

# Disclosure Statement

August 9, 2023



1000 Salemtowne Drive  
Winston-Salem, NC 27106  
Telephone (336) 767-8130 | Fax (336) 767-4090  
[www.Salemtowne.org](http://www.Salemtowne.org)

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## **Mission Statement**

*To be a welcoming community where senior adults flourish*

## **Vision Statement**

*Salemtowne will be a trailblazer in senior living, anticipating and executing highest quality living options and programs for a diverse community, as an employer of choice.*

## **Values Statement**

*Salemtowne embraces uncompromised commitment to:*

*Moravian values of hospitality, life-long learning, love of the arts  
Compassion, integrity, respect  
Excellence and stewardship  
Diversity as strength  
Successful aging*

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In accordance with Chapter 58, Article 64 of the North Carolina General Statutes of the State of North Carolina, this Disclosure Statement may be delivered until revised, but not after January 25, 2025. Delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required. This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.

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# **Organization Introduction and Information**

## **Description of the Organization and its Operations**

Moravian Home, Incorporated d/b/a Salemtowne (referenced herein as “the Corporation”, “Salemtowne”, “we”, “our”, “it” or “us”), is a private, continuing care retirement community on a 120+ acre site, which offers its Residents use of independent accommodations and care in our on-site Assisted Living Center and the Skilled Nursing Center and Memory Support Center within the Health Care Center. The community is located at 1000 Salemtowne Drive, Winston-Salem, North Carolina, (adjacent to Bethabara Park Boulevard) and has operated at this site since 1972.

Salemtowne has received licensure from the North Carolina Department of Insurance to operate a continuing care services program without lodging pursuant to Chapter 64 Article 58 Paragraph 7. This program is referred to as “Navigation at Home”. (See Navigation at Home section for details of the program.)

Salemtowne is a charitable, non-profit corporation affiliated with the Moravian Church in America, Southern Province, and is governed by a volunteer Board of Trustees. The Corporation is a 501(c)(3) tax-exempt organization to which charitable contributions may be made. Our federal tax identification number is 56-0963926.

Neither the Board of Trustees nor the Moravian Church in America, Southern Province is responsible for the financial or contractual obligations of Salemtowne.

Salemtowne is founded on the principles of the Moravian Church. Our mission is to provide a broad variety of services to persons of retirement age.

Salemtowne is a member of Leading Age; the North Carolina Association – Leading Age North Carolina; North Carolina Health Care Facilities Association (NCHCFA) and the Winston Salem Chamber of Commerce.

## **Physical Description of the Community**

Salemtowne is located on a 120+ acre site, off Bethabara Park Boulevard in Winston Salem, North Carolina. The Community provides housing and services, including health care, to individuals of retirement age and currently consists of:

- 221 Independent Living Accommodations
- 32 Assisted Living (Adult Care Home) and 20 Memory Support Accommodations
- 100 Health Care Center Living Accommodations (All are Medicare certified, of which 20 are also Medicaid certified.)
- Common areas for residents to enjoy such as various meeting rooms, library, art studio, etc.
- Fitness Center which includes land and equipment exercise areas, an indoor aquatic pool and whirlpool
- Walking trails
- Over 25 acres of environmentally protected property
- Four-acre lake

- Art Galleries
- Complimentary Wi-Fi
- Emergency Response System for the entire 125-acre campus

Refer to Appendix C1, herein, for a detail listing of the various Living Accommodations.

The community also includes reception areas, dining rooms, private dining rooms, bistro, art galleries, lounges, multi-purpose rooms, convenience/gift shops, beauty/barber shops, creative arts areas, wood working shop, library, game rooms, as well as housing support services including kitchens, maintenance, laundry and housekeeping.

**Estimated Number of Residents and Members**

As of March 31, 2023, there were 443 residents living at Salemtowne.

As of March 31, 2023, Navigation at Home had 127 enrolled members.

**Board of Trustees**

The Corporation certifies that none of its Trustees nor Management Staff have ever been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable or enjoined in a civil action by final judgment, for any matter involving fraud, embezzlement, fraudulent conveyance, or misappropriation of property. In addition, the Corporation certifies that none of its Trustees nor Management Staff are currently subject to an injunctive or restrictive court order arising out of a related health care business activity in this or any other state. Finally, the Corporation certifies that none of the Trustees or Management Staff have had any State or Federal license or permits suspended or revoked.

The Corporation is governed by a volunteer Board of Trustees (the “Board”) whose members are selected by the Provincial Elders’ Conference, by the Synod of the Moravian Church, Southern Province, and by the Board. The Board consists of not less than 12 and no more than 18 members, two of which shall be residents of Salemtowne. Non-resident Board members are elected for a four-year term and are eligible for re-election for a second term. Resident Board members may serve only one term or a maximum of four years on the Board before they must rotate off the Board for a period of at least one year. After being off the Board for a period of at least one year, a resident who has previously served on the Board is eligible for re-election to one additional four-year term. Standing committees of the Board are: Executive, Finance, and Governance.

Following is a listing of the members of the Board of Trustees, together with the principal business affiliation and address of each:

<b>Board of Trustees</b>	<b>Principal Business Affiliation, Address</b>
Martha Shore Edwards Board Chair	Retired, Development, WFU 1000 Salemtowne Dr Winston-Salem, NC 27101
R. Patrick Yeatts, MD Vice Chair	Retired Physician, WFUSM 1000 Salemtowne Dr Winston-Salem, NC 27101

Chris Perry Treasurer	Principal, Newsouth Associates 1000 Salemtowne Dr Winston-Salem, NC 27101
Corlis Sellers-Drummond Secretary	Retired Special Asst. To the Chancellor for Strategic Priorities, WSSU 1000 Salemtowne Dr Winston-Salem, NC 27101
CarolAnn Adcock, BSN, MS Trustee & Resident	Retired, Hayes Consulting Group 1000 Salemtowne Dr Winston-Salem, NC 27101
Dr. Elms Allen Trustee	Retired Oncologist, Administrator Novant 1000 Salemtowne Dr Winston-Salem, NC 27101
Russell E. Armistead, MBA, CPA Trustee & Resident	Retired, CEO UF Health Jacksonville 1000 Salemtowne Dr Winston-Salem, NC 27101
Larry Colbourne Trustee	President, Mebane Charitable Foundation 1000 Salemtowne Dr Winston-Salem, NC 27101
Michelle Cook Trustee	Sr. Dir. Of Development/Old Salem Museums & Gardens 1000 Salemtowne Dr Winston-Salem, NC 27101
John Ferguson Trustee	Retired Banker, Mayor, County Commissioner 1000 Salemtowne Dr Winston-Salem, NC 27101
John Geis Trustee	Global Strategic Sourcing – IT/Truist 1000 Salemtowne Dr Winston-Salem, NC 27101
Tim McMullen Trustee	Assoc. Vice Chancellor & Chief Facilities Officer WSSU 1000 Salemtowne Dr Winston-Salem, NC 27101
Kathleen O'Brien Trustee	RN Supervisor Consultant/Always Best Care Sr. Svcs. 1000 Salemtowne Dr Winston-Salem, NC 27101
Kevin Owen Trustee	Architect and Principal Owner/Owen Architecture 1000 Salemtowne Dr Winston-Salem, NC 27101

Betty Petree Trustee	Retired WFUBMC Nurse 1000 Salemtowne Dr Winston-Salem, NC 27101
Aimee Smith Trustee	Partner/Craige, Jenkins, Liipfert & Walker LLP 1000 Salemtowne Dr Winston-Salem, NC 27101
Scott Southerland Trustee	Sr. VP & Financial Consultant/Pinnacle Asset Mgmt. 1000 Salemtowne Dr Winston-Salem, NC 27101
Terry Williams Trustee	Enterprise Executive VP and Chief Population, Corporate & Government Affairs Officer/Atrium Health 1000 Salemtowne Dr Winston-Salem, NC 27101

### **Management Staff - Officers**

#### **Mark Steele.** President and Chief Executive Officer

Dr. Steele is responsible for the overall management of the Corporation. Dr. Steele joined Salemtowne in August 2015, having previously served as President and General Manager of China Operations of Cornerstone Affiliates International (a subsidiary of American Baptist Homes of the West “ABHOW”) in Pleasanton, CA since 2013. In that prior position, he was responsible for planning an expansion into the Chinese market and overall growth and profitability of the organization. Dr. Steele held a number of positions within the ABHOW organization for sixteen years as well positions in the senior living industry such as: Vice President, Regional Operations Manager of Continuing Care Retirement Communities, California and Arizona, 2004 to 2013; Executive Director of The San Joaquin Gardens in Fresno, CA, 1999 to 2005; Associate Director of The Samarkand, Santa Barbara, CA, 1993 to 1999; Administrator of Crista Nursing Home, Seattle, WA, 1992 to 1993; Administrator, Fred Lind Manor, Seattle, WA, 1991 to 1992; Assistant Administrator, Branch Villa Health Care Center, Seattle, WA, 1990 to 1991; and Church Pastor at Western District of the Missionary Church, Camarillo, CA, 1983 to 1990. Dr. Steele completed a Doctor of Leadership and Global Perspectives from George Fox University, Portland, OR, obtained his Master of Business Administration from La Verne University, La Verne, CA, his Master of Divinity from Biola University, La Mirada, CA, and his Bachelors of Arts in Speech Communications from Polytechnic State University, San Luis Obispo, CA.

#### **Tracy Biesecker.** Chief Financial Officer

Ms. Biesecker is responsible to secure, manage, and plan for the current and future financial and information resources necessary to fulfill the mission of Salemtowne. In her role, Ms. Biesecker provides oversight and support to the Finance Department and contracted Information Technology support. Ms. Biesecker began working as the CFO for Salemtowne in April 2022. Prior to joining Salemtowne, Ms. Biesecker served as CFO for Messiah Lifeways and its affiliates in Mechanicsburg, Pennsylvania for four years. Previous industry experience includes serving as an Executive Director for a multi-site senior living provider for four years, Vice President of Operations and Technology and Director of Financial Services at another senior living community for an eleven-year tenure, and four-

year tenure at the public accounting firm of PricewaterhouseCoopers where she audited clients in the senior living, healthcare, and banking industry. She holds a Bachelor of Science in Accounting and a minor in Information Systems from Pennsylvania State University and a Master of Business Administration from Shippensburg University. Ms. Biesecker holds a Nursing Home Administrators license in the state of Pennsylvania and an inactive license as a CPA within Pennsylvania.

**Allison Vessels.** Vice President of Human Resources and Resident Services

Dr. Allison E. Vessels joined Salemtowne in 2021 as Vice President of Human Resources having previously served at Windsor Run, an Erickson Senior Living community in Matthews, NC. She is an accomplished Senior Human Resources professional with 25+ years of proven experience in the effective delivery of HR programs, strategies, and technology within a variety of sectors including healthcare, pharmaceuticals, banking, insurance, higher education, and engineering. Allison holds a Bachelor of Science in Psychology from Presbyterian College with a minor in business administration; Master of Human Resource Development from Clemson University; and a Doctorate of Education from Clemson University with an emphasis on Human Resource Development. She has achieved the honor of Senior Certified Professional (SCP) and Senior Professional in Human Resources (SPHR).

**Catherine Maynard.** Vice President of Health Care Services

Ms. Maynard is responsible for the oversight of the Health Care division of the organization. This includes BHCC, Memory Care, Masten Assisted Living, Home Care, Therapy, and a working partnership with the Novant Clinic. Ms. Maynard joined Salemtowne in October of 2022, having previously worked for Acts Retirement Life Communities as an Associate Executive Director. Within that role, she traveled extensively, training LNHA's and ED's, and would sit in for open Executive Director positions throughout the company with the largest campus consisting of 800 residents. Ms. Maynard has devoted her career to the long-term care industry and has served in many roles, including Executive Director, LNHA, Dementia Specialist, and Social Worker. She has had the opportunity to train Leadership Development to all managers; including Regional and Director level positions at a large Nursing Home Corporation, and is currently a mentor through Leading Age North Carolina. She has an active Nursing Home Administrator License in NC and has held licensure in South Carolina, Maine, New Hampshire, and Massachusetts. Ms. Maynard is a graduate of the University of the State of New York with a Liberal Arts degree with a concentration in Sociology and Psychology. Ms. Maynard holds an MBA from Strayer University.

**Nicolette (Nikki) Burris.** Vice President of Marketing and Sales

Ms. Burris is responsible for the Marketing for the organization and the management of sales and admissions for Independent Living, Assisted Living, and the oversight of Navigation at Home. Ms. Burris joined Salemtowne in 2005, having previously served as Director for CONTACT Hopelines, Family Services, Inc., Social Worker II for Wake Forest Baptist Health, and Resident Services Manager for Triad United Methodist Home (Arbor Acres – a continuing care retirement community), all located in Winston Salem, N. C. Ms. Burris is a graduate of the Leadership Academy of LeadingAge North Carolina, and a graduate of Leadership Winston-Salem. Ms. Burris is the Co-Chapter Coordinator of the Winston-Salem Chapter of Adult Children with Aging Parents (ACAP) organization and a member of REACH Women's Network. Ms. Burris holds a Master of Social Work from the University of North Carolina at Chapel Hill, a Bachelor of Science in Social Work from the University of North Carolina at Greensboro, and a Bachelor of Arts in Sociology and Political Studies from Meredith College.



**Emily Rector.** Vice President of Development

Ms. Rector is responsible for planning and implementing all fundraising programs to support the mission of Salemtowne. Ms. Rector joined the Corporation in 2019, having previously served as Regional Director of Philanthropy for Children’s Home Society of North Carolina in Greensboro, NC. She has also served as Director of Annual Giving Programs and Associate Director of Development at the University of North Carolina at Greensboro. She is a seasoned fundraising professional with experience in supporting the missions of nonprofit organizations in various industries, including senior living, social services, and higher education, Ms. Rector is a graduate of the Leadership Academy of LeadingAge North Carolina. She holds a Bachelor of Arts in Music and a Master of Public Affairs with a concentration in Nonprofit Management from the University of North Carolina at Greensboro.

## **Salemtowne – Continuing Care Retirement Community**

### **Services**

The following services are provided to all residents and are included in the Monthly/Daily Fees. (Fees will not be reduced or unbundled for services that residents decline, such as dining.)

- Flexible dining plan - Independent Living residents' monthly service fees include flexible dining allowances based on their accommodation and fee plan. Assisted Living and Skilled Nursing Center and Memory Support Center residents do not participate in a dining allowance plan. Three meals per day are provided to these residents as a part of their monthly service fees.
- Utilities, except telephone service
- Basic Cable television service and Wi-Fi Internet services
- Housekeeping services
- Laundry facilities
- Maintenance services
- Limited local medical transportation
- Social, spiritual, intellectual, and recreational programs
- Nutritional counseling
- 24-hour medical emergency call system, security and fire protection

Salemtowne reviews services and costs of operations, as well as the need for any changes in services regularly. Salemtowne reserves the right to change the services provided to residents and the associated fees and charges.

Certain services are not provided by Salemtowne. These are detailed in the Residence and Services Agreements. These services are not included in the Residence and Services Agreements' Monthly/Daily Fees but can be provided at the Resident's additional expense. This is not an all-inclusive listing of services the Resident may request or utilize. With respect to services not listed, consult the resident handbook, schedule of charges (both provided to residents) or the Finance Office.

- On-site Physician Services
- On-site Laboratory Services
- On-site X-ray Services
- On-site Podiatric Care
- On-site Rehabilitative Therapy
- On-site Dental Care
- On-site Occupational Therapy
- On-site Therapeutic activities

- Pharmacy Services
- Additional dining services in excess of dining plan selected
- Catering and guest meals
- Physician and Specialist services
- Private duty nurses and personal aides through Salemtowne Home Care
- Wheelchairs, walkers and other medical equipment and supplies
- Certain cultural and sightseeing trips
- Special transportation for individual or group trips
- Alterations to living accommodation, if approved by Corporation
- Grounds keeping, personally requested services, if approved by the Corporation
- Limited storage, as available

#### Babcock Health Care and Rehabilitation Center - Health Care Center

The Health Care Center is provided for the benefit of the Residents. Private accommodations are provided in the Health Care Center as well as a Special Care area, which serves the needs of individuals diagnosed with Alzheimer's or other dementia- related diseases. All of the beds in the Health Care Center are certified Medicare, and some are dually certified Medicaid reimbursement. Nursing staff is on duty 24 hours a day, and all Living Accommodations are equipped with an emergency call system.

The overall coordination and provision of health care services is provided by the Resident Review Committee and a Medical Director who is a licensed physician selected by the Corporation. A physician is on campus on specified days of each week. Residents may choose to use this physician or continue to use their own private physicians. Residents will be responsible for charges for services by such physicians and any consultants.

Temporary care, ordered by a physician, is available in the Health Care Center or Assisted Living Center for treatment of short-term illnesses or injuries.

**On-Site Emergency Call Response.** Each Living Accommodation is equipped with an emergency call system. This system covers substantially all the outside campus areas as well.

**Assisted Living Center.** The Assisted Living Center is provided for the benefit of the residents. Private accommodations will be provided for residents in the Assisted Living Center. The Assisted Living Center is licensed to provide services to individuals who require some assistance with activities of daily living, including but not limited to: bathing, dressing, and medication administration, dining room assistance, monitoring of vital signs, and nursing assessments.

**Westerly Place Memory Care Assisted Living Center.** The Westerly Place Memory Care Assisted Living Center will be provided for the benefit of the residents who require assistance with Alzheimer's, memory care, or some form of dementia on an assisted living level. Westerly Place is located within the Babcock Health Care Center. Private accommodations will be provided for residents in Westerly Place Memory Care Assisted Living Center.

