreement shall terminate at the expiration of such thirty (30) days.

In the event of an occurrence described in Subsections A, B or F of this Section and a determination by the Medical Director that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you, the staff, or other residents of Center, then such notice and or waiting period prior to termination shall not be required. Also, in the event of the occurrence of any event described in Subsections A, B or F of this Section, Center is expressly authorized by you to relocate you to an appropriate health care center and will promptly notify your representative or your personal physician.

(Continued on next page, Section XII)



## **XII. REFUND OF ENTRY FEE**

A. Prior to Closing, Center will refund a portion of amounts paid to such date, as outlined in Section X.

B. After you move into Center, in the event of your death (or if there are two of you, the death of the survivor) or in the event you terminate this Agreement pursuant to Section X. or Center terminates this Agreement pursuant to Section XI, not to exceed 18 months from the date of death or termination, we will return to you or to your estate, without interest, an amount equal to one of the following:

                      
*(Initial if selected)*

1. Traditional Entry Fee Option - An amount equal to the total Entry Fee paid less an administrative fee of ten percent (10%) of the Entry Fee and a two percent (2%) reduction of the original Entry Fee for each month of residency up to (45) months. Any charges owed by the resident to Center will then be deducted

                      
*(Initial if selected)*

2. 60% Refundable Entry Fee Option - An amount equal to the Primary Entry Fee less an administrative fee of ten percent (10%) of the Entry Fee and a two percent (2%) reduction of the original Entry Fee for each month of residency up to fifteen (15) months. Refund of the Second Person Entry Fee, if applicable, shall be calculated according to the Traditional Entry Fee Option. Any charges owed by the resident to Center will then be deducted.

                      
*(Initial if selected)*

3. 90% Refundable Entry Fee Option - An amount equal to your Entry less an administrative fee of ten percent (10%) of the Entry Fee. Refund of the Second Person Entry Fee, if applicable, shall be calculated according to the Traditional Entry Fee Option. Any charges owed by the resident to Center will then be deducted.

C. Specifically, Center will retain a sum equal to the amount of:

1. Non-reimbursed health care expenses incurred by Center for your care (except the cost of Services described in Section II.A. of this Agreement) during the term of your residency;

2. Any Monthly Service Fees, or other sums owed by you to Center under this Agreement; and

3. Any Monthly Service Fees deferred by Center on your behalf under Section VIII.A. hereof; and

4. Any other sums owed by you to Center.

### **XIII. RELOCATION TO ANOTHER APARTMENT**

A. If, upon Center's approval, you relocate to a different Apartment, you may be required to pay an additional fee according to Center policy. You agree to pay the cost of refurbishing the former Apartment in accordance with Section IV.C. of this Agreement.

B. If, upon Center's approval, you relocate from your original Apartment to an Apartment with a different fee structure and subsequently relocate to Memory Support or the Health Center on a permanent basis, your monthly fee, the "Calculated Monthly Service Fee" will be calculated as follows:

1. The then current Monthly Service Fee for each Apartment type you have occupied is multiplied by the number of months of occupancy in each (a fraction of a month shall count as a whole month);
2. the products are then added; and,
3. the sum is divided by the total number of months that you occupied Apartments at Center.

The Calculated Monthly Service Fee shall become effective upon the date of permanent relocation to Memory Support or the Health Center. A resident who relocates from Memory Support to the Health Center shall continue to pay the Monthly Service Fee calculated for the relocation from their Apartment to Memory Support.

C. Upon Center's approval of your request to relocate to another Apartment, you shall sign an addendum to this Agreement which will contain the provisions of the then current Agreement.

### **XIV. MISCELLANEOUS**

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

B. Amendment. Services described in Section II.A. of this Agreement may not be amended unless contained in writing, executed by you and Center. Additional Service described in Section II.B. may be amended subject to thirty (30) days' written notice if Center, in its sole discretion, deems it necessary to meet the financial requirements of Center or to provide the Additional Service to the residents.

C. Partial Illegality. The invalidity of any restriction, condition or other provision of this Agreement or any part of the same, shall not impair or affect in any way the validity, enforceability, or affect the rest of this Agreement.

D. Interpretation. This Agreement will be interpreted according to the laws of the State of Connecticut and will become effective upon acceptance and execution by Center.

E. Authorization. This Agreement has been executed on Center's behalf by its duly authorized agent, and no officer, agent, or employee of Center shall have any personal liability hereunder to you under any circumstances.

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

G. Consultation. Each person considering executing the Agreement should consult with his or her tax advisor regarding the tax consequences associated with this Agreement, including the application of the imputed interest provisions of Section 7872 of the Internal Revenue Code, as amended.

H. Indemnification. Center shall not be liable for, and you agree to indemnify and hold Center harmless from and indemnify Center against, any claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligence, intentional act or omission or by the negligence or intentional act or omission of your guest or invitee.

I. Subordination. You agree that all of your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages that have been or will be executed by Center, except as provided by applicable law. Upon request, you agree to execute, acknowledge and deliver to the Center's lender or lenders such further written evidence of such subordination as such lenders may reasonably require.

J. Notices. All notices required by this Agreement shall be in writing and mailed, via registered or certified mail return receipt requested, or hand delivered (i) to Center at its address as shown below, and (ii) to you at the address shown below, or after your occupancy, by depositing the notice in your Center mailbox.

Whitney Center, Inc.  
200 Leeder Hill Drive  
Hamden, CT 06517  
Attention: \_\_\_\_\_

Resident: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The address to which notice must be delivered may be changed from time to time by either party by written notice to the other party.

K. Assignment. Your rights under this Agreement are personal to you and cannot be transferred or assigned by any act of you, or by a proceeding at law, or otherwise. The Agreement shall bind and inure to the benefit of Center's successors and assigns and shall bind and inure to the benefit of your heirs, executors and administrators only in accordance with its terms.

