

The Knolls at Goshen, Inc.

Examination of a Financial Projection and Market Study

**For the Nine Months Ending December 31, 2023 and Each of the Five
Years Ending December 31, 2028**

The Knolls at Goshen, Inc.

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INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

Board of Directors
The Knolls at Goshen, Inc.
Goshen, New York

We have prepared a financial feasibility study of the plans of The Knolls at Goshen, Inc. (the "Corporation"), a New York not-for-profit corporation formed to facilitate the acquisition (the "Acquisition") of a continuing care retirement community (the "Community") currently known as Glen Arden, located in Goshen, New York, pursuant to an asset purchase agreement between the Corporation and two New York not-for-profit corporations, Glen Arden, Inc. and Elant, Inc. (collectively, "Glen Arden").

Upon acquisition, the Community will be renamed "The Knolls at Goshen", which currently consists of 148 independent living apartments, 28 enriched housing (assisted living) units, 40 skilled nursing beds, common areas and related infrastructure and facilities.

At closing of the Acquisition, the Corporation is to enter into a definitive agreement with Bethel Communities Management I, LLC ("BCM") to provide direction, oversight, and support to the Corporation for Community operations. Management of the Corporation and BCM are herein referred to collectively as "Management".

The feasibility study was undertaken to evaluate the Corporation's ability to generate sufficient funds to meet its operating expenses, working capital needs and other financial requirements, including the debt service requirements associated with the outstanding Orange County Industrial Development Agency Life Care Community Revenue Bonds (The Glen Arden Project), Series 1998 (the "Series 1998 Bonds") and a proposed \$4,500,000 taxable bond issuance (the "Series 2023 Bonds").

A hypothetical assumption is an assumption used in the financial projection to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation. Management has prepared its financial projection assuming the following hypothetical assumptions (collectively referred to as the "Hypothetical Assumptions"):

- The Community is successfully marketed and adequate demand for services exists to support the assumed utilization;
- The Community achieves and maintains projected occupancy levels;
- Business agreements are executed upon Acquisition for amounts and at the terms reflected in the projection, including the Asset Purchase Agreement, for the amount of assumed liabilities to be established at closing of the Acquisition; and
- The Series 2023 Bonds are financed at terms and rates similar to those reflected in the projection.

The proceeds from the sale of the Series 2023 Bonds are to be used as follows:

- To fund working capital and statutory reserves related to the operations of the Community;
- To pay outstanding accrued expenses related to the Community; and
- To pay costs associated with the Acquisition and the issuance of the Series 2023 Bonds.

Our procedures included analyses of:

- The Corporation's history, objectives, timing and financing;
- Future demand for the Corporation's services, including consideration of:
 - Socioeconomic and demographic characteristics of the Community's defined primary market area ("PMA");
 - Locations, capacities, and competitive information pertaining to other existing and planned facilities in the PMA; and
 - Projected occupancy and utilization levels;
- Debt service requirements and estimated financing costs;
- Staffing requirements, salaries and wages, related fringe benefits and other operating expenses;
- Anticipated entrance fees, monthly fees and per diem charges for the Community's residents;
- Sources of other operating and non-operating revenues; and
- Revenue/expense/volume relationships.

We also participated in gathering other information, assisted Management in identifying its assumptions and assembled the accompanying financial projection based on those assumptions.

The accompanying financial projection for the nine months ending December 31, 2023 and each of the five years ending December 31, 2028, is based on assumptions that were provided by, or reviewed with and approved by, Management. The financial projection includes the following financial statements and the related summary of significant projection assumptions and rationale:

- Projected Statements of Revenues, Other Support, Expenses and Changes in Net Assets (Deficit);
- Projected Statements of Cash Flows; and
- Projected Statements of Financial Position.

In addition, Management has presented a Schedule of Projected Financial Ratios.

We have examined the accompanying projection of the Corporation, based on the guidelines for the presentation of a projection by the American Institute of Certified Public Accountants ("AICPA"). Management is responsible for preparing and presenting the projection in accordance with the guidelines for the presentation of a projection established by the AICPA. Our responsibility is to express an opinion on the projection based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the projection is presented in accordance with the guidelines for the presentation of a projection established by the AICPA, in all material respects. An examination

involves performing procedures to obtain evidence about the projection. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the projection, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion, assuming the Hypothetical Assumptions.

Legislation and regulations at all levels of government have affected and may continue to affect the operations of senior living communities. The financial projection is based upon legislation and regulations currently in effect. If future legislation or regulations related to the Corporation's operations are subsequently enacted, such legislation or regulations could have a material effect on future operations.

Management's financial projection is based on the achievement and maintenance of occupancy levels and re-occupancy of units vacated by residents. We have not been engaged to evaluate the effectiveness of Management and we are not responsible for future marketing efforts and other Management actions upon which actual results will depend.

The assumed interest rates, principal payments, and other financing assumptions are described in the section entitled "Summary of Significant Projection Assumptions and Rationale." If actual interest rates, principal payments or funding requirements are different from those assumed in this study, the amount of the Series 2023 Bonds and associated debt service requirements would need to be adjusted accordingly from those indicated in the projection. If such interest rates, principal payments, and funding requirements are lower than those assumed, such adjustments would not adversely affect Management's projection.

Our conclusions are presented below:

- In our opinion, assuming the Hypothetical Assumptions, the accompanying financial projection is presented, in all material respects, in accordance with guidelines for presentation of a financial projection established by the AICPA.
- In our opinion, the underlying assumptions are suitably supported and provide a reasonable basis for Management's projection assuming the Hypothetical Assumptions. However, even if the Hypothetical Assumptions occur, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.
- The accompanying financial projection indicates that sufficient funds could be generated to meet the Corporation's operating expenses, working capital needs and other financial requirements, including the debt service requirements associated with the Series 1998 Bonds and the proposed Series 2023 Bonds, during the projection period. However, the achievement of any financial projection is dependent upon the Hypothetical Assumptions and future events, the occurrence of which cannot be assured.

The accompanying financial projection and this report were prepared for the internal use of the New York State Department of Health (“NYSDOH”), the New York Department of Financial Services (“NYDFS”), and bondholders of the Series 1998 Bonds (collectively the “Specified Users”) and should not be used for any other purpose.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

FORVIS,LLP

Atlanta, Georgia

February 10, 2023

The Knolls at Goshen, Inc.

Projected Statements of Revenues, Other Support, Expenses and Changes in Net Assets (Deficit) For the Nine Months Ending December 31, 2023 and Each of the Five Years Ending December 31, 2028 (In Thousands of Dollars)

	2023	2024	2025	2026	2027	2028
Revenues and other support						
Net resident service revenue:						
Independent living revenue	\$ 3,180	\$ 5,467	\$ 6,278	\$ 6,966	\$ 7,786	\$ 8,191
Assisted living revenue	621	916	944	972	1,001	1,031
Healthcare revenue	2,539	3,542	3,704	3,828	3,894	4,165
Amortization of deferred entrance fees	2,469	2,445	2,419	2,394	2,382	2,363
Investment income	40	105	136	223	352	551
Other operating revenue	16	22	22	23	24	24
Total revenues and other support	8,865	12,497	13,503	14,406	15,439	16,325
Expenses						
Nursing (Health Center)	1,486	2,041	2,103	2,166	2,231	2,298
Enriched housing	237	326	336	346	356	367
Resident services	256	354	367	380	393	405
Therapy and clinical services	505	696	719	740	762	791
Dining	1,271	1,894	2,089	2,231	2,390	2,507
Environmental services	509	729	770	808	849	879
Housekeeping & laundry	340	502	566	609	658	687
Utilities	450	705	776	838	907	951
Administration	1,466	1,889	1,952	2,016	2,082	2,151
Marketing	645	444	458	471	486	500
NYS Assessment and PILOT	433	595	613	631	650	669
Land Lease	149	198	198	198	198	198
Interest	1,243	1,114	842	561	328	12
Depreciation	1,035	1,494	1,579	1,659	1,741	1,813
Total expenses	10,025	12,981	13,368	13,654	14,031	14,228
Excess of operating revenues over (under) expenses	(1,160)	(484)	135	752	1,408	2,097
Non-operating gains:						
Contributions	500	-	-	-	-	-
Change in net assets (deficit)	(660)	(484)	135	752	1,408	2,097
Net assets (deficit), beginning of year	-	(660)	(1,144)	(1,009)	(257)	1,151
Net assets (deficit), end of year	\$ (660)	\$ (1,144)	\$ (1,009)	\$ (257)	\$ 1,151	\$ 3,248

**See accompanying Summary of Significant Projection Assumptions and Rationale and
Independent Accountants' Examination Report**

The Knolls at Goshen, Inc.

Projected Statements of Cash Flows For the Nine Months Ending December 31, 2023 and Each of the Five Years Ending December 31, 2028 (In Thousands of Dollars)

	2023	2024	2025	2026	2027	2028
Cash flows from operating activities:						
Change in net assets (deficit)	(660)	(484)	135	752	1,408	2,097
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:						
Depreciation	1,035	1,494	1,579	1,659	1,741	1,813
Amortization of debt issuance costs	181	241	241	241	103	-
Amortization of deferred entrance fees	(2,469)	(2,445)	(2,419)	(2,394)	(2,382)	(2,363)
Net change in right-of-use asset and lease liability	(1)	(1)	-	(1)	(1)	-
Net change in current assets and liabilities	1,273	(96)	111	94	100	87
(Decrease) increase in accrued rent and taxes	(2,183)	(389)	-	-	-	-
(Decrease) increase in accrued interest	180	(166)	(110)	(140)	(47)	(107)
Increase in post-closing deferred management fees	318	437	-	-	-	-
Decrease in post-closing deferred management fees	(318)	(544)	-	-	-	-
Decrease in pre-closing deferred management fees	-	(427)	(1,073)	-	-	-
Entrance fees received - attrition (non-refundable)	1,068	1,087	885	1,007	1,015	757
Net cash provided by (used in) operating activities	(1,576)	(1,293)	(651)	1,218	1,937	2,284
Cash flows from investing activities:						
Purchase of property and equipment	(2,518)	(942)	(761)	(823)	(820)	(633)
Net cash used in investing activities	(2,518)	(942)	(761)	(823)	(820)	(633)
Cash flows from financing activities:						
Entrance fees received - attrition (refundable)	9,613	9,784	7,964	9,059	9,130	6,817
Entrance fees refunded - current contracts	(1,461)	(1,863)	(1,899)	(1,873)	(1,894)	(1,892)
Issuance of long-term debt - Series 2023 Bonds	4,500	-	-	-	-	-
Deferred financing costs	(603)	-	-	-	-	-
Principal payments on debt - Series 2023 Bonds	-	(427)	(1,692)	(2,381)	-	-
Principal payments on debt - Series 1998 Bonds	-	(5,170)	(1,480)	(1,565)	(1,650)	(3,705)
Principal payments on SBA Loan	(13)	(14)	(15)	(15)	(16)	(16)
Net cash provided by financing activities	12,036	2,310	2,878	3,225	5,570	1,204
Change in cash, cash equivalents, and restricted cash	7,942	75	1,466	3,620	6,687	2,855
Cash, cash equivalents, and restricted cash at beginning of year	-	7,942	8,017	9,483	13,103	19,790
Cash, cash equivalents, and restricted cash at end of year	\$ 7,942	\$ 8,017	\$ 9,483	\$ 13,103	\$ 19,790	\$ 22,645
Reconciliation of cash, cash equivalents, and restricted cash:						
Cash and cash equivalents	\$ 3,002	\$ 1,758	\$ 1,866	\$ 3,606	\$ 6,101	\$ 14,610
Cash and cash equivalents - operating reserve	500	1,799	3,665	5,753	7,966	8,035
Assets limited as to use, current	1,950	1,970	1,988	1,780	3,759	-
Debt Service Reserve Fund - Series 2023 Bonds	526	526	-	-	-	-
Debt Service Reserve Fund - Series 1998 Bonds	1,964	1,964	1,964	1,964	1,964	-
Cash, cash equivalents, and restricted cash	\$ 7,942	\$ 8,017	\$ 9,483	\$ 13,103	\$ 19,790	\$ 22,645

**See accompanying Summary of Significant Projection Assumptions and Rationale and
Independent Accountants' Examination Report**

The Knolls at Goshen, Inc.

Projected Statements of Financial Position As of December 31, 2023 and through December 31, 2028 (In Thousands of Dollars)

	2023	2024	2025	2026	2027	2028
Assets						
Current assets						
Cash and cash equivalents	\$ 3,002	\$ 1,758	\$ 1,866	\$ 3,606	\$ 6,101	\$ 14,610
Cash and cash equivalents - operating reserve	500	1,799	3,665	5,753	7,966	8,035
Assets limited as to use, current	1,950	1,970	1,988	1,780	3,759	-
Accounts receivable, net of allowance for doubtful accounts	805	409	450	484	522	551
Prepaid expenses	309	284	300	313	328	340
Total current assets	6,566	6,220	8,269	11,936	18,676	23,536
Assets limited as to use:						
Debt Service Reserve Fund - Series 2023 Bonds	526	526	-	-	-	-
Debt Service Reserve Fund - Series 1998 Bonds	1,964	1,964	1,964	1,964	1,964	-
Total assets limited as to use	2,490	2,490	1,964	1,964	1,964	-
Property and equipment, gross	51,841	52,783	53,544	54,367	55,187	55,820
Less: accumulated depreciation	(37,889)	(39,383)	(40,962)	(42,621)	(44,362)	(46,175)
Property and equipment, net	13,952	13,400	12,582	11,746	10,825	9,645
Other assets						
Right of use asset	5,450	5,429	5,407	5,385	5,362	5,338
Goodwill	25,622	25,622	25,622	25,622	25,622	25,622
Total assets	\$ 54,283	\$ 53,364	\$ 54,047	\$ 56,856	\$ 62,652	\$ 64,344
Liabilities and Net Assets (Deficit)						
Current liabilities						
Accounts payable	\$ 1,810	\$ 1,705	\$ 1,800	\$ 1,880	\$ 1,966	\$ 2,039
Accrued expenses	1,719	1,307	1,380	1,441	1,508	1,563
Accrued rent and taxes	389	-	-	-	-	-
Accrued interest payable	570	404	294	154	107	-
Current maturities of long-term debt	5,170	1,480	1,565	1,650	3,705	-
Total current liabilities	9,658	4,896	5,039	5,125	7,286	3,602
Long-term liabilities:						
SBA Loan	487	473	458	443	427	411
Long-term debt, net of current portion - Series 1998 Bonds	8,400	6,920	5,355	3,705	-	-
Long-term debt, net of current portion - Series 2023 Bonds	4,500	4,073	2,381	-	-	-
Debt issuance costs	(826)	(585)	(344)	(103)	-	-
Total long-term debt, net	12,561	10,881	7,850	4,045	427	411
Post-closing deferred management fees	107	-	-	-	-	-
Pre-closing deferred management fees	1,500	1,073	-	-	-	-
Land Lease Obligation	5,448	5,426	5,404	5,381	5,357	5,333
Deferred revenue from entrance fees	8,285	9,227	9,878	10,566	11,170	11,437
Refundable entrance fees - current contracts	16,878	22,499	26,379	31,490	36,755	39,807
Other liabilities	506	506	506	506	506	506
Total liabilities	54,943	54,508	55,056	57,113	61,501	61,096
Net assets (deficit)						
Without donor restrictions	(660)	(1,144)	(1,009)	(257)	1,151	3,248
Total net assets (deficit)	(660)	(1,144)	(1,009)	(257)	1,151	3,248
Total liabilities and net assets (deficit)	\$ 54,283	\$ 53,364	\$ 54,047	\$ 56,856	\$ 62,652	\$ 64,344

**See accompanying Summary of Significant Projection Assumptions and Rationale and
Independent Accountants' Examination Report**

The Knolls at Goshen, Inc.