**Other Services Provided.** Residents may not engage third parties for services to be rendered within Salemtowne without prior notification to and authorization by SalemtowneManagement.

**Pharmacy.** Pharmacy services are available to all Residents through a third-party pharmacy. Independent Residents may choose to use this service or any pharmacy of their choice. The Assisted Living Center, Westerly Place Memory Care Assisted Living Center (Westerly Pace), and the Skilled Nursing Center Residents are encouraged to purchase medications through this service since medications for these Residents are distributed by Salemtowne's nursing staff and must be packaged by unit dose.

## **Fees**

Salemtowne offers attractive, comfortable Living Accommodations at affordable prices. Salemtowne allows for direct entry into the Assisted Living Center, Westerly Place, as well as the Health Care Center.

Residents who choose to become a part of the Salemtowne community through entry into Independent Living are required to pay a one-time Entrance Fee, which is determined by the Living Accommodation selected. Monthly/daily fees are also charged for services provided.

Residents who have paid an Entrance Fee to the community and entered through Independent Living will participate in the Room & Board Discount Program. These Residents, who have a stay in the Health Care Center or the Assisted Living Centers, will receive a discount from published external admission room and board rates. This discount program is subject to change. As of the date of this Disclosure Statement, the discount is 20%.

Residents may request Living Accommodation customizations. Such customizations must be approved by Salemtowne. The costs and maintenance of such features are the responsibility of the resident.

A one-time, non-refundable, Entrance Fee is required for direct admissions to the Babcock Health Care Center long-term care, Assisted Living Center, and Westerly Place.

**Priority Entry.** Residents are provided priority entry over non-residents for entry to the Health Care Center, Assisted Living Center, or Westerly Place. The community will make every effort to accommodate residents in the Health Care Center, Westerly Place and/or Assisted Living Center but cannot guarantee the availability of accommodations. In the event the Health Care Center, Westerly Place, and the Assisted Living Center are fully occupied when a Resident needs care, the Resident agrees to relocate to an alternate health care facility that provides similar services ("a Comparable Facility"). In the event of relocation, the community will make every effort to transfer the Resident back to Salemtowne when accommodations become available.

Upon the Resident's relocation to a Comparable Facility, the Resident will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). Salemtowne will not be responsible for the charges associated with the alternate accommodations.

**Entrance Fee and Deposit.** The Entrance Fee balance and unpaid non-standard feature costs will be due and payable 10 days prior to the date of occupancy. Reasonable notice is given prior to the projected date of occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident's furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

Notwithstanding the foregoing, unless agreed upon in writing, the resident must take occupancy within thirty (30) days after the date the Living Accommodation is available for occupancy in accordance with the Reservation Agreement. If occupancy is not taken by such time, the resident shall accept financial responsibility for the Living Accommodation and pay the balance of the Entrance Fee, balance of any Non-Standard Costs, and begin paying the applicable Monthly / Daily Fees beginning with the 30th day after the date the Living Accommodation is available for occupancy, unless this Agreement is terminated prior to the 30th day after the date the Living Accommodation is available for occupancy.

**Adjustments To Fees.** The Entrance Fees and Monthly/Daily Fees are usually set annually to provide the facilities, programs and services described in this disclosure statement and are intended to meet the cost of debt service, insurance, maintenance, administration, staffing and other expenses associated with the establishment, operation and management of Salemtowne. The Corporation shall have the authority to adjust the fees from time to time as the Corporation in its discretion deems necessary. Any such increase in the fees or other charges may be made by the Corporation upon thirty (30) days written notice to the Residents.

Ancillary and Additional Fees for services are published by the organization and may be adjusted to meet the current costs of providing those services. The organization endeavors to give 30 days' notice on the adjustment of these fees, but reserves the right to adjust them at any time.

If it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes.

In the event Salemtowne is assessed sales or use tax on Monthly/Daily Fee and/or fees for other services, Residents are responsible for all such taxes.

Residents are responsible for all taxes assessed on their personal property.

For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance.

Entrance Fees, Monthly Fees and Additional Fees in effect at the time of this Disclosure Statement are listed in Appendix C.

### Historic Changes in Major Fees

The following table shows average dollar amount increase in the monthly service fees over time.

Effective Date	Independent Living		Assisted Living		Memory Support		Skill Nursing	
	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)
6/1/2019	3.40%	\$ 91	3.00%	\$ 163	3.40%	\$ 275	3.00%	\$ 319
6/1/2020	3.50%	\$ 100	3.50%	\$ 201	3.50%	\$ 293	3.50%	\$ 380
6/1/2021	3.85%	\$ 126	3.85%	\$ 234	3.85%	\$ 334	3.85%	\$ 437
6/1/2022	4.90%	\$ 171	4.90%	\$ 315	4.90%	\$ 441	4.90%	\$ 570
4/1/2023	8.50%	\$ 192	9.90%	\$ 668	9.90%	\$ 935	9.90%	\$ 1,200

## **Entrance Fee Refund**

The Resident, the Resident's estate or a revocable trust may be entitled to a refund of a portion of the Entrance Fee paid, when the Resident moves out of the community, as described in the Residence and Services Agreement (Appendix A of this Disclosure Statement). Any refund provided is conditioned on all of the Resident's obligations in the Residences and Services Agreement having been met by the Resident, the Resident's Power of Attorney or the Resident's estate. The cost to repair damages to the Living Accommodation and storage areas in excess of normal wear and tear will be deducted from the applicable refund. Any refund due to the Resident will be made within thirty (30) days of the date the Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid their full Entrance Fee.

Standard Entrance Fee Refund. This Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to forty-eight (48) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. No refund of the Entrance Fee shall be paid after forty-eight (48) months of occupancy.

50% Entrance Fee Refund. This Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to twenty-three (23) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. The refunded Entrance Fees will never be less than 50% of the original Entrance Fee, except for accrued expenses that are deducted.

90% Entrance Fee Refund. This Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of one percent (1%) for each month of occupancy, as defined herein, for up to six (6) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. The refunded Entrance Fees will never be less than 90% of the original Entrance Fee, except for accrued expenses that are deducted.

In the event of termination of the Residence and Services Agreement after occupancy, Salemtowne will offset against any Entrance Fee refund due the Resident for the following:

- (1) The amount of any Monthly/Daily Fees or other amounts payable to us, which remain outstanding, and
- (2) Any costs incurred to restore the Living Accommodation to good condition, normal wear and tear excepted.
- (3) Costs of storage or disposal of any personal belongings left in the Living Accommodation.

Entrance Fees are not subject to refund at the time of transfer to the Assisted Living Center, Westerly Place, or the Health Care Center. Entrance Fees are not subject to refund if there is dual occupancy, and one resident dies or moves out of the community.

Entrance Fees are subject to refund except as noted above only in the following situations:

- Termination prior to occupancy
- Voluntary termination
- Termination upon death
- Termination by the Corporation

### **Health Insurance**

Residents will maintain eligible Medicare coverage and one supplemental health insurance policy or equivalent insurance coverage, which adequately covers hospital, medical, prescription, and skilled nursing deductibles and co-payments required of the primary insurance plan. Both the primary and supplemental health insurance policies must recognize Salemtowne as a health care provider or Residents will assume the financial responsibility for services provided that otherwise could be covered.

Residents will be responsible for ensuring that the health insurance coverage does not lapse and will provide Salemtowne with evidence of such coverage upon request. If health insurance coverage should lapse, Salemtowne may require that Residents reapply for suitable coverage. If Residents are unable to obtain adequate new coverage, Salemtowne will charge Residents for any costs of medical and other health care services provided, that otherwise would have been covered by an approved policy.

Salemtowne reserves the right, in its sole discretion, to eliminate or change its participation with any and all insurance plans.

### **Financial Assistance**

**Subsidy.** The Corporation declares its policy that the Residence and Services Agreement will not be terminated solely because of a Resident's financial inability to continue to pay the Monthly/Daily Fees or other charges payable to Salemtowne by reason of circumstances beyond the Resident's control, provided, however, this declaration shall not be construed as qualifying the right of the Corporation to terminate the Residence and Services Agreement in accordance with the terms thereof.

In the event that a Resident presents facts which in the opinion of the Corporation justify special financial consideration, the Corporation will give careful consideration to subsidizing in whole or in part the Monthly/Daily Fees and other Salemtowne fees payable by the Resident so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis.

In the event that the Corporation may subsidize in whole or in part the Monthly/Daily Fees and other fees payable by the Resident, the Resident will be required to execute a Financial Assistance Agreement with the Corporation.

In the event that Salemtowne continues to provide the services to a Resident under the terms of the Residence and Services Agreement despite their financial inability to continue to pay the Monthly/Daily Fee or other Salemtowne fees payable under the terms of the Residence and Services Agreement, Salemtowne shall be entitled to require the Resident to move to a smaller or less costly

Living Accommodation.

Any determination by the Corporation with regard to the granting of financial assistance shall be within the sole discretion of the Corporation.

**Financial Assistance Funds.** The Corporation has established funds, which will be used to assist Residents who would otherwise not be able to live at Salemtowne.

## **Entry/Admission**

### **Criteria**

Applicants will qualify for entry to Salemtowne upon satisfaction of the following provisions:

**Age.** The entry requirements for residence at Salemtowne are nondiscriminatory except as to age. Entry to independent living is restricted to persons 62 years of age or older, except in the case of double occupancy, at least one of the persons must be 62 years of age or older. Entry in the Assisted Living Center, Westerly Place, and the Health Care Center is restricted to persons 62 years of age or older except for residents who enter into the Skilled Nursing Center for short-term rehabilitation which is restricted to persons 55 years or older.

**Personal Interview.** Applicants will have an interview with a representative from Salemtowne prior to taking residency at Salemtowne. Upon review of all information required to be furnished, additional interviews may be requested by the Corporation.

**Application, Health History and Financial Statement.** Applicants shall submit for review, by the Corporation, an Application for Entry, a personal health history, and a Confidential Financial Statement, all on forms furnished by the Corporation.

**Notification.** Salemtowne will review the submitted application materials as well as the results of the interviews and will notify applicants whether they meet the entry requirements.

**Health Requirements.** Prior to residency at Salemtowne, Applicants shall submit medical records and reports as requested by the Corporation. We may require Applicants to have a physical examination by our Medical Director or by another physician approved by the Corporation. Applicants shall be responsible for the costs of such physical examinations. If Applicant's health as disclosed by such physical examination differs materially from that disclosed in the Application for Entry and Personal Health History, the Corporation shall have the right to decline entry and to terminate this Agreement, or in the discretion of the Corporation, to permit Applicants to take occupancy of accommodations at Salemtowne suitable to their needs.

**Financial Requirements.** Applicants must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under the Residence and Services Agreement and to meet their ordinary living expenses. Salemtowne may require current financial information at any time prior to and subsequent to occupancy.

**Financial Resources.** The Resident or the Resident's current and future responsible parties (i.e. power(s) of attorney, executor(s)) will abide by any and all financial arrangements made with the Corporation for the purpose of securing the Resident's ability to pay any and all charges for residing at Salemtowne. The Resident agrees not to make any gift or other transfer of assets for the purpose of evading the Resident's obligations under this Agreement, or if such gift or transfer would render the Resident unable to meet such obligations under this Agreement. Gifts or transfers of assets in this



manner, which result in the Resident's inability to meet their financial obligations in accordance with this Agreement, will entitle Salemtowne to terminate this Agreement, and the Resident or the Resident's responsible parties, as applicable, will be liable for any unpaid amounts.

### **Temporary Entry to the Assisted Living or Health Care Center**

Temporary entry to the Skilled Nursing Center is available through the Medicare program (for up to one hundred (100) days) or through private pay sources (for up to thirty (30) days). Temporary entry to the Assisted Living Center is available for up to thirty (30) days. Per diem fees apply. There is no Entrance Fee for any type of temporary entry.

A Resident admitted under a temporary entry is not eligible for permanent entry to the Skilled Nursing Center, Westerly Place, the Assisted Living Center, or the Independent Living areas at Salemtowne except through the Salemtowne application process of making separate application, approval of the application, and execution of a separate Residence and Services Agreement.

### **Cancellations/Termination**

**Termination Prior to Occupancy.** The Residence and Services Agreement may be terminated by a Resident at any time prior to taking occupancy at Salemtowne for any reason by giving written notice to the Corporation. The Residence and Services Agreement will automatically be canceled due to death or physical or mental conditions that would make the Resident ineligible for entry to Salemtowne.

The Residence and Services Agreement may be terminated by the Corporation at any time prior to the date that a Resident takes occupancy if the Corporation determines a Resident does not meet the physical, mental or financial requirements for entry.

In the event of such termination (including death, illness, injury, or incapacity), a Resident shall receive a refund of the Entrance Fee paid, less a non-refundable fee equal to 4% of the total amount of the Entrance Fee, and less amounts paid or due to be paid for non-standard features added to the Living Accommodation. Any such refund shall be paid by the Corporation within sixty (60) days following termination pursuant to this paragraph.

**Voluntary Termination.** At any time, a Resident may terminate the Residence and Services Agreement by giving the Corporation adequate notice:

- fourteen (14) days prior written notice of such termination for Independent Living Accommodations,
- fourteen (14) days prior written notice of such termination for either Assisted Living Center accommodations, **or**
- five (5) days prior written notice of such termination for Health Care Center accommodations.

If a Resident does not provide adequate notice, or if no written notice is given, the Resident will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period.

A Resident may be deemed to have abandoned the Living Accommodation and terminated the Residence and Services Agreement if they do not occupy a residence at Salemtowne for a period of

one continuous year. Occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

If such termination shall occur within forty-eight (48) months after the date of occupancy, the Resident will receive a partial refund of the Entrance Fee paid in accordance with the Residence and Services Agreement's Refund section for Voluntary Terminations.

**Temporary Absence.** Temporary absences because of illness, trips or other will not affect a Resident's rights to retain occupancy of the Living Accommodation, as long as applicable Monthly/Daily Fees are paid.

**Termination Upon Death.** In the event of a Resident's death and such Resident is not survived by a spouse residing at Salemtowne who has signed the Residence and Services Agreement, the Agreement shall terminate and, subject to their continuing obligations, described in the Residence and Services Agreement, the portion, if any, of the Entrance Fee to be refunded shall be determined in the same manner as a Voluntary Termination paid to the estate of the deceased Resident.

In the event of a Resident's death and such Resident is survived by a spouse residing at Salemtowne who has signed the Residence and Services Agreement, the Agreement shall not terminate, and no refund will be payable.

In the event a refund becomes due, the date that the deceased Resident's responsible party/estate executor removes all personal belongings from the Living Accommodation shall determine the termination date. Any refund due the Resident's estate under this paragraph will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee; provided, however, that the Resident's estate shall continue to be obligated to pay the applicable Monthly/Daily Fee for such Resident's Living Accommodation until such Resident's Living Accommodation is vacated and left in good condition except for normal wear and tear.

**Termination by the Corporation.** Salemtowne may terminate the Resident and Services Agreement at any time if there has been a material misrepresentation or omission made by a Resident during the application process; if the Resident fails to make payment to the Corporation of any fees or charges due the Corporation within thirty (30) days after receiving written notice of their failure to pay such fees or charges; if Residents do not abide by the rules and regulations adopted by the Corporation or breach any of the terms and conditions of the Agreement; if the health or safety of other individuals in the Corporation is endangered if a Resident remains in Salemtowne, as determined by a physician, physician assistant or nurse practitioner; or the discharge is necessary for a Resident's welfare and the Resident's needs cannot be met by the Corporation as documented by the Resident's physician, physician assistant or nurse practitioner; if Resident refuses to relocate as may be required by the Corporation in accordance with the Residence and Services Agreement; or Resident engages in activities or conduct disruptive to the Community; or Resident is listed on the sex offenders registry.

Residents will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy. Any refund of the Entrance Fee due to the Resident following voluntary termination of the Agreement by the Corporation will be made in accordance with refund policies. Except in cases of emergency, Residents will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of

termination. Residents may be entitled to appeal the Corporation's decision to terminate this Agreement and, except in cases of emergency, the Corporation will not discharge a Resident before the final decision resulting from the appeal has been rendered.

**Condition of Living Accommodation.** At the effective date of termination of the Residence and Services Agreement, Residents will vacate the Living Accommodation, including any storage areas at Salemtowne, and will leave both in good condition except for normal wear and tear. Residents, or their estates, will be liable to the Corporation for any costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear.

**Removal of Personal Property.** In the event of termination of the Agreement, Residents agree to surrender the Living Accommodation and any storage areas, which were occupied, within thirty (30) days of the determination.

The Corporation reserves the right to remove a Resident's belongings from the Living Accommodation and any storage areas. Residents will pay a reasonable storage or the actual cost of external storage, whichever is applicable. Property will not be stored for longer than 30 days. Unclaimed property will become the property of Salemtowne after 30 days and will be disposed of at the sole discretion of the Corporation.

In the event of a Resident's death, while they are a resident of Salemtowne under the Agreement, only the executor(s) named in their Will will be allowed to remove or dispose of furnishings and belongings in the Living Accommodation and any related storage areas at Salemtowne. Members of the family or those to whom a Resident has granted Power of Attorney will not be allowed access to personal property after a Resident's death, unless they are the executor(s) named in the Resident's Will.

**Release from Termination.** Upon termination of the Residence and Services Agreement, Salemtowne is released from any further obligations to Residents except for the payment of any refund which may be due under the Residence and Services Agreement.