**XV. RESIDENT REPRESENTATIVE(S)**

A. You hereby appoint the following individual(s) as your representative(s) to act on your behalf in all situations where participation of a representative is described in the Residency Agreement or Disclosure Statement. Where there is more than one representative identified, such representatives shall act jointly, unless otherwise indicated. In the event of a disagreement among the representatives, the decisions of the first named representative shall control. Center agrees that you may, upon notice to Center, change your representative at any time.

Name: _____	Name: _____
Address: _____	Address: _____
City: _____	City: _____
State: _____ Zip: _____	State: _____ Zip: _____
Phone: _____	Phone: _____
<input type="checkbox"/> Power of Attorney	<input type="checkbox"/> Power of Attorney
<input type="checkbox"/> Health Care Representative	<input type="checkbox"/> Health Care Representative
<input type="checkbox"/> Other (specify) _____	<input type="checkbox"/> Other (specify) _____

**XVI. ACKNOWLEDGMENTS**

A. You hereby certify that you have received a copy of this Residency Agreement, Center’s most recent Disclosure Statement and the name, address and telephone number of the escrow agent, if any, on or before the date of this Agreement.

B. You hereby certify that you have entered into this Residency Agreement with Center and agree to the terms and covenants herein as of the date identified below.

C. Center hereby agrees that it has entered into this Residency Agreement with you and agrees to the terms and covenants herein as of the date identified below.

\_\_\_\_\_  
PRIMARY RESIDENT

\_\_\_\_\_  
WITNESS

\_\_\_\_\_  
SECOND RESIDENT

\_\_\_\_\_  
WITNESS

\_\_\_\_\_  
By: WHITNEY CENTER, INCORPORATED

\_\_\_\_\_  
DATE

Many residents and families opt to donate any refund due to the Whitney Center Fund. If you wish to make a tax deductible, charitable contribution of any refund due to your estate, please sign and date below to acknowledge your wish to donate.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## **EXHIBIT C: ANCILLARY PRICE SCHEDULE & FEES**



## WHITNEY CENTER

### Ancillary Prices Effective 1/1/2019

Ancillary services and prices are subject to change. Up to date information will be available at the point of service, the front desks, and from the business office.

#### **Dining:**

Meals in the dining room, bistro and pub are priced a la carte and paid for with dollars or points. Independent Living residents choose one of these plans:

Flexible Spending (points) Plan:		1,450 points/person/quarter
Away credit for 30-59 days away per quarter	\$	5.70 /day away
Away credit for 60+ days away per quarter	\$	11.30 /day away
Opt Out (pay as you go) Option, get a monthly bill credit:	\$	338 /person/month
Tray Set-up / Room Delivery Charge (non-holiday):	\$	6.00
Tray Set-up / Room Delivery Charge (holiday):	\$	8.00

#### **Optional Healthcare Services:**

Nursing Visit:	\$	40.00	per visit
Medication Pre-Pour:	\$	34.00	per week
CNA Visit:	\$	16.00	up to 15 minutes
Safety Check/Medication Reminder:	\$	5.00	each
Memory Support Day Care:	\$	48.00	0-4 hrs per day
(Coordinate availability with AL manager,	\$	63.00	4-6 hrs per day
meals/supplies are charged extra)	\$	75.00	6-8 hrs per day

#### **Personal Options Fees (Hourly Rates):**

	7am – 3pm	3pm – 11pm	11pm – 7am
CNA, Monday - Friday:	\$ 25.00	\$ 26.00	\$ 27.00
CNA, Weekends:	\$ 26.50	\$ 27.50	\$ 28.50
CNA, Holidays:	\$ 37.50	\$ 39.00	\$ 40.50
Companion, Monday - Friday:	\$ 23.00	\$ 24.00	\$ 25.00
Companion, Weekends:	\$ 24.50	\$ 25.50	\$ 26.50
Companion, Holidays:	\$ 34.50	\$ 36.00	\$ 37.50

#### **Health Center Charges:**

Additional meal charges if not covered by 3rd party billing or Whitney Center's daily rate:

2 meals per day:	\$ 28.00
3 meals per day:	\$ 43.00
Private Room Differential:	\$ 39.00
Therapy/Medicine/Supplies:	A la carte

**Housekeeping Services:**

Light housework including ironing, oven/stove cleaning, dish washing	\$ 14.00	per 15 minutes or part there of.
Carpet/floor cleaning	\$ 16.00	per 15 minutes or part there of.
Personal laundry	\$ 15.00	per load
Bed making or bed changing	\$ 5.00	per bed (once/week maximum)
Trash / cat litter removal	\$ 5.00	per load

**Maintenance Services:**

\$ 23.00 per 30 minutes or part there of.

**Transportation:**

Scheduled runs:	No extra charge
Car trips, other than scheduled runs:	\$ 25 per hour plus \$0.55/mile
Specialized travel services:	Pricing available upon request

**Technology Fees:**

Internet service (not incl sales tax):	\$ 34.95	per month
Cable modem purchase cost:	\$ 100.00	initial one time cost
Unlimited phone plan:	\$ 27.00	per month
Basic phone plan (per-minute long distance)	\$ 9.00	per month plus charge/minute
Computer/AV support:	\$ 45.00	hour, one hour minimum

Contact the Tech Team for the pricing of additional tech support services.

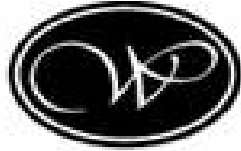
Whitney Center does not charge for service and support directly related to technology provided by Whitney Center. Contact outside vendors for training and software support.