Schedule of Projected Financial Ratios For the Nine Months Ending December 31, 2023 and Each of the Five Years Ending December 31, 2028 (In Thousands of Dollars, Except for Ratios)

Debt Service Coverage Ratio	2023	2024	2025	2026	2027	2028
Change in net assets (deficit)	\$ (660)	\$ (484)	\$ 135	\$ 752	\$ 1,408	\$ 2,097
Deduct:						
Amortization of deferred entrance fees	(2,469)	(2,445)	(2,419)	(2,394)	(2,382)	(2,363)
Add:						
Depreciation	1,035	1,494	1,579	1,659	1,741	1,813
Interest	1,243	1,114	842	561	328	12
Entrance fees received - attrition (non-refundable)	1,068	1,087	885	1,007	1,015	757
Entrance fees received - attrition (refundable)	9,613	9,784	7,964	9,059	9,130	6,817
Entrance fees refunded - current contracts	(1,461)	(1,863)	(1,899)	(1,873)	(1,894)	(1,892)
Income Available for Debt Service	\$ 8,369	\$ 8,687	\$ 7,087	\$ 8,771	\$ 9,346	\$ 7,241
Annual Debt Service ^(a)	\$ 2,533	\$ 2,425	\$ 2,217	\$ 2,481	\$ 2,478	\$ 526
Annual Debt Service Coverage Ratio	3.30x	3.58x	3.20x	3.54x	3.77x	13.77x
Maximum Annual Debt Service ^(b)	\$ 2,533	\$ 2,533	\$ 1,959	\$ 1,959	\$ 1,959	\$ -
Maximum Annual Debt Service Coverage Ratio	3.30x	3.43x	3.62x	4.48x	4.77x	N/A

Days Cash on Hand	2023	2024	2025	2026	2027	2028
Cash and cash equivalents	\$ 3,002	\$ 1,758	\$ 1,866	\$ 3,606	\$ 6,101	\$ 14,610
Cash and cash equivalents - operating reserve	500	1,799	3,665	5,753	7,966	8,035
Cash on hand	\$ 3,502	\$ 3,557	\$ 5,531	\$ 9,359	\$ 14,067	\$ 22,645
Total expenses	10,025	12,981	13,368	13,654	14,031	14,228
Less: depreciation	(1,035)	(1,494)	(1,579)	(1,659)	(1,741)	(1,813)
Less: amortization of debt issuance costs	(181)	(241)	(241)	(241)	(103)	-
Total expenses less depreciation and amortization	\$ 8,809	\$ 11,246	\$ 11,548	\$ 11,754	\$ 12,187	\$ 12,415
Daily operating expenses	32	31	32	32	33	34
Days cash on hand	109	115	175	291	421	666

(a) For purposes of calculating Annual Debt Service Coverage Ratio, Annual Debt Service includes scheduled payments for the Series 1998 Bonds, scheduled payments for the Series 2023 Bonds, excludes Cash Waterfall payments for the Series 1998 Bonds and prepayment of the Series 2023 Bonds, and is shown net of the release of the Debt Service Reserve Fund for the Series 1998 Bonds.

(b) For purposes of calculating Maximum Annual Debt Service Coverage Ratio, Maximum Annual Debt Service includes scheduled payments for the Series 1998 Bonds and scheduled payments for the Series 2023 Bonds, excludes Cash Waterfall payments for the Series 1998 Bonds and prepayment of the Series 2023 Bonds, and is shown net of the release of the Debt Service Reserve Fund for the Series 1998 Bonds.

**See accompanying Summary of Significant Projection Assumptions and Rationale and
Independent Accountants' Examination Report**

The Knolls at Goshen, Inc.

Summary of Significant Projection Assumptions and Rationale

Basis of Presentation

The accompanying financial projection presents, to the best knowledge and belief of management of The Knolls at Goshen, Inc. (the “Corporation”), the Corporation’s projected results of activities, cash flows, and financial position as of and for each of the nine months ending December 31, 2023 and each of the five years ending December 31, 2028. Accordingly, the accompanying financial projection reflects the judgment of management of the Corporation and management of Bethel Communities Management I, LLC (“BCM”) (collectively defined as “Management”) as of February 10, 2023, the date of this projection, based on present circumstances and the expected course of action during the projection period. The assumptions disclosed herein are those that Management believes are significant to the projection. There will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

A hypothetical assumption is an assumption used in the financial projection to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation. Management has prepared its financial projection assuming the following hypothetical assumptions (collectively referred to as the “Hypothetical Assumptions”):

- The Community (hereinafter defined) is successfully marketed and adequate demand for services exists to support the assumed utilization;
- The Community achieves and maintains projected occupancy levels;
- Business agreements are executed upon acquisition of the Community at the amounts and terms reflected in the projection, including the Asset Purchase Agreement (hereinafter defined), for the amount of assumed liabilities to be established at closing of the Acquisition; and
- The Series 2023 Bonds (hereinafter defined) are financed at terms and rates similar to those reflected in the projection.

The accompanying financial projection and this report were prepared for the internal use of the New York State Department of Health (“NYSDOH”), the New York Department of Financial Services (“NYDFS”) and bondholders of the Series 1998 Bonds (hereinafter defined) (collectively the “Specified Users”) and should not be used for any other purpose.

Background Information

The Corporation is a New York not-for-profit corporation formed to acquire and operate a continuing care retirement community (“CCRC”) (the “Community”) located in Goshen, New York known as Glen Arden pursuant to an asset purchase agreement (the “Asset Purchase Agreement”) between the Corporation and two New York not-for-profit corporations, Glen Arden, Inc. and Elant, Inc. (collectively, “Glen Arden”). Upon acquisition, the Community will be renamed “The Knolls at Goshen”.

The Corporation is a not-for-profit corporation that is exempt from payment of federal income taxes under Section 501(a) of the Internal Revenue Code of 1986, as amended (the “Code”) pursuant to a

See Independent Accountants’ Examination Report

determination letter from the Internal Revenue Service recognizing it as an entity described in Section 501(c)(3) of the Code.

The Board of Directors (the “Board”) of the Corporation establishes policy and goals and oversees the management and operation of the Corporation. The Board is currently comprised of seven members. Under the Corporation’s bylaws, the Board must consist of a minimum of seven individuals. The Corporation is affiliated with other corporations through common board membership. None of the Corporation’s affiliates have any responsibility or liability to the proposed 2023 Bonds or any other liabilities of the Community.

In September 2019, NYSDOH issued a temporary suspension of Glen Arden’s certificate of authority (“COA”) due to noncompliance, and NYDFS issued a notice of insolvency for Glen Arden. In December 2019, the suspension was lifted upon execution of a third party management services agreement with BCM to manage Community operations. In October 2020, NYSDOH issued a temporary suspension of Glen Arden’s COA due to a notice of default on existing Orange County Industrial Development Agency Life Care Community Revenue Bonds (The Glen Arden Project) Series 1998 (the “Series 1998 Bonds”). In February 2021, the suspension was lifted upon execution of an addendum to the management services agreement with BCM.

In January 2021, Glen Arden and UMB Bank, N.A., (the “Trustee”), entered into a forbearance agreement (the “Forbearance Agreement”) after events of default occurred including failure to make interest and principal payments on the Series 1998 Bonds, PILOT agreement payments, ground lease payments and pension obligation payments.

In January 2022, the Asset Purchase Agreement was executed between the Corporation and Glen Arden for the acquisition of the Community (the “Acquisition”), with closing subject to the fulfillment of certain conditions (“Closing Conditions”) including regulatory approval from NYSDOH and NYDFS. As part of the Closing Conditions, the Community has requested a waiver to step up to the necessary liquidity to meet the statutory reserve requirement and have secured financing commitments for the Acquisition. Management assumes the Acquisition is to occur on April 1, 2023.

The Forbearance Agreement and subsequent extensions provides relief from payments of principal and interest through January 15, 2023, and requires monthly reporting of results and milestones from operations consistent with an operating budget approved by the parties. Management assumes that the Forbearance Agreement will be extended through the closing of the Series 2023 Bonds.

The Community

The Community is situated on approximately 41-acres of land located in Goshen, Orange County, New York. The Community currently consists of the following residential living units:

- 148 independent living units (the “Independent Living Units”);
- 28 enriched housing units (the “Assisted Living Units”); and
- 40 skilled nursing beds (the “Nursing Beds”).

For purposes of the report, the Assisted Living Units and the Nursing Beds are collectively defined as the “Health Center”.

The Community includes common areas and amenities such as the central dining room, a private dining room, a kitchen, activities areas, lobbies, an exercise center including an indoor pool, library, arts studio, auditorium, gift shop, business center, bank, billiards room, theater, tennis courts, walking paths and administrative areas.

The Community is to offer two contracts: a fee-for-service contract (the “Type C Contract”) with two refund options, and a life care contract (the “Type A Contract”) with two payment options.

The following table summarizes the type, number, approximate square footage, monthly fees (“Monthly Fees”) and entrance fees (“Entrance Fees”) for the Independent Living Units under the Type C Contract.

Type of Unit	Units	Square Footage	Entrance Fees ⁽¹⁾⁽²⁾		Monthly Fees ⁽¹⁾⁽²⁾
			Declining Balance	80% Refund	
<i>One Bedroom Apartments</i>					
Unique Adirondack	1	500	\$146,616	\$249,312	\$2,971
Adirondack	13	500	\$152,876	\$259,921	\$2,971
Catskill	45	700	\$205,284	\$349,036	\$3,713
<i>One Bedroom with Den Apartments</i>					
Erie	25	860	\$236,156	\$401,551	\$4,201
Hudson	10	860	\$236,156	\$401,551	\$4,201
<i>Two Bedroom Apartments</i>					
Niagara	40	1,000	\$255,889	\$434,969	\$4,604
St. Lawrence	14	1,240	\$290,156	\$493,319	\$5,283
Total Independent Living Units	148	851	\$229,291	\$389,827	\$4,148

Source: Management

(1) Entrance Fees and Monthly Fees are effective as of May 1, 2022.

(2) Under the Type C Contract, residents receive priority access to the Health Center and pay the then-current published rates for the Assisted Living Units and the Nursing Beds.

(3) The second person Monthly Fee for the Type C Contract is \$1,114.

The following table summarizes the type, number, approximate square footage, Monthly Fees and Entrance Fees for the Independent Living Units under the Type A Contracts.

Type of Unit	Entrance Fees⁽¹⁾⁽²⁾		Monthly Fees⁽¹⁾⁽³⁾	
	Life Care Option I	Life Care Option II	Life Care Option I	Life Care Option II
<i>One Bedroom Apartments</i>				
Unique Adirondack	\$321,665	\$236,793	\$2,971	\$3,793
Adirondack	\$327,925	\$243,053	\$2,971	\$3,793
Catskill	\$380,333	\$295,461	\$3,713	\$4,535
<i>One Bedroom with Den Apartments</i>				
Erie	\$411,205	\$326,333	\$4,201	\$5,023
Hudson	\$411,205	\$326,333	\$4,201	\$5,023
<i>Two Bedroom Apartments</i>				
Niagara	\$430,938	\$346,066	\$4,604	\$5,246
St. Lawrence	\$465,205	\$380,333	\$5,283	\$6,105
Weighted Averages	\$404,339	\$319,467	\$4,148	\$4,970
Second Person Fee	\$175,049	\$90,177	\$1,114	\$1,936

Source: Management

(1) Entrance Fees and Monthly Fees are effective as of May 1, 2022.

(2) Entrance Fees for the Type A Contracts are non-refundable after 48 months of occupancy. Details of the Type A Contracts are included in the "Residency Agreement" section of this report.

The following table summarizes the type, number, approximate square footage, Monthly Fees and daily fees (“Daily Fees”) for the Health Center, effective May 1, 2022.

Table 3
Health Center Configuration

Type of Unit	Units (Beds)	Approximate Square Footage (room)	Monthly Fees
Assisted Living Units ⁽¹⁾⁽²⁾			
Suite Type A	8 (16)	579	\$7,787 (\$256/day)
Suite Type B	2 (4)	632	\$8,486 (\$271/day)
Suite Type C	1 (2)	632	\$8,790 (\$281/day)
Suite Type D	3 (6)	646	\$9,582 (\$306/day)
Total Assisted Living Units:	14 (28)	605	\$8,343 (\$271/day)
Nursing Beds ⁽¹⁾⁽³⁾			
Private room	40	200	\$580
Total Nursing Beds:	40	200	\$580
Total Health Center	68		

Source: Management

- (1) The State of New York does not allow for the permanent ability to direct admit residents to the health center of a CCRC. The State of New York is expected to make an allowance for the first seven years which allows the Corporation to accept direct admit residents. Management intends to request a renewal of this allowance upon expiration.
- (2) The Monthly Fees for the Assisted Living Units are all-inclusive.
- (3) The 40 Nursing Beds are certified for Medicare. Management assumes a Medicare daily fee of approximately \$605 effective January 1, 2023.

Management’s Strategic Initiatives

Management has implemented a strategic initiative to increase occupancy at the Community, to include (a) revised marketing strategies and processes; (b) new entrance fee pricing structure, which was approved by NYSDFS and effective beginning in June 2022 and (c) planned capital improvements and completion of deferred maintenance throughout the Community.

Through January 31, 2023, seven Independent Living Units have been reserved and/or occupied under the new pricing structure. Management assumes Independent Living Unit occupancy will continue to increase throughout the projection period.

The anticipated timeline for the Acquisition is shown below.

Table 4
Acquisition Timeline

Close on Acquisition	April 2023
Close on Series 2023 Bonds	April 2023
Assisted Living Units achieve stabilized occupancy of 60.7%	October 2023
Independent Living Units achieve stabilized occupancy of 85.1%	August 2027

Source: Management

See Independent Accountants’ Examination Report

Significant Agreements

Asset Purchase Agreement

In January 2022, the Corporation and Glen Arden entered into an asset purchase agreement (the “Asset Purchase Agreement”), as amended, for the Corporation to acquire the Community from Glen Arden upon satisfaction of the Closing Conditions, including, but limited to, approval by NYSDOH and NYSDFS, delivery of closing deliverables, and consents from third parties (the “Closing Date”). For purposes of the projection, Management assumes the Closing Date will occur on April 1, 2023.

The purchase price (“Purchase Price”) is based on the value of liabilities of Glen Arden that will be assumed by and assigned to the Corporation (“Assumed Liabilities”) as of the Closing Date. No cash consideration shall be paid to Glen Arden by the Corporation and all consideration shall be in the form of the assumption of the Assumed Liabilities. The Purchase Price will be adjusted at closing to reflect the value of the Assumed Liabilities on the Closing Date. Regardless of any fluctuation in the value of the Assumed Liabilities, no cash adjustment shall be made to the Purchase Price.

Assumed Liabilities include, without limitation, all liabilities and obligations of Glen Arden arising under Resident contracts including entrance fee refunds; all liabilities associated with Elant 403(b) plan related to that portion of the plan that arises from current Glen Arden employees; Glen Arden’s liabilities under the Medicare and Medicaid provider numbers; and all liabilities and obligations relating to the Corporation’s ownership, possession or operation of the purchased assets arising after the Closing Date.

Purchased assets (the “Purchased Assets”), include, without limitation, the following: Owned real property and leased real property; all buildings, fixtures, and improvements; stores and supplies and inventory; and tangible personal property; Glen Arden’s account receivables arising out of the ownership and operations of the Community; other assets including, leased equipment; repair and replacement equipment; insurance claims and rights; books and records; warranties; tools; Resident contracts; vehicles; permits; claims related to purchased asset; personnel and payroll records; customer/resident files; and goodwill associated with the Purchased Assets; all intangible assets related to the Community; all of Glen Arden’s rights in deposits arising out of the ownership and operation of the Community and relating to prepayments and prepaid expenses and claims for refunds; all assets related to that portion of the 403(b) plan that will be assumed by the Corporation pursuant to the Asset Purchase Agreement; and all assets allocated to the portion of the defined benefit plan being assumed by the Corporation.

For the purpose of Management’s projection, the Purchased Assets and Assumed Liabilities are both assumed to total \$44,878,000, to consist of approximately:

Table 5
Purchased Assets and Assumed Liabilities
(in thousands)

Purchased Assets ⁽¹⁾ :	
Property plant and equipment	\$ 12,469
Leased real property	5,470
Other identifiable assets	1,317
Goodwill	25,622
Total Purchased Assets	\$ 44,878
Liabilities Assumed ⁽¹⁾ :	
Series 1998 Bond debt	\$ (13,570)
Small Business Administration loan	(500)
Resident contract obligations	(18,412)
Land lease obligations	(5,469)
Accrued PILOT, taxes, and land lease payments	(2,572)
Management Fees assumed to be deferred at the date of Acquisition	(1,607)
Other liabilities, including accounts payable and accrued expenses	(2,748)
Total Liabilities Assumed	\$ (44,878)
Net Cash Paid	\$ -

Source: Management

- (1) Amounts of Purchased Assets and Liabilities Assumed are based on Management’s estimates as of November 30, 2022 and are subject to adjustment upon closing of the Acquisition.

Management Services Agreement

In 2019, BCM was engaged to provide management services to the Community, including formulating and presenting to NYSDOH and NYSDFS short and long-term strategies for stabilization of the Community. Pursuant to a management services agreement (the “Management Services Agreement”), BCM is to provide staffing determinations, budgeting, evaluation of vendor contracts, billing and collections, marketing, and the day to day operations of the Community. In February 2021, an addendum was executed to reaffirm the relationships and modify certain terms in the Management Services Agreement, followed by a second addendum executed in January 2022 to extend the term of the Management Services Agreement.

As compensation for services rendered pursuant to the Management Services Agreement, BCM receives an annual fee (“Management Fee”), payable in equal monthly installments and adjusted annually. The Management Fee is assumed to be approximately \$800,000 for the year ending December 31, 2023 with payment assumed to be 50 percent subordinated in accordance with an assumed amendment to the Forbearance Agreement.

As of December 31, 2022, approximately \$1,500,000 of Management Fees payable to BCM had been deferred (“Deferred Management Fees”). Deferred Management Fees are assumed to be paid during

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the projection period in accordance with the terms of a Cash Waterfall (hereinafter defined) as set forth by an assumed amendment to the Forbearance Agreement.

Ground Lease

Glen Arden and Garnett Health Medical Center (the “Landowner”) entered into a ground lease agreement (the “Ground Lease”) for the Community site. The Landowner and the Corporation have entered into an assignment of the Ground Lease to the Corporation contingent on the occurrence of the Closing. The term of the Ground Lease is for a 99-year period ending in June 2097. Under the terms of the Ground Lease, the Corporation shall pay the Landowner annual ground lease payments not to exceed 105 percent of the preceding year’s payment. For the purpose of Management’s projection, annual minimum lease payments of \$197,512 are assumed.

As of December 31, 2022, approximately \$500,000 of ground lease payments payable to the Landowner had been deferred (“Deferred Lease Payments”). Management assumes that the Deferred Lease Payments will be paid at closing and in quarterly installments during the projection period in accordance with the terms of a Cash Waterfall (hereinafter defined) set forth by an assumed amendment to the Forbearance Agreement

Forbearance Agreement

In January 2021, Glen Arden and the Trustee entered into the Forbearance Agreement after events of default occurred including failure to make interest and principal payments on the Series 1998 Bonds, PILOT agreement payments, ground lease payments and pension obligation payments.

The Forbearance Agreement and subsequent extensions provide relief from payments of principal and interest through January 15, 2023, and requires monthly reporting of results and milestones from operations consistent with an operating budget approved by the parties.

Management assumes that the Forbearance Agreement will be extended through April 1, 2026 with an amendment containing provisions for a cash waterfall (the “Cash Waterfall”), subject to maintaining cash above 110 Days Cash on Hand after payment of operating expenses (including interest, monthly bond principal payments, rent, taxes and PILOT agreement payments), entrance fee refunds and capital expenditures. The Cash Waterfall is to be utilized in the following priority:

- First, to fund a Series 2023 Bonds Debt Service Reserve Fund;
- Second, to replenish the Series 1998 Bonds Debt Service Reserve Fund to its required amount;
- Third, to pay any outstanding deferred post-closing management fees owed to BCM;
- Fourth, to pay deferred 2021, 2022, and 2023 principal payments on the Series 1998 Bonds; and
- Fifth, to pay deferred pre-closing management fees owed to BCM.

Summary of Financing*Series 2023 Bonds*

Management intends to fund working capital, statutory reserves, and payment of outstanding accrued PILOT, tax and ground lease liabilities through the issuance of \$4,500,000 of taxable revenue bonds (the “Series 2023 Bonds”) concurrent with the Acquisition. Management has assumed the following sources and uses of funds in preparing the financial projection:

Table 6
Sources and Uses of Funds
(In Thousands)

Sources of Funds:	
Series 2023 Bonds ⁽¹⁾	4,500
Contribution ⁽²⁾	500
Total Sources of Funds	\$5,000
Uses of Funds:	
Working capital ⁽³⁾	\$2,761
Statutory reserves ⁽⁴⁾	500
Partial payment of accrued PILOT, taxes and rent ⁽⁵⁾	634
Costs related to Acquisition ⁽⁶⁾	502
Costs of issuance ⁽⁷⁾	603
Total Uses of Funds	\$5,000

Sources: Management

Notes to the Table:

- (1) According to the Management, \$4,500,000 of taxable fixed rate bonds (the “Series 2023 Bonds”) are assumed to be issued.
- (2) A contribution of \$500,000 is assumed to be made by the Corporation.
- (3) Approximately \$2,761,000 of proceeds from the Series 2023 Bonds are assumed to be used for working capital.
- (4) Approximately \$500,000 of proceeds from the Series 2023 Bonds are assumed to be designated by the Corporation as an initial deposit to meet statutory reserve requirements (“Cash and Cash Equivalent – Operating Reserve”), provided that a waiver to step up the requirement is approved, based on the provisions of the Insurance Department for the State of New York Regulation No. 140.
- (5) Approximately \$634,000 of proceeds from the Series 2023 Bonds are assumed to be used to pay outstanding accrued PILOT, tax and rent liabilities.
- (6) Approximately \$502,000 is assumed to be used for costs related to the Acquisition.
- (7) Costs of issuance related to the Series 2023 Bonds are assumed to approximate \$603,000 to include the underwriting fees, accounting fees, legal fees, and other issuance costs associated with the issuance of the Series 2023 Bonds.

Deposit Agreement

To be accepted for admission to an Independent Living Unit, a prospective resident must be at least 62 years of age at the time residency is established and exhibit an ability to live independently and meet their financial obligations as residents of the selected Independent Living Unit.

To reserve an Independent Living Unit, a prospective resident is required to execute a “Receipt of 10% Deposit” form (the “Deposit Agreement”), provide self-disclosure of his or her health and finances and place a deposit equal to 10 percent of the Entrance Fee (the “Entrance Fee Deposit”) on the selected Independent Living Unit. The remaining 90 percent of the Entrance Fee is due the earlier of (i) the actual occupancy date of the Independent Living Unit (the “Occupancy Date”) or (ii) 60 days from the date the Corporation executes the residency agreement (the “Residency Agreement”). The Deposit Agreement reserves the right of the prospective resident to choose the selected Independent Living Unit and indicate his or her intent to execute a Residency Agreement.

Residency Agreement

The Residency Agreement is a contract under which the Corporation is obligated, upon payment of an Entrance Fee and ongoing payments of the Monthly Fee by the resident (the “Resident”), to provide certain services for the term of the Resident’s contract. Under the Residency Agreement, payment of the Entrance Fee and Monthly Fee entitles all Residents to receive the following services and amenities:

- One meal per day;
- Weekly housekeeping and flat linen service;
- Annual heavy cleaning of the Independent Living Unit;
- All utilities, except telephone service;
- Basic cable;
- Receptionist on duty 24-hours/seven days per week;
- Maintenance of the Independent Living Unit, common areas, grounds, and equipment;
- Scheduled local transportation within the greater Orange County area;
- Planned social, educational, cultural and recreational activities;
- Use of the exercise center/indoor swimming pool and other community areas;
- Access to short-term and intermittent home health care;
- Local pharmacy delivery; and
- Priority access and services in the Health Center.

Additional services are available to Residents for an extra charge including, but are not limited to, additional meals, additional housekeeping and guest suites, etc.

Contract Types

The Corporation is to offer a Type C Contract and a Type A Contract (collectively, the “Contracts”).

Under the Type C Contract, Residents who are temporarily or permanently transferred to the Health Center would pay the then-current private pay Monthly Fee or Daily Fee for the health services provided.

Under the Type A Contract, Residents would receive unlimited days in the Health Center (the “Health Care Benefit”). Residents selecting the Type A Contract have two payment options, “Life Care Option I” or “Life Care Option II” (collectively, the “Life Care Fee Options”). Life Care Option I has a one-time Entrance Fee (\$175,049 for the second Resident) followed by the payment of the Community’s standard Monthly Fees (\$1,114 for the second Resident). Life Care Option II has a smaller Entrance Fee (\$90,177 for the second Resident) followed by the payment of the standard Monthly Fees (\$1,936 for the second Resident).

Residents under both contracts are expected to obtain and maintain Medicare Parts A and B and one supplemental health insurance policy (or an equivalent substitute policy approved by the Corporation). Residents are responsible for paying, over and above the Monthly Fee or Daily Fee, as applicable, the cost of the Resident’s physician’s services, hospital services, home care services not covered by Medicare, prescription drugs, durable medical equipment, private duty nurses or aids and prescribed therapies.

Entrance Fee Options

Two Entrance Fee refund options are available under the Type C Contract and one refund option is available under the Type A Contract (the “Refund Options”). The Entrance Fee for both Refund Options is fully refundable for the first 90 days after the Occupancy Date (the “Introductory Period”). The Refund Options and related amortization schedules for the Contracts are as follows:

Refund Options	Amortization Schedule
Declining Balance Plan	After the Introductory Period and upon termination of the Residency Agreement, the Resident’s refund would equal the original Entrance Fee paid, less (i) a four percent administrative fee and (ii) a two percent reduction per month of occupancy for 48 months. After 48 months, the Entrance Fee is no longer refundable.
80% Refund Plan ⁽¹⁾	After the Introductory Period and upon termination of the Residency Agreement, the Resident’s refund would equal the original Entrance Fee paid, less (i) a four percent administrative fee and (ii) a two percent reduction per month of occupancy for eight months. After eight months, the Entrance Fee refund is fixed at 80 percent.

Source: Management

(1) The 80% Refund Plan is only offered under the Type C Contract.

Upon termination of the Residency Agreement, the refundable portion of the Entrance Fee (if applicable) is to be refunded to the Resident within 30 days after a new resident signs a Residency Agreement and pays the then applicable Entrance Fee for the Independent Living Unit, but no later than one year after termination of the Residency Agreement.

Legacy Contracts

Prior to June 1, 2022, the Independent Living Units were available for occupancy under a variety of resident contracts (the “Legacy Contracts”). The Legacy Contracts, which are no longer available to prospective residents, provided one meal per day, utilities except telephone and cable, bi-weekly housekeeping, weekly linen service as well as a variety of discounts for health care services.

The following three Legacy Contracts were being utilized prior to January 1, 2020:

- “Type A – 90% Refund Contract”: Residents are required to pay a 90 percent refundable Entrance Fee upon move-in and an ongoing Monthly Fee. Upon transfer to the Health Center, the Resident would continue to pay the Monthly Fee paid of the Independent Living Unit and would receive an unlimited number of days in the Health Center.
- “Type A – 75% Refund Contract”: Residents are required to pay a 75 percent refundable Entrance Fee upon move-in and an ongoing Monthly Fee. Upon transfer to the Health Center, the Resident would continue to pay the Monthly Fee paid of the Independent Living Unit and would receive an unlimited number of days in the Health Center.
- “Type C – 90% Refund Contract”: Residents are required to pay a 90 percent refundable Entrance Fee upon move-in and an ongoing Monthly Fee. Upon transfer to the Health Center, the Resident would continue to pay the then-current Monthly Fee or Daily Fee in the Health Center.

In addition, the following three Legacy Contracts were utilized prior to June 1, 2022:

- “Type A – Declining Refund Contract”: Residents are required to pay a declining Entrance Fee upon move-in and an ongoing Monthly Fee. The Entrance Fee refund is less a four percent administrative fee, less two percent reduction per month of occupancy for 48 months beginning with the fourth month of occupancy. After 51 months, the Entrance Fee is no longer refundable. Upon transfer to the Health Center, the Resident would continue to pay the Monthly Fee paid of the Independent Living Unit and would receive an unlimited number of days in the Health Center.
- “Type B Limited – Declining Refund Contract”: Residents pay a declining Entrance Fee upon move-in and an ongoing monthly fee. The Entrance Fee refund is less a four percent administrative fee, less two percent reduction per month of occupancy for 48 months beginning with the fourth month of occupancy. After 51 months, the Entrance Fee is no longer refundable. The Type B Limited – Declining Refund Contract provides unlimited care in the Assisted Living Units and 60 days of care in the Nursing Beds for the Monthly Fee paid in the Independent Living Unit. Once the contract benefits have been depleted, the Resident would pay the then-current private pay rate for the Nursing Beds.
- “Type B Modified – Declining Refund Contract”: Residents are required residents to pay an Entrance Fee upon move-in and an ongoing monthly fee. The Type B Modified – Declining Refund Contract provides unlimited care in the Assisted Living Units and 365 days in the Nursing Beds for the Monthly Fee paid in the Independent Living Unit. Once the contract benefits have been depleted, the Resident would pay the then-current private pay rate for the Nursing Beds.

Entrance Fee Plan Summary

The following table summarizes the Entrance Fee Plans and Refund Options utilized by current Residents of the Community.

Table 7
Utilization of Residency Agreement Options as of December 31, 2022

	Independent Living	Assisted Living	Nursing	Total	Percent	Management's Projection
Current Contracts						
Type A – Option I	3	–	–	3	3.7%	25.0%
Type A – Option II	1	–	–	1	1.2%	25.0%
Type C – Declining Balance	–	–	–	–	–	33.3%
Type C – 80% Refund	–	–	–	–	–	16.7%
<i>Sub-Total – Current Contracts</i>	4	–	–	4	4.9%	100.0%
Legacy Contracts						
Type A – 90% Refund	3	1	3	7	8.5%	–
Type A – 75% Refund	20	1	4	25	30.5%	–
Type A – Declining Refund	29	4	7	40	48.8%	–
Type B Limited – Declining Refund	1	–	1	2	2.4%	–
Type B Modified – Declining Refund	2	–	1	3	3.7%	–
Type C – 90% Refund	1	–	–	1	1.2%	–
<i>Sub-Total – Legacy Contracts</i>	56	6	16	78	95.1%	
Total	60	6	16	82	100.0%	

Source: Management

Characteristics of the Market Area

Assumptions for the current and future utilization of the Community were developed by Management based on analysis of the following factors that may affect the demand for the Community's accommodations and services:

- Defined market area for the Community;
- Demographic characteristics of the defined market area;
- Estimated age- and income-qualified households within the defined market area;
- Real estate statistics for the defined market area;
- Description and utilization of existing and proposed comparable retirement communities, within or near the defined market area;
- Penetration rates for independent living services; and
- Description and utilization of existing assisted living (including memory care) and nursing homes within the defined market area.

Each of the above factors and the resulting assumed utilization of the Community are described in the following sections.

Site Description

The Community is located on approximately 41-acres in the Village of Goshen, Orange County, New York. Orange County is one of seven counties that comprise the Mid-Hudson Valley Region. Goshen is approximately 20 miles north of the New Jersey border, approximately 30 miles east of the Pennsylvania border and approximately 60 miles northwest of New York City. The Community is bordered by U.S. Highway 6 to the north, wooded areas to the south, LEGOLAND New York Resort ("LEGOLAND") to the east, and Sapphire Nursing and Rehabilitation at Goshen and an educational center to the west.

General Area Analysis

Highways

The entrance to the Community is located on Harriman Drive which runs parallel to U.S. Highway 6. U.S. Highway 6 provides access to Interstate-84 ("I-84") to the west and Interstate-87 ("I-87") to the southeast. I-84 provides access to Scranton and other areas of Pennsylvania to the west and access to Harford and other areas of Connecticut to the east. I-87 provides access to Interstate-287 which travels southeast to White Plains and towns in Westchester County.