#### Right of Rescission

Notwithstanding anything herein to the contrary, the Residence and Services Agreement may be rescinded by giving written notice of such rescission to the Corporation within thirty (30) days following the later of the execution of the Residence and Services Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, et seq. of the North Carolina General Statutes. In the event of such rescission, Residents will receive a refund of the Entrance Fee paid, less a non-refundable fee equal to 4% of the total amount of the Entrance Fee, less any Monthly/Daily Fees or portion thereof applicable to any period a Living Accommodation or storage area was actually occupied by the Resident or their belongings less any unpaid non-standard costs and accrued expenses. In the event of such rescission, Residents shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Residents will not be required to move into Salemtowne before the expiration of such thirty (30) day period. Any such refund shall be paid by the Corporation within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

#### Transfers/Moves

**Transfer to Another Living Accommodation.** Residents may move to a different Living

Accommodation at Salemtowne which becomes available upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Fees, policies, and guidelines may be changed at the discretion of the Corporation.

If a Resident transfers to another Living Accommodation, he or she is responsible for paying any difference in the Entrance Fee, if the amount of the Entrance Fee of the new Living Accommodation is greater than the Entrance Fee for the previous Living Accommodation to be vacated. If the Entrance Fee for the new Living Accommodation is less than the Entrance Fee for the previous Living Accommodation to be vacated, no refund will be paid for the difference. Residents who transfer to another Living Accommodation will be responsible for any transfer fees that may be set by the Corporation and the Monthly/Daily fees in effect at the time for the new Living Accommodation.

**Moving Costs.** Residents are responsible for arranging and paying for all packing and moving costs for moves into, within, and out of Salemtowne. Assistance may be provided by Salemtowne at an additional cost.

**Transfer to Health Care Center, Westerly Place or the Assisted Living Center.** Residents agree that the Corporation shall have authority to determine that the Resident should be transferred from their Living Accommodation to the Skilled Nursing Center, Westerly Place, or the Assisted Living Center or a separate area within either center. Such determinations shall be made solely by Salemtowne and based on the professional opinion of the Resident's physician and the Resident Review Committee. This determination, when possible, shall be made after consultation with the Resident, the Resident's physician, a representative of the Resident's family, or the Resident's responsible party. Residents agree to surrender storage areas when a permanent transfer is made to the Skilled Nursing Center, Westerly Place, or to the Assisted Living Center.

In the event that a Resident is permanently transferred to the Assisted Living Center, Westerly Place, or the Health Care Center, the Entrance Fee will not be subject to refund.

**Transfer to Hospital or Other Facility.** If it is determined by a Resident's physician that a resident needs care beyond that which can be provided by Salemtowne, the Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the Resident's expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

**Surrender of Living Accommodation.** If a determination is made by the Corporation that a transfer is permanent in nature, the Resident agrees to surrender the Living Accommodation and any storage areas, which were occupied prior to such transfer, within 30 days of the determination.

Residents are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated. Occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

If the Corporation subsequently determines, based upon the opinion of a Resident's physician, that a Resident can resume occupancy in accommodations comparable to those occupied prior to such transfer, the Resident shall have priority to such accommodations as soon as they become available. The Resident will be responsible for applicable fees as determined by the Corporation.

## **Dual Occupancy**

**Occupancy by Two Residents.** In the event that two Residents occupy a Living Accommodation under the terms of the Residence and Services Agreement, upon the permanent transfer to the Health Care Center, Westerly Place, or the Assisted Living Center or the death of one of such Residents, or in the event of the termination of the Residence and Services Agreement with respect to one of such Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Living Accommodation or to move to a smaller Living Accommodation, in which event there will be no refund of the Entrance Fee. The remaining or surviving Resident will thereafter pay the Monthly/Daily Fee for one Resident associated with the Living Accommodation occupied by the Resident.

**Sharing Occupancy After Admission/Entry.** If a Resident, while occupying a Living Accommodation, wishes to share a Living Accommodation with a person who is also a Resident, the two Residents may, with the prior written consent of the Corporation, occupy the Living Accommodation of either Resident and shall surrender the Living Accommodation not to be occupied by them. No refund will be payable with respect to the Living Accommodation surrendered. Such Residents will pay the Monthly/Daily Fee for double occupancy associated with the Living Accommodation occupied by them.

In the event that a Resident wishes to share a Living Accommodation with a person who is not a resident ("Non- Resident"), the Non-Resident may become a Resident if such individual meets all of the then current requirements for entry to Salemtowne, enters into a then current version of the Residence and Services Agreement with the Corporation and pays an Entrance Fee in an amount determined by the Corporation in its sole discretion. The existing Resident and new Resident shall pay the Monthly/Daily Fees for double occupancy associated with the Living Accommodation occupied by them.

If the Non-Resident shall not meet the requirements of Salemtowne for entry as a Resident, the existing Resident may terminate the Residence and Services Agreement in the same manner as provided in the Residence and Services Agreement with respect to a voluntary termination.

**Combination of Living Accommodations.** Various circumstances may make it desirable that a Living Accommodation occupied by a Resident be combined with an adjoining Living Accommodation to form one combined Living Accommodation. Residents agree that if a determination is made by the Corporation that it is desirable to combine their Living Accommodation with a Living Accommodation, which adjoins their Living Accommodation, the Resident will surrender occupancy of their Living Accommodation, within a reasonable time after receiving notice of such determination.

In the event that the Corporation makes such determination and notifies the Resident of such, the Resident has the option to (a) transfer into the combined Living Accommodation when such combined Living Accommodation is ready for occupancy, or (b) transfer to another Living Accommodation, when available, of the same type as the Living Accommodation previously occupied.

If a Resident elects to occupy the combined Living Accommodation and the Entrance Fee established for such combined Living Accommodation exceeds the Entrance Fee paid for the previous Living Accommodation, the Resident shall pay the amount of such excess upon taking occupancy. The Resident will pay the monthly/daily fees associated with the combined Living Accommodation as

established by the Corporation.

If a Resident elects to transfer to a Living Accommodation of the same type as the Living Accommodation previously occupied, the Corporation will repaint and re-carpet, if needed, such Living Accommodation at its expense prior to occupancy.

**Living Accommodations.** Residents do not acquire ownership in any property at Salemtowne under the Residence and Services Agreement.

### **Guests & Visitors**

Guests and Visitors are welcome at Salemtowne. Guests may use Salemtowne guest accommodations, subject to availability and additional charges. Guests may also stay in a Resident's Independent Living Accommodation for visits of limited duration. At all times, the Resident shall be responsible for any injury to others or damage to the property of others or of Salemtowne caused by a Resident's guest(s) or visitor(s). Salemtowne reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason. Except for short-term guests (less than two weeks), no person other than a Resident may reside in the Living Accommodation without the written approval of Salemtowne.

### **Pets**

Residents may bring pets to Salemtowne if they complete necessary paperwork, pay the current pet deposit, and follow current policies and guidelines. "Pets" shall be defined as household dogs, cats, tropical fish, or caged birds. No other animals will be permitted without written approval from the Corporation. Pets must be approved by Salemtowne prior to bringing the pet on campus. Pets may not be a nuisance or pose a health or safety risk to other residents or staff of Salemtowne and must be properly cared for at all times. Pets are not allowed to live in Assisted Living Center, Westerly Place, or the Health Care Center. Salemtowne reserves the right to amend or terminate policies and guidelines related to pets, in its discretion.

### **Smoking, Vaping & Tobacco**

Smoking, Vaping & use of Tobacco products are not allowed in buildings, on the grounds or common areas within the Salemtowne community as prescribed in community policies and guidelines. Smoking is not allowed in Assisted Living Center, Westerly Place, and Health Care Center. Salemtowne reserves the right to amend or terminate policies and guidelines related to smoking in its discretion.

## **Navigation at Home (Continuing Care without Lodging Program)**

### **Background**

Moravian Home, Incorporated d/b/a/ Salemtowne ("Salemtowne" or "Corporation") is a private, continuing care retirement community that has received licensure from the North Carolina Department of Insurance to operate a continuing care services program without lodging pursuant to Chapter 64 Article 58 Paragraph 7.

This continuing care program without lodging is marketed and referred to as "Navigation at Home" (or "Program"). The Program is being marketed in Forsyth County, where the Salemtowne continuing care retirement community is located, and in surrounding counties. However, it can be marketed

throughout the state of North Carolina.

Navigation at Home's mission is to provide coordination of care for older adults who wish to remain in their own homes in their later years. Salemtowne's goal is to combine the security of a continuing care retirement community with the freedom and autonomy of living at home. We strive to support older adults to stay healthy and independent throughout their years through education, physical activities and socialization, and the coordination of care when necessary.

### **Program Description**

Navigation at Home is a proactive solution for adults 62+ who understand the importance of having a plan in place to meet future care needs. Our membership-based program provides care coordination and access to a range of services, programs and support, such as home care, assisted living, or nursing care to members in their own home or supportive facilities as needs change.

There is a choice of membership plan options for a one-time membership fee, and an on-going monthly fee for services, which includes care coordination, health and wellness programs, social and educational programs. There is also a fee-for-service option and an enhanced Wait List option.

### **Eligibility**

The Program is non-discriminatory and is open to individuals of all races, religions, creed, color, sex or national origin. A prospective member must be at least 62 years of age and live within the designated service area, complete a Membership Application, Financial Disclosure, Medical Review, and pass a health assessment by the Program's Care Coordination Team. A home safety assessment may be required before approval. If the home environment is considered to be unsafe, the prospective member will be required to make the recommended changes prior to approval for membership.

Medical insurance through federal, state, or private plans for medical and/or surgical and hospitalization must be maintained by each member at member's expense.

Should the member desire to become a resident of the Salemtowne continuing care retirement community, the member will be subject to the entry requirements of the retirement community and applicable payment of fees. Subject to the terms of the Member Services Agreement, some membership plans offer the option to remain a member of the Program and continue to pay the Monthly Fee or apply a portion of the Membership Fee to their Independent Living Entrance Fee and terminate the Member Services Agreement.

### **Services**

The Program provides members with the following services to the extent provided for in the Program plan selected by the member and subject to the fees, cost and expenses and other terms and conditions set forth in the Member Services Agreement.

**Care Coordination:** Members are assigned a Care Coordinator who works in conjunction with the Care Coordination Team to coordinate covered services and support the member in order to enable the member to remain in his or her home for as long as safely possible. The Care Coordinator will prepare an individual wellness plan initially, update it at least annually, and check in with the member regularly. When care is needed, the Care Coordinator will prepare a care plan to meet the Member's needs.

**Home Safety Assessment:** During the first year of membership and every other year thereafter, unless circumstances of a member's health condition justify more frequent inspections, Navigation at Home will provide a safety assessment of the member's home for the purpose of ascertaining any functional and safety issues. Any recommended changes or corrections are the Member's sole responsibility.

**Home Site Services:** Home site services which include home care services, homemaker services, and companion services will be provided as deemed appropriate by the Care Coordination team. A member must exhibit at least one or more deficiencies in an activity of daily living (ADL) to be eligible for services. Activities of daily living include bathing, dressing, feeding transferring, ambulating, and toileting/continence.

**Meals:** If due to a medical need and if Determined To Be Appropriate by the Care Coordination Team, Program will arrange to have meals delivered to Member in his/her home per current policy. Program reserves the right to deliver several meals at one time.

**Emergency Response System:** If requested, an emergency response system with 24-hour coverage and monitored by a contracted provider will be provided when requested by the member.

**Facility-Based Services:** When determined to be appropriate by the Care Coordination team and prescribed by a physician, Navigation at Home will arrange for facility-based assisted living in a semi-private room or skilled nursing care in a semi-private room at Salemtowne retirement community or other Program participating facility in accordance with the plan selected by the member.

**Adult Day Care:** Adult day care services will be provided at a Program approved provider when determined to be appropriate by the Care Coordination team and to the extent provided for in the plan selected by the member. Member must qualify medically for service and space must be available.

**Transportation:** If a member is unable to drive, or instructed by his/her physician not to drive to and from medically necessary outpatient procedures, Navigation at Home will provide transportation. This does not include transportation via ambulance or for regular physician office visits, dialysis, and routine specialist appointments.

**Common Facilities:** Members have access to all common facilities that are available for the use and benefit of residents of Salemtowne retirement community where there is capacity, and such use shall be subject to change or restriction from time to time at the sole discretion of Salemtowne. These may include dining venues, library, an indoor aquatic pool and whirlpool, multi-purpose rooms, arts studio, and others as described in the then current literature. Members will be responsible for dining and applicable activity charges.

**Lifestyle and Wellness Programs:** Program, from time to time, may offer scheduled social, physical, intellectual, or spiritual events or activities designed to meet the needs of Members. Members will be advised of the schedules and the cost of these programs on an as-offered basis. Member will be responsible for these additional fees, if any.

**Referral Service.** In addition to the Services outlined in this Agreement, the Program can make referrals to other services that a Member might need to remain safely at home. These may include lawn care, legal, home maintenance, and rental of medical equipment. Members are responsible for the cost of any services rendered by the referred service providers.



## Service Providers

Navigation at Home utilizes industry professionals and service providers to provide services such as home care services, homemaker and companion services, and transportation for its members.

## Limitation of Program Payment

**Non-Institutional Health Care Services:** The Program may limit payment for home health care, homemaker services, companion services, emergency response system, meals and adult day care if the cost of such services for any day exceeds the then current maximum daily benefit amount, which is equal to the private pay rate in skilled nursing at Salemtowne.

**Care in Other Assisted Living or Nursing Care Facilities:** If a member chooses care in an assisted living or nursing home facility other than Salemtowne or a Program participating facility, Member shall be solely responsible for all fees, costs, and charges incurred at that Facility, and the member will continue to pay the Monthly Fee for the Program unless this agreement is terminated.

## Changes in Level of Care

**Assisted Living or Nursing Home:** A member may be transferred to a Program participating assisted living or nursing home facility temporarily or permanently if it is determined by the Care Coordination team based on a physical and mental assessment that the member is no longer mentally and/or physically able to function safely in his or her home, and shall be made only after consultation to the extent practical with the member or member's representative, and the member's attending physician.

**Hospital, Center or Institution:** A member diagnosed to be mentally ill, or as having a highly contagious or dangerous disease may be transferred to a hospital, center, or institution equipped to give such care, which care will be at the expense of the member and will be made only after consultation to the extent possible with the member or member's representative, and the member's attending physician.

## Membership Plans and Fees

Navigation at Home offers the following plan options: All Inclusive, Enhanced, Classic, Access, Care Coordination (formally consultative) and Early Acceptance.

Members pay a one-time non-transferable, non-interest bearing Membership Fee based on the member's age at time of enrollment and plan option chosen, as well as an ongoing Monthly Fee. The Monthly Fee varies with the plan option chosen. The table below shows a sample of the Membership Fee and Monthly Fees for age 65, 75 & 85, for the four full plan options for effective April 1, 2023. All fees are per person.

Membership Fee:

Age	All Inclusive	Enhanced	Classic	Access
65	\$40,800	\$38,000	\$27,000	\$24,600
75	\$66,100	\$62,000	\$42,100	\$38,200
85	\$92,800	\$82,000	\$57,600	\$50,000

Monthly Fees:

Age	All Inclusive	Enhanced	Classic	Access
All Ages	\$697	\$610	\$536	\$508

Each member of a couple receives a 5% discount on the Membership and Monthly Fee.

The table below shows the Program Plans and the percentage of the Maximum Daily Benefit Amount covered by the Program for Services to Members.

Type of Service	All Inclusive	Enhanced	Classic	Access	Care Coordination Only
Care Coordination	100%	100%	100%	100%	Hourly rate after 2 hours
Home Site Services:					
Companion / Homemaker	100%	75%	50%	65%	0%
Home Care Aide	100%	75%	50%	65%	0%
Transportation	100%	75%	50%	65%	0%
Facility Based Services:					
Adult Day Care Facility	100%	75%	50%	0%	0%
Assisted Living Facility	100%	75%	50%	0%	0%
Skilled Nursing Facility	100%	75%	50%	0%	0%

Care Coordination Only Plan

The Care Coordination Only Plan is a fee-for-service plan that was originally developed for a two-person household where one individual did not meet the medical qualifications for program membership. Program will continue to accept members for Care Coordination Only plan in a two-person household where one member does not medically qualify as long as the non-medically qualifying member lives in the same home as a qualified member who has entered into a separate Member Services Agreement. Program will now also accept single applicants for Care Coordination Only if the program approves the applicant medically for this plan and the applicant does not need assistance at the time of application.

There is a one-time non-refundable membership fee and a monthly fee. Included in this plan are two hours per month, non-cumulative, of care coordination. Afterwards, there would be an hourly charge for care coordination based on the current schedule of fees for care coordination and scheduling of any needed home or facility-based services.

Care Coordination Only Plan members are responsible for all costs associated with home or facility based services including, but not limited to, home care, health care aide services, homemaker, companion, emergency response system, transportation, meals, adult day care, assisted living, and nursing home care. Providers of such services will contract directly with Consultative Care members. The Program shall have no responsibility for payment of any such services.

The Care Coordination Only Plan Membership Fee is \$7500 Membership Fee and \$325 monthly fee per Member. The Care Coordination Only Plan is non-refundable.

### **Early Acceptance – Salem Club**

Salemtowne offers an enhanced Wait List option called the Salem Club. Members will continue to live in their own homes while waiting for an Independent Living residence but have access to Salemtowne campus amenities and priority access ahead of persons who are not residents at Salemtowne to the Assisted Living Center, Westerly Place, and Health Care Center. If admitted to Salemtowne's Health Care Center, Westerly Place, or Assisted Living Center, Members are entitled as a Member of the Salem Club to receive a 20% discount from the published rates.