**Guest Rooms:**

Daily room rate	\$ 105.00	per night plus approx. \$16 taxes
Rollaway bed:	\$ 25.00	per night plus approx. \$2 taxes
Reservation cancellation charge:	\$ 50.00	fee unless 24 hours notice given
Room key charge if lost / not returned:	\$ 25.00	fee

**Other Services:**

Temporary use of table and 4 chairs:	\$ 25.00	per set
ID card replacement or additional card:	\$ 25.00	per card
Key replaced or copied:	\$ 5.00	per key
Emergency call pendant, replacement:	\$ 175.00	per pendant
Returned check fee:	\$ 35.00	per occurrence
Late payment fee:	1.5%	per month of balance due
Spa on Main Street:	A la carte,	pricing available in spa
Services/fees not listed here:	Available in venue or from service provider	



## WHITNEY CENTER

Private Pay Health Center Rates Effective 1/1/2019

Unbundled Residency Agreements or Modified contracts in the per diem period are charged private pay rates for health care services

### Assisted Living:

Daily rate, alcove:	\$ 226.00
Daily rate, 1 bedroom:	\$ 243.00
3 meals/day and basic care are included, other services a la carte	

### Memory Support Apartments:

Daily rate, alcove:	\$ 331.00
Daily rate, 1 bedroom:	\$ 365.00
3 meals/day and basic care are included, other services a la carte	

### Skilled Nursing Units

Daily rate, semi-private room:	\$ 458.00
Daily rate, private room:	\$ 499.00
3 meals/day and basic care are included, other services a la carte	

### Ancillary Health Services:

Therapy, pharmacy and supplies :	Billed based on usage and then-current pricing
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**Whitney Center North Building 2019 Fee Schedule - valid until 12/31/2019**

Apartment	Square Feet	Full Life Care			Modified Life Care			Unbundled Life Care			Monthly Fee - 2019
		Traditional Entry Fee	60% Refundable Entry Fee	90% Refundable Entry Fee	Traditional Entry Fee	60% Refundable Entry Fee	90% Refundable Entry Fee	Traditional Entry Fee	60% Refundable Entry Fee	90% Refundable Entry Fee	
Bethany	460	\$173,000	\$244,900	\$329,300	\$151,100	\$212,000	\$282,300	\$115,900	\$164,100	\$220,700	\$3,180
Branford	592	\$221,340	\$315,105	\$425,145	\$192,675	\$272,265	\$364,035	\$148,260	\$211,155	\$284,865	\$3,539
Cheshire	700	\$273,504	\$390,390	\$527,604	\$237,815	\$336,914	\$451,605	\$183,299	\$261,492	\$353,546	\$3,888
Guilford	829	\$290,021	\$416,840	\$656,604	\$251,328	\$359,090	\$482,906	\$194,271	\$279,279	\$378,956	\$4,259
Madison	883	\$309,540	\$445,368	\$604,643	\$268,191	\$383,229	\$516,170	\$207,438	\$298,337	\$405,059	\$4,419
Prospect	987	\$342,573	\$493,532	\$670,940	\$296,720	\$424,694	\$572,303	\$229,499	\$330,677	\$449,526	\$4,603
Wallingford	1,300	\$441,095	\$643,913	\$882,074	\$379,187	\$551,282	\$749,711	\$295,565	\$431,393	\$591,014	\$5,571
Woodbridge	1,300	\$441,095	\$643,913	\$882,074	\$379,187	\$551,282	\$749,711	\$295,565	\$431,393	\$591,014	\$5,571
Audubon - 1 Plus a half 1BR Combo	888	\$295,103	\$430,931	\$590,205	\$253,754	\$368,792	\$501,617	\$197,736	\$288,635	\$395,472	\$4,419
Willow - 2 Alcove Combo	920	\$299,030	\$436,706	\$598,290	\$257,219	\$373,874	\$508,316	\$200,393	\$292,677	\$400,785	\$4,083
Wooster - 2 1BR Combo	1,184	\$393,509	\$574,613	\$787,248	\$338,415	\$492,030	\$668,976	\$263,687	\$385,077	\$527,489	\$5,401
Ogden - Studio/Studio 1BR Combo	1,184	\$393,509	\$574,613	\$787,248	\$338,415	\$492,030	\$668,976	\$263,687	\$385,077	\$527,489	\$5,401
Livingston - 3 Alcove Combo	1,380	\$441,095	\$643,913	\$882,074	\$379,187	\$551,282	\$749,711	\$295,565	\$431,393	\$591,014	\$5,571
Edgehill	1,776	\$567,093	\$822,279	\$1,134,175	\$487,687	\$707,149	\$975,386	\$379,949	\$550,923	\$759,898	\$6,264
Brookwood	1,840	\$614,656	\$891,256	\$1,229,313	\$528,609	\$766,481	\$1,057,218	\$411,815	\$597,147	\$823,642	\$6,397
Essex	780	\$275,468	\$399,515	\$550,935	\$239,663	\$344,421	\$468,353	\$184,569	\$267,729	\$369,138	\$4,125
Mystic	920	\$321,321	\$465,927	\$642,642	\$279,510	\$401,709	\$546,315	\$215,292	\$312,197	\$430,584	\$4,504
Salisbury	1,060	\$352,622	\$511,203	\$705,243	\$306,768	\$440,748	\$599,330	\$236,313	\$342,573	\$472,511	\$4,918

All prices subject to change. A portion of your entry fee and monthly fee may be tax deductible on your federal income tax for pre-paid medical expense.

Fees listed above represent single occupancy.

Second Person Entry Fee = \$42,435; Second Person Monthly Fee = \$1,894

For Unbundled Life Care, Second Person Entry Fee = \$42,435; Second Person Monthly Fee = \$920

**Whitney Center South Building 2019 Fee Schedule - valid until 12/31/2019**

Apartment	Square Feet	Full Life Care			Modified Life Care			Unbundled Life Care			Monthly Fee - 2019
		Traditional Entry Fee	60% Refundable Entry Fee	90% Refundable Entry Fee	Traditional Entry Fee	60% Refundable Entry Fee	60% Refundable Entry Fee	Traditional Entry Fee	60% Refundable Entry Fee	90% Refundable Entry Fee	
Mulberry	1,076	\$390,968	\$566,897	\$781,935	\$336,232	\$487,526	\$672,453	\$261,942	\$379,822	\$523,885	\$4,996
Poplar	1,100	\$397,713	\$576,680	\$795,425	\$342,042	\$495,957	\$684,072	\$266,470	\$386,371	\$532,929	\$5,179
Ash	1,309	\$461,677	\$669,426	\$923,342	\$397,043	\$575,710	\$794,074	\$309,321	\$448,521	\$618,653	\$5,695
Oak	1,370	\$473,619	\$686,751	\$947,239	\$407,311	\$590,598	\$814,610	\$317,325	\$460,129	\$634,661	\$5,524
Birch	1,431	\$490,760	\$711,596	\$981,519	\$422,049	\$611,965	\$844,097	\$328,805	\$476,772	\$657,611	\$5,787
Chestnut	1,504	\$539,492	\$782,272	\$1,078,984	\$441,868	\$640,713	\$883,737	\$361,460	\$524,126	\$722,932	\$6,040
Elm	1,553	\$560,885	\$813,294	\$1,121,769	\$459,401	\$666,123	\$918,791	\$375,795	\$544,913	\$751,590	\$6,159
Hawthorne	1,684	\$595,448	\$863,393	\$1,190,884	\$487,687	\$707,149	\$975,386	\$398,946	\$578,470	\$797,892	\$6,264
Maple	1,790	\$645,389	\$935,819	\$1,290,778	\$528,609	\$766,481	\$1,057,218	\$432,406	\$627,004	\$864,824	\$6,397

*All prices subject to change. A portion of your entry fee and monthly fee may be tax deductible on your federal income tax for pre-paid medical expense.*

Fees listed above represent single occupancy.

Second Person Entry Fee = \$42,435; Second Person Monthly Fee = \$1,894

For Unbundled Life Care, Second Person Entry Fee = \$42,435; Second Person Monthly Fee = \$920

## **EXHIBIT D: RESIDENT BILL OF RIGHTS**



## WHITNEY CENTER

### **Managed Residential Community Residents' Bill of Rights**

You have the right to:

- Live in a clean, safe and habitable private residential unit;
- Be treated with consideration, respect and due recognition of your personal dignity, individuality and the need for privacy;
- Privacy within your private residential unit, subject to the Community's rules reasonably designed to promote your health, safety and welfare;
- Retain and use your personal property within your apartment so as to maintain individuality and personal dignity, provided that your use of personal property does not infringe on the rights of other residents or threaten the health, safety and welfare of other residents;
- Private communications, including receiving and sending unopened correspondence, telephone access and visiting with persons of your choice;
- Freedom to participate in and benefit from community services and activities so as to achieve the highest possible level of independence, autonomy and interaction within the community;
- Directly engage or contract with licensed health care professionals and providers of your choice to obtain necessary health care services in your private apartment, or such other space in the Community as may be available to residents for such purposes;
- Manage your own financial affairs;
- Exercise civil and religious liberties;
- Present grievances and recommend changes in policies, procedures and services to our President or Vice President of Clinical Services, government officials or any other person without restraint, interference, coercion, discrimination or reprisal from the Community, including access to representatives of the Department of Public Health or the Office of the Long-Term Care Ombudsman;
- Upon request, obtain the name of the Supervisor of Assisted Living Services or any other persons responsible for resident care or the coordination of resident care;
- Confidential treatment of all records and communications to the extent required by state and federal law;
- Have all reasonable requests responded to promptly and adequately within the capacity of the Community and with due consideration given to the rights of other residents;
- Be fully advised of the relationship that the Community has with any Assisted Living Services Agency, health care facility or educational institution to the extent that such relationship relates to resident medical care or treatment and to receive an explanation about the relationship;
- Receive a copy of any rules or regulations of the Community;
- Refuse care and treatment and participate in the planning for care and services you need or receive, provided, however, that your refusal of care and treatment may preclude you from being able to continue to reside in the Community; and
- If you are a continuing care resident, all rights afforded under Conn. Gen. Stat. 17b-520 et seq. and any other applicable laws. If you rent your apartment, all rights and privileges afforded to tenants under title 47a of the Connecticut General Statutes (Connecticut's landlord tenant laws).

We hope that any complaints or concerns that you have can be resolved by our staff. However, you also have the right to contact the following state agencies regarding complaints or concerns:

Department of Public Health  
Faculty Licensing and Investigations  
410 Capitol Ave., P.O. Box 340308  
MS#12HSR  
Hartford, CT 06134-0308  
(860) 424-5200

Mairaed Painter, State Long Term Care Ombudsman  
Office of the Long Term Care Ombudsman  
25 Sigourney Street  
Hartford, CT 06106  
866-388-1888 or 860-424-5200  
mairaed.painter@ct.gov

Brenda Forman  
55 Farmington Avenue  
Hartford, CT 06106  
Brenda.forman@ct.gov  
(860) 424-5200

If you are receiving nursing or personal care from an Assisted Living Services Agency, you also have other rights set forth separately in the Assisted Living Clients' Bill of Rights.

Please sign below to acknowledge that we have provided you with a copy of the Managed Residential Community Residents' Bill of Rights and explained them to you.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Resident's Representative

\_\_\_\_\_  
Relationship to Resident

\_\_\_\_\_  
Whitney Center Representative

## **EXHIBIT E: FORECAST AND AUDITED FINANCIAL STATEMENTS**

**WHITNEY CENTER, INCORPORATED**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

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

**WHITNEY CENTER, INCORPORATED****CONTENTS**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Whitney Center, Incorporated**

### *Report on the Financial Statements*

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



***Opinion***

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

***Emphasis of a Matter***

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

Handwritten signature of Marcum LLP in cursive script.

New Haven, CT  
April 30, 2019

**WHITNEY CENTER, INCORPORATED****STATEMENTS OF FINANCIAL POSITION****DECEMBER 31, 2018 AND 2017**

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

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

**WHITNEY CENTER, INCORPORATED**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2018 AND 2017**

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

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

# WHITNEY CENTER, INCORPORATED

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

# WHITNEY CENTER, INCORPORATED

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

## WHITNEY CENTER, INCORPORATED

### STATEMENTS OF CASH FLOWS

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

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

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

**WHITNEY CENTER, INCORPORATED**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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



**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES*****NATURE OF BUSINESS***

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

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

***SIGNIFICANT ACCOUNTING POLICIES******ADOPTION OF ACCOUNTING GUIDANCE***

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

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

---

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

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

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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

##### *ADOPTION OF ACCOUNTING GUIDANCE (CONTINUED)*

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

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

##### *BASIS OF PRESENTATION*

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

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

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

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

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****EXCESS OF REVENUES AND GAINS OVER EXPENSES AND LOSSES FROM OPERATIONS***

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

***USE OF ESTIMATES***

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

***FAIR VALUE OF FINANCIAL INSTRUMENTS***

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

***CASH AND CASH EQUIVALENTS***

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

***RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS***

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

***ASSETS WHOSE USE IS LIMITED***

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

***ASSETS HELD BY TRUSTEE***

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

***INVESTMENTS AND INVESTMENT INCOME***

Investments, which consist of marketable equity securities, U.S. Government and Agency obligations, corporate bonds, and mutual funds, are measured at fair value in the statements of financial position. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income (including realized gains and losses on investments, interest, and dividends) is included in deficiency of revenues and gains over expenses and losses from operations unless restricted by donor or law.

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***INVESTMENTS AND INVESTMENT INCOME (CONTINUED)*

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

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

*DEFERRED INCOME FROM ENTRY FEES AND REFUNDABLE ENTRY FEES*

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

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

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

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****REVENUE RECOGNITION – RESIDENT FEES***

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

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

***REVENUE RECOGNITION – HEALTH CENTER***

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

***OBLIGATION TO PROVIDE FUTURE SERVICES***

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****OBLIGATION TO PROVIDE FUTURE SERVICES (CONTINUED)***

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

***PROPERTY AND EQUIPMENT***

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

***LONG-LIVED ASSETS***

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

***DEFERRED FINANCING COSTS***

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

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

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



**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****DEFERRED MARKETING COSTS***

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

***INCOME TAXES***

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

***RETIREMENT PLAN***

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

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

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

***EXPENSE ALLOCATION***

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****PRESENTATION OF INSURANCE CLAIMS AND RELATED INSURANCE RECOVERIES***

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

***RISKS AND UNCERTAINTIES***

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

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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

##### *RISKS AND UNCERTAINTIES (CONTINUED)*

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

##### *SUBSEQUENT EVENTS*

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

#### NOTE 2 - ACCOUNTS RECEIVABLE

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

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

#### NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments at December 31 are summarized as follows:

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

#### ***FAIR VALUE MEASUREMENT***

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

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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**NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)***FAIR VALUE MEASUREMENT (CONTINUED)*

Level 2: Inputs to the valuation methodology include:

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

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

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

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

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

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

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

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

#### NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

##### *FAIR VALUE MEASUREMENT (CONTINUED)*

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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#### NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

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

#### NOTE 5 - ASSETS HELD BY TRUSTEE

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

##### ***BOND FUND***

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

##### ***DEBT SERVICE RESERVE FUND***

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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#### NOTE 5 - ASSETS HELD BY TRUSTEE (CONTINUED)

##### *OPERATING RESERVE FUND*

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

#### NOTE 6 - NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS

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

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



# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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#### NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2018	2017
Subject to Expenditure for Specified Purpose:		
Contributions received to provide financial support to residents who become unable to meet their financial obligations	\$ 226,279	\$ 225,394
Net appreciation on endowment contribution, to be used to provide financial support to residents	56,232	93,304
	282,511	318,698
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	\$ 292,511	\$ 328,698

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

#### ***UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT***

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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### NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

#### *UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (CONTINUED)*

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

### NOTE 8 - LONG-TERM DEBT

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

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

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

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

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

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

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

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

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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#### NOTE 8 - LONG-TERM DEBT (CONTINUED)

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

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

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

#### NOTE 9 - CAPITAL LEASE OBLIGATIONS

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

#### NOTE 9 - CAPITAL LEASE OBLIGATIONS (CONTINUED)

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

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

#### NOTE 10 - DISAGGREGATION OF REVENUE

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

#### NOTE 10 - DISAGGREGATION OF REVENUE (CONTINUED)

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

#### NOTE 11 - COMMITMENTS AND CONTINGENCIES

##### *REAL ESTATE TAX APPEAL*

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

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

## WHITNEY CENTER, INCORPORATED

### NOTES TO FINANCIAL STATEMENTS

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

#### NOTE 12 - FUNCTIONAL EXPENSES

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

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

## WHITNEY CENTER, INCORPORATED

### NOTES TO FINANCIAL STATEMENTS

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

#### NOTE 12 – FUNCTIONAL EXPENSES (CONTINUED)

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



# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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#### NOTE 13 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

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

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



**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
**Whitney Center, Incorporated**

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

*Marcum LLP*

New Haven, CT  
April 30, 2019



## WHITNEY CENTER, INCORPORATED

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

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

*See independent auditors' report on supplementary information.*

**WHITNEY CENTER, INCORPORATED**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

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

**WHITNEY CENTER, INCORPORATED****CONTENTS**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Whitney Center, Incorporated**

### *Report on the Financial Statements*

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



***Opinion***

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

***Emphasis of Matter***

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

*Marcum LLP*

New Haven, CT  
May 2, 2017

**WHITNEY CENTER, INCORPORATED****STATEMENTS OF FINANCIAL POSITION****DECEMBER 31, 2016 AND 2015**

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

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



## WHITNEY CENTER, INCORPORATED

### STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2016 AND 2015

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

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

# WHITNEY CENTER, INCORPORATED

## STATEMENTS OF ACTIVITIES

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

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

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

**WHITNEY CENTER, INCORPORATED**  
**STATEMENTS OF CHANGES IN NET ASSETS (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

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

## WHITNEY CENTER, INCORPORATED

### STATEMENTS OF CASH FLOWS

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

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

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

**WHITNEY CENTER, INCORPORATED**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES*****NATURE OF BUSINESS***

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

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

***SIGNIFICANT ACCOUNTING POLICIES******BASIS OF PRESENTATION***

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

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

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

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

***EXCESS OF REVENUES AND GAINS OVER EXPENSES AND LOSSES FROM OPERATIONS***

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

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

***USE OF ESTIMATES***

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

***FAIR VALUE OF FINANCIAL INSTRUMENTS***

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

***CASH AND CASH EQUIVALENTS***

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS***

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

***CONTRACT RECEIVABLES***

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

***ASSETS WHOSE USE IS LIMITED***

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

***ASSETS HELD BY TRUSTEE***

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

***INVESTMENTS AND INVESTMENT INCOME***

Investments, which consist of marketable equity securities, U.S. Government and Agency obligations, corporate bonds, and mutual funds, are measured at fair value in the statements of financial position. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income (including realized gains and losses on investments, interest, and dividends) is included in deficiency of revenues and gains over expenses and losses from operations unless restricted by donor or law.



**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***INVESTMENTS AND INVESTMENT INCOME (CONTINUED)*

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

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

*DEFERRED INCOME FROM ENTRY FEES AND REFUNDABLE ENTRY FEES*

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

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

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

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

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

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

***PROPERTY AND EQUIPMENT***

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

***LONG-LIVED ASSETS***

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****OBLIGATION TO PROVIDE FUTURE SERVICES***

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

***DEFERRED FINANCING COSTS***

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

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

***DEFERRED MARKETING COSTS***

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

***INCOME TAXES***

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

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

***RETIREMENT PLAN***

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

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

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

***PRESENTATION OF INSURANCE CLAIMS AND RELATED INSURANCE RECOVERIES***

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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

##### *SUBSEQUENT EVENTS*

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

#### NOTE 2 - ACCOUNTS RECEIVABLE

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

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

#### NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments at December 31 are summarized as follows:

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

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

#### ***RISKS AND UNCERTAINTIES***

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)*****FAIR VALUE MEASUREMENT***

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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#### NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

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

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

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

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

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

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

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

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



# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

#### NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

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

#### NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 5 - ASSETS HELD BY TRUSTEE**

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

***BOND FUND***

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

***DEBT SERVICE RESERVE FUND***

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

***OPERATING RESERVE FUND***

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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#### NOTE 6 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

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

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

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

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

#### ***UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT***

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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

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

#### NOTE 7 - LONG-TERM DEBT

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

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

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

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

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

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

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

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

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

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

**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 7 - LONG-TERM DEBT (CONTINUED)**

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

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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#### NOTE 7 - LONG-TERM DEBT (CONTINUED)

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

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

#### NOTE 8 - SALE AND LEASEBACK TRANSACTION

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

#### NOTE 9 - CAPITAL LEASE OBLIGATIONS

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

# WHITNEY CENTER, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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

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#### NOTE 9 - CAPITAL LEASE OBLIGATION (CONTINUED)

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

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

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

#### NOTE 10 - FUNCTIONAL EXPENSES

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

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



**WHITNEY CENTER, INCORPORATED****NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**NOTE 11 - COMMITMENTS AND CONTINGENCIES*****REAL ESTATE TAX APPEAL***

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

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

**NOTE 12 - RESTATEMENT**

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



**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
**Whitney Center, Incorporated**

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

*Marcum LLP*

New Haven, CT  
May 2, 2017



## WHITNEY CENTER, INCORPORATED

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

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

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

*See independent auditors' report on supplementary information.*

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

**Whitney Center Operations:**

Whitney Center's main business is the operation of the Whitney Center Life Plan community at 200 Leeder Hill Drive, Hamden, CT 06517. Most residents pay a combination of an initial entry fee and ongoing monthly fees in exchange for housing, services and future discounts on nursing and assisted living care. Whitney Center also provides ancillary services to residents and offers a non-resident program called "Thrive at Home".

**Apartment Sales and Occupancy:**

High apartment occupancy is a key performance indicator at a life plan community. Whitney Center has high occupancy in its apartments and future sales and occupancy are forecast consistent with current experience. The community has a number of apartment units used as offices and for other purposes that it plans to return to active inventory over the next 2-3 years.

**Entry Fee Accounting and Cash Flow:**

Accounting rules require that life plan entry fees, although received as a lump sum of cash, should be recognized as revenue over the resident's total term of occupancy. This can result in a net loss on our financial statements if allowed entry fee revenue is less than actual entry fee receipts. Whitney Center plans and budgets are intended to produce annual cash flow that supports our mission, vision and values, and have done so for 40 years.

**Operating Revenue and Expense:**

The forecast assumes that most revenue and expenses will increase 3% per year. Actual monthly fee increases are determined annually as part of the annual budget process and may be more or less than 3%. The monthly fee increase effective January 1, 2019 was 3.0%.

**Refinancing:**

Whitney Center obtained bond financing in 2009 to finance the construction of a new apartment building and other capital projects. These bonds have a high interest rate - 7.7% - but have been closed to refinancing until January 1, 2020. Whitney Center intends to refinance outstanding debt to reduce annual interest expense and provide cash for capital and development projects and to increase cash and investment reserves.

**Uncertainty of Forecast Results:**

This forecast is based on historical and current performance and assumptions about future results including refinancing. Actual results may vary significantly from those forecast here. Whitney Center creates new budgets on an annual basis in a process that includes input from residents. A summary of each year's annual budget is presented to residents.

Whitney Center, Inc. 5-Year Financial Forecast	Year 1 <u>2019</u>	Year 2 <u>2020</u>	Year 3 <u>2021</u>	Year 4 <u>2022</u>	Year 5 <u>2023</u>
<b><u>Forecast Apartment Entry Fee Settlements</u></b>					
South building apartments	5	6	7	7	7
North building apartments	13	14	15	15	15
<u>North units returned to inventory</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>4</u>	<u>0</u>
Total apartment entry fee settlements	18	20	25	26	22

### **Statements of Financial Position**

#### **Assets**

##### Current assets:

Cash and cash equivalents	\$ 3,330,803	\$ 3,064,166	\$ 3,833,920	\$ 3,617,907	\$ 3,725,956
Accounts receivable, net	1,400,000	1,410,000	1,420,000	1,430,000	1,440,000
Other receivables	741,340	748,753	756,241	763,803	771,441
Prepaid expenses and other	521,160	526,372	531,635	536,952	542,321
Current assets held by trustee	9,716,000	5,432,000	2,432,000	2,412,000	2,437,500
Assets whose use is limited	2,486,000	2,336,000	2,186,000	2,196,000	2,206,000
Total current assets	18,195,303	13,517,291	11,159,797	10,956,662	11,123,218
Non-current assets held by Trustee	\$3,850,000	\$3,850,000	\$3,850,000	\$3,850,000	\$3,850,000
Investment accounts	3,263,104	4,916,128	8,157,773	11,529,084	12,497,748
Property, plant and equipment, net	82,010,000	84,450,000	84,650,000	83,170,000	81,510,000
Deferred marketing costs, net	617,000	217,000	-	-	-
Other assets	-	-	-	197,573	-
Total assets	107,935,407	106,950,419	107,817,570	109,703,319	108,980,966

#### **Liabilities and unrestricted net assets**

##### Current liabilities:

Accounts payable	\$ 1,700,000	\$ 1,710,000	\$ 1,720,000	\$ 1,730,000	\$ 1,740,000
Accrued expenses	4,009,000	4,049,090	4,089,581	4,130,477	4,171,782
Contract deposits	200,000	200,000	200,000	200,000	200,000
<u>Current portion of long-term debt/leases</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>1,180,000</u>	<u>1,230,000</u>
Total current liabilities	6,109,000	6,159,090	6,209,581	7,240,477	7,341,782
Capital lease obligation, non-current	800,000	700,000	600,000	500,000	400,000
Long-term debt, less current portion	55,689,000	55,749,000	55,809,000	56,849,000	55,979,000
Deferred income from entry fees	39,229,567	38,556,015	39,361,989	40,402,134	40,323,724
Refundable entry fees	14,999,011	15,301,226	15,766,964	16,248,166	16,549,219
Deposits on apartments	159,000	159,000	159,000	159,000	159,000
<u>Other liabilities/ adjustments</u>	<u>183,192</u>	<u>630,759</u>	<u>1,164,013</u>	<u>-</u>	<u>330,641</u>
Total liabilities	117,168,770	117,255,091	119,070,547	121,398,777	121,083,366
Unrestricted net assets	(9,526,363)	(10,597,672)	(11,545,977)	(11,988,458)	(12,395,400)
Restricted assets	293,000	293,000	293,000	293,000	293,000
Total liabilities and unrestricted net assets	107,935,407	106,950,419	107,817,570	109,703,319	108,980,966

#### **Notes to Statements of Financial Position:**

Future results will likely vary from this forecast and are not guaranteed.

Whitney Center intends to refund existing 2009 bonds in October 2019 effective 1/1/20. New bonds are projected to have a lower interest rate, require lower annual debt service payments and \$10 million of additional money to finance capital expenditure and improvement projects and allow more operating cash flow to be added to reserves.

Whitney Center, Inc. 5-Year Financial Forecast	Year 1 <u>2019</u>	Year 2 <u>2020</u>	Year 3 <u>2021</u>	Year 4 <u>2022</u>	Year 5 <u>2023</u>
<b><u>Statements of Activities</u></b>					
Operating Revenue:					
Entry fees recognized as revenue	\$ 7,514,982	\$ 7,304,945	\$ 7,321,891	\$ 7,498,033	\$ 7,592,020
Apartment revenue	13,045,271	13,496,419	14,108,542	14,815,812	15,303,873
Health Center revenue	5,574,376	6,347,149	6,510,757	6,678,879	6,851,648
Community health svc revenue	1,950,065	2,074,017	2,208,232	2,353,674	2,511,398
Thrive at Home revenue	217,102	340,283	470,660	608,554	754,297
Other operating income	885,334	919,988	955,924	998,913	1,028,880
Contributions	20,000	40,000	60,000	60,000	60,000
Assets released from restriction	-	-	-	-	-
Operating Revenue	29,207,130	30,522,802	31,636,007	33,013,864	34,102,116
Expenses and losses:					
Salaries & wages	10,695,772	11,119,605	11,506,217	11,906,018	12,319,452
Depreciation and amortization	4,840,000	5,160,000	5,217,000	5,180,000	5,360,000
Interest	3,614,630	3,064,000	3,064,000	3,064,000	3,015,000
Employee benefits	2,316,393	2,454,943	2,589,624	2,731,636	2,881,375
Property taxes	2,150,720	2,236,749	2,326,219	2,419,268	2,516,038
Other operating expenses	1,409,600	1,500,388	1,642,400	1,785,672	1,930,242
Contract services	1,378,140	1,419,484	1,462,069	1,505,931	1,551,109
Utilities	1,223,600	1,248,072	1,273,033	1,298,494	1,324,464
Food	1,188,701	1,243,124	1,289,891	1,344,851	1,385,196
Ancillary health services	869,200	921,352	948,993	977,462	1,006,786
Supplies	696,280	717,168	738,683	760,844	783,669
Repairs & maintenance	466,590	480,588	495,005	509,855	525,151
Insurance	181,280	186,718	192,320	198,090	204,032
Total expenses and losses	31,030,906	31,752,192	32,745,455	33,682,120	34,802,515
Net income (loss)	(1,823,775)	(1,229,390)	(1,109,448)	(668,256)	(700,399)
Unrealized gain/(loss) on investment	31,376	32,631	49,161	81,578	115,291
Investment income and gain, net	167,036	125,451	111,981	144,198	178,166
Change in unrestricted net assets	(1,625,363)	(1,071,308)	(948,305)	(442,481)	(406,942)

**Notes to Statements of Activity:**

Future results will likely vary from this forecast and are not guaranteed.

The forecast assumes lower interest rates on new borrowing consistent with market conditions in September, 2019.

New financing has not been obtained as of the time of this forecast.

The forecast assumes continued growth in Whitney Center's non-resident "Thrive at Home" program and the impact of 8 out of service units being returned to active inventory. Whitney Center is exploring other new business and development opportunities but such plans are not complete enough to be included here.

<b>Whitney Center, Inc. 5-Year Financial Forecast</b>	<b>Year 1 <u>2019</u></b>	<b>Year 2 <u>2020</u></b>	<b>Year 3 <u>2021</u></b>	<b>Year 4 <u>2022</u></b>	<b>Year 5 <u>2023</u></b>
<b><u>Statements of Cash Flows</u></b>					
<u>Operating activities</u>					
Change in unrestricted net assets	\$ (1,625,363)	\$ (1,071,308)	\$ (948,305)	\$ (442,481)	\$ (406,942)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	4,840,000	5,160,000	5,217,000	5,180,000	5,360,000
Amortization of entry fees	(7,514,982)	(7,304,945)	(7,321,891)	(7,498,033)	(7,592,020)
Entry fee receipts (non-refundable)	6,677,549	7,481,393	9,027,864	9,488,178	8,513,610
Gain on investments	(198,412)	(158,082)	(161,143)	(225,775)	(293,457)
Accounts receivable	41,000	(10,000)	(10,000)	(10,000)	(10,000)
Accounts payable	82,000	10,000	10,000	10,000	10,000
Accrued expenses	-	40,090	40,491	40,896	41,305
<u>Other changes in operating activities</u>	(500,000)	-	-	-	-
Net cash from operating activities	1,801,792	4,147,148	5,854,017	6,542,785	5,622,496
<u>Investing activities</u>					
Capital expend (not incl trustee-funded)	(2,500,000)	(2,000,000)	(2,000,000)	(2,500,000)	(3,500,000)
Trustee Project Fund spending	(1,000,000)	(5,000,000)	(3,000,000)	(1,000,000)	-
Change in assets held by Trustee	(5,191,000)	4,284,000	3,000,000	20,000	(25,500)
Change in assets whose use is limited	(1,530,000)	150,000	150,000	(10,000)	(10,000)
<u>Change in investments</u>	-	(1,500,000)	(3,000,000)	(3,000,000)	(500,000)
Net cash from investing activities	(10,221,000)	(4,066,000)	(4,850,000)	(6,490,000)	(4,035,500)
<u>Financing activities</u>					
Refundable entry fees received	1,040,011	1,152,215	1,365,738	1,431,201	1,301,053
Capital leases	200,000	200,000	200,000	200,000	200,000
Entry fee refunds	(1,600,000)	(1,700,000)	(1,800,000)	(1,900,000)	(2,000,000)
Payments on long-term debt	(49,200,000)	-	-	-	(980,000)
Refinancing costs / bond premium	1,369,000	-	-	-	-
<u>New long-term debt</u>	57,280,000	-	-	-	-
Net cash from financing activities	9,089,011	(347,785)	(234,262)	(268,799)	(1,478,947)
<hr/>					
Change in cash and cash equivalents	669,803	(266,637)	769,755	(216,014)	108,049
Cash & Cash Equivalents at beginning of year	2,661,000	3,330,803	3,064,166	3,833,920	3,617,907
Cash & Cash Equivalents at end of year	3,330,803	3,064,166	3,833,920	3,617,907	3,725,956

**Notes to Statements of Cash Flows:**

Future results will likely vary from this forecast and are not guaranteed.

Whitney Center forecasts higher than usual capital expenditures for the next 3 years using a portion of the net proceeds from new borrowing. Capital spending will be adjusted to reflect actual loan proceeds and the completion of development plans.

<b>Whitney Center, Inc.</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>5-Year Financial Forecast</b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
<b><u>Projected Days Cash on Hand</u></b>					
Cash and cash equivalents	\$3,330,803	\$3,064,166	\$3,833,920	\$3,617,907	\$3,725,956
Board-designated and Op Reserve Fund	2,126,000	2,336,000	2,186,000	2,196,000	2,206,000
<u>Investment Accounts</u>	<u>3,263,104</u>	<u>4,916,128</u>	<u>8,157,773</u>	<u>11,529,084</u>	<u>12,497,748</u>
= Cash available	8,719,907	10,316,294	14,177,694	17,342,991	18,429,703
Annual expenses	31,030,906	31,752,192	32,745,455	33,682,120	34,802,515
<u>Depreciation/amortization</u>	<u>(4,840,000)</u>	<u>(5,160,000)</u>	<u>(5,217,000)</u>	<u>(5,180,000)</u>	<u>(5,360,000)</u>
= Cash expenses	26,190,906	26,592,192	27,528,455	28,502,120	29,442,515
Daily expenses	71,756	72,855	75,420	78,088	80,664
Days Cash on Hand	122	142	188	222	228
<b><u>Projected Debt Service Coverage</u></b>					
Change in Net Assets	(\$1,625,363)	(\$1,071,308)	(\$948,305)	(\$442,481)	(\$406,942)
+ Depreciation/amortization	4,840,000	5,160,000	5,217,000	5,180,000	5,360,000
+ Interest expense	3,614,630	3,064,000	3,064,000	3,064,000	3,015,000
+ Entry fees, net of refunds	6,117,560	6,933,608	8,593,602	9,019,380	7,814,662
- Entry fee amortization	(7,514,982)	(7,304,945)	(7,321,891)	(7,498,033)	(7,592,020)
<u>+/- Investment gain or loss</u>	<u>(198,412)</u>	<u>(158,082)</u>	<u>(161,143)</u>	<u>(225,775)</u>	<u>(293,457)</u>
= Funds Available for Debt Service	5,233,433	6,623,273	8,443,264	9,097,090	7,897,244
Projected Maximum Annual Debt Service	\$3,850,000	\$3,850,000	\$3,850,000	\$3,850,000	\$3,850,000
Projected Debt Service Coverage	1.36	1.72	2.19	2.36	2.05

**Notes to Projected Covenants:**

Future results will likely vary from this forecast and are not guaranteed.

Covenant calculations are based on industry-typical formulas. New financing has not been obtained and actual covenant formulas and requirements may vary from what is shown here as illustrations.