Public Transportation

Transit Orange operates regularly scheduled, fixed-route local bus service throughout Orange County on four lines. The Main Line, which connects Harriman to Middletown, is the closest bus line to the Community with the closest bus stop approximately two miles north of the Community on Main Street. Other local bus lines include the Middletown Area Transit, Kiryas Joel Area Transit and Newburgh Area Transit.

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The Metro-North Railroad provides access to Hoboken, New Jersey and the Secaucus Transfer Station through its Port Jervis line, which includes seven stations in Orange County. Other Metro-North Railroad lines serving Orange County residents include the Pascack Valley line, providing access to Rockland County, and the Hudson line, running along the east side of the Hudson River to Poughkeepsie to the north and to New York City to the south, which is accessible from Orange County by the Newburgh-Beacon Ferry. The Newburgh-Beacon Ferry provides transportation across the Hudson River between Newburgh in Orange County and Beacon in Dutchess County.

Airports

New York Stewart International Airport (“SWF”), is located approximately 20 miles northeast of the Community. SWF offers two domestic airlines including Allegiant and Frontier, and one international airline, Play, which serves Iceland and connections to Europe. LaGuardia International Airport, located approximately 65 miles southeast of the Community, is currently serviced by approximately nine airlines, which provide domestic and international service. Newark Liberty International Airport, located approximately 70 miles south of the Community, is currently serviced by approximately 30 international and domestic airlines. John F. Kennedy International Airport, located approximately 80 miles southeast of the Community, is currently serviced by over 70 airlines, which provide domestic and international service.

Hospitals and Medical Centers

The following table shows the short-term acute care hospitals located in Orange County, New York.

Hospital Name	Miles from Community	Location	Type of Hospital	Number of Beds
Garnet Health Medical Center	6.8	Middletown – 10940	Short Term Acute Care	383
Saint Anthony Community Hospital	10.9	Warwick – 10990	Short Term Acute Care	60
Bon Secours Community Hospital	25.7	Port Jervis – 12771	Short Term Acute Care	168
Montefiore St. Luke’s Cornwall	26.2	Newburgh – 12550	Short Term Acute Care	193

Source: American Hospital Directory, January 2023.

Employment Trends

The unemployment trends for Orange County, the State of New York (“New York”) and the United States are shown in the following table.

	2020	2021	2022⁽¹⁾
Orange County	8.0%	4.7%	3.2%
New York	9.9%	6.9%	4.4%
United States	8.1%	5.4%	3.7%

Source: U.S. Department of Labor, Bureau of Labor Statistics Data

(1) Data for Orange County and New York is through November. Data for the United States is through December.

According to Orange Partnership, the largest employers in Orange County include the United States Military Academy West Point (“West Point”), Garnet Health Medical Center, Crystal Run HealthCare, Access: Supports for Living and Montefiore St Luke’s Cornwall Hospital.

Shopping/ Cultural

The area surrounding the Community offers shopping, dining and cultural opportunities. Main Street, approximately two miles north of the Community, currently offers over 10 restaurants and cafes along its street. LEGOLAND, located adjacent to the Community to the southeast, is a lego-themed park with rides, shows, activities, a hotel and seasonal events.

Shopping centers near the Community include Galleria at Crystal Run and Woodbury Centre. Galleria at Crystal Run, approximately seven miles north of the Community, offers over 100 retail stores and restaurants including JCPenney, Target, Wendy’s and Cinnabon. Woodbury Centre, approximately 12 miles southeast of the Community, currently offers approximately 13 retail stores and restaurants including Ulta Beauty, Kohls, Dunkin’ and T.G.I. Friday’s.

West Point, approximately 25 miles east of the Community, was established in 1802 and has approximately 4,600 undergraduate students. Athletics at West Point include football, rugby, basketball, cross country, soccer, lacrosse and volleyball with 15 men’s teams and 10 women’s teams. Other attractions at West Point include the West Point Museum, the Frederic V. Malek West Point Visitors Center and Eisenhower Hall Theatre.

One public and two private golf clubs are located within 10 miles of the Community. Stoney Ford Golf Course is a public, 18-hole public golf course, approximately eight miles north of the Community. West Hills Country Club, a private, 18-hole golf course and nine-hole par three golf course, is approximately seven miles from the Community. Along with golf, swimming lessons and tennis courts are available for members of West Hill Country Club. The Country Club at Otterkill is a private, 18-hole golf course, approximately nine miles north of the Community. Dining and live music events at the Country Club at Otterkill are available to the public to attend.

Primary Market Area of the Community

The primary market area for providers of senior living services is typically defined as the geographic area from which a majority of prospective residents reside prior to moving into a senior living community. As of December 31, 2022, 60 Independent Living Units have been reserved, representing approximately 35 percent of the Independent Living Units.

Based on the zip code origin of Residents as well as discussions with Management, the primary market area has been defined as a 29-zip code area surrounding the Community, spanning approximately 30 miles from north to south and approximately 32 miles from east to west, at its longest and widest points, respectively (the “PMA”). The following table provides the zip codes and associated cities or towns as well as the number of Residents from each zip code within the PMA.

Table 10
Resident Zip Code Origin Data

Zip Code	City/Town	Number of Residents⁽¹⁾	% of Total
10940	Middletown	5	8.2%
10924 ⁽²⁾	Goshen	4	6.6%
10930	Highland Mills	2	3.2%
10941	Middletown	1	1.7%
10950	Monroe	1	1.7%
12549	Montgomery	1	1.7%
12553	New Windsor	1	1.7%
10933	Johnson	1	1.7%
10973	Slate Hill	1	1.7%
10990	Warwick	1	1.7%
10992	Washingtonville	1	1.7%
10998	Westtown	1	1.7%
12518	Cornwall	1	1.7%
12575	Rock Tavern	1	1.7%
Total from the PMA		22	36.7%
Other New York areas		24	40.0%
Out of state – New Jersey		5	8.3%
Out of state – Pennsylvania		3	5.0%
Out of state – Other		6	10.0%
Total		60	100.0%

Source: Management

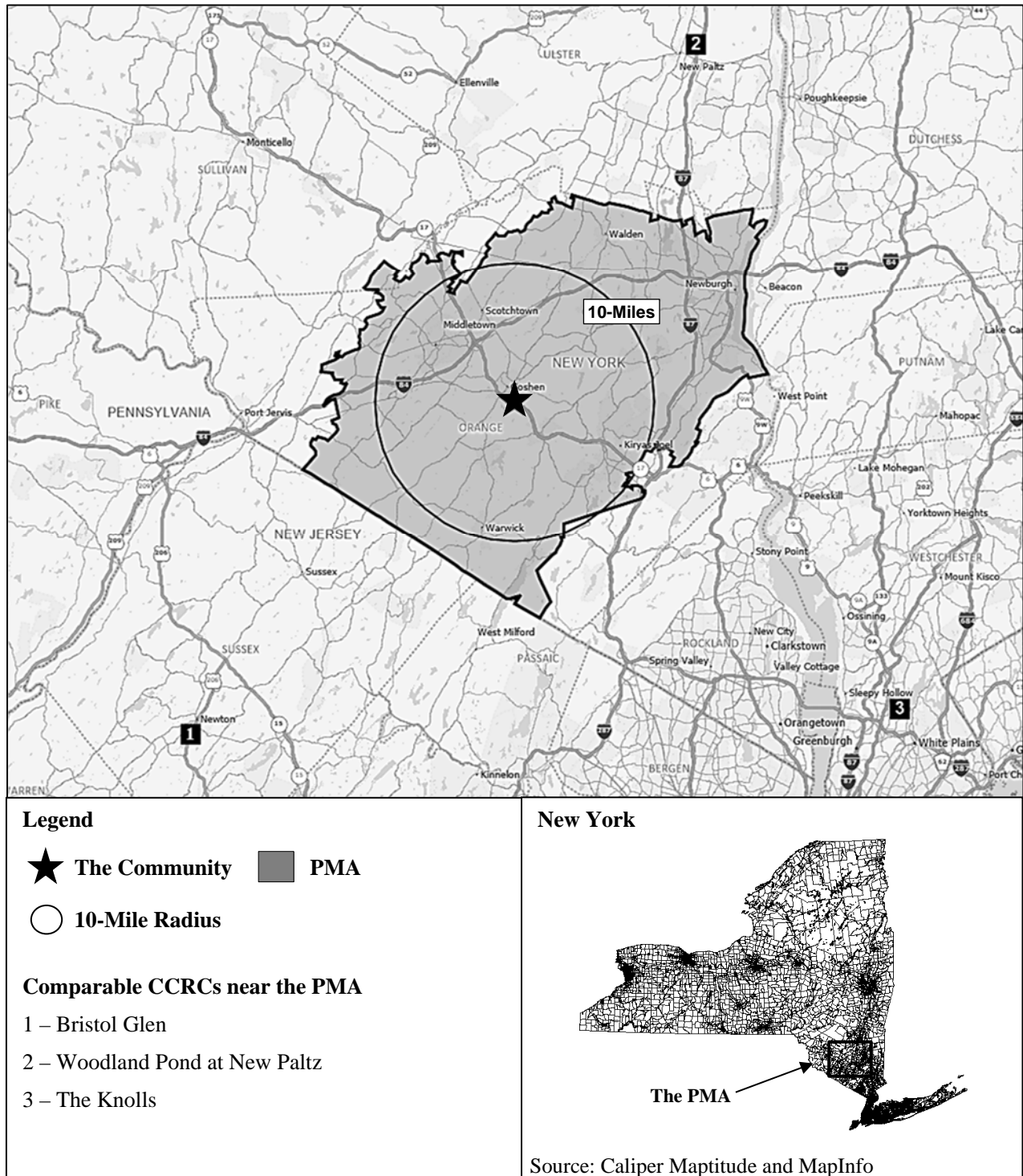
(1) Resident information as of December 31, 2022.

(2) The Community is located in zip code 10924.

(3) Fifteen zip codes, not shown in the table, were included in the PMA for purposes of contiguity and include the following: 10914, 10916, 10918, 10921, 10925, 10958, 10932, 10953, 10969, 10988, 12520, 12543, 12550, 12577 and 12586.

In addition, according to Management, adult children (typically ages 45 to 64) of Residents (“Adult Children”) living near the Community influenced their parents to move to the Community. Approximately 60 percent of Adult Children live in the PMA.

The following map depicts the PMA, the Community and the existing comparable continuing care retirement communities (“CCRCs”) located near the PMA.



Population

The age distribution of the population in a geographic area is a key factor in the determination of an area's retirement housing needs. The U.S. Census Bureau has compiled demographic data from the 2010 Census and is the process of compiling and releasing data from the 2020 Census. Claritas, Inc., a firm that specializes in the analysis of demographic data, has extrapolated population data from the 2010 U.S. Census, the American Community Survey and other sources to derive the estimated 2023 figures and forecasted statistics for 2028. The following table presents population data by age cohort and the anticipated average annual compounded percentage change between 2010 and 2023 and 2023 and 2028 in the PMA, New York and the United States.

Table 11
Historical, Estimated and Projected PMA, New York and United States Populations

	2010 Population (Census)	2023 Population (Estimated)	2028 Population (Projected)	Compounded Annual Percentage Change 2010 – 2023	Compounded Annual Percentage Change 2023 – 2028
<u>PMA</u>					
Total Population	318,101	349,620	358,477	0.7%	0.5%
Age 45 to 64 Population	85,065	87,290	84,137	0.2%	-0.7%
Age 65 to 74 Population	19,144	32,195	38,138	4.1%	3.4%
Age 75 to 84 Population	11,034	16,093	18,233	2.9%	2.5%
Age 85 Plus Population	4,872	6,211	6,621	1.9%	1.3%
Total 65 Plus	35,050	54,499	62,992	3.5%	2.9%
Total 75 Plus	15,906	22,304	24,854	2.6%	2.2%
<u>New York</u>					
Total Population	19,378,099	19,879,255	19,853,353	0.2%	0.0%
Age 45 to 64 Population	5,182,453	5,021,504	4,853,730	-0.2%	-0.7%
Age 65 to 74 Population	1,360,593	2,128,736	2,453,946	3.5%	2.9%
Age 75 to 84 Population	866,462	1,055,099	1,112,928	1.5%	1.1%
Age 85 Plus Population	390,869	483,244	502,042	1.6%	0.8%
Total 65 Plus	2,617,924	3,667,079	4,068,916	2.6%	2.1%
Total 75 Plus	1,257,331	1,538,343	1,614,970	1.6%	1.0%
<u>United States</u>					
Total Population	308,745,377	334,500,069	341,662,969	0.6%	0.4%
Age 45 to 64 Population	81,490,252	82,605,703	82,011,441	0.1%	-0.1%
Age 65 to 74 Population	21,713,602	35,621,821	41,540,430	3.9%	3.1%
Age 75 to 84 Population	13,061,023	17,492,925	19,284,050	2.3%	2.0%
Age 85 Plus Population	5,493,433	6,886,666	7,428,004	1.8%	1.5%
Total 65 Plus	40,268,058	60,001,412	68,252,484	3.1%	2.6%
Total 75 Plus	18,554,456	24,379,591	26,712,054	2.1%	1.8%

Source: Claritas, Inc.

The following table presents the percentage of total population by age group for the targeted age population in the PMA, New York and the United States.

Table 12			
Percentage of Total Population by Age Cohort			
2010 (Census)			
	PMA	New York	United States
<u>Age Groupings</u>			
65 plus	11.0%	13.5%	13.0%
75 plus	5.0%	6.5%	6.0%
85 plus	1.5%	2.0%	1.8%
2023 (Estimated)			
	PMA	New York	United States
<u>Age Groupings</u>			
65 plus	15.6%	18.4%	17.9%
75 plus	6.4%	7.7%	7.3%
85 plus	1.8%	2.4%	2.1%
2028 (Projected)			
	PMA	New York	United States
<u>Age Groupings</u>			
65 plus	17.6%	20.5%	20.0%
75 plus	6.9%	8.1%	7.8%
85 plus	1.8%	2.5%	2.2%

Source: Claritas, Inc.

Estimated Eligible Households within the PMA

In order to qualify for residency in an Independent Living Unit, a prospective resident must be at least 62 years of age and demonstrate sufficient financial resources to pay the Entrance Fee, required Monthly Fee and other expenses related to independent living services not provided for in the Residency Agreement. Accordingly, Management has established certain criteria to identify potential Residents who would be eligible to reside in an Independent Living Unit. In order to qualify for residency at the Community, Management obtains financial information for each prospective resident to determine the prospective resident's ability to pay the Entrance Fee for the Independent Living Unit selected and the ability to pay the Monthly Fee from 10 to 20 years depending on the age of the Resident.

For purposes of quantifying the number of income-qualified households in the PMA, households age 75 or older are considered to be the most likely to establish residency in an Independent Living Unit. The composition of Residents as of December 31, 2022 is described in the table below.

Table 13
Resident Age on Entry

Age Group of Residents	Number	Percent
Under 75	9	15.0%
75 and older	51	85.0%
Total Residents ⁽¹⁾	60	100.0%
Average Age at Move-in	81	

Source: Management

(1) Represents the age of Residents at the time of moving into the Community.

Management has considered the following two income qualification scenarios for estimating the number of income eligible households in the PMA:

- Annual household income of approximately \$50,000 or more based on the Monthly Fee of the smallest one-bedroom Independent Living Unit (approximately \$3,000); and
- Annual household income of approximately \$75,000 or more based on the weighted average Monthly Fee of an Independent Living Unit (approximately \$4,100).

The following table illustrates the 2023 estimated and the 2028 projected household income distribution for householders age 65 to 74 and 75 or over within the PMA.