Salem Club Member are already on a wait list for residency on the campus ("Wait List"). Members will remain on our Wait List as of the date Members originally joined. If Members are not already on our Wait List, becoming a member of the Salem Club will place a Member on the Wait List as of the date a Member signed the agreement.

The Salem Club membership fee is \$30,000 for a single person and \$45,000 for a couple/partner. The monthly fee is \$300 per member. The entrance fee is partially refundable within the first forty-eight (48) months. The membership fee refund, if applicable, shall be equal to the Membership Fee less a non-refundable fee of four percent (4%) of the Membership Fee; the remaining balance is subject to amortization of two percent (2%) for each month of membership for up to forty-eight (48) months. In calculating amortization for purposes of refund, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. No refund of the Membership Fee shall be paid after forty-eight (48) months of membership. Any refund due shall be refunded within 120 days of the date of termination of this Agreement.

If a Member chooses to become a Resident of Salemtowne and enters into a new agreement with Salemtowne for residency, the Salem Club Membership Fee will be applied to the Entrance Fee for Independent Living accommodations only. For admission to licensed levels of care, the Entrance Fee will not be waived. This Agreement will be terminated when a Member becomes a Resident of Salemtowne. Notwithstanding the foregoing, if a Member enters the Health Center for a short-term stay (for example, respite care or rehabilitation), this Agreement will remain in force.

### **Adjustment in Fees**

Monthly Fees are usually adjusted annually but may be adjusted from time to time in order to continue operating on a sound financial basis and maintain the Program's high standard of services. The Program will provide thirty (30) days written notice to all members of any such increase in the Monthly Fees.

## Historic Changes in Major Fees

The following table shows average changes in the monthly service fees for Navigation at Home over the last five years. Note that it is the average dollar amount of the change in fees from year to year that is shown and not the fees themselves.

Effective Date	% Increase (Average)	\$ Increase (Average)
6/1/2019	3.50%	\$20
6/1/2020	3.00%	\$15
6/1/2021	3.50%	\$19
6/1/2022	4.90%	\$26
4/1/2023	4.90%	\$26

## Rescission Period

The Member Services Agreement may be rescinded by giving written notice to the Program within thirty (30) days following the latter of the execution of the Member Services Agreement or the receipt of the Disclosure Statement.

## Termination

**By Member:** The Member may terminate the Member Services Agreement for any reason by providing written notice of such termination at least thirty (30) days in advance of the termination date. In the case of the death of the Member, the Member Services Agreement shall automatically terminate as of the date of death.

**By Navigation at Home:** The Corporation may terminate the Member Services Agreement if: 1) there has been a material misrepresentation or omission made by the Member in the Member's Membership and/or Financial Applications or Personal Health History form; 2) the Member fails to make payment to the Program of any fees or charges due within thirty (30) days of the date due; 3) the Member does not abide by the rules and regulations adopted by Program and/or Corporation; or 4) the Member breaches any of the terms and conditions of this Agreement; 5) the Member permanently relocates outside of the state, or 6) the Care Coordination Team reasonably determines that the Member poses a danger to him/herself or to others and member or Member's designated representative refuses to allow the transfer of the Member from the homesite or facility to another facility.

**Refunds During the Rescission Period:** A refund of the Membership Fee paid, less a non-refundable fee of \$1,000, less the Monthly Fee and additional fees or portion applicable to the time this Agreement was in effect, will be paid within thirty (30) days following receipt of the written notice.

**No Refund:** If the Member is under the Care Coordination Only Plan, there will be no refund of the Membership Fee after the thirty (30) day rescission period.

All-inclusive, Enhanced, Classic, Access Only Refund:

**Within the First forty-eight (48) Months:** If the Member Services Agreement is terminated for any reason during the first forty-eight (48) months following the Effective Date, the Member, or Member's estate, will receive a refund of the Membership Fee paid less: 1) a non-refundable fee of four percent (4%) of the Membership Fee, and 2) less a percentage of the Membership Fee for each month the Agreement remained in effect (full or partial without prorating and including the month in which the refund is payable), and 3) less any additional co-payments, deductibles, fees, cost and expenses accrued.

The Membership Fee shall amortize as follows:

- Months prior to use of services two percent (2%) per month
- Starting with the first month of services used four (4%) per month

Any refund due shall be refunded within one hundred and twenty (120) days of the date of termination of this Agreement.

The Program will have the right to set-off against any refund payable to the member for the membership fee, for any deferred monthly fees, any other additional service fees or amounts payable to the Program under the Member Services Agreement and other agreements between the member and the Program or any affiliate of the Program and any costs or expenses that might be due, payable or incurred by the member.

**After Amortization:** If the Member Services Agreement is terminated after the first forty-eight (48) months or after the Membership Fee has fully amortized in accordance with the amortization percentages set forth above, following the Effective Date, no refund shall be given.

**Ability to Apply Net Membership Fee to Independent Living Entrance Fee.** The full amount of the Membership Fee paid pursuant to this Agreement less: 1) a non-refundable fee of four percent (4%) of the Membership Fee, 2) any copayments, deductibles, fees, costs or expenses paid or incurred by the Corporation for Services provided under this Agreement and/or 3) any co-payments, deductibles, fees, costs or expenses due and owing to the Corporation by the Member under this Agreement may be credited towards any future Salemtowne retirement community entry fees for an Independent Living unit at Salemtowne but not for any Assisted Living, Skilled Nursing, Memory Care or other unit at Salemtowne or any other community or facility. If a Member enters into a Residence and Services Agreement with the Corporation for an Independent Living unit at Salemtowne, in accordance with this section, the Navigation at Home Membership agreement will automatically terminate.

### **Compliance with Applicable Laws**

Navigation at Home operates in full compliance with all laws, rules, regulations, and ordinances promulgated by lawful governmental authorities.

## **Financial Information**

### **Financial Overview & Statements**

An overview of the financial results of Salemtowne's operations is contained at the end of this section:

- the audited financial statements for the most recent fiscal year (as of March 31, 2023)
- summary of calculation of obligation to provide future services (CCRC) as of March 31, 2023
- Financial Projections for the five (5) years following the date of the audited financial statements (for the fiscal years ended March 31, 2024-2028) accompanied by an Independent Accountants' Compilation Report

### **Reserves and Trusts**

Salemtowne continues to develop funds that are to be used for advancing the mission of the organization, the largest portion is for assistance to residents who are approved for financial assistance. As of March 31, 2023, the balance of these funds was approximately \$2,636,000. The income from these funds constitutes several sources of Salemtowne's financial assistance. Other sources of assistance income include annual Salemtowne Offering on Mother's Day solicitations and Giving Tree solicitations at Christmas, as well as ongoing memorial gifts; local church support; and corporate and foundation grants. Salemtowne does not guarantee that the principal of board designated funds will remain committed solely for financial assistance.

As of March 31, 2023, Salemtowne has restricted \$7,060,000 as the operating reserve fund required by N.C. General Statute 58-64-33 and expects to continue to meet the requirement into the future.

Salemtowne will meet its operating reserve requirements separate and apart from using donor restricted funds. Income from the Financial Assistance Endowment and annual contributions for financial assistance are used to provide charitable assistance to persons who otherwise would not be able to afford residency at Salemtowne.

Investment of funds is currently in interest-bearing checking accounts and professionally managed mutual funds, money market accounts, stocks and bonds. Future investment strategies will, of course, depend upon future market conditions and demands for funds.

Overall policies and decisions relative to reserve funds and investments are under the direction of the Finance Committee of the Board of Trustees.

**Trusts.** Salemtowne is the beneficiary of several trusts and other split-interest agreements. Upon receipt of a beneficial interest in a trust or other split-interest agreement, the present value of the interest is included in "contributions" on the "Statements of Operations" and "Statements of Changes in Net Assets," and is carried at the asset's present value on the "Balance Sheet." The value of these assets totaled \$1,409,528 at fiscal year ended March 31, 2023. At this time, all trusts and split-interest agreements are administered by third parties. Additional information related to reserves and trusts is presented in the notes to the audited financial statements.

## **Explanations of Material Differences**

Following is an explanation of the material differences between (i) the forecasted financial statements of projected revenue and expenses and cash flows of Salemtowne for 2023 contained as a part of the Disclosure Statement dated as of August 28, 2022, filed with the North Carolina Department of Insurance and (ii) the actual results of operations for fiscal 2023 as shown in the audited financial statements of Salemtowne contained at the end of this section.

Material differences are defined as +/- 5% or greater of the forecasted amount, and +/- \$100,000. Set forth below is a comparison of such information.

Note: Due to rounding to “thousands”, there may be slight differences in the statements below and the actual statements issued.

<b>Moravian Homes, Inc. d/b/a Salemtowne</b>	Forecast	Audit	Differences		Notes
<b>Balance Sheet Variance Analysis</b>	(000s)	(000s)			
<b>March 31, 2023</b>	2023	2023	\$	%	
<b>Assets</b>					
Current Assets					
Cash	\$ 3,543	\$ 4,000	\$ 457	11%	A
Current portion of assets limited as to use	2,955	3,311	356	11%	A
Accounts receivable, net of allowance	933	2,254	1,321	59%	B
Prepaid and other current assets	624	228	(396)	-174%	C
<b>Total current assets</b>	<b>8,055</b>	<b>9,793</b>	<b>1,738</b>	<b>18%</b>	
Assets limited as to use, net of current portion	5,857	5,857	-	0%	
Restricted statutory operating reserve	7,060	7,060	-	0%	
<b>Total assets limited to use, net of current portion</b>	<b>12,917</b>	<b>12,917</b>	<b>-</b>	<b>0%</b>	
Property & equipment, net	97,140	94,761	(2,379)	-3%	
Investments	12,530	10,510	(2,020)	-19%	D
Assets in split interest agreements	920	\$ 1,410	490	35%	E
Other Assets	292	\$ 297	5	2%	
<b>Total assets</b>	<b>\$ 131,854</b>	<b>\$ 129,688</b>	<b>\$ (2,166)</b>	<b>-2%</b>	
<b>Liabilities &amp; Net Assets</b>					
Current Liabilities					
Accounts payable	1,355	\$ 929	(426)	-46%	F
Accrued expenses and other liabilities	1,880	2,134	254	12%	G
Accrued interest payable	2,153	2,116	(37)	-2%	
Refundable advance fees	285	160	(125)	-78%	H
Line of credit	-	-	-	N/A	
Current portion of debt	1,605	1,615	10	1%	
<b>Total current liabilities</b>	<b>7,278</b>	<b>6,954</b>	<b>(324)</b>	<b>-5%</b>	
Long term debt, excluding current portion, net	80,150	82,875	2,725	3%	
Other debt, excluding current portion	1,921		(1,921)	N/A	
Deposits	488	775	287	37%	I
Refundable advance fees	33,181	33,568	387	1%	
Deferred revenue from advance fees			-	N/A	
<b>Total liabilities</b>	<b>123,018</b>	<b>124,172</b>	<b>1,154</b>	<b>1%</b>	
Net assets					
Unrestricted	4,739	636	(4,103)	-645%	J
With Donor Restrictions	4,097	4,880	783	16%	J
<b>Total net assets</b>	<b>8,836</b>	<b>5,516</b>	<b>(3,320)</b>	<b>-60%</b>	
<b>Total liabilities and net assets</b>	<b>\$ 131,854</b>	<b>\$ 129,688</b>	<b>(2,166)</b>	<b>-2%</b>	



<b>Moravian Homes, Inc. d/b/a Salemtowne</b>	Forecast	Audit	Differences		Notes
<b>Statement of Operations Variance Analysis</b>	(000s)	(000s)			
<b>March 31, 2023</b>	2023	2023	\$	%	
Revenues, gains, and other support:					
Net resident services	\$ 28,305	\$ 27,801	\$ (504)	-1.8%	
Amortization of advanced fees	5,133	5,152	19	0.4%	
Other income	1,047	1,049	2	0.2%	
Employee retention credit	5,104	5,258	154	3.0%	
Navigation at Home					
Net member services	683	698	15	2.2%	
Amortization of advanced fees	280	350	70	25.0%	
Contributions and net assets released from restriction	444	417	(27)	-6.1%	
<b>Total revenues, gains, and other support</b>	<b>40,996</b>	<b>40,725</b>	<b>(271)</b>	<b>-0.7%</b>	
Expenses:					
Program services - provision for housing and related services:					
Healthcare, assisted living, and clinic	9,281	10,317	1,036	11.2%	K
Dining services	4,562	4,843	281	6.2%	L
Environmental services	4,677	5,414	737	15.8%	M
Life enrichment	760	916	156	20.5%	N
Navigation at Home	832	704	(128)	-15.4%	O
Administration and general	7,983	7,570	(413)	-5.2%	P
Depreciation and amortization	6,213	5,914	(299)	-4.8%	Q
Interest	4,448	4,319	(129)	-2.9%	
<b>Total expenses</b>	<b>38,756</b>	<b>39,997</b>	<b>1,241</b>	<b>3.2%</b>	
Other changes in unrestricted net assets:					
Loss on sale of equipment	-	(1,819)	(1,819)	N/A	R
Net Assets Released from Restriction used for Property & Equipment	-	47	47	N/A	R
Investment Return	-	(820)	(820)	N/A	R
<b>Increase (decrease) in unrestricted net assets</b>	<b>\$ 2,240</b>	<b>\$ (1,864)</b>	<b>\$ (2,592)</b>	<b>-115.7%</b>	
Changes in net assets with donor restrictions:					
Contributions	208	771	563	270.7%	S
Investment Income	64	(276)	(340)	-531.3%	T
Net Assets Released from Restrictions	(356)	(261)	95	-26.7%	
Change in value of split-interest agreements	-	465	465	N/A	E
<b>Increase (decrease) in restricted net assets</b>	<b>\$ (84)</b>	<b>\$ 699</b>	<b>\$ 783</b>		
<b>Change in net assets</b>	<b>2,156</b>	<b>(1,165)</b>	<b>\$ 1,343</b>	<b>62.3%</b>	

<b>Moravian Homes, Inc. d/b/a Salemtowne</b>	Forecast	Audit	Differences		Notes
Statement of Cash Flows Analysis	(000s)	(000s)			
March 31, 2023	2023	2023	\$	%	
<b>Operating activities</b>					
Change in net assets	\$ 2,156	\$ (1,164)	\$ (3,320)	-154%	
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Amortization of deferred entrance fees	(5,413)	(5,502)	(89)	2%	
Depreciation	6,213	5,828	(385)	-6%	Q
Amortization	46	40	(6)	-13%	
Advance fees received	5,046	5,247	201	4%	
(Gain) Loss on disposal of equipment	-	1,819	1,819	n/a	R
Net Realized/Unrealized (gains)/losses on investments	-	1,688	1,688	n/a	D
Bad debt expense	-	649	649	n/a	B
Net changes in:					
Accounts receivable	284	(1,375)	(1,659)	-584%	B
Prepaid expense and other current assets	(18)	72	90	-500%	
Other assets		(490)	(490)	n/a	E
Accounts payable	(81)	(439)	(358)	442%	F
Accrued expenses		243	243	n/a	G
Accrued Interest Payable		(62)	(62)	n/a	
Net cash provided by operating activities	8,233	6,554	(1,679)	-20%	
<b>Investing activities</b>					
Net (increase) decrease in investments	257	293	36	14%	
Change in Designated for Statutory Operating Reserve	(297)	-	297	-100%	U
Purchases of property and equipment	(3,113)	(2,264)	849	-27%	V
Net cash provided by (used in) investing activities	(3,153)	(1,971)	1,182	-37%	
<b>Financing activities</b>					
Principal payments on bonds payable	(1,530)	(1,595)	(65)	4%	
Repayments on line of credit	(1,100)	(1,100)	-	0%	
Proceeds from note payable	646	1,575	929	144%	W
Principal payments on other debt	(47)	(39)	8	-17%	
Entrance fees received on expansion units		210	210	n/a	I
Refunds of advance entrance fees	(976)	(749)	227	-23%	X
Net cash provided by (used in) financing activities	(3,007)	(1,698)	1,309	-44%	
Net increase (decrease) in cash and cash equivalents	\$ 2,073	\$ 2,885	\$ 812	39%	

A. Cash and Cash Equivalents represents Cash and Assets Whose Use is Limited. Collectively, these increased \$2.9 million, as represented within the Statement of Cash Flows.

B. Accounts receivable, net of allowance, had a variance of \$1.3 million or 59%. There was turnover within the billing department which attributed to a significant increase in third party payer accounts receivable. An external accounting firm was brought in and has been working through the aging to bring it current.

C. Prepaid and other current assets had a variance of (\$396) thousand or 174% due to the timing of payments on various insurance policies.

- D. Investments were \$2 million or 19% below the forecast, related to the unrealized losses experienced on the investment portfolio during the year.
- E. Assets in split interest agreements varied \$490 thousand or 35% above the forecast, as additional restricted contributions were received into the split interest agreements during the year.
- F. Accounts payable had a variance of \$426 thousand or 46% related to the timing of the accounts payable cycle.
- G. Accrued expenses had a variance of \$254 thousand or 12%, reflective of a changed in the payroll cycle during the year from a semi-monthly cycle to a biweekly cycle.
- H. Refundable advance fees represent those refunds that are payable to residents that have left campus within the refundable period and will be due a refund once the unit is reoccupied. The variance to forecast is a function of estimates and timing, as there were less estimated to be payable within the forecast than actual as of March 31, 2023.
- I. Deposits represents those advanced fees paid by prospective residents prior to moving into Salemtowne. They varied from the forecast by \$287 thousand or 37% favorably, as there were more move-ins in process at the end of the year than forecasted.
- J. See notes on the Statement of Operations for changes to Net Assets.
- K. Healthcare, assisted living, and clinic expenses were \$1 million or 11.2% more than the forecast, driven primarily by the labor costs and utilization of agency to provide staffing.
- L. Dining services expenses varied \$281 thousand or 6.2% to the forecast. This variance was driven by higher staffing costs.
- M. Environmental services expenses were \$737 thousand or 15.8% higher than the forecast. This was another area impacted by the cost of labor mentioned above.
- N. Life enrichment expenses were \$156 thousand or 20.5% higher than the forecast. The actual for the year includes life enrichment from all areas of campus, whereas the forecast included only the non-healthcare areas. The healthcare areas for life enrichment costs had previously been grouped in the forecasted healthcare, assisted living, and clinic expense line.
- O. Navigation at Home expense varied \$128 thousand to the forecast. The experience of actual costs incurred for member expenses was lower than anticipated for the year.
- P. Administration and general expenses were \$413 thousand or 5.2% less than the forecast, as there were open positions in this area year as well as reduction of a few positions.
- Q. Depreciation and amortization varied \$299 thousand to the forecast, attributable to the timing of new purchases of property and equipment throughout the year as compared to the estimate.
- R. Other changes in unrestricted net assets had not been separately forecasted for the year, thus the variances. Of note, there was a \$1.8 million non-cash write-off of the remaining value of an unused building on the Salemtowne campus reflected in the audit.
- S. Contributions from donors with restrictions were \$563 thousand more than forecasted. There was not a special campaign for the year, however temporarily restricted contributions were higher than anticipated.

T. Restricted investment income was \$340 thousand or 531% lower than the forecast, related to the unrealized losses on the investments portfolio.

U. The Change in Designated for Statutory Operating Reserve was not separated in the audit results, and rather included within the investment changes.

V. The purchases of property and equipment was \$849 thousand less than the forecast, as unit turnovers during the year were not as high as forecasted, and the remaining capital budget was slowed down to match cash receipts of entrance fees.

W. Proceeds from note payable were \$929 thousand more than the forecast, as funds were withdrawn on the preconstruction financing loan to cover development costs related to the next project.

X. Refunds of advance fees were \$227 thousand less than the forecast, as the unit turnovers within the community did not meet expectations.

### **Other Material Information, As Applicable**

Salemtowne is not the subject of any bankruptcy filing, receivership, liquidation or the like. Salemtowne is not involved in any legal proceeding.

### **Tax Consequences**

NO INFORMATION IS PROVIDED HEREIN WITH RESPECT TO THE TAX CONSEQUENCES OF ENTERING INTO A RESIDENCE AND SERVICES AGREEMENT UNDER APPLICABLE FEDERAL, STATE OR LOCAL LAWS. THE DECISION BY A RESIDENT TO ENTER INTO A RESIDENCE AND SERVICES AGREEMENT MAY HAVE MATERIAL TAX CONSEQUENCES TO THE RESIDENT. EACH RESIDENT IS URGED TO CONSULT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO ANY TAX CONSEQUENCES OF ENTERING INTO A RESIDENCE AND SERVICES AGREEMENT.

## Appendix A1

Audited Financial Statements  
as of March 31, 2023 and 2022



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# Moravian Home, Incorporated (d/b/a Salemtowne)

## **Independent Auditor's Report and Financial Statements**

March 31, 2023 and 2022

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## Independent Auditor's Report

Board of Trustees  
Moravian Home, Incorporated (d/b/a Salemtowne)  
Winston-Salem, North Carolina

### ***Opinion***

We have audited the accompanying financial statements of Moravian Home, Incorporated (d/b/a Salemtowne) (the "Community"), which comprise the balance sheets as of March 31, 2023 and 2022, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Community as of March 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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



# FORVIS

In performing an audit in accordance with GAAS, we:

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

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

**FORVIS, LLP**

**Atlanta, Georgia  
July 27, 2023**

**Moravian Home, Incorporated (d/b/a Salemtowne)****Balance Sheets****March 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,999,581	\$ 1,315,636
Current portion of assets limited as to use	3,311,320	3,110,042
Accounts receivable, net	1,807,173	1,268,091
Other receivables	446,684	259,645
Prepaid and other current assets	227,799	300,039
Total current assets	<u>9,792,557</u>	<u>6,253,453</u>
Assets limited as to use, net of current portion:		
Funds held by trustee under bond indenture, net	5,856,563	5,856,563
Restricted statutory operating reserve	7,060,000	6,763,000
Total assets limited as to use, net of current portion	<u>12,916,563</u>	<u>12,619,563</u>
Property and equipment, net	<u>94,760,805</u>	<u>100,143,245</u>
Investments	<u>10,509,774</u>	<u>12,787,163</u>
Other assets:		
Incremental and development costs, net of accumulated amortization of approximately \$339,000 and \$300,000 in 2023 and 2022, respectively	297,800	383,980
Other assets	1,409,529	919,733
Total other assets	<u>1,707,329</u>	<u>1,303,713</u>
Total assets	<u>\$ 129,687,028</u>	<u>\$ 133,107,137</u>

(Continued)

**Moravian Home, Incorporated (d/b/a Salemtowne)****Balance Sheets****March 31, 2023 and 2022****(Continued)**

	<u>2023</u>	<u>2022</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 928,682	\$ 1,367,886
Accrued expenses	2,133,579	1,890,155
Accrued interest payable	2,116,347	2,177,958
Refundable advance fees	159,840	284,922
Line of credit	-	1,100,000
Current portion of long term debt	1,614,843	1,574,586
	<u>6,953,291</u>	<u>8,395,507</u>
Total current liabilities		
	6,953,291	8,395,507
Long term debt, excluding current portion, net	82,874,935	83,019,479
Deposits	775,339	488,447
Refundable advance fees, excluding current portion	3,232,739	1,788,565
Deferred revenue from advance fees	30,335,189	32,735,346
	<u>124,171,493</u>	<u>126,427,344</u>
Total liabilities		
	124,171,493	126,427,344
Net assets:		
Without donor restrictions	635,334	2,498,805
With donor restrictions	4,880,201	4,180,988
	<u>5,515,535</u>	<u>6,679,793</u>
Total net assets		
	5,515,535	6,679,793
Total liabilities and net assets	<u>\$ 129,687,028</u>	<u>\$ 133,107,137</u>

**Moravian Home, Incorporated (d/b/a Salemtowne)****Statements of Operations****Years Ended March 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Revenues, gains, and other support:		
Net resident services, including amortization of advance fees of approximately \$5,152,000 in 2023 and \$4,771,000 in 2022	<b>\$ 32,952,798</b>	\$ 30,756,277
Navigation program income, including amortization of advance fees of approximately \$350,000 in 2023 and \$314,000 in 2022	<b>1,048,414</b>	877,292
Gain from forgiveness of PPP loan	-	2,513,055
Employee retention credit revenue	<b>5,257,903</b>	-
Other income	<b>1,048,966</b>	1,105,366
Contributions and net assets released from restrictions used for operations and benevolent assistance	<b>417,414</b>	918,581
	<u><b>40,725,495</b></u>	<u>36,170,571</u>
Total revenues, gains, and other support		
Expenses:		
Resident care	<b>10,316,818</b>	9,242,539
Dining services	<b>4,843,127</b>	4,278,040
Environmental services	<b>5,414,170</b>	5,084,889
Life enrichment	<b>915,653</b>	905,204
Navigation at home	<b>703,977</b>	691,309
Administration and general	<b>7,569,971</b>	8,235,014
Depreciation and amortization of development and incremental costs	<b>5,913,830</b>	6,124,715
Interest	<b>4,319,478</b>	4,301,566
	<u><b>39,997,024</b></u>	<u>38,863,276</u>
Total expenses		
Operating income (loss)	<b>728,471</b>	(2,692,705)
Non-operating gains (losses):		
Interest and dividends	<b>541,134</b>	753,539
Net realized gains from sale of investments	<b>72,228</b>	25,764
Net unrealized losses on investments	<b>(1,433,210)</b>	(221,336)
Loss on disposal of property and equipment	<b>(1,818,834)</b>	(121,455)
	<u><b>(2,638,682)</b></u>	<u>436,512</u>
Total non-operating gains (losses)		
Deficit of revenues over expenses	<b>\$ (1,910,211)</b>	\$ (2,256,193)

See accompanying notes.

**Moravian Home, Incorporated (d/b/a Salemtowne)**  
**Statements of Changes in Net Assets**  
**Years Ended March 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions:		
Deficit of revenues over expenses	\$ (1,910,211)	\$ (2,256,193)
Net assets released from restriction used for property and equipment	46,740	9,049
Decrease in net assets without donor restrictions	<u>(1,863,471)</u>	<u>(2,247,144)</u>
Net assets with donor restrictions:		
Contributions	771,045	553,770
Investment income (loss)	(275,702)	73,733
Net assets released from restrictions		
Operations	(213,957)	(918,581)
Property and equipment	(46,740)	(9,049)
Change in value of split-interest agreements	<u>464,567</u>	<u>20,440</u>
Increase (decrease) in net assets with donor restrictions	<u>699,213</u>	<u>(279,687)</u>
Change in net assets	<u>(1,164,258)</u>	<u>(2,526,831)</u>
Net assets at beginning of year	<u>6,679,793</u>	<u>9,206,624</u>
Net assets at end of year	<u>\$ 5,515,535</u>	<u>\$ 6,679,793</u>

**Moravian Home, Incorporated (d/b/a Salemtowne)**  
**Statements of Cash Flows**  
**Years Ended March 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating activities:		
Change in net assets	\$ (1,164,258)	\$ (2,526,831)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of advance fees	(5,502,163)	(5,085,288)
Depreciation	5,827,650	6,059,513
Amortization of development and incremental costs	86,180	65,202
Bad debt expense	648,559	32,478
Amortization of bond discount, premium, and issuance costs	(45,642)	(48,568)
Advance fees received	5,247,460	6,762,794
Loss on disposal of property and equipment	1,818,834	121,455
Realized gains on investments	(85,448)	(25,764)
Net unrealized losses on investments	1,773,437	221,336
Gain on forgiveness of PPP loan	-	(2,513,055)
Net changes in:		
Accounts receivable	(1,187,641)	(234,412)
Other receivables	(187,039)	(11,522)
Prepaid and other current assets	72,240	54,364
Accounts payable	(439,204)	135,794
Accrued expenses	243,424	171,296
Accrued interest payable	(61,611)	(95,611)
Other assets	(489,796)	(20,440)
Net cash provided by operating activities	<u>6,554,982</u>	<u>3,062,741</u>
Investing activities:		
Purchase of investments	(1,792,401)	(656,265)
Proceeds from sale of investments	2,084,801	-
Commissions paid for contracts obtained	-	(45,107)
Purchase of property and equipment	(2,283,886)	(5,090,857)
Proceeds from sale of property and equipment	19,842	-
Net cash used by investing activities	<u>(1,971,644)</u>	<u>(5,792,229)</u>

(Continued)

**Moravian Home, Incorporated (d/b/a Salemtowne)**  
**Statements of Cash Flows**  
**Years Ended March 31, 2023 and 2022**

(Continued)

	<u>2023</u>	<u>2022</u>
Financing activities:		
Principal payments on long term debt	(1,595,100)	(1,457,074)
Repayments on line of credit	(1,300,000)	-
Proceeds from line of credit	200,000	917,836
Proceeds from note payable	1,575,042	1,300,000
Principal payments on long term debt	-	(10,037)
Principal payments on lease obligation	(38,587)	(30,471)
Proceeds from refundable entrance fees, new units	210,000	386,298
Refunds of advance entrance fees	(749,470)	-
Net cash provided (used) by financing activities	<u>(1,698,115)</u>	<u>1,106,552</u>
Net change in cash and cash equivalents	2,885,223	(1,622,936)
Cash and cash equivalents, beginning of year	<u>10,282,241</u>	<u>11,905,177</u>
Cash and cash equivalents, end of year	<u>\$ 13,167,464</u>	<u>\$ 10,282,241</u>
Supplemental cash flow disclosure information:		
Cash paid for interest	<u>\$ 4,381,089</u>	<u>\$ 4,397,177</u>
Reconciliation of amounts included in the statements of cash flows as cash, cash equivalents, and restricted cash to the balance sheet:		
Cash and cash equivalents	\$ 3,999,581	\$ 1,315,636
Assets limited as to use	<u>9,167,883</u>	<u>8,966,605</u>
Cash, cash equivalents, and restricted cash—end of year	<u>\$ 13,167,464</u>	<u>\$ 10,282,241</u>

## **Notes to Financial Statements**

### **1. Description of Organization and Summary of Significant Accounting Policies**

#### ***Organization***

Moravian Home, Incorporated (d/b/a Salemtowne) (the “Community”) is a non-profit organization located in Winston-Salem, North Carolina, that provides housing, health care, and other related services to residents through the ownership and operation of a retirement community containing independent living cottages and apartments, assisted living apartments, and a health care center. The Community is subject to various laws and regulations enacted by the state of North Carolina regarding its activities.

#### ***Use of estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Cash and cash equivalents***

Cash and cash equivalents 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.

#### ***Accounts receivable***

Doubtful accounts are accounted for using the allowance method. The allowance is increased or decreased, based upon management’s evaluation, by provisions to bad debt expense charged against income. Uncollectible balances are written off against the allowance. Recoveries of previously written off balances are credited to income. Generally, no finance charges are assessed on trade receivables.

#### ***Investments***

Investments with readily determinable fair values are measured at fair value on the balance sheet. The fair values of investments are determined based upon quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in investment income without donor restrictions and changes in net assets with donor restrictions. All changes in unrealized gains and losses on investments are included in non-operating gains (losses) with the exception of any earnings allocated to donor restricted endowments. Contributed investments are recorded at the fair market value at the date of receipt.

#### ***Deferred financing costs and original issue premium/discount***

Deferred financing costs for the 2015 Bond series and the 2018 Bond series are being amortized over the term of the related financing. The original issue premium/discount in connection with the 2015 Bond series and 2018 Bond series financing is being amortized over the term of the related financing using the straight-line method, which approximates the effective interest method. Deferred financing costs and the original issue premium/discount for the 2016 Bond series are being amortized over the average life of the bonds of 8.305 years.



***Assets limited as to use***

Assets limited as to use by Board designation include amounts set aside to meet the operating reserve requirements of N. C. General Statute Chapter 58, Article 64.

Assets limited as to use under bond indenture agreement consist of the proceeds of borrowing available to pay accrued interest as well as funds set aside for debt service and principal fund reserves.

***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 40 years for buildings, 8 to 10 years for principal equipment, 3 to 5 years for minor equipment and 5 years for vehicles. The cost of maintenance and repairs is expensed as incurred. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring and constructing those assets.

The Community periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable. For assets to be held, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount. No impairment was identified and recorded for the years ended March 31, 2023 or 2022.

***Deposits on unoccupied units***

Deposits for cottage and apartment accommodations to be occupied in the future are deferred when received. A portion of the deposit is refundable if the resident terminates the continuing care contract.

***Incremental costs of acquiring contracts***

The Community capitalizes incremental costs of acquiring contracts and amortizes such costs over the estimated term of the related contract.

***Refundable advance fees***

Entrance fees for independent living accommodations are deferred when received. A portion of these fees is refundable when the residency contract is terminated. The Community offers three different continuing care contracts, 1) a standard rate plan, 2) a 50% refundable plan, and 3) a 90% refundable plan. Refunds of refundable entrance fees are paid upon termination of the agreement (provided the resident's independent living unit is reoccupied) or within twenty-four months, whichever occurs first.

For a standard contract, the refundable amount is equal to the entrance fee less a non-refundable fee of 4% of the initial entrance fee. The remaining balance becomes non-refundable at a rate of 2% for each month of occupancy for up to 48 months, at which time there is no refundable amount.

For a 50% refundable contract, the refundable amount is equal to the entrance fee less a non-refundable fee of 4% of the initial entrance fee with the remaining balance subject to amortization of 2% percent for each month of occupancy, for up to 23 months at which point the 50% refundable amount remains refundable.

**Moravian Home, Incorporated  
(d/b/a Salemtowne)  
Notes to Financial Statements**

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For a 90% refundable contract, the refundable amount is equal to the entrance fee less a non-refundable fee of 4% of the initial entrance fee with the remaining balance subject to amortization of 1% for each month of occupancy, for up to 6 months at which point the 90% refundable amount remains refundable.

Total contractual refund obligations under existing contracts (that is if all residents with a refundable balance were to have withdrawn) totaled approximately \$14,800,000 and \$18,200,000 at March 31, 2023 and 2022, respectively.

***Deferred revenue from advance fees***

Fees paid by a resident upon entering into a contract agreement, net of the estimated portion that is refundable to the resident, are recorded as deferred revenue and amortized into income using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. When the residency contract is terminated, the unamortized portion of the deferred revenue from non-refundable entrance fees is recognized.

***Obligation to provide future services***

The Community enters into continuing care contracts with various residents. A continuing care contract is an agreement between a resident and the Community specifying the services and facilities to be provided over the resident's remaining life. Under the contracts, the Community has the ability to increase fees as deemed necessary. As of the end of each year, the Community calculates the present value of the estimated net cost of future services to be provided, including the cost of facilities to current residents, and compares the amount with the deferred revenue from advance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability (obligation to provide future services) is recorded. No liability has been recorded as of March 31, 2023 or 2022, because the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from advances fees. The present value of the net cost of future services and use of facilities was discounted at 5.5% in both 2023 and 2022.

***Nets assets with restrictions***

Net assets with donor restrictions are those whose use by the Community has been limited by donors to a specific time period, purpose, or have been restricted by donors to be maintained by the Community in perpetuity. Board designated net assets without donor restrictions have been restricted by the Board of Trustees for use for financial assistance and campus expansion but could later be designated for other purposes by the Board of Trustees.

Net appreciation on endowment funds is reported as an increase in net assets without donor restrictions unless such net appreciation is restricted by the donor or by law. Net realized appreciation on endowment funds is classified in the accompanying financial statements as part of net assets without donor restrictions or net assets with donor restrictions based on restrictions established by donors and state law.

***Net resident services revenue***

Net resident services revenue represents the estimated net realizable amounts from patients, third-party payors, and others for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Historically, such adjustments for the Community have been immaterial in relation to the financial statements as a whole.

**Moravian Home, Incorporated  
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Notes to Financial Statements**

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Revenues under third-party payor agreements are subject to examination and retroactive adjustments. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the amounts accrued and subsequent settlements are recorded in operations in the year of settlement.

***Navigation by Salemtowne***

Navigation by Salemtowne's mission is to provide coordination of care for older adults who wish to remain in their own homes in their later years. The Community's goal is to combine the security of a continuing care retirement community with the freedom and autonomy of living at home. The Community supports older adults to stay healthy and independent throughout their years through education, physical activities and socialization, and the coordination of care when necessary. The Community admitted its first member into the Navigation by Salemtowne program in fiscal year 2015.

***Donor restrictions***

The Community reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported on the statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reflected as unrestricted contributions in the accompanying financial statements.

The Community reports contributions of property and equipment (or other long-lived assets) as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these assets must be maintained, the Community reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

***Benevolent assistance***

The Community provides benevolent assistance to residents who are unable to pay. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. The Community utilizes certain net assets with donor restrictions, as well as earnings from certain net assets with donor restrictions and board designated net assets, to fund the care of such residents.

***Deficit of revenues over expenses***

The statements of operations includes deficit of revenues over expenses. Changes in net assets without donor restrictions which are excluded from deficit of revenues over expenses, consistent with industry practice, net assets released from restrictions for purchase of property and equipment and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for purposes of acquiring such assets).

***Other income and non-operating gains (losses)***

Other income includes dining revenue and ancillary services revenue. Investment income and gains (losses) on investments are recorded as non-operating gains (losses).

***Income tax status***

The Community is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Community has determined that it does not have any material unrecognized tax benefits or obligations as of March 31, 2023. In addition, the Community qualified for the charitable contribution deduction under Section 170(b)(1)(a) and is classified as an organization that is not a private foundation under Section 509(a)(2).

***Subsequent events***

The Community evaluated the effect subsequent events would have on the financial statements through July 27, 2023, which is the date the financial statements were issued.

***Reclassifications***

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 financial statement presentation. These reclassifications had no effect on change in net assets.

**2. Revenue Recognition**

The Community generates revenues, primarily by providing housing and health services to its residents. The following streams of revenue are recognized as follows:

Monthly service fees:

The life care contracts that residents select require an advanced fee and monthly fees based upon the type of space they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Under Accounting Standards Codification ("ASC") Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominate component and does not contain a lease component under ASC Topic 842. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance fees:

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included as a contract liability on the balance sheet until the performance obligations are satisfied. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability on the balance sheet. Additionally, management has determined the contracts do not contain a significant financing component as the advanced payment assures residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the resident as the performance obligation is the material right associated with access to future services as described in ASC 606-10-55 paragraph 42 and 51.

**Moravian Home, Incorporated**  
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**Notes to Financial Statements**

Health care services:

The Community provides assisted and nursing care to residents who are covered by government and commercial payers. The Community is paid fixed daily rates from government payers. The fixed daily rates and other fees are billed in arrears monthly. The monthly fees represent the most likely amount to be received from the third-party payors. Most rates are predetermined from Medicare and Medicaid. Under ASC Topic 606, management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

The Community disaggregates its revenue from contracts with customers by payor source, as the Community believes it best depicts how the nature, timing and uncertainty of its revenues and cash flows are affected by economic factors. See details on a reportable segment basis in the table below:

	<b>Year Ended March 31, 2023</b>				
	<b>Independent Living</b>	<b>Assisted Living &amp; Memory Care</b>	<b>Skilled Nursing</b>	<b>Home Care</b>	<b>Total</b>
Private pay	\$ 14,445,517	\$ 4,370,221	\$ 6,537,431	\$ 221,889	\$ 25,575,058
Government reimbursement	-	-	6,159,195	-	6,159,195
Other third-party payor programs	-	-	1,218,545	-	1,218,545
<b>Total</b>	<b>\$ 14,445,517</b>	<b>\$ 4,370,221</b>	<b>\$ 13,915,171</b>	<b>\$ 221,889</b>	<b>\$ 32,952,798</b>
	<b>Year Ended March 31, 2022</b>				
	<b>Independent Living</b>	<b>Assisted Living &amp; Memory Care</b>	<b>Skilled Nursing</b>	<b>Home Care</b>	<b>Total</b>
Private pay	\$ 13,315,908	\$ 4,086,988	\$ 6,332,627	\$ 213,940	\$ 23,949,463
Government reimbursement	-	-	5,643,923	-	5,643,923
Other third-party payor programs	-	-	1,162,841	-	1,162,841
<b>Total</b>	<b>\$ 13,315,908</b>	<b>\$ 4,086,988</b>	<b>\$ 13,139,391</b>	<b>\$ 213,940</b>	<b>\$ 30,756,277</b>

**3. Fair Values of Assets and Liabilities**

Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- **Level 1:** Observable inputs such as quoted prices in active markets.
- **Level 2:** Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- **Level 3:** Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

**Moravian Home, Incorporated**  
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**Notes to Financial Statements**

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Community's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Asset Measured at Fair Value on a Recurring Basis

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include common stocks, fixed income mutual funds, and exchange-traded funds which are valued based on prices readily available in active markets in which those securities are traded. Level 1 investments also include money market funds which are valued based on transacted values.

The Community does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 2 or Level 3. There were no transfers in or out of Level 3 during 2023 and 2022. There were no changes during 2023 and 2022 to the Community's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following tables set forth by level within the fair value hierarchy the Community's assets accounted for at fair value on a recurring basis on March 31, 2023 and 2022.

	<b>March 31, 2023</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Income and money market funds	\$ 11,552,102	\$ -	\$ -	\$ 11,552,102
Common stocks	9,242,582	-	-	9,242,582
Fixed income mutual funds	4,026,724	-	-	4,026,724
Exchange-traded funds	<u>1,916,249</u>	<u>-</u>	<u>-</u>	<u>1,916,249</u>
Total	<u>\$ 26,737,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,737,657</u>

	<b>March 31, 2022</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Income and money market funds	\$ 12,393,881	\$ -	\$ -	\$ 12,393,881
Common stocks	9,167,564	-	-	9,167,564
Fixed income mutual funds	4,941,082	-	-	4,941,082
Exchange-traded funds	<u>2,014,241</u>	<u>-</u>	<u>-</u>	<u>2,014,241</u>
Total	<u>\$ 28,516,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,516,768</u>

**Moravian Home, Incorporated**  
**(d/b/a Salemtowne)**  
**Notes to Financial Statements**

**4. Investments and Assets Limited as to Use**

Investments and assets limited as to use are stated at fair value and include the following at March 31:

	<u>2023</u>	<u>2022</u>
Assets held in professionally managed trust accounts:		
Short-term income and money market funds	\$ 11,552,102	\$ 12,393,881
Common stocks and fixed income mutual funds	13,269,306	14,108,646
Exchange-traded funds	<u>1,916,249</u>	<u>2,014,241</u>
Total assets limited as to use and investments	<u>\$ 26,737,657</u>	<u>\$ 28,516,768</u>

Investments in equity securities (common stocks, fixed income mutual funds and exchange-traded funds) have a market value of \$15,185,555 with a cost of \$16,276,985 at March 31, 2023. This resulted in a net unrealized loss of \$1,091,430. Investments in equity securities have a market value of \$16,122,887 with a cost of \$15,339,822 at March 31, 2022. This resulted in a net unrealized gain of \$783,065.

The Community allocates its investment portfolios between investments and various categories of assets limited as to use. The allocation of these assets between limited as to use and investments is set forth in the following table at March 31:

	<u>2023</u>	<u>2022</u>
Assets limited to use:		
Under statutory requirements:		
Restricted statutory operating reserve	<u>\$ 7,060,000</u>	<u>\$ 6,763,000</u>
Under bond indenture agreement:		
Accrued interest fund	2,508,820	2,345,042
Debt service reserve fund	5,856,563	5,856,563
Principal fund	<u>802,500</u>	<u>765,000</u>
	<u>9,167,883</u>	<u>8,966,605</u>
Total assets limited as to use	16,227,883	15,729,605
Total investments	<u>10,509,774</u>	<u>12,787,163</u>
Total assets limited as to use and investments	<u>\$ 26,737,657</u>	<u>\$ 28,516,768</u>

Investment income (loss) for the years ended March 31 follows:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 592,439	\$ 753,539
Net realized gains on sale of investments	85,448	25,764
Net unrealized gains(losses) on investments	<u>(1,773,437)</u>	<u>(132,074)</u>
Total investment income (loss)	<u>\$ (1,095,550)</u>	<u>\$ 647,229</u>

The Community has adopted investment policies and monitors the allocation of investments between types of investments including corporate bonds, equities, and mutual funds.

## 5. Property and Equipment

A summary of property and equipment at March 31 is as follows:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 4,233,251	\$ 4,193,067
Buildings	132,961,768	133,911,070
Furniture and equipment	6,752,559	6,674,301
Vehicles	537,839	544,295
Other	132,930	132,930
Construction in progress	<u>3,301,780</u>	<u>3,119,976</u>
	147,920,127	148,575,639
Accumulated depreciation	<u>(53,159,322)</u>	<u>(48,432,394)</u>
	<u>\$ 94,760,805</u>	<u>\$ 100,143,245</u>

As of March 31, 2023 and 2022, the Community had \$1,684,000 remaining on a commitment related to an architectural contract.

Depreciation expense during the year ended March 31, 2023 and 2022 totaled approximately \$5,828,000 and \$6,060,000, respectively.

## 6. Long Term Debt

In August 2015, the Series 2015 Bonds were issued in the amount of \$42,585,000 by the North Carolina Medical Care Commission (the "Commission"), the proceeds from which were loaned to the Community pursuant to a Loan Agreement. The Series 2015 Bonds are limited obligations of the Commission payable solely from revenues of the Community assigned to the Trustee pursuant to the Loan Agreement and Deed of Trust, and to the extent provided in the Trust Agreement, the monies on deposit in certain funds and accounts created by the Trust Agreement.

The Series 2015 Bonds were used to fund a debt service reserve, pay issuance costs and provide funds for a previous expansion project.

In September 2016, the Series 2016A Bonds were issued in the amount of \$23,470,000 by the North Carolina Medical Care Commission, the proceeds from which were used to (a) refund all of the outstanding Series 2006 Bonds (b) fund a debt service reserve fund, and (c) pay certain expenses incurred in connection with the issuance of the bonds.

In October 2018, the Series 2018 Bonds were issued in the amount of \$38,250,000 by the North Carolina Medical Care Commission, the proceeds from which were used to (a) finance a current expansion project (b) fund a debt service reserve fund (c) pay a portion of the interest accruing on the bonds during the construction of the expansion project, and (d) pay certain expenses incurred in connection with the issuance of the bonds.



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A summary of the Bonds outstanding at March 31 is as follows:

	<u>2023</u>	<u>2022</u>
Series 2015:		
Term bonds with interest rates and October 1 due dates as follows:		
5.250%, 2035	\$ 4,000,000	\$ 4,000,000
5.250%, 2037	11,840,000	11,840,000
5.375%, 2045	26,745,000	26,745,000
Series 2016A:		
Term bonds with interest rates and October 1 due dates as follows:		
5.000%, 2026	5,695,000	7,290,000
3.250%, 2026	1,200,000	1,200,000
5.000%, 2030	6,915,000	6,915,000
3.625%, 2030	1,400,000	1,400,000
Series 2018:		
Term bonds with interest rates and October 1 due dates as follows:		
4.50%, 2033	1,350,000	1,350,000
5.00%, 2038	2,635,000	2,635,000
5.00%, 2043	3,360,000	3,360,000
5.00%, 2048	<u>17,530,000</u>	<u>17,530,000</u>
Total bonds payable	82,670,000	84,265,000
Less current portion of bonds payable	(1,605,000)	(1,530,000)
Deferred financing costs, net	(1,002,233)	(1,072,058)
Unamortized original issue premium and discount, net	<u>(68,772)</u>	<u>46,695</u>
	<u>\$ 79,993,995</u>	<u>\$ 81,709,637</u>

The Series 2015 Bonds maturing on October 1, 2035, 2037, and 2045 will be subject to mandatory redemption in part by lot on October 1 in the years and amounts set forth in the bond financing agreement.

The Series 2016A Bonds maturing on October 1, 2026 and 2030 will be subject to mandatory redemption in part by lot on October 1 in the years and amounts set forth in the bond financing agreement.

The Series 2018 Bonds maturing on October 1, 2033, 2038, 2043, and 2048 will be subject to mandatory redemption on part by lot on October 1 in the year and amounts set forth in the bond financing agreement.

Under the Loan Agreement, the Community granted the Commission a security interest in all assets of the Community.

The Master Trust Indentures requires the maintenance of a 1.20 long-term debt service coverage ratio and contains other covenants restricting, among other things, incurrence of indebtedness, existence of liens on property, consolidation and merger, and transfer of assets. The Loan Agreements requires the maintenance of a liquidity ratio of 150 days cash on hand. The Community was in compliance with the long-term debt service coverage ratio and days cash on hand at March 31, 2023.

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Payment of principal on the bonds by the Community is as follows:

**Fiscal Year**

2024	\$ 1,605,000
2025	1,680,000
2026	1,765,000
2027	1,845,000
2028	1,935,000
Thereafter	<u>73,840,000</u>
	<u>\$ 82,670,000</u>

In December 2021, the Community entered into a bridge loan note with a local bank to begin funding Phase IV of their strategic growth plan, which allows for borrowing up to \$3,500,000, collateralized by real estate. Interest accrues at a rate of 3% and is due and payable monthly commencing in January 2022. The outstanding principal and accrued interest will be due in a single payment May 15, 2024. The outstanding balance at March 31, 2023 and 2022 was \$2,880,940 and \$1,300,000, respectively. The remaining balance of long term debt relates to a five year note payable on a van entered into in August 2018.

**7. Line of Credit**

In February 2020, the Community entered into an unsecured revolving line of credit agreement with a local bank, which allows for borrowing up to \$1,500,000. Interest accrues at a floating rate of prime plus a margin of 1.5% and is due and payable monthly commencing on March 2020. The line of credit originally matured on February 1, 2021 but was extended to October 31, 2023 at which time all outstanding principal and accrued interest will be due. The outstanding balance at March 31, 2023 and 2022 was \$0 and \$1,100,000, respectively.

**8. Net Assets with Donor Restrictions**

Net assets are available for the following purposes or periods at March 31:

	<u>2023</u>	<u>2022</u>
Split-interest agreements (time-restricted)	\$ 929,344	\$ 413,876
Pathways debt reduction	-	35,523
Single Sisters Preservation of the Community Fund	52,604	52,604
Unappropriated endowment earnings and other	1,222,658	738,375
Pathways trails	25,191	40,191
Lucille Fogle (walking trails, sidewalks and care of residents)	<u>14,404</u>	<u>14,404</u>
	<u>\$ 2,244,201</u>	<u>\$ 1,294,973</u>

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Net assets restricted to investments in perpetuity, the income from which is expendable to support residents in financial need, personnel recruiting (health care) and general obligations. Principal balance invested for these purposes at March 31 consisted of:

	<u>2023</u>	<u>2022</u>
Financial assistance	\$ 1,938,603	\$ 2,136,639
Restricted endowments	48,234	46,987
Single Sisters Preservation of the Community Fund	173,852	169,354
Split-interest agreements	343,142	404,285
Babcock Campus (protected conservation area)	<u>132,169</u>	<u>128,750</u>
	<u>\$ 2,636,000</u>	<u>\$ 2,886,015</u>

## 9. Split Interest Agreements

The Community is a beneficiary of certain split-interest agreements, all of which are held or controlled by various third parties. The estimated present value of the future distributions the Community expects to receive from irrevocable split-interest agreements is recorded as an asset in the financial statements. Changes in the value of irrevocable split-interest agreement are recorded as changes in net assets.

The irrevocable split-interest agreements in which the Community has a beneficial interest are categorized as follows:

***Charitable Remainder Trust*** – A charitable remainder trust provides for the payment of distribution to the grantor or other designated beneficiaries over the trust’s term. The term of all charitable remainder trusts which name the Community as a remainder beneficiary are the lifetimes of the respective distribution recipients. At the end of the respective trust’s terms, the remaining assets in which the Community has an interest will be distributed to the Community.

Upon receipt of a beneficial interest in a charitable remainder trust, the present value of such interest is recorded as contribution income. The annual change in the present value of the beneficial interest is recorded as a change in value of split-interest agreements on the statement of changes in net assets. Such valuations are based on estimated mortality rates, projected investment returns, and other assumptions that could change in the near term. As these are unobservable inputs, the charitable remainder trust is classified within level 3 of the fair value hierarchy.

***Beneficial Interest in Perpetual Trust*** – Beneficial interest in perpetual trust represents assets held in trust and administered by a third party, from which the Community has the irrevocable right to receive a share of income from the trust’s assets in perpetuity. The assets are stated as the fair value of the Community’s share of trust assets, which is an approximation of the present value of the estimated future distributions from this trust. These are classified within level 3 of the fair value hierarchy and valued at the market price of the underlying investments in the trust.

Upon receipt of an irrevocable interest in the income of a perpetual trust administered by a third party, the Community records the fair value of estimated future distributions from the trust as contribution income with donor restrictions. Over the term of the perpetual trust, income distributions to the Community are included in investment income. Annual changes in the fair value of trust assets are recorded as gain or loss on the statement of changes in net assets with donor restrictions. Such valuations are based on estimated mortality rates and other assumptions that could change in the near future.

## **10. Statutory Operating Reserve Requirements**

North Carolina General Statute Chapter 58, Article 64 sets forth minimum operating reserve requirements. Under this legislation, the Community is required to maintain an operating reserve at least equal to 25% or 50% of the upcoming year's total operating costs as defined by the statute based on whether the occupancy in independent living and assisted living is above or below 90%. At March 31, 2023 and 2022, management estimated that \$7,060,000 and \$6,763,000, respectively, would be required to meet the 25% operating reserve requirement. The Board of Trustees has allocated funds included in assets limited as to use of \$7,060,000 and \$6,763,000 at March 31, 2023 and 2022, respectively.

## **11. Retirement Savings Plan**

The Community maintains a defined contribution retirement savings plan for eligible associates. If associates elect to make contributions to the plan, the Community matched them dollar for dollar up to 3% of gross salary and then at the rate of \$.50 per dollar for the next 2% of gross salary. For the years ended March 31, 2023 and 2022, the Community made contributions totaling approximately \$201,000 and \$219,000, respectively.

## **12. Benevolent Assistance, Community Outreach and Other Contractual Adjustments**

The Community maintains records to identify and monitor benevolent assistance provided. Records include costs to assist Salemtowne residents with entrance and monthly fees, medical expenses, meals, transportation, housekeeping and other programs and activities. The Community also provides financial assistance (Community Outreach) to community not-for-profit organizations who support or provide services to older persons. Benevolent assistance and Community Outreach included in the attached financial statements totals \$2,378,000 and \$1,706,000 for the years ended March 31, 2023 and 2022, respectively.

Residents in the health center and assisted living levels of care may be eligible to participate in the North Carolina Medicaid or federal Medicare programs. Contractual adjustments represent the difference between the Community's standard rates and the rates paid by third party payors. For the years ended March 31, 2023 and 2022, net patient service revenue was reduced by third party payor contractual adjustments (primarily Medicaid and Medicare) of approximately \$5,978,000 and \$4,370,000, respectively.

## **13. Concentrations of Credit Risk**

The Community maintains its cash accounts at commercial banks. The cash balances in each bank are insured by Federal Deposit Insurance Corporation up to \$250,000. The funds on deposit with the brokerage accounts are insured by the Securities Investor Protection Corporation up to \$500,000. At times, amounts on deposit may be in excess of the insured limits. Management believes the credit risk related to these deposits is minimal.

## **14. Commitments and Contingencies**

The Community has in place insurance coverage for possible litigation in the ordinary course of business related to professional liability claims. Management believes that claims, if asserted, would be settled within the limits of coverage, which is on a claims-made basis, with insurance limits of \$1,000,000 per claim and \$3,000,000 in the aggregate. Should the Community not renew its claims-made policy, or replace it with equivalent insurance, occurrences incurred during its term but asserted after its expiration would be uninsured, unless the Community obtains tail coverage. No claims were outstanding during the year or at year-end, therefore, the Community believes that an accrual for unasserted claims is not necessary.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

In 2023, the Community contributed \$25,129 and became a subscriber of the Unity Mutual Insurance Company (UMIC), reciprocal captive insurance company. UMIC provides reinsurance coverage for workers' compensation coverage, for the UMIC subscribers, based on a quota share arrangement. The workers' compensation policy covers workers' compensation claims on a statutory basis and also provides Employers Liability limits of \$1,000,000 per occurrence. As part of this arrangement, the Community is entitled to a share in the profits and losses of UMIC in accordance with an Allocation Policy Agreement. These annual allocations are not cash allocations, but rather income or loss allocations retained in their subscriber's allocation account of UMIC which will increase and decrease the Company's subscriber interest in UMIC. Subscriber allocations are determined and made on or before March 15th and are recorded in the Company's change in net assets in the year the allocation is made.

## **15. Endowment Funds**

The Community's endowments consist of individual funds established for a variety of purposes including support for residents in financial need, personnel recruiting, buildings, and other general obligations. The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### ***Interpretation of relevant law***

The Board of Trustees of the Community has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Community classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Community considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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The duration and preservation of the fund:

- The purposes of the organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the organization.
- The investment policies of the organization.

Endowment Net Asset Composition by Type of Fund as of March 31, 2023:

	<b>Board Designated Without Donor Restrictions</b>	<b>Time or Purpose Restricted</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Endowment net assets	<b><u>\$ 7,784,970</u></b>	<b><u>\$ 2,244,201</u></b>	<b><u>\$ 2,636,000</u></b>	<b><u>\$ 12,665,171</u></b>

Changes in Endowment Net Assets for the Year Ended March 31, 2023

	<b>Board Designated Without Donor Restrictions</b>	<b>Time or Purpose Restricted</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Endowment net assets, beginning of year	<b>\$ 7,783,970</b>	<b>\$ 1,294,973</b>	<b>\$ 2,886,015</b>	<b>\$ 11,964,958</b>
Contributions to principal	<b>1,000</b>	<b>694,310</b>	<b>76,735</b>	<b>772,045</b>
Investment loss	<b>-</b>	<b>-</b>	<b>(275,702)</b>	<b>(275,702)</b>
Net assets released from restriction	<b>-</b>	<b>(260,697)</b>	<b>-</b>	<b>(260,697)</b>
Change in value of split-interest agreements	<b>-</b>	<b>515,615</b>	<b>(51,048)</b>	<b>464,567</b>
Endowment net assets, end of year	<b><u>\$ 7,784,970</u></b>	<b><u>\$ 2,244,201</u></b>	<b><u>\$ 2,636,000</u></b>	<b><u>\$ 12,665,171</u></b>

Endowment Net Asset Composition by Type of Fund as of March 31, 2022:

	<b>Board Designated Without Donor Restrictions</b>	<b>Time or Purpose Restricted</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Endowment net assets	<b><u>\$ 7,783,970</u></b>	<b><u>\$ 1,294,973</u></b>	<b><u>\$ 2,886,015</u></b>	<b><u>\$ 11,964,958</u></b>

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Changes in Endowment Net Assets for the Year Ended March 31, 2022

	<b>Board Designated Without Donor Restrictions</b>	<b>Time or Purpose Restricted</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 7,381,500	\$ 1,686,215	\$ 2,789,989	\$ 11,857,704
Contributions to principal	-	551,770	2,000	553,770
Investment income	-	-	73,733	73,733
Net assets released from restriction	-	(943,159)	-	(943,159)
Change in value of split-interest Agreements	-	147	20,293	20,440
Designated by board	<u>402,470</u>	<u>-</u>	<u>-</u>	<u>402,470</u>
Endowment net assets, end of year	<u>\$ 7,783,970</u>	<u>\$ 1,294,973</u>	<u>\$ 2,886,015</u>	<u>\$ 11,964,958</u>

***Return objectives and risk parameters***

The Community has adopted investment and spending policies for endowment assets that attempt to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds.

***Strategies employed for achieving objectives***

To satisfy its long-term rate-of-return objectives, the Community relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

***Spending policy and how the investment objectives relate to spending policy***

The Community has a policy of utilizing the interest and dividends earned on these endowments for their restricted purposes. The Community believes the investment policy established will facilitate the growth of these endowed funds and allow for earnings on these endowed funds to be used consistent with the intent of the donors.

**16. Liquidity and Availability**

As part of its liquidity management, the Community has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. In addition, the Community invests cash in excess of daily operating funds in short-term investments such as stocks, bonds, money market funds, and mutual funds.

The following schedule reflects the Community's' financial assets to meet cash needs for general expenses within one year. The financial assets were derived from the total assets on the balance sheets by excluding the assets that are unavailable for general expenses in the next 12 months. Board designated amounts for projects have been included in the schedule below as the board could release these funds for liquidity purposes if needed.

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The Community seeks to maintain sufficient liquid assets to cover three months' operating and capital expenses.

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

<u>Asset Categories</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,999,581	\$ 1,315,636
Accounts receivable	1,807,173	1,268,091
Other receivables	446,684	259,645
Investments and assets limited as to use	26,737,657	28,516,768
Less: Held by trustee	(9,167,883)	(8,966,605)
Less: Reserves required by state statute	(7,060,000)	(6,763,000)
Less: Restricted by donor	(4,880,201)	(4,180,988)
	<u>\$ 11,883,011</u>	<u>\$ 11,449,547</u>

## 17. Payroll Protection Program

The CARES Act provides for the establishment of the Payroll Protection Program ("PPP"), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

The Community received a PPP loan of approximately \$2,500,000. The Community has elected to account for the funds received in accordance with ASC 470, Debt. In order to be forgiven, funds from these loans may only be used to satisfy payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on certain other debt obligations. The Community believes it has used the proceeds of the loan for qualifying expenses under the PPP. The loan accrued interest at a rate of 1% and had an original maturity date of five years. Payments were deferred during the deferral period, which began on the loan origination date and extended for 10 months beyond the last day of the Community's covered period. On December 22, 2020, the Community submitted the loan forgiveness application. On June 11, 2021, the Small Business Administration approved the application for forgiveness and all outstanding principal and accrued interest was forgiven.

## 18. Employee Retention Credit

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit ("ERC"). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2020 and 2021. In calendar year 2021, the credit is available for 70 percent of qualified wages with a maximum potential credit per qualified employee of \$21,000.

The Community qualifies for the ERC based on a partial shutdown and has elected to account for the ERC as a government grant by analogy to ASC 958-605. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. From January 1, 2021 through September 30, 2021, the Community incurred qualifying wages and has recognized \$5,257,903 associated with the ERC as grant revenue on the statements of operations for the year ended March 31, 2023.



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**19. Schedule of Expenses by Natural Classification and Function**

The following is a schedule of expenses by both natural classification and function for the year ended March 31, 2023:

	Program Services					Total	Administrative and General	Marketing	Total
	Independent	Assisted Living	Skilled Nursing	Home Care	Navigation at Home				
Salaries and benefits	\$ 3,580,248	\$ 1,342,645	\$ 6,442,527	\$ 204,588	\$ 129,036	\$ 11,699,044	\$ 3,769,821	\$ 913,085	\$ 16,381,950
Fees and purchased services	264,777	9,991	3,778,835	-	105,938	4,159,541	1,263,952	265,625	5,689,118
Building operations	3,138,760	40,592	1,377,257	-	-	4,556,609	1,020,475	57,592	5,634,676
Administration	42,826	6,314	31,054	510	-	80,704	1,297,860	348,745	1,727,309
Insurance expense	-	-	-	-	-	-	330,663	-	330,663
Interest expense	-	-	-	-	-	-	4,319,478	-	4,319,478
Depreciation & amortization	-	-	-	6,285	-	6,285	5,867,676	39,869	5,913,830
Total expenses	<u>\$ 7,026,611</u>	<u>\$ 1,399,542</u>	<u>\$ 11,629,673</u>	<u>\$ 211,383</u>	<u>\$ 234,974</u>	<u>\$ 20,502,183</u>	<u>\$ 17,869,925</u>	<u>\$ 1,624,923</u>	<u>\$ 39,997,024</u>

The following is a schedule of expenses by both natural classification and function for the year ended March 31, 2022:

	Program Services					Total	Administrative and General	Marketing	Total
	Independent	Assisted Living	Skilled Nursing	Home Care	Navigation at Home				
Salaries and benefits	\$ 3,507,816	\$ 1,365,836	\$ 6,436,746	\$ 165,511	\$ 126,500	\$ 11,602,409	\$ 3,531,499	\$ 793,368	\$ 15,927,276
Fees and purchased services	439,603	772	2,806,071	-	64,461	3,310,907	1,083,961	240,083	4,634,951
Building operations	2,713,140	(58,780)	1,178,564	-	-	3,832,924	1,109,010	85,053	5,026,987
Administration	46,539	5,508	53,704	524	-	106,275	2,034,375	386,034	2,526,684
Insurance expense	-	-	-	-	-	-	321,096	-	321,096
Interest expense	-	-	-	-	-	-	4,301,566	-	4,301,566
Depreciation & amortization	-	-	-	6,285	-	6,285	6,078,562	39,869	6,124,716
Total expenses	<u>\$ 6,707,098</u>	<u>\$ 1,313,336</u>	<u>\$ 10,475,085</u>	<u>\$ 172,320</u>	<u>\$ 190,961</u>	<u>\$ 18,858,800</u>	<u>\$ 18,460,069</u>	<u>\$ 1,544,407</u>	<u>\$ 38,863,276</u>

## Appendix A2

Interim Financial Statements as of June 30, 2023

**Moravian Home, Inc. d/b/a Salemtowne**  
**Unaudited Balance Sheet**  
**as of June 30, 2023 and March 31, 2023**

	<u>June 30,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>	<b>\$ Change</b>	<b>% Change</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash & Cash Equivalents	\$ 359,787	\$ 3,999,581	(3,639,794)	-91.0%
Current portion of assets whose use is limited	2,723,765	3,311,320	(587,555)	-17.7%
Accounts Receivable:				
Residents, net	1,883,244	1,807,173	76,071	4.2%
Other	585,942	446,684	139,258	31.2%
Prepaid & Other Current Assets	265,195	227,799	37,396	16.4%
<b>Total current assets</b>	<u>5,817,933</u>	<u>9,792,557</u>		
Assets whose use is limited, net	5,856,563	5,856,563	-	0.0%
Statutory reserve	7,060,000	7,060,000	-	0.0%
Investments	14,276,717	10,509,774	3,766,943	35.8%
Property & equipment, net	93,542,905	94,760,806	(1,217,901)	-1.3%
Contract acquisition costs, net	280,621	297,800	(17,179)	-5.8%
Other Assets	1,409,528	1,409,528	-	0.0%
<b>Total Assets</b>	<u>\$ 128,244,267</u>	<u>\$ 129,687,028</u>		
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Line of Credit	\$ -	\$ -	-	0.0%
Current maturities of long-term debt	1,608,896	1,614,843	(5,947)	-0.4%
Accounts payable	881,824	928,682	(46,858)	-5.0%
Accrued expenses	2,192,460	2,133,579	58,881	2.8%
Accrued interest payable	1,058,174	2,116,347	(1,058,173)	-50.0%
Refundable entrance fees	-	159,840	(159,840)	-100.0%
<b>Total current liabilities</b>	<u>5,741,354</u>	<u>6,953,291</u>		
Long-term debt, net	82,859,090	82,874,935	(15,845)	0.0%
Deferred revenue from entrance fees	33,737,881	34,343,267	(605,386)	-1.8%
<b>Total liabilities</b>	<u>122,338,325</u>	<u>124,171,493</u>		
<b>Net Assets</b>				
Without donor restrictions	931,639	635,334	296,305	46.6%
With donor restrictions	4,974,303	4,880,201	94,102	1.9%
<b>Total net assets</b>	<u>5,905,942</u>	<u>5,515,535</u>		
<b>Total liabilities and net assets</b>	<u>\$ 128,244,267</u>	<u>\$ 129,687,028</u>		

**Moravian Home, Inc. d/b/a Salemtowne**  
**Statement of Operations and Changes in Net Assets**  
**For the Three Months Ended June 30, 2023**

MTD Actual	MTD Budget	\$ Change	% Change		YTD Actual	YTD Budget	\$ Change	% Change
				<b>Revenues Without Donor Restrictions</b>				
				Net resident services revenue				
				Residential Living				
823,532	815,797	7,735	0.9%	Monthly Fees	2,472,088	2,447,391	24,697	1.0%
322,438	383,368	(60,930)	-15.9%	Amortization of entrance fees	1,040,438	1,150,104	(109,666)	-9.5%
213,334	202,694	10,640	5.2%	Assisted Living	650,505	608,082	42,423	7.0%
193,760	184,764	8,996	4.9%	Memory Support	574,092	554,292	19,800	3.6%
1,041,934	1,136,648	(94,714)	-8.3%	Health Care	3,340,198	3,447,671	(107,473)	-3.1%
90,482	76,746	13,736	17.9%	Therapy	275,631	230,238	45,393	19.7%
42,598	14,142	28,456	201.2%	Home Care	113,496	42,426	71,070	167.5%
20,940	15,990	4,950	31.0%	Other Ancillary Revenue	49,232	54,970	(5,738)	-10.4%
<u>2,749,018</u>	<u>2,830,149</u>	<u>(81,131)</u>	<u>-2.9%</u>	Total net resident services revenue	<u>8,515,680</u>	<u>8,535,174</u>	<u>(19,494)</u>	<u>-0.2%</u>
				Other revenue				
109,812	96,985	12,827	13.2%	Dining	321,703	290,955	30,748	10.6%
				Navigation at Home				
80,977	67,088	13,889	20.7%	Monthly Fees	213,516	198,057	15,459	7.8%
28,544	27,583	961	3.5%	Amortization of entrance fees	80,544	82,749	(2,205)	-2.7%
3,286	-	3,286		Other Revenue	12,119	-	12,119	N/A
<u>219,333</u>	<u>191,656</u>	<u>27,677</u>	<u>14.4%</u>	Total other revenue	<u>627,882</u>	<u>571,761</u>	<u>56,121</u>	<u>9.8%</u>
				Contributions and net assets released from restriction used for operations	<u>96,740</u>	<u>47,001</u>	<u>49,739</u>	<u>105.8%</u>
<u>3,062,166</u>	<u>3,037,472</u>	<u>24,694</u>	<u>0.8%</u>	Total revenues without donor restrictions	<u>9,240,302</u>	<u>9,153,936</u>	<u>86,366</u>	<u>0.9%</u>
				<b>Expenses</b>				
865,328	883,149	17,821	2.0%	Resident Care	2,572,268	2,679,148	106,880	4.0%
499,668	438,060	(61,608)	-14.1%	Dining Services	1,187,729	1,314,179	126,450	9.6%
492,917	439,285	(53,632)	-12.2%	Environmental Services	1,274,896	1,317,853	42,957	3.3%
91,897	79,579	(12,318)	-15.5%	Life Enrichment	245,903	236,562	(9,341)	-3.9%
81,932	90,001	8,069	9.0%	Navigation at Home	200,104	248,175	48,071	19.4%
124,668	122,967	(1,701)	-1.4%	Information Systems	386,264	368,899	(17,365)	-4.7%
38,781	23,851	(14,930)	-62.6%	Development	78,275	71,553	(6,722)	-9.4%
449,528	418,121	(31,407)	-7.5%	Administration	1,202,233	1,256,401	54,168	4.3%
29,687	32,613	2,926	9.0%	Insurance Expense	89,062	97,839	8,777	9.0%
354,890	361,856	6,966	1.9%	Interest Expense	1,064,783	1,085,568	20,785	1.9%
473,485	481,444	7,959	1.7%	Depreciation & Amortization	1,454,186	1,444,332	(9,854)	-0.7%
<u>3,502,781</u>	<u>3,370,926</u>	<u>(131,855)</u>	<u>-3.9%</u>	Total operating expenses	<u>9,755,703</u>	<u>10,120,509</u>	<u>364,806</u>	<u>3.6%</u>
(440,615)	(333,454)	(107,161)	32.1%	Operating (loss) income	(515,401)	(966,573)	451,172	-46.7%
				<b>Nonoperating Gains (Losses)</b>				
-	(10,000)	(10,000)	100.0%	Gain/(Loss) on disposal of property and equipment	-	(30,000)	(30,000)	100.0%
701,836	32,284	669,552	2073.9%	Investment return	811,706	96,852	714,854	738.1%
<u>261,221</u>	<u>(311,170)</u>	<u>552,391</u>	<u>-177.5%</u>	Revenues in excess of (less than) expenses	<u>296,305</u>	<u>(899,721)</u>	<u>1,196,026</u>	<u>-132.9%</u>
				<b>Net Assets Released from Restriction Used for Property and Equipment</b>				
-	-	-		Change in net assets without donor restrictions	-	-	-	
<u>261,221</u>	<u>(311,170)</u>	<u>552,391</u>	<u>-177.5%</u>		<u>296,305</u>	<u>(899,721)</u>	<u>1,196,026</u>	<u>-132.9%</u>

**Moravian Home, Inc. d/b/a Salemtowne**  
**Statement of Operations and Changes in Net Assets (continued)**  
**For the Three Months Ended June 30, 2023**

MTD Actual	MTD Budget	\$ Change	% Change		YTD Actual	YTD Budget	\$ Change	% Change
				<b>Net Assets With Donor Restrictions</b>				
				Contributions:				
13,342	50,000	(36,658)		Purpose restricted	45,724	150,000	(104,276)	
-	4,167			Held in perpetuity	-	12,501	(12,501)	
48,378	11,049			Investment return	48,378	33,148	15,230	
				Net assets released from restriction used for:				
-	(12,000)	12,000		Operations	-	(36,000)	36,000	
-	-	-		Property and equipment	-	-	-	
<u>61,720</u>	<u>53,216</u>	<u>(24,658)</u>		Change in net assets with donor restrictions	<u>94,102</u>	<u>159,649</u>	<u>(65,547)</u>	
322,941	(257,954)	527,733	-204.6%	Change in net assets	390,407	(740,072)	1,130,479	-152.75%
				<b>Net Assets, Beginning</b>	<u>5,515,535</u>			
				<b>Net Assets, Ending</b>	<u>5,905,942</u>			

**Moravian Home, Inc. d/b/a Salemtowne**  
**Statement of Cash Flow**  
**For the Three Months Ended June 30, 2023**

**Cash Flows from Operating Activities**

Change in net assets	390,407
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and Amortization	1,411,928
Loss on disposal of property and equipment	-
Amortization of bond premium/discount	(15,847)
Amortization of contract acquisition costs	17,179
Bad debt expense	109,249
Proceeds from entrance fees and entrance fee deposits, existing units	355,480
Proceeds from entrance fees and entrance fee deposits, Navigation	182,197
Amortization of entrance fees	(1,120,982)
Net realized and unrealized gains and losses on investments	(707,837)
Changes in assets and liabilities:	
Accounts receivable, resident and other	(324,578)
Prepaid expenses and other current assets	(37,396)
Other assets	-
Accounts payable, trade	(46,858)
Accrued interest payable	(1,058,173)
Accrued expenses	58,881
Net cash provided by/(used in) operating activities	<u>(786,350)</u>

**Cash Flows from Investing Activities**

Net (purchases)/sales of assets whose use is limited and investments	(3,059,106)
Purchase of property and equipment	(219,108)
Net cash provided by/(used) in investing activities	<u>(3,278,214)</u>

**Cash Flows from Financing Activities**

Proceeds from line of credit	-
Proceeds from loan	-
Repayment of long-term debt	(5,945)
Proceeds from refundable entrance fees, new units	28,000
Refunds of entrance fees	(184,840)
Net cash provided by/(used in) financing activities	<u>(162,785)</u>

Net Increase/(decrease) (4,227,349)

Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents, Beginning 7,310,901  
Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents, Ending 3,083,552

**Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents**

Cash and cash equivalents	359,787
Assets whose use is limited	2,723,765
Total cash, cash equivalents, and restricted cash and cash equivalents	<u>3,083,552</u>

## Appendix A3

### Summary of Calculation of Obligation to Provide Future Service as of March 31, 2023

(Continuing Care Retirement Community)



**Moravian Home Incorporated, d/b/a  
Salemtowne**

Calculation of Obligation  
to Provide Future Services

As of March 31, 2023

Report Date: JULY 11, 2023



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## SECTION I - INTRODUCTION & EXECUTIVE SUMMARY

Continuing Care Actuaries, LLC (Continuing Care Actuaries) was retained by the management of Moravian Home Incorporated, d/b/a Salemtowne (Salemtowne), a non-profit continuing care retirement community located in Winston-Salem, North Carolina, to calculate the community's Obligation to Provide Future Services and the Use of Facilities to Current Residents (the Obligation) as defined by the AICPA *Health Care Auditing Guidelines*. This calculation was done as of March 31, 2023. This report includes an actuarial based financial projection that measures Salemtowne's Obligation to provide future services to current residents.

In order to calculate the community's Obligation, we projected existing residents through various levels of care until move-out or death. The population projection uses actual resident data to develop assumptions about demographic characteristics of existing residents. The rates of population movement utilized in these projections were developed based on a review of Salemtowne resident demographic experience for the historical period of April 1, 1990 through March 31, 2023 and the Continuing Care Actuaries demographic database for CCRC residents. The Continuing Care Actuaries database contains demographic transfer and mortality experience of over 600,000 CCRC resident life years. This information was then aggregated to create reasonable assumptions consistent with Salemtowne's operational and administrative practices.

The population assumptions were then used to develop a closed group population projection that reflects only the activity of the current group of Salemtowne's residents. A closed group does not have any new residents entering the community, so as residents die or voluntarily withdraw, the projected group size declines. Closed group projections can be used to anticipate individual revenues and expenses over the life of the group. These calculations can be helpful in setting fees and estimating the present value of future liabilities. The population projection forms the basis of the financial projection that was prepared for the obligation calculation as recommended by the AICPA.

We combined the results of our population projection with projected unit revenue and expense items for Salemtowne to develop the net present value of future cash outflows. This value, together with unamortized deferred revenue, unamortized costs of acquiring the initial continuing-care contracts, and allocable depreciation, produces the Obligation.

Resident data regarding units, age, gender and couples' ratio was provided by Salemtowne management representatives. Assumptions regarding expected mortality and morbidity experience were derived from actual historical resident movements and the Continuing Care Actuaries database. Financial information regarding revenues, expenses and depreciation was provided by Salemtowne management and consisted of the budget for fiscal year 2024. No secondary due diligence was conducted by Continuing Care Actuaries as to the accuracy of these assumptions.

Continuing Care Actuaries has calculated the Obligation for Future Services for Current Residents at Salemtowne as of March 31, 2023 to be (\$22,501,000). Since this is a liability calculation, the negative result represents a surplus.

As the Audit Guide specifies that a CCRC should only include a Future Service Obligation amount in financial statements if such amount is positive, Salemtowne's resulting Future Service Obligation amount for financial statements purposes as of March 31, 2023 is \$0.

It should be noted that this surplus is based on the assumptions that monthly fees and operating expenses, not including interest expense, depreciation and amortization, will increase 3.0% each year throughout the projection period. The surplus pertains only to the Obligation calculation and does not demonstrate the financial feasibility of the entire community since debt principal repayments, general and administrative expenses and some revenues are not included in the Obligation calculation. It should also be noted that the Obligation calculation is based on the assumption that Salemtowne will reach and maintain approximately 96.0% occupancy (214.1 out of 221 available units) in the independent living units.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual resident movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected.

Management should scrutinize future developments that may cause the Obligation to become a liability. These developments include higher apartment vacancy rates, higher expense inflation, and higher nursing care utilization and longer life expectancies at all levels of care than assumed in the current projection.

## SECTION II - METHODOLOGY AND ASSUMPTIONS

The first step of our actuarial work was to develop the resident demographic assumptions as input to the population projections. These assumptions, which include mortality rates, morbidity rates, and withdrawal rates, are applied to the current and future resident populations in order to track the resident movements through various levels of care until death or move-out. Note that the Obligation calculation excludes those units and beds occupied by private pay or per diem residents.

Based on the demographic experience of Salemtowne since April 1, 1990, we have incorporated nursing transfer, withdrawal, and death rates by adjusting the expected rates from the Continuing Care Actuaries database to reflect Salemtowne's anticipated experience.

The second step in our actuarial review was to develop open and closed group population projections based on derived demographic assumptions. Existing residents as of March 31, 2023 were projected through the various levels of care until death or move-out. Apartment turnovers due to deaths, transfers, and move-outs were projected, and the derivative new entrants "admitted" into the community. Similar to the existing residents, each generation, or year, of new entrants was tracked through the various levels of care until death or move-out. In addition, apartment turnovers due to deaths, transfers, and move-outs of all generations of new entrants were calculated using our population projection system. Our open group projection assumes that the independent living units at Salemtowne will reach and maintain approximately 96.0% occupancy throughout the foreseeable future. We developed population projections based on the expected scenario, which is based on the most likely outcome.

The final step in our actuarial analysis was to develop the present value of the Future Service Obligation. This calculation is presented in Section III. This calculation is necessary in order to comply with Chapter 14 of the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Health Care Organizations (the Audit Guide). The Obligation calculation excludes most of the general and administrative expenses and allocates a portion of the depreciation charge based on historical costs to the existing residents.

Salemtowne management supplied Continuing Care Actuaries with revenue and expense information based on their fiscal year 2024 budget. We combined the revenue and expense assumptions with the results of the population projection to develop projected cash in-flows and cash out-flows. We have assumed a constant discount rate of 5.5%. The 3.0% inflation rate and monthly fee increase assumptions were determined to be most appropriate. Exhibit A contains key financial assumptions.

**EXHIBIT A**  
**FINANCIAL ASSUMPTIONS**

FY 2024 ANNUAL REVENUES

All Contracts	
Independent Living Unit - Per Unit – Grandfather Fees	\$44,648
Independent Living Unit - Per Second Resident – Grandfather Fees	9,336
Independent Living Unit - Per Unit – 2016-2017 Fees	\$42,527
Independent Living Unit - Per Second Resident – 2016-2017 Fees	9,336
Independent Living Unit - Per Unit – 2017-2018 Fees	\$46,580
Independent Living Unit - Per Second Resident – 2017-2018 Fees	11,377
Assisted Living Unit - Per Resident	102,192
Skilled Nursing Facility - Per Patient	162,902

FY 2024 ANNUAL EXPENSES

Independent Living Unit - Per Unit	\$18,710
Independent Living Unit - Per Resident	19,161
Assisted Living Unit - Per Resident	72,801
Skilled Nursing Facility - Per Patient	119,697
Monthly Service Increase Rate	3.0%
Inflation Rate	3.0%
Investment Earnings Rate	2.0%
Discount Rate	5.5%
Allocable Depreciation	\$34,471,000
Unamortized Deferred Revenue	\$28,481,000
Unamortized Costs of Acquiring Initial Continuing-Care Contracts	\$0

## **RESULTS**

The Obligation to Provide Future Services to Current Residents calculation consists of sixteen pages. The nineteenth and final page summarizes the actual calculation with the Obligation found on the last line. A positive value represents a liability, while a negative value represents an asset or a surplus.

Pages seven through nine contain both the open and closed group population projections from the Continuing Care Actuaries population projection system. Each row represents the average number of residents that occupy the facility throughout each fiscal year.

Pages ten through twelve illustrate the revenue and expense assumptions. The revenue summary represents the amount collected per resident or per unit per year. Similarly, the expense summary represents the expense per resident or per unit per year. The interest summary contains the total interest payments and the amount allocated to the closed group of residents.

Pages thirteen through fifteen summarize the projected cash inflows and cash outflows. These values are obtained from the revenue and expense assumptions applied to the closed group population.

Pages sixteen through eighteen develop the net cash outflows as well as their present value as of March 31, 2023. These pages additionally project each year's facility depreciation charge and the amount allocated to the closed group of residents.

## **SECTION III**

# **FUTURE SERVICE OBLIGATION CALCULATION**

**RESIDENT LEVEL OF CARE INFORMATION**

	YEAR									
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
<u>Community Configuration</u>										
Independent Living	221	221	221	221	221	221	221	221	221	221
Assisted Living	52	52	52	52	52	52	52	52	52	52
Health Care Center	100	100	100	100	100	100	100	100	100	100
<u>Total Community Occupancy Projection</u>										
Independent Living Residents	294.5	282.6	274.6	268.2	263.3	259.6	256.9	255.0	253.7	252.9
Total ILU Units Occupied	215.5	214.1	214.1	214.1	214.1	214.1	214.1	214.1	214.1	214.1
Assisted Living - Permanent	25.2	22.5	21.2	20.7	20.7	21.0	21.3	21.6	21.8	22.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Assisted Living - Direct Admit</u>	<u>24.2</u>	<u>26.9</u>	<u>28.2</u>	<u>28.7</u>	<u>28.7</u>	<u>28.4</u>	<u>28.1</u>	<u>27.8</u>	<u>27.6</u>	<u>27.4</u>
Assisted Living - Total	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4
Health Care Center - Permanent	30.3	31.9	32.3	32.2	32.1	32.2	32.5	32.9	33.5	33.9
Health Care Center - Temporary	7.3	7.1	7.0	6.9	7.0	7.0	7.0	7.0	7.0	7.0
<u>Health Care Center - Direct Admit</u>	<u>53.5</u>	<u>52.0</u>	<u>51.7</u>	<u>51.8</u>	<u>51.9</u>	<u>51.8</u>	<u>51.5</u>	<u>51.0</u>	<u>50.5</u>	<u>50.0</u>
Health Care Center - Total	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0
Total Residents	427.7	415.9	408.0	401.7	396.8	393.0	390.3	388.4	387.1	386.3
<u>Closed Group Occupancy Projection</u>										
Independent Living Residents	284.2	249.7	217.6	188.2	161.4	137.1	115.2	95.9	78.9	64.2
Total ILU Units Occupied	207.5	188.3	169.2	150.5	132.4	115.2	99.1	84.1	70.6	58.4
Assisted Living - Permanent	25.1	22.1	20.0	18.5	17.3	16.0	14.7	13.4	12.0	10.7
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	30.2	31.4	30.9	29.4	27.6	25.6	23.7	21.8	19.9	18.0
Health Care Center - Temporary	7.0	6.3	5.7	5.2	4.7	4.2	3.7	3.2	2.7	2.3
Total Residents	339.5	303.1	268.5	236.2	206.2	178.7	153.7	131.1	110.9	92.9



**RESIDENT LEVEL OF CARE INFORMATION**

	YEAR									
	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>
<u>Community Configuration</u>										
Independent Living	221	221	221	221	221	221	221	221	221	221
Assisted Living	52	52	52	52	52	52	52	52	52	52
Health Care Center	100	100	100	100	100	100	100	100	100	100
<u>Total Community Occupancy Projection</u>										
Independent Living Residents	252.5	252.2	252.2	252.2	252.3	252.4	252.5	252.6	252.7	252.7
Total ILU Units Occupied	214.1	214.1	214.1	214.1	214.1	214.1	214.1	214.1	214.1	214.1
Assisted Living - Permanent	22.1	22.1	22.1	22.1	22.0	22.0	21.9	21.8	21.7	21.6
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Assisted Living - Direct Admit</u>	<u>27.3</u>	<u>27.3</u>	<u>27.3</u>	<u>27.3</u>	<u>27.4</u>	<u>27.4</u>	<u>27.5</u>	<u>27.6</u>	<u>27.7</u>	<u>27.8</u>
Assisted Living - Total	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4
Health Care Center - