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February 8, 2021

Mr. David Myers
CFO
Westminster-Canterbury on Chesapeake Bay
3100 Shore Drive
Virginia Beach, Virginia 23451

Dear Mr. Myers:

At your request, we have calculated the amounts we believe reasonable for your residents under lifecare contracts at Westminster-Canterbury on Chesapeake Bay (“Westminster-Canterbury”) to deduct on their 2020 federal income tax return as a result of the medical expense associated with the payment of their entrance and monthly fees **paid** in 2020. The deductibility of medical expenses is provided for in Section 213 of the Internal Revenue Code. In preparing our calculations, we requested business and financial information from Westminster-Canterbury and received certain representations of management of Westminster-Canterbury. In our calculations, we are relying, without independent verification, upon the accuracy and completeness of the facts, representations and other information provided to us by Westminster-Canterbury.

No private letter ruling has been requested from the Internal Revenue Service regarding the deductibility of or the amount of allowable deductions. However, Revenue Ruling 76-481, clarified by Revenue Ruling 93-72, approved the deductibility in the year paid, under Section 213 of the Internal Revenue Code, of a portion of the entrance fee and monthly fees paid by individuals in connection with obtaining lifetime care at a retirement facility that is properly allocable to medical care, to the extent not compensated by insurance or otherwise. These rulings contemplate the computation and communication of the amounts attributable to medical expenses to residents by the administration of Westminster-Canterbury. However, no methodology for determining the deductible amount has been sanctioned or set forth by the Internal Revenue Service. Also, the Internal Revenue Service has repeatedly stated that this is a question of fact subject to review by the District Director of Internal Revenue. Therefore, the amounts set forth below may be challenged by the Internal Revenue Service.

The methodology utilized for Westminster-Canterbury in determining the anticipated amount of monthly service fee expended for medical care by residents during 2020 was calculated by applying to the actual weighted average monthly service fee for 2020, a ratio, the numerator of which is all expenses allocable to medical care for residents of Westminster-Canterbury during 2020. The denominator utilized in determining the ratio is total expenses allocable to residents of Westminster-Canterbury during 2020. A similar methodology is utilized for Westminster-Canterbury in determining the anticipated amount of entrance fee expended for medical care by residents during 2020. Medical expenses include, among other items, insurance and depreciation allocable to medical care facilities, but do not include amounts attributable to debt service or construction of health care facilities. The methodology is consistent with prior year calculations.

The Internal Revenue Service has not approved Westminster-Canterbury's methodology. However, we believe there is a reasonable basis for taking the position that the methodology employed herein is appropriate.

Based on the methodology, the **entrance fee deduction** we believe to be reasonable for each resident under a lifecare contract who **paid** an entrance fee during 2020 is as follows:

Contract Type	First Resident	Second Resident
Standard Lifecare Contract	\$121,593	\$18,502
90% Refundable Lifecare Contract	\$49,594	-
50-Month Declining Balance Contract	\$96,760	-
365-Day Limited Health Care Contract	\$95,342	-
180-Day Limited Health Care Contract	\$106,657	-

Based on the methodology, the **monthly service fee deduction** we believe to be reasonable for each resident under **any** lifecare contract type is as follows:

- \$1,319 of the monthly service fee for each month that the first resident **paid** such fees during 2020.
- \$417 of the monthly service fee for each month that the second resident **paid** such fees during 2020.

The deduction determined to be allowable must be itemized and carefully described as "Medical expense portion of lifecare monthly service fee" on an attachment to the resident's return. Such attachment should reference line 1 of schedule A, Form 1040. This is required in order to provide full disclosure under the Internal Revenue Service rules relative to the substantial understatement provisions.

Assisted Living (Enhanced Services)

Under certain circumstances, fees paid by a resident for a period of residence in an Assisted Living unit may be 100% deductible. The requirements for 100% deductibility are:

- The resident is dependent in a minimum of two activities of daily living (ADL's) for at least ninety days during the year while they resided in the assisted living facility or
- Require substantial supervision to protect their health and safety due to severe cognitive impairment; and
- The services are part of a plan of care prescribed by a licensed health care professional

Questions regarding a resident's dependence in the activities of daily living should be addressed to management of the assisted living unit. The cost of toiletries, telephone, and personal items are not considered to be deductible.

Skilled Nursing Care (The Hoy Center)

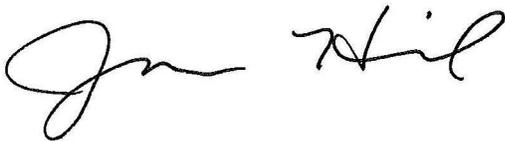
Fees paid by a resident for a period of residence at the Health Care Center during 2020 may be fully included as an itemized deduction. However, the cost of toiletries, telephone, and personal items are not considered to be deductible.

It should be noted that the deductible portions of these fees may not exceed the amount actually paid by the resident. Also, any amount compensated by insurance or otherwise may not be deducted. Deductions under Section 213 of the Internal Revenue Code are subject to limitations, including the provision that such expenses are only deductible to the extent that total medical deductions exceed 7.5 percent of the resident's adjusted gross income for the year. Further, should any resident receive a refund of part or all of an entrance fee, any amounts deducted as medical expenses must be reported as gross income in the year of receipt to the extent to which a tax benefit was obtained.

The information in this letter is not to be communicated to anyone other than management of Westminster-Canterbury and persons who were residents during 2020. Any such communications to a person who was a resident during 2020 should include a copy of our letter. Further, this letter is being delivered to you with your understanding and agreement that you will communicate to each resident receiving this letter any change or correction which we conclude should be made known to them.

We have performed this engagement at the request of Westminster-Canterbury on Chesapeake Bay and, therefore, our sole obligation is to Westminster-Canterbury on Chesapeake Bay. The decision to rely on this letter is the responsibility of each resident and is not the responsibility of CliftonLarsonAllen. Residents are not bound by our letter. They are entitled to consult with their own tax advisors and are free to file their income tax returns in accordance with any methodology they deem appropriate so long as such methodology is supportable in the event of a challenge by the Internal Revenue Service.

Very truly yours,
CliftonLarsonAllen LLP

A handwritten signature in black ink, appearing to read "Jm Hicks", is written over a light blue horizontal line.

Jeremy Hicks, CPA
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