Table 14
Income Eligible Households for Independent Living Services Within the PMA

	2023 (Estimated)		
	65 – 74	75+	Total
Total Households:	19,035	13,367	32,402
<u>Household Income</u>			
Under \$50,000	5,840	6,734	12,574
<u>\$50,000 and over</u>			
\$50,000 – 74,999	3,062	2,196	5,258
\$75,000 – 99,999	2,255	1,175	3,430
\$100,000 – 149,999	3,782	1,880	5,662
\$150,000 plus	4,096	1,382	5,478
Total \$50,000 and over	13,195	6,633	19,828
Percentage of Income Eligible Households to Total Households – \$50,000 and over	69.3%	49.6%	61.2%
Total \$75,000 and over	10,133	4,437	14,570
Percentage of Income Eligible Households to Total Households – \$75,000 and over	53.2%	33.2%	45.0%
	2028 (Projected)		
	65 – 74	75+	Total
Total Households:	22,403	14,735	37,138
<u>Household Income</u>			
Under \$50,000	5,618	6,614	12,232
<u>\$50,000 and over</u>			
\$50,000 – 74,999	3,266	2,349	5,615
\$75,000 – 99,999	2,426	1,292	3,718
\$100,000 – 149,999	4,356	2,173	6,529
\$150,000 plus	6,737	2,307	9,044
Total \$50,000 and over	16,785	8,121	24,906
Percentage of Income Eligible Households to Total Households – \$50,000 and over	74.9%	55.1%	67.1%
Total \$75,000 and over	13,519	5,772	19,291
Percentage of Income Eligible Households to Total Households – \$75,000 and over	60.3%	39.2%	51.9%

Source: Claritas, Inc.

The following table compares the percentage of income-qualified households to total households for the \$50,000 and \$75,000 income qualification level for age 75 and above households within the PMA, New York, and the United States.

Table 15
Comparison of Income-Qualified Households – 2028

	Age 75 and Above		
	PMA	New York	United States
Percentage of Income Qualified Households to Total Households – \$50,000 and over	55.1%	45.3%	46.7%
Percentage of Income Eligible Households to Total Households – \$75,000 and over	39.2%	31.3%	30.7%

Source: Claritas, Inc.

Market Area Real Estate

The ability of potential residents to sell their home prior to assuming occupancy at a senior living community may have an impact on the ability of residents to pay the required entrance fee. Often, entrance fees are paid with funds received through the sale of a prospective resident's home.

The following table summarizes the real estate statistics for Orange County, New York.

Table 16
Single Family Home Sales Trends – Orange County, New York

Year	Number of Homes Sold	Median Sales Price	Average Days on Market
2020	3,991	\$315,000	86
2021	4,440	\$368,000	55
2022	3,738	\$400,150	50

Source: One Key MLS and Premier Transitions

The following table summarizes the real estate statistics for towns located within the PMA.

Table 17
Market Area Real Estate for the PMA Zip Codes⁽¹⁾

Town	2020		2021		2022	
	Number of Homes Sold	Median Sales Price	Number of Homes Sold	Median Sales Price	Number of Homes Sold	Median Sales Price
Campbell Hall	75	\$372,000	77	\$450,000	70	\$499,000
Chester	175	\$345,000	194	\$383,000	154	\$466,000
Cornwall	93	\$350,000	108	\$426,000	88	\$421,000
Cornwall-on-Hudson	44	\$350,000	52	\$405,000	40	\$465,000
Florida	51	\$263,000	53	\$355,000	54	\$359,000
Goshen	176	\$390,000	188	\$430,000	141	\$450,000
Highland Mills	157	\$345,000	181	\$395,000	150	\$463,000
Middletown	645	\$240,000	718	\$295,000	653	\$325,000
Monroe	499	\$335,000	572	\$390,000	474	\$444,000
Montgomery	166	\$312,000	172	\$375,000	114	\$420,000
New Windsor	402	\$295,000	415	\$325,000	385	\$379,000
Newburgh	513	\$255,000	590	\$287,000	472	\$340,000
Walden	164	\$268,000	184	\$290,000	137	\$350,000
Warwick	311	\$399,000	346	\$469,000	275	\$500,000
Washingtonville	158	\$327,000	136	\$397,000	179	\$450,000
Westtown	25	\$335,000	56	\$422,000	43	\$471,000
Total/Weighted Avg.	3,654	\$307,522	4,042	\$357,255	3,429	\$401,819

Source: Coldwell Banker Village Green Realty

(1) Includes both single-family home and condominium sales.

Continuing Care Regulatory Requirements

CCRCs in New York are regulated by the State Department of Health (the “NYSDOH”), the Department of Insurance and the Continuing Care Retirement Community Council (the “Council”) under the provisions of Article 46, later amended to include Article 46-A which established fee-for-service communities, of the Public Health Law of the State of New York (“Article 46”) and NYDFS regulations. Article 46 governs the development and financing of CCRCs in New York. The regulatory powers of Article 46 are vested in the Council which consists of the Attorney General of the State, the State Commissioner of Health (the “Commissioner”), the State Superintendent of Financial Services, the State Director of the Office of Aging, the State Commissioner of Social Services, or designees of any of them, and eight public members appointed by the Governor. No CCRC may be established unless the Commissioner, in consultation with the Council, issues a certificate of authority (“COA”).

Article 46 requires that a community hold reserves for up to 12 months for principal and interest payments, payments for taxes and insurance and capital expenditures as well as six months of all other operating costs.

According to Article 46, CCRCs must meet the following criteria:

- Be established to provide a comprehensive, cohesive living arrangement for the elderly, oriented to the enhancement of the quality of life;
- Provide independent living units;
- Provide a range of health care and social services which shall include home health care, nursing care, and at a minimum, sixty days of prepaid services of an on-site or affiliated nursing facility;
- Provide a meal plan;
- Independent living units can be made available either through a non-equity arrangement or through an equity arrangement including, but not limited, to a cooperative or condominium.
- The purchase price of an independent living unit in an equity arrangement, regardless of the form of the purchase agreement, shall not be considered an entry fee for purposes of calculating reserve liabilities, but shall be considered an entry fee for escrow purposes; and
- Provide access to health services, prescription drugs, and rehabilitation services as defined in the contract.

Comparable Retirement Communities

Comparable retirement communities typically include independent living providers with similar services and amenities offering health care services, such as assisted living and/or nursing care, in a multi-level, age-restricted setting. Independent living units may be apartments, cottages, and/or free-standing homes where residents have access to on-site amenities, which typically include a choice of dining venues, library, lounge areas, fitness facilities, banking, game room, multi-purpose room, arts and crafts area, hair salon, a chapel and more. Services typically include a dining program or allowance, housekeeping services, most utilities except telephone, scheduled transportation, activities program, emergency call system in each residence, 24-hour security, interior and exterior maintenance, maintenance of grounds, and health care services in on-site assisted living and/or nursing care facilities.

Comparable facilities are defined as those facilities that: (i) include independent living services; (ii) provide one or more other levels of care such as assisted living, memory care and/or nursing care services; (iii) offer similar services and amenities; and/or (iv) compete for similar age-and income-qualified residents.

CCRCs may provide a variety of contracts to residents. Generally, the major distinction in contract types relates to the health care benefit and the payment of an entrance fee. The most common contract types are as follows:

Extensive or Life Care Contract (“Type A”) - Under a Type A contract, a resident typically pays an upfront entrance fee and an ongoing monthly service fee in exchange for the right to lifetime occupancy of an independent living unit with certain services and amenities. Residents of independent living who require assisted living or nursing care may transfer to the appropriate level of care and continue to pay essentially the same monthly service fee they had been paying for their residence, or upon permanent transfer, the fee may be adjusted to the weighted average of all monthly service fees.

Modified Contract (“Type B”) - Under a Type B contract, the resident also generally pays an upfront entrance fee and an ongoing monthly service fee for the right to lifetime occupancy of an independent living unit with certain services and amenities. However, under a Type B contract, the CCRC typically provides assisted living or skilled nursing care to residents either (a) at a discounted rate on the per diem, e.g., 20 percent discount; (b) a certain number of days per year or per lifetime, e.g., 60 to 90 days; or, (c) a combination of the two.

Fee-for-Service Contract (“Type C”) - A Type C contract also generally requires an upfront entrance fee and an ongoing monthly service fee for the right to lifetime occupancy of an independent living unit with certain services and amenities. However, under the Type C contract, residents who require assisted living or nursing care do not receive any discount on assisted living or skilled nursing services.

Rental Communities (“Rental”) – Under a Rental contract, a resident signs a lease for the independent living unit selected and pays for various additional services utilized (including assisted living, memory care or nursing) on a monthly basis at prevailing market rates. The resident is not required to pay an entrance fee and the contract term is typically on a month-to-month basis.

The Community currently offers Type A and Type C contracts. No existing retirement communities are located within the PMA; therefore, the following table profiles existing comparable retirement communities near the PMA.

In addition, based on discussions with representatives of the local planning and permitting agencies, there are no independent living units are planned in the PMA.

Table 18
Existing CCRCs Near the PMA

	The Community	Bristol Glen	Woodland Pond at New Paltz	The Knolls
Location	Goshen – 10924	Newton, NJ	New Paltz – 12561	Valhalla – 10595
Driving Miles from the Community	–	36.8	41.6	51.8
Sponsor/Developer	The Corporation	United Methodist Homes of NJ	Woodland Pond, Inc.	The Corporation
Year Opened	1996	2000	2009/2010	2002
Type of Contract	Type A & Type C	Type B & Type C	Type A & Type B	Type B & Type C
Not-for-Profit/For-Profit	Not-for-Profit	Not-for-Profit	Not-for-Profit	Not-for-Profit
Unit Configuration				
<i>Independent Living Units (ILUs:)</i>				
One-bedroom apartments	94	64	94	56
Two-bedroom apartments	54	24	83	64
Homes/Cottages/Villas	–	–	24	–
Total ILUs	148	88	201	120
<i>Assisted Living/Memory Care Units</i>	28 AL	69 AL / 21 MC	40 AL / 20 MC	10 AL
<i>Nursing Care Beds</i>	40	60	40	20
Independent Living				
<i>Square Footage</i>				
One-bedroom apartments	500 – 860	660 – 850	729 – 950	701 – 879
Two-bedroom apartments	1,000 – 1,240	1,120 – 1,490	1,008 – 1,236	1,047 – 1,589
Homes/Cottages/Villas	–	–	1,470	–
<i>Entrance Fees</i>				
One-bedroom apartments	\$146,616 – 236,156	\$122,315 – 145,415	\$307,855 – 315,360	\$177,468 – 251,051
Two-bedroom apartments	\$255,889 – 290,156	\$209,864 – 237,815	\$316,920 – 364,300	\$294,454 – 417,523
Homes/Cottages/Villas	–	–	\$442,600 – 553,250	–
2nd Person Entrance Fee	–	\$13,929	–	–
<i>Monthly Fees</i>				
One-bedroom apartments	\$2,971 – 4,201	\$3,946 – 4,440	\$3,558 – 4,836	\$3,732 – 4,434
Two-bedroom apartments	\$4,604 – 5,283	\$5,283 – 6,272	\$4,931 – 5,690	\$5,558 – 6,967
Homes/Cottages/Villas	–	–	\$5,241 – 5,503	–
2nd Person Monthly Fee	\$1,114	\$1,585	\$1,473	\$1,070 – 1,169
<i>Refund Options</i>	0% (shown)/80%	0% (shown)/50%/90%	0% (shown)/50%/75%	0% (shown)/90%
Assisted Living				
<i>Monthly Fees</i>	\$7,787 – 9,582	\$8,000 – \$12,000	\$6,692 – 8,869	\$7,625
<i>Care Fees</i>	–	\$943 – 9,186	\$900 – 2,600	\$624 – 1,040
Memory Care				
<i>Monthly Fees</i>	–	\$12,045	\$9,900	–
<i>Care Fees</i>	–	–	\$2,200	–
Nursing Care				
<i>Daily Rate</i>	\$580	\$547 – 607	\$530	\$450
Occupancy Rate				
<i>Independent Living</i>	41%	85%	98%	97%
<i>Assisted Living/Memory Care</i>	36%	97% / 95%	96% / 87%	50%
<i>Nursing Care</i>	78%	100%	79%	68%

Source: Management, NIC Map® Data Service and surveys conducted FORVIS through January 2023.

*Notes to Table:***The Community**

- (1) Entrance Fees shown are for the Type C - Declining plan in which residents receive priority access to the Health Center and pay the then-current published rates in the Health Center. Entrance Fees for the 80% Refund Plan under the Type C Contract range from \$249,312 to \$493,319.
- (2) In addition to the Type C Contract, the Corporation offers a Type A Contract which provides unlimited days in the Health Center. Two options are available under the Type A Contract including Life Care Option I and Life Care Option II. Entrance Fees for the Type A Contracts are non-refundable after 48 months of occupancy. Entrance Fee and Monthly Fees for the Type A Contracts are provided in Table 2 of this report.
- (3) Occupancy information as of December 31, 2022.

Bristol Glen

- (1) Bristol Glen is licensed for 60 nursing beds; however, only 33 beds are currently in operation due to staffing. Occupancy is based on the 33 beds currently in operation.
- (2) Entrance fees shown for Bristol Glen are for a non-refundable Type C contract. The organization also offers 50 percent refundable and 90 percent refundable Type C plans with entrance fees ranging from \$181,221 to \$314,046 and \$237,815 to \$370,640, respectively. Monthly fees for the 50 percent Type C contract range from \$3,551 to \$5,770 and range from \$3,946 to \$6,272 for the 90 percent refundable Type C contract.
- (3) In addition to the Type C contracts, Bristol Glen offers a Type B contract with non-refundable and 90 percent refundable options. Under the Type B contract, residents receive discounts in assisted living, memory care and nursing of \$2,500 per month for up to 36 months. Entrance fees for the non-refundable Type B plan range from \$203,165 to \$318,665 with monthly fees ranging from \$2,959 to \$5,286. Entrance Fees for the 90 percent refundable Type B plan range from \$295,565 to \$428,390 with monthly fees ranging from \$3,946 to \$6,272.
- (4) Bristol Glen also offers a rental plan with monthly fees ranging from \$5,319 to \$6,078 for one-bedroom apartments and \$7,684 to \$8,981 for two-bedroom apartments. The second person monthly fee is \$1,709.

Woodland Pond at New Paltz (“Woodland Pond”)

- (1) Entrance fees shown for Woodland Pond are for a non-refundable, Type B contract. Under the Type B contract, residents receive 60 cumulative lifetime days in the nursing beds and 30 cumulative lifetime days in the assisted living/memory care units at Woodland Pond. Once the lifetime days have been used, the resident pays the current monthly or per diem rate.
- (2) A Type A contract is available to residents for an additional entrance fee of \$141,258 for one person or \$209,062 for a couple. Woodland Pond residents who select the Type A contract continue to pay the independent living monthly fee after temporarily or permanently transferring to the assisted living units, memory care units and/or nursing beds.

The Knolls

- (1) Entrance fees shown for The Knolls are for a non-refundable, Type C contract. The community also offers a 90 percent refundable Type C contract with entrance fees ranging from \$310,598 to \$730,576. Monthly fees for the 90 percent refundable plan are the same as those reflected in the table.
- (2) In addition to the Type C contracts, The Knolls offers a Type B contract with non-refundable and a 90 percent refundable options. Under the Type B contract, residents receive 60 cumulative lifetime days of nursing care and 60 cumulative lifetime days in assisted living. Once the lifetime days have been used, the resident pays the current per diem rate. The entrance fees for the non-refundable Type B contract range from \$200,865 to \$440,919. The entrance fees for the 90 percent refundable Type B contract range from \$333,995 to \$753,974. Monthly fees for both Type B contracts range from \$3,967 to \$7,200.

Independent Living Penetration Analysis

Penetration rates are one measure of the degree to which the PMA is either under-served or saturated. As penetration rates increase, units may become more difficult to fill. However, higher penetration rates may not necessarily be an indication of the difficulty in achieving expected occupancy levels. Some markets may have a higher acceptance level for senior living housing options and may support higher penetration rates.

The Gross Market Penetration Rate is the percentage of age- and income-qualified households that the **total market** must absorb for the entire market to achieve stabilized occupancy. Market penetration is calculated by dividing the total number of existing and planned independent living units in the PMA by the number of age- and income-qualified households in the PMA. Calculations are based on demographics for the current year (2023) and projected year (2028).

In the calculation, the total independent living units located in the PMA, including the Community, are adjusted to reflect assumptions about the percentage of units expected to be filled from qualified households in the PMA and occupancy.

Penetration rates should be considered in conjunction with each other and other market factors such as occupancy levels at existing communities within and near the PMA, the number of proposed independent living units in the PMA, the design of the units and community spaces at the Community, alternatives for potential residents, and marketing plans and efforts of Management.

The following table presents the Gross Market Penetration Rate, which represents the percentage of age- and income-qualified households in the PMA that the entire market is expected to capture when the entire market has reached stabilized occupancy, assuming annual household incomes of \$50,000 and over and \$75,000 and over based upon the income qualification of communities in the PMA and demographic projections for 2023 and 2028.

Table 19
Gross Market Penetration Rate

	Income \$50,000 and Above		Income \$75,000 and Above	
	2023	2028	2023	2028
Age 75 and Above				
Market inventory of retirement communities:				
The Community	148	148	148	148
Comparable retirement communities				
Existing units ⁽¹⁾	–	–	–	–
Proposed units ⁽¹⁾	–	–	–	–
Total units in the PMA	148	148	148	148
Percent of units to be occupied from the PMA ⁽²⁾	35%	35%	35%	35%
Total units to be occupied from the PMA	52	52	52	52
Total units to be filled at 85% occupancy⁽³⁾ (a)	44	44	44	44
Number of age- and income-eligible households (b)	6,633	8,121	4,437	5,772
Market Penetration Rate (a/b)(4)	0.7%	0.5%	1.0%	0.8%

Source: Management and Claritas, Inc.

- (1) No existing or planned independent living units are located within the PMA.
- (2) Based on Resident information provided by Management as of November 30, 2022.
- (3) Management assumes a stabilized occupancy rate of 85 percent for the Independent Living Units.
- (4) Assuming a 70 percent draw from the PMA, the penetration rates in 2028 would increase to 1.2% and 1.6% for the \$50,000 and \$75,000 income qualifications, respectively.

Description and Utilization of Assisted Living

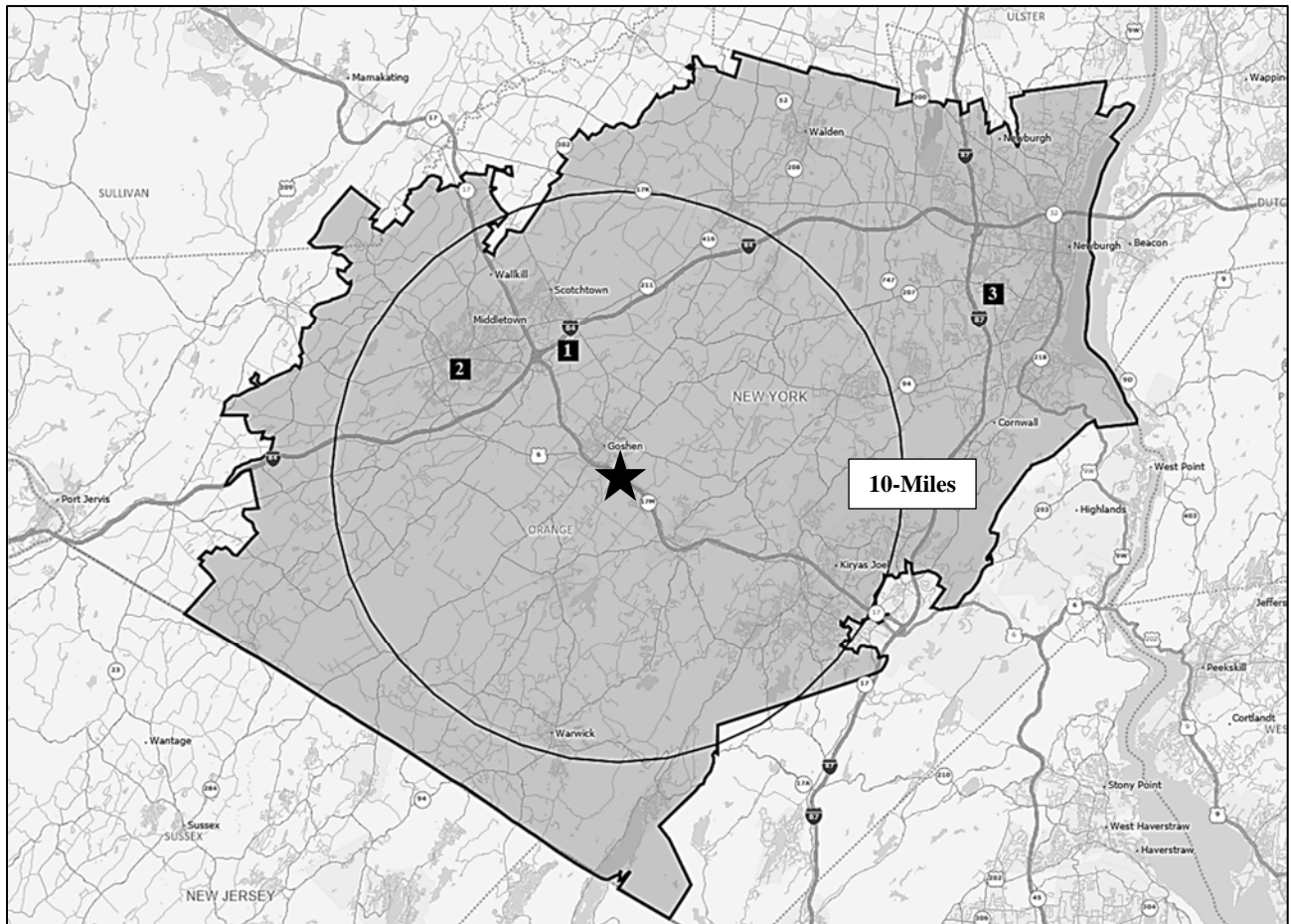
Assisted living facilities in New York are regulated by the NYSDOH and have traditionally been licensed as an Adult Home, Enriched Housing Program (“EHP”), Assisted Living Residence (“ALR”) and/or an Assisted Living Program (“ALP”).

- An Adult Home is established and operated for the purpose of providing long-term care, room, board, housekeeping, personal care and supervision to five or more adults unrelated to the operator.
- An EHP provides the same services as an Adult Home but is required to provide these services primarily to persons age 65 or older in community-integrated settings resembling independent housing units. The Assisted Living Units are licensed under the EHP.
- An ALR is a certified Adult Home or EHP in accordance with Article 7 of the Social Services Law that has been approved by the NYSDOH for licensure to provide or arrange for housing, 24-hour on-site monitoring and personal care services and/or home care services in a home-like setting to five or more adult residents. ALRs must provide daily meals and snacks, case management services and are required to develop an individualized service plan. The law also provides important consumer protections for people who reside in an ALR.
- An ALP, which is available in some Adult Homes and EHPs, combines residential and home care services and is Medicaid funded. It is designed as an alternative to nursing home placement for individuals who have historically been admitted to residential health care facilities for reasons that are primarily social rather than medical in nature. ALP operators are responsible for providing or arranging for residents to have room, board, housekeeping, supervision, personal care, case management and home health services. The ALP is a Medicaid funded service for personal care services.

The Assisted Living Reform Act – Chapter 2 of the Laws of 2004 (the “Act”), created three new certification categories for ALRs: Basic ALRs (“BALR”), Enhanced ALR (“EALR”) and Special Needs ALRs (“SNARL”).

- BALRs are designed to meet the individual’s social and residential needs, while also encouraging and assisting with ADLs.
- EALRs may admit and retain residents who exceed the retention standards of Adult Homes, EHPs, and ALRs, but may not admit residents in need of 24-hour residential health care. EALRs have the flexibility to retain residents whose care needs increase if the resident hires appropriate nursing, medical, or hospice staff to provide the care required. People in EALRs may require more assistance with ADLs than in a BALR.
- SNALRs serve individuals with special care needs including but not limited to dementia or cognitive impairments. In order for an Adult Home to admit individuals requiring special care related to dementia or cognitive impairments, the facility must submit a written description of the specialized services, staffing levels, staff education and training, work experience, environmental modifications and policies and procedures reflective of the special needs guidelines and be approved for the additional SNALR license.

The following map depicts the Community and the three comparable assisted living communities located within the PMA.



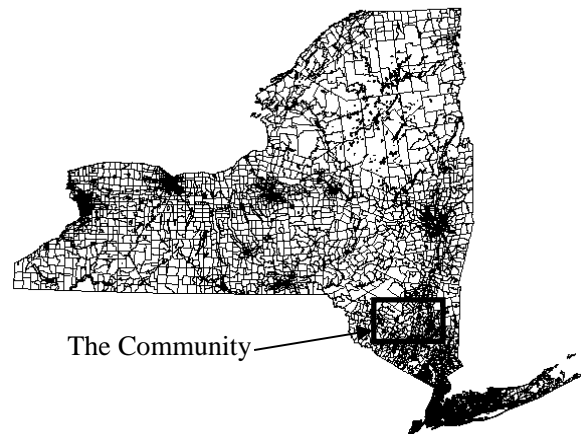
Legend

- ★ The Community
- The PMA
- 10-Mile Radius

Existing Comparable Assisted Living Facilities

- 1 – Braemar at Walkill
- 2 – Promenade at Middletown
- 3 – New Windsor Country Inn

New York



Source: Caliper Maptitude and MapInfo

Existing Assisted Living Facilities Located Within the PMA

The following table summarizes the number of units, the percentage occupied and current monthly fees of the comparable existing assisted living facilities (facilities with 20 or more units) located within the PMA, based on surveys conducted through January 2023.

Table 20
Comparable Assisted Living Facilities Located Within the PMA

Facility Name	Driving Distance (in miles)	Year Opened	Number of Assisted Living Units	Number of Memory Support Units	Square Footage	Occupancy Percentage	Assisted Living Monthly Fees	Memory Care Monthly Fees	Level of Care Fees
The Community	–	1996	28	–	579 – 646	36%	\$7,787 – 9,582	–	All-inclusive
Braemar at Wallkill	6.7	2015	75	15	370 – 540	91%	\$5,500 – 6,500	\$8,900 – 9,900	I: \$960 II: \$1,780 III: \$2,600 IV: \$3,340
Promenade at Middletown	8.5	1990	104	–	300 – 500	80%	\$3,422 – 5,323	–	I: \$760 II: \$1,369 III: \$1,977 IV: \$2,585
New Windsor Country Inn	17.7	1983	35	–	300	86%	\$4,900	–	All-Inclusive
Totals/Weighted Average (excluding the Community)			214	15		85%			

Source: Management, NIC Map[®] Data Service and surveys conducted by FORVIS through January 2023.

Notes to the Table:**The Community**

- (a) Occupancy information as of December 31, 2022.

Braemar at Wallkill

- (a) Braemar at Wallkill is licensed for a total of 200 beds. In addition to the 75 assisted living units (88 beds) and 15 memory support units (24 beds), the community offers 40 ALP units (88 beds).
 (b) A one-time community fee of \$5,000 is required upon move-in.
 (c) Residents who require EALR services pay a monthly fee of \$1,640 in addition to the level of care fee.
 (d) Companion suites are available in assisted living and memory support with a monthly fee of \$4,500 and \$7,900, respectively.

Promenade at Middletown

- (a) Promenade at Middletown is licensed for 200 beds, which includes 131 beds that could be utilized under the ALP program either by market-rate residents who spend down their assets or through direct admissions. Approximately 75 percent of residents are market rate residents.
 (b) A one-time, non-refundable community fee equal to \$3,000 is required upon move-in.

New Windsor Country Inn (“New Windsor”)

- (a) Companion suites are available for \$3,900 per month.
 (b) New Windsor is licensed for 86 beds; however, only 35 units (40 beds) are in operation due to renovations or storage use. Occupancy shown reflects the occupancy of units currently in operation.

Non-Comparable Assisted Living Facilities Located Within the PMA

The majority of units at Eliot at Erie Station and Mount Alverno Center are licensed as ALP units and therefore, are not considered to be comparable to the Community. Eliot at Erie Station, located approximately nine miles northwest of the Community, is licensed for 120 ALP beds and 16 ALR/EALR beds. Mount Alverno Center, 18 miles northeast of the Community, is licensed for 55 ALP beds and 30 Adult Home beds.

Planned Assisted Living and Memory Care Developments

Based on discussions with representatives of the local planning agencies and interviews with existing assisted living facilities and retirement communities, two assisted living communities are planned within the PMA.

Roze New Windsor

Roze New Windsor is a proposed assisted living and memory care community to be located approximately 18 miles northeast of the Community at 679 Little Britain Road in New Windsor. The proposed project, which is expected to include 60 beds, is currently under review with the NYSDOH for approval. Roze New Windsor Realty LLC is expected to be the operator.

Crestmoore at New Windsor

Crestmoore at New Windsor is a proposed assisted living community to be located approximately 19 miles northeast of the Community in New Windsor on the site of a former golf driving range and mini-golf course. The project, which is expected to include 133 assisted living units (190 beds), has been temporarily delayed as a new developer and general contractor are in the process of assuming the project. Construction timing has not been determined.

Description and Utilization of Nursing Beds

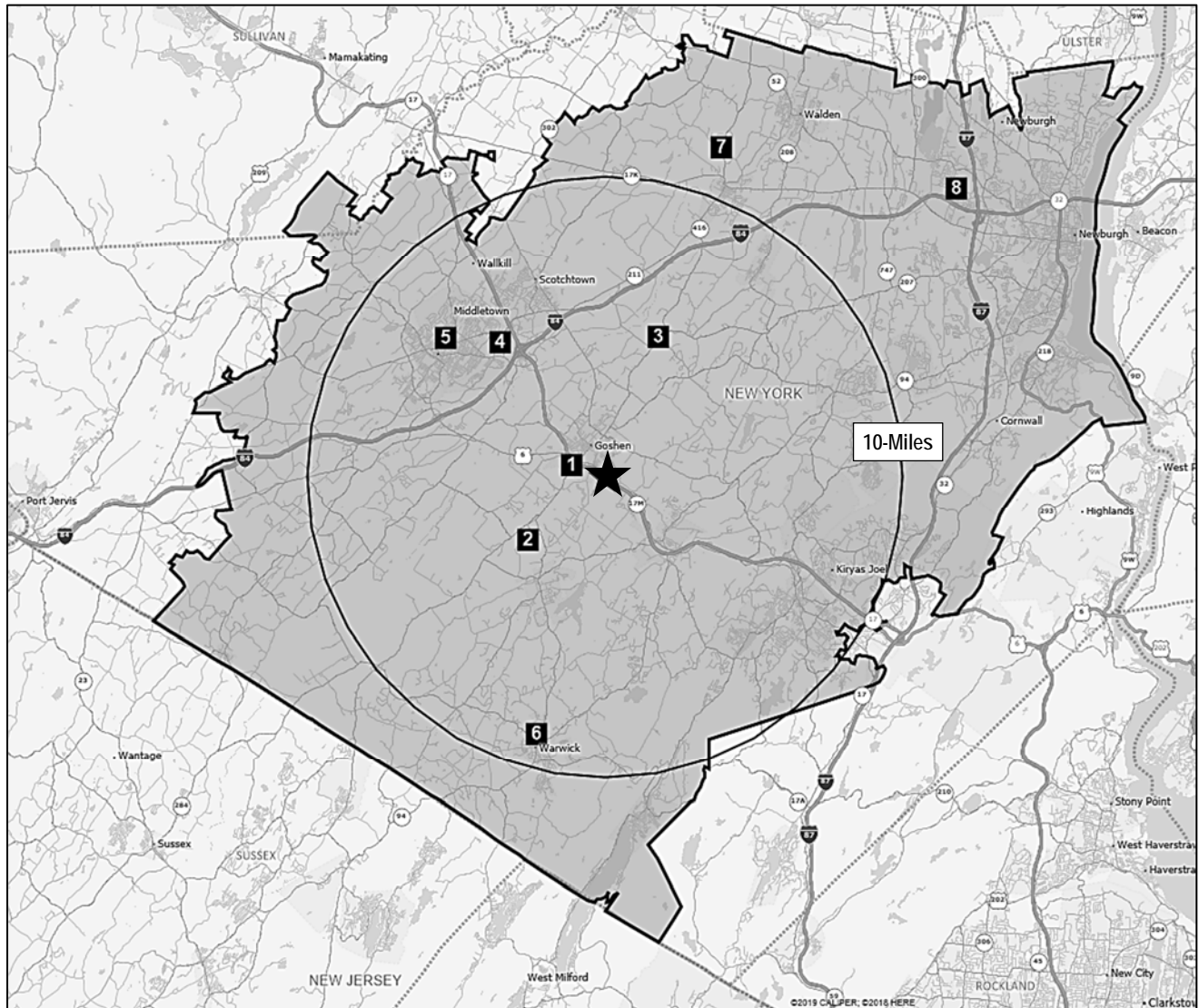
The NYSDOH governs the establishment and construction of health care facilities through the Certificate of Need (“CON”) process. CON applications are required for all health care facilities that propose construction, acquisition of major medical equipment, changes in ownership and the addition of services.

New York uses a variety of criteria to determine if a geographic area is in need of skilled nursing beds. Public need is assessed based on population demographics, service utilization patterns, epidemiology of selected diseases and conditions and access to services. Financial feasibility is also considered based on expenses, projected revenues, current financial status, and capacity to retire debt. The character and competence of the applicant is measured based on past performance in operating a health care service, including records of violations, if any, and whether a substantially high level of care was maintained. Applicants without experience in health care services are evaluated based on compliance with laws and practices pertinent to their professional experience.

A full CON review is required when a facility changes ownership. Additionally, Subdivision 2-b of Article 2801-a of the New York Public Health Law, established in March 2022, requires notification of a change in operator or ownership to residents, staff and other stakeholders. The New York Public Health and Health Planning Council oversees the CON process and reviews all proposals related to changes in ownership.

The Nursing Beds are licensed and regulated by the NYSDOH and comply with the Long-Term Care Facilities Code.

The following map depicts the Community and the nursing facilities located within the PMA.



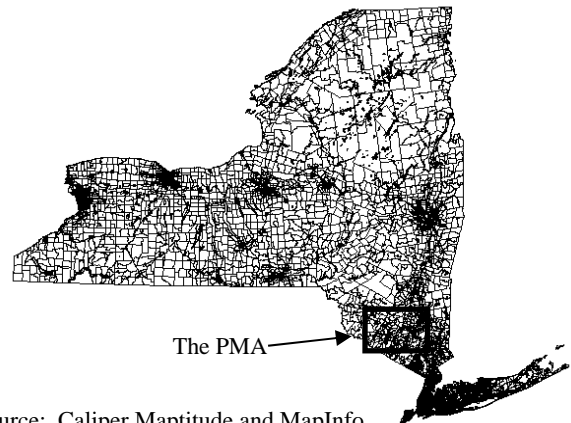
Legend

- ★ The Community
- The PMA
- 10-Mile Radius

Existing Nursing Facilities Within the PMA

- 1 – Sapphire Nursing and Rehabilitation at Goshen
- 2 – Valley View Center for Nursing and Rehabilitation
- 3 – Campbell Hall Healthcare and Rehabilitation Center
- 4 – Middletown Park Rehabilitation and Healthcare
- 5 – Highland Rehabilitation and Nursing Center
- 6 – Schervier Pavilion
- 7 – Montgomery Nursing and Rehabilitation
- 8 – Sapphire Nursing at Meadow Hill

New York



Source: Caliper Maptitude and MapInfo

See Independent Accountants' Examination Report

Existing Nursing Facilities Located Within the PMA

The following table identifies the Community, the eight nursing facilities located within the PMA and summarizes the number of nursing beds, daily charges, occupancy rates and payor mix based on surveys conducted through January 2023.

Table 21
Existing Nursing Facilities Located Within the PMA

Facility Name	Driving Distance (in miles)	Year Opened	Medicare Star Rating ⁽¹⁾	Total Beds	Current Occupancy	Daily Rates		Payor Mix		
						Private	Semi-private	Private/Other	Medicare	Medicaid
The Community ⁽²⁾	–	2002	4 Stars	40	78%	\$580	–	56%	39%	5%
Sapphire Nursing and Rehabilitation at Goshen	0.3	1986	2 Stars	120	90%	\$525	\$485	34%	21%	45%
Valley View Center for Nursing and Rehabilitation ⁽³⁾	4.5	1993	2 Stars	270	87%	\$460	\$440	8%	10%	82%
Campbell Hall Healthcare and Rehabilitation Center	5.8	1986	1 Star	134	85%	\$417	\$401	8%	13%	79%
Middletown Park Rehabilitation and Healthcare	7.8	1978	5 Stars	230	90%	\$460	\$435	14%	28%	58%
Highland Rehabilitation and Nursing Center	9.6	1976	1 Star	98	96%	\$573	\$564	19%	19%	62%
Schervier Pavilion ⁽⁴⁾	10.8	1995	4 Stars	120	83%	\$434	\$395	28%	10%	62%
Montgomery Nursing & Rehabilitation	13.2	1973	3 Stars	100	93%	\$450	\$420	15%	25%	60%
Sapphire Nursing at Meadow Hill	22.5	1972	1 Star	190	93%	\$534	\$525	14%	21%	65%
Total Number of Beds/Weighted Averages Occupancy (excluding the Community)				1,262	89%					

Source: Management, NYSDOH and surveys conducted by FORVIS through January 2023.

- (1) The Medicare Nursing Home Five Star Quality Rating System (the “Star Rating”) is an annual rating based on the combined results of the health inspection, staffing and quality measures completed during each nursing homes’ annual survey, and the maximum score is five stars.
- (2) Occupancy information as of December 31, 2022.
- (3) Valley View Center for Nursing and Rehabilitation is licensed for 360 and is currently operating less beds due to staffing.
- (4) Schervier Pavilion is licensed for 120 beds and is currently operating 60 beds due to staffing. Occupancy shown reflects nursing beds in operation.

Planned Nursing Developments

Based on discussions with representatives of the local planning agencies and interviews with existing nursing facilities and retirement communities, one nursing facility is planned within the PMA.

Lakeview Nursing Home

Lakeview Nursing Home is a proposed 165-bed nursing home to be located at the intersection of Midland Lake and O’Brien Roads in Middletown, approximately nine miles northwest of the Community. The project developer, Eco Lake Cancer Society, Inc., is seeking approvals from the Town of Wallkill and has not yet submitted a CON application with the NYSDOH.

Summary of Significant Accounting Policies

(a) Basis of Accounting

The Corporation maintains its accounting and financial records according to the accrual basis of accounting.

(b) Cash and Cash Equivalents

Cash and cash equivalents, excluding those classified as assets whose use is limited, include certain investments in highly liquid instruments, including short-term debt securities and money market funds with original maturities of three months or less when purchased.

(c) Restricted Cash

The Corporation has adopted FASB ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end of period total amounts shown on the statement of cash flows.

(d) Assets Limited as to Use

Assets limited as to use include amounts set aside for future capital expenditures, debt service obligations, and general reserves. The Board also has set aside an amount to meet the operating reserve requirements of the Insurance Department for the State of New York Regulation No. 140. Assets limited as to use under the Master Trust Indenture (hereinafter defined) consist of the proceeds of borrowing set aside for debt service, issuance, and principal fund reserves.

Provisions of the Insurance Department for the State of New York Regulation No. 140 requires CCRCs to maintain an operating reserve (the "Operating Reserve") equal to 35 percent of the total projected operating costs in a given year. The Operating Reserve is assumed to be applied to pay operating expenses of the Community to the extent that other moneys are not available. Management's projection shows sufficient cash and investment balances to comply with the Operating Reserve requirement throughout the projection period, provided that a waiver to step up the requirement is approved.

(e) Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Contributed property is recorded at the estimated fair value at the date of receipt. Depreciation is computed under the straight-line method and is based on estimated useful lives of 5 to 40 years for building and improvements, and 3 to 15 years for major moveable equipment. The cost of maintenance and repairs is expensed as incurred.

(f) Goodwill

Cost of investments in purchased assets in excess of the underlying fair value of net assets at dates of acquisition are recorded as goodwill and assessed annually for impairment. For the purpose of the projection, goodwill impairment was not tested by Management.

(g) Deferred Revenue from Entrance Fees

The non-refundable portion of an Entrance Fee is amortized into income over the estimated remaining life expectancy of the Residents in the Independent Living Units.

(h) Refundable Entrance Fees

Refundable Entrance Fees received are deferred and the refundable portion of the Entrance Fee is maintained as a liability, reflecting the Corporation's future obligation for repayment.

(i) Debt Issuance Costs

Financing costs associated with the issuance of the proposed Series 2023 Bonds are assumed to be capitalized and amortized using the straight-line method over the term of the related debt. The debt issuance costs are netted against the related debt on the projected statements of financial position and the amortization is included in interest expense on the projected statements of revenues, other support, expenses and changes in net assets (deficit).

(j) Tax-Exempt Status

The Corporation is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying projected financial statements do not reflect a provision or liability for federal and state income taxes.

(k) Estimated Obligation to Provide Future Service and Use of Facilities for Continuing Care Residents

Management calculates the present value of the net cost of future services and the use of facilities to be provided to current Residents and compares that amount with the balance of deferred revenue from Entrance Fees. The obligation to provide future services to Residents represents the estimated net future costs to serve Residents, net of revenue from those Residents, who were parties to a Residency Agreement on the Corporation's fiscal year end. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded. For purposes of the projection, no provision for future service obligations is assumed to be required during the projection period.

(l) Leases

The FASB issued ASU No. 2016-02, Lease Accounting Standard in February 2016. ASU 2016-02 which requires all leases with lease terms over twelve months to be capitalized as a right-of-use asset and lease liability on the projected statement of financial position at the date of lease commencement. Leases are to be classified as either finance or operating. This distinction is relevant for the pattern of expense recognition in the projected statements of revenues, other support, expenses and changes in net deficit. The provisions of ASU No. 2016-02 are effective for the purpose of Management's projection.

Summary of Revenue and Entrance Fee Assumptions***Independent Living Revenue***

Independent living service revenue is based upon charges for services provided to Residents of the Independent Living Units. Resident service revenue for Independent Living Units is based upon the assumed occupancy and the Monthly Fee of the respective unit. Management assumes that Monthly Fees for Independent Living Units increase 3.0 percent annually during the projection period.

The Independent Living Units are assumed to be approximately 47 percent occupied during the fiscal year ending December 31, 2023, increasing during the fiscal years ending December 31, 2024 and through December 31, 2027 to achieve approximately 85 percent occupancy in August 2027 and throughout the remainder of the projection.

The following table summarizes the historical and projected utilization of the Independent Living Units.

Years ending December 31,	Average Number of Units Occupied	Available Number of Units Available	Average Occupancy Percentage
Historical:			
2020	71.0	148.0	48.0%
2021	66.6	148.0	45.0%
2022	61.5	148.0	41.6%
Projected:			
2023 ⁽¹⁾	70.1	148.0	47.4%
2024	91.7	148.0	62.0%
2025	103.4	148.0	69.9%
2026	112.8	148.0	76.2%
2027	123.3	148.0	83.3%
2028	126.0	148.0	85.1%

Source: Management

- (1) Occupancy of the Independent Living Units is anticipated to increase over a 56-month period at an average of approximately 1.2 units per month and then stabilize at 85.0 percent by August 2027 and throughout the remainder of the projection.

The double occupancy rate for the Independent Living Units is assumed to approximate 16 percent in fiscal year 2023, approximately 19 percent in fiscal year 2024, approximately 20 percent in fiscal year 2025, approximately 20 percent in fiscal year 2026, approximately 19 percent in fiscal year 2027, and approximately 18 percent in fiscal year 2028 as provided by Continuing Care Actuaries (the "Actuary").

See Independent Accountants' Examination Report

The following table summarizes the move-in assumptions for the Independent Living Units during the projection period through stabilized occupancy.

Fiscal Year/Quarter	Beginning Occupancy	Move-Ins Net	Ending Occupancy	Cumulative Percentage ⁽¹⁾
2023				
Q2	60.0	7.0	67.0	45.3%
Q3	67.0	9.0	76.0	51.4%
Q4	76.0	6.0	82.0	55.4%
2024				
Q1	82.0	4.0	86.0	58.1%
Q2	86.0	5.0	91.0	61.5%
Q3	91.0	5.0	96.0	64.9%
Q4	96.0	3.0	99.0	66.9%
2025				
Q1	99.0	2.0	101.0	68.2%
Q2	101.0	2.0	103.0	69.6%
Q3	103.0	3.0	106.0	71.6%
Q4	106.0	2.0	108.0	73.0%
2026				
Q1	108.0	2.0	110.0	74.3%
Q2	110.0	3.0	113.0	76.4%
Q3	113.0	2.0	115.0	77.7%
Q4	115.0	3.0	118.0	79.7%
2027				
Q1	118.0	3.0	121.0	81.8%
Q2	121.0	3.0	124.0	83.8%
Q3	124.0	2.0	126.0	85.1%
Total		66.0	126.0	85.1%

Source: Management

(1) Cumulative percentage is based on 148 available Independent Living Units.

Entrance Fee Receipts and Refunds

The assumed turnover for the Independent Living Units due to death, withdrawal, or transfer to assisted living, or nursing accommodations, the number and amount of annual resident Entrance Fee refunds, and double occupancy of the Independent Living Units has been provided by the Actuary. Refunds of Entrance Fees are generated upon termination of the Residency Agreement and withdrawal from the Community, subject to the re-occupancy of the vacated Independent Living Units. Entrance Fees may be generated from Independent Living Units turning over without a corresponding refund because the Resident has not withdrawn from the Community but has permanently transferred to the Health Center. The assumed number and amount of refunds for the Independent Living Units is provided by the Actuary.

The following table presents the assumed Entrance Fees to be received and refunded.

Years Ending December 31,	2023	2024	2025	2026	2027	2028
<i>Entrance Fees Received</i>						
Number of Entrance Fees received from vacant Independent Living Units	22.0	17.0	9.0	10.0	8.0	-
Number of Entrance Fees received from Independent Living Units turnover	8.9	13.5	14.9	16.1	17.3	18.2
Entrance Fees received	\$10,681	\$10,871	\$8,849	\$10,066	\$10,145	\$7,574
Entrance Fee Refunds	(\$1,461)	(\$1,863)	(\$1,899)	(\$1,873)	(\$1,894)	(\$1,892)
Total Entrance Fees Received, Net of Refunds	\$9,220	\$9,008	\$6,950	\$8,193	\$8,251	\$5,682

Source: Management and the Actuary

Assisted Living Revenue

Assisted Living Units fees are assumed to be generated from services provided to Residents transferring from the Independent Living Units as well as direct admissions from the local surrounding area. Management assumes the Monthly Fees for the Assisted Living Units increase 3.0 percent annually during the projection period.

Occupancy of the Assisted Living Units is projected to increase during the fiscal year ending December 31, 2023 to achieve approximately 61 percent by October 2023 and throughout the remainder of the projection.

The following table summarizes the historical and projected utilization of the Assisted Living Units.

Years Ending December 31,	Average Number of Units Occupied	Average Number of Units Available	Average Occupancy Percentage
<i>Historical</i>			
2020	10.6	28.0	37.9%
2021	10.1	28.0	36.1%
2022	9.5	28.0	33.9%
<i>Projected:</i>			
2023 ⁽²⁾	15.3	28.0	54.6%
2024	17.0	28.0	60.7%
2025	17.0	28.0	60.7%
2026	17.0	28.0	60.7%
2027	17.0	28.0	60.7%
2028	17.0	28.0	60.7%

Source: Management

On December 31, 2023, the Assisted Living Units were 35.7 percent (10 units) occupied.

Healthcare Revenue

Healthcare revenue is based upon charges for services provided to Residents transferring from the Independent Living Units, Assisted Living Units, and direct admissions from the local surrounding area. Management assumes that the Daily Fees increase 3.0 percent annually throughout the projection period.

The Nursing Beds are assumed to be approximately 78 percent occupied during the fiscal year ending December 31, 2023, increasing during the fiscal years ending December 31, 2024 and through December 31, 2027 to achieve approximately 86 percent occupancy in January 2028 and throughout the remainder of the projection.

The following table summarizes the average historical and assumed utilization of the Nursing Beds.

Table 26
Utilization of the Nursing Beds

Years Ending December 31,	Contract Residents	Medicare	Medicaid	Direct Admit/ Private Insurance	Average Nursing Beds Occupied	Average Nursing Beds Available	Average Occupancy Percentage
<i>Historical</i>							
2020	23.6	5.6	1.7	4.2	35.1	40.0	87.8%
2021	22.0	5.9	4.3	0.2	32.4	40.0	81.0%
2022	15.1	7.4	3.1	5.7	31.3	40.0	78.3%
<i>Projected:</i>							
2023	18.4	8.1	3.0	1.6	31.1	40.0	77.8%
2024	20.4	8.4	3.1	0.8	32.7	40.0	81.8%
2025	20.3	8.5	3.2	1.1	33.1	40.0	82.8%
2026	20.2	8.5	3.2	1.2	33.1	40.0	82.8%
2027	20.6	8.5	3.2	0.8	33.1	40.0	82.8%
2028	21.4	8.8	3.3	0.8	34.3	40.0	85.8%

Source: Management

On December 31, 2023, the Nursing Beds were 78.2 percent (31.3 beds) occupied.

Investment Income

Interest earnings are assumed to approximate 3.0 percent annually on the Corporation's cash, investments, and the working capital fund accounts. Management has assumed average annual rates of return of 3.0 percent on the Debt Service Reserve Funds.

Other Income

Other operating revenue consists of revenues from additional resident meals and snacks, guest meals, guest apartment rentals, barber and beauty fees, and other miscellaneous sources. These revenues are projected by Management to increase 3.0 percent annually throughout the projection period.

Summary of Expense Assumptions

Operating expenses are estimated by Management based upon the historical experience of Management. Staff salaries and wages are projected by Management based on its historical experience and prevailing local salary and wage rates. Salary and wage costs are assumed to increase 3.0 percent annually throughout the projection period. The cost of employee fringe benefits, consisting primarily of payroll taxes, health insurance and other costs are assumed to approximate 37 percent of salaries and wages throughout the projection.

The following table summarizes the staffing levels during the projection period for all departments.

Table 27
Schedule of Staffing Levels (FTEs)

Department	2023	2028
Nursing (Health Center)	20.3	20.3
Enriched Housing	5.3	5.3
Resident Services	5.1	5.1
Therapy and Clinical Services	3.5	3.5
Dining	8.6	12.5
Environmental Services	7.0	7.0
Housekeeping & Laundry	3.7	5.8
Administration	3.5	3.5
Marketing	3.0	3.0
Total FTEs	60.0	66.0

Source: Management

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance, PILOT payments, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses. The cost of these non-salary operating expenses is assumed by Management to increase 3.0 percent annually throughout the projection period.

Assets Limited as to Use

The following funds and accounts are assumed to be held in association with the Series 1998 Bonds and Series 2023 Bonds, upon issuance:

- Assets Limited as to Use, current, which contains the bond principal and interest payments to be used for payment of debt service on the Series 1998 Bonds and Series 2023 Bonds.
- Debt Service Reserve Fund – Series 1998 Bonds is assumed to be replenished, funded with cash from operations, pursuant to the Cash Waterfall.
- Debt Service Reserve Fund – Series 2023 Bonds is assumed to be established, funded with cash from operations, pursuant to the Cash Waterfall.

The Corporation designates a portion of its cash and cash equivalents as an operating reserve (“Cash and Cash Equivalent - Operating Reserve”) based on the provisions of the Insurance Department for the State of New York Regulation No. 140. The fund is assumed to be applied to pay operating expenses of the Community to the extent that other moneys are not available.

Property and Equipment and Depreciation Expense

The Corporation is assumed to incur routine capital additions during the projection period that will be capitalized as property and equipment. Depreciation expense is computed based on the straight-line method for buildings and equipment over the estimated average useful lives of the related assets.

The Corporation’s property and equipment costs, net of accumulated depreciation, during the projection period are summarized in the table below.

Table 28
Schedule of Property and Equipment
(In Thousands)

Years Ending December 31,	2023	2024	2025	2026	2027	2028
Property and equipment, gross beginning balance	\$ -	\$ 51,841	\$ 52,783	\$ 53,544	\$ 54,367	\$ 55,187
Acquisition (gross) ⁽¹⁾	49,323	-	-	-	-	-
Costs related to Acquisition	502	-	-	-	-	-
Routine capital additions	2,016	942	761	823	820	633
Property and equipment, gross	51,841	52,783	53,544	54,367	55,187	55,820
Accumulated depreciation, net ⁽¹⁾	(37,889)	(39,383)	(40,962)	(42,621)	(44,362)	(46,175)
Property and equipment, net Ending Balance	\$ 13,952	\$ 13,400	\$ 12,582	\$ 11,746	\$ 10,825	\$ 9,645

Source: Management

(1) The Purchased Assets are assumed to include gross property and equipment of \$49,323,000 and accumulated depreciation of \$36,854,000.

Long-Term Debt and Interest Expense

As of December 31, 2022, Glen Arden reported Existing Debt outstanding of approximately \$14,070,000.

SBA Loan

As of December 31, 2022, approximately \$500,000 of a Small Business Administration loan (the “SBA Loan”) remained outstanding. The SBA Loan has an assumed interest rate 2.75 percent per annum and a term of 30 years, with fixed installment payments including principal and interest of \$2,300 per month.

Series 1998 Bonds

In 1998, the Orange County Industrial Development Agency issued the Series 1998 Bonds, the proceeds of which were used to refinance current outstanding bonds at that time; fund certain capital expenditures; fund reserves; and pay the cost of issuance. As of December 31, 2022, approximately \$13,570,000 of the Series 1998 Bonds were outstanding. The Series 1998 Bonds final maturity is in January 2028. Interest on the Series 1998 Bonds is payable January 1 and July 1 of each year, at a coupon rate of 5.7 percent per annum.

Glen Arden is currently under the terms of a Forbearance Agreement after events of default occurred including failure to make interest and principal payments on the Series 1998 Bonds. Based on the terms of the Asset Purchase Agreement, the Corporation is to assume the Series 1998 Bonds as part of the Acquisition. Management assumes that the outstanding principal payments in the amount of \$3,770,000 will be paid during the projection period in accordance with the terms of the Cash Waterfall as described above and set forth by an assumed amendment to the Forbearance Agreement.

Series 2023 Bonds

During the projection period, the Corporation intends to cause the issuance of the \$4,500,000 of Series 2023 Bonds to fund working capital, statutory reserves, and payment of outstanding accrued tax and rent liabilities. The Series 2023 Bonds are assumed to consist of \$4,500,000 non-rated, taxable fixed rate bonds, with an assumed coupon rate of 8.0 percent per annum. Interest on the Series 2023 Bonds is to be payable January 1 and July 1 of each year beginning July 1, 2023. Principal on the Series 2023 Bonds is to be paid annually commencing January 1, 2026 with a final maturity on January 1, 2043. Management assumes that principal on the Series 2023 Bonds will be prepaid during fiscal years 2023 and 2024 with available funds subsequent to any required Cash Waterfall payments.

The following table presents the assumed annual debt service for the SBA Loan, Series 1998 Bonds and the Series 2023 Bonds during the projection period and thereafter.

Table 29
Long-Term Debt and Interest Payments
(In Thousands)

Years Ending December 31,	<u>SBA Loan</u>		<u>Series 1998 Bonds</u>			<u>Series 2023 Bonds</u>		Total Debt Service
	Principal	Interest	Cash Waterfall Principal	Scheduled Principal	Interest	Principal	Interest	
2023	\$ 13	\$ 12	\$ -	\$ -	\$ 780	\$ -	\$ 90	\$ 895
2024	14	13	3,770	1,400	683	427	343	6,650
2025	15	13	-	1,480	440	1,692	258	3,898
2026	15	12	-	1,565	353	2,381	95	4,421
2027	16	12	-	1,650	260	-	-	1,938
2028	16	12	-	3,705	107	-	-	3,840
Thereafter	411	119	-	-	-	-	-	530
TOTAL	\$ 500	\$ 193	\$ 3,770	\$ 9,800	\$ 2,623	\$ 4,500	\$ 786	\$ 22,172

Source: Management

Ground Lease Asset and Liability

The Ground Lease is assumed to include an approximate \$5,469,000 present value of annual minimum lease payments of \$197,512 due over a term ending June 1, 2097, discounted at 3.25 percent (“Present Value”). Management assumes that the lease asset is amortized over on a straight-line basis to the end of the lease term. Management assumes that the lease liability is recorded at the Present Value of the Ground Lease and further reduced by the assumed principal payments associated with the Ground Lease.

Current Assets and Current Liabilities

Operating expenses exclude depreciation, other non-cash expenses and interest expense. Operating revenues include Monthly Fees and Health Center per diem fees. Working capital components have been estimated based on industry standards and Management’s historical experience as follows:

Accounts receivable	15	days operating revenues
Prepaid expenses	10	days operating expenses
Accounts payable	60	days operating expenses
Accrued expenses	46	days operating expenses

Source: Management



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INDEPENDENT ACCOUNTANTS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
The Knolls at Goshen, Inc.
Goshen, New York

Our examination of the financial projection presented in the preceding section of this document was made for the purpose of forming an opinion on whether the financial projection is presented in conformity with AICPA guidelines for the presentation of a projection and that the underlying assumptions provide a reasonable basis for the projection. The examination was undertaken to evaluate the Corporation's ability to generate sufficient funds to meet its operating expenses, working capital needs and other financial requirements, including the debt service requirements associated with the Series 1998 Bonds and the proposed Series 2023 Bonds based on Management's assumptions of future operations of the Corporation and the Hypothetical Assumptions. However, future events could occur which could adversely affect the financial projection of the Corporation and its ability to meet debt service requirements. These factors include, among others, legislation and regulatory action, changes in assumptions concerning occupancy, the rate of entrance fee producing unit turnover, per diem rates, financing and operating costs.

The following supplemental information is presented for purposes of demonstrating the Corporation's estimated financial performance for the fiscal years ending December 31, 2029 through December 31, 2032. Such information has not been subjected to procedures applied in the examination of the financial projection and, accordingly, we express no opinion or any other form of assurance on it.

FORVIS,LLP

Atlanta, Georgia
February 10, 2023

Projected Statements of Revenues, Other Support, Expenses and Changes in Net Assets
For Each of the Four Years Ending December 31, 2029 through December 31, 2032
(In Thousands of Dollars)

	2029	2030	2031	2032
Revenues and other support				
Net resident service revenue:				
Independent living revenue	\$ 8,416	\$ 8,668	\$ 8,928	\$ 9,196
Assisted living revenue	1,062	1,094	1,127	1,161
Healthcare revenue	4,506	4,641	4,780	4,937
Amortization of deferred entrance fees	2,339	2,325	2,282	2,244
Investment income	793	1,030	1,288	1,422
Other operating revenue	25	26	27	27
Total revenues and other support	17,141	17,784	18,432	18,987
Expenses				
Nursing (Health Center)	2,367	2,438	2,511	2,586
Enriched housing	378	389	401	413
Resident services	417	430	443	456
Therapy and clinical services	823	848	874	900
Dining	2,596	2,674	2,754	2,841
Environmental services	906	933	961	990
Housekeeping & laundry	708	729	751	774
Utilities	988	1,018	1,049	1,080
Administration	2,221	2,294	2,368	2,446
Marketing	515	531	546	563
NYS Assessment and PILOT	689	710	731	753
Land Lease	198	198	198	198
Interest	11	11	10	10
Depreciation	1,878	1,947	2,018	2,092
Total expenses	14,695	15,150	15,615	16,102
Excess of operating revenues over expenses	2,446	2,634	2,817	2,885
Non-operating gains:				
Change in net assets	2,446	2,634	2,817	2,885
Net assets, beginning of year	3,248	5,694	8,328	11,145
Net assets, end of year	\$ 5,694	\$ 8,328	\$ 11,145	\$ 14,030

Projected Statements of Cash Flows
For Each of the Four Years Ending December 31, 2029 through December 31, 2032
(In Thousands of Dollars)

	2029	2030	2031	2032
Cash flows from operating activities:				
Change in net assets	2,446	2,634	2,817	2,885
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	1,878	1,947	2,018	2,092
Amortization of deferred entrance fees	(2,339)	(2,325)	(2,282)	(2,244)
Net change in right-of-use asset and lease liability	-	-	(1)	(1)
Net change in current assets and liabilities	81	86	84	89
Entrance fees received - attrition (non-refundable)	806	852	900	941
Net cash provided by (used in) operating activities	2,872	3,194	3,536	3,762
Cash flows from investing activities:				
Purchase of property and equipment	(666)	(697)	(730)	(755)
Net cash used in investing activities	(666)	(697)	(730)	(755)
Cash flows from financing activities:				
Entrance fees received - attrition (refundable)	7,249	7,669	8,102	8,472
Entrance fees refunded - current contracts	(1,866)	(1,886)	(1,962)	(2,035)
Principal payments on SBA Loan	(17)	(17)	(17)	(18)
Net cash provided by financing activities	5,366	5,766	6,123	6,419
Change in cash, cash equivalents, and restricted cash	7,572	8,263	8,929	9,426
Cash, cash equivalents, and restricted cash at beginning of year	22,645	30,217	38,480	47,409
Cash, cash equivalents, and restricted cash at end of year	\$ 30,217	\$ 38,480	\$ 47,409	\$ 56,835
Reconciliation of cash, cash equivalents, and restricted cash:				
Cash and cash equivalents	\$ 21,912	\$ 29,914	\$ 38,575	\$ 47,729
Cash and cash equivalents - operating reserve	8,305	8,566	8,834	9,106
Cash, cash equivalents, and restricted cash	\$ 30,217	\$ 38,480	\$ 47,409	\$ 56,835

Projected Statements of Financial Position
As of December 31, 2029 through December 31, 2032
(In Thousands of Dollars)

	2029	2030	2031	2032
Assets				
Current assets				
Cash and cash equivalents	\$ 21,912	\$ 29,914	\$ 38,575	\$ 47,729
Cash and cash equivalents - operating reserve	8,305	8,566	8,834	9,106
Accounts receivable, net of allowance for doubtful accounts	576	593	611	630
Prepaid expenses	351	361	372	384
Total current assets	31,144	39,434	48,392	57,849
Property and equipment, gross	56,486	57,183	57,913	58,668
Less: accumulated depreciation	(48,053)	(50,000)	(52,018)	(54,110)
Property and equipment, net	8,433	7,183	5,895	4,558
Other assets	203	203	203	203
Right of use asset	5,313	5,287	5,261	5,234
Goodwill	25,622	25,622	25,622	25,622
Total assets	\$ 70,715	\$ 77,729	\$ 85,373	\$ 93,466
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 2,105	\$ 2,169	\$ 2,233	\$ 2,301
Accrued expenses	1,614	1,663	1,712	1,764
Total current liabilities	3,719	3,832	3,945	4,065
Long-term liabilities:				
SBA Loan	394	377	360	342
Land Lease Obligation	5,308	5,282	5,255	5,227
Deferred revenue from entrance fees	11,682	11,899	12,123	12,346
Refundable entrance fees - current contracts	43,412	47,505	52,039	56,950
Other liabilities	506	506	506	506
Total liabilities	65,021	69,401	74,228	79,436
Net assets				
Without donor restrictions	5,694	8,328	11,145	14,030
Total net assets	5,694	8,328	11,145	14,030
Total liabilities and net assets	\$ 70,715	\$ 77,729	\$ 85,373	\$ 93,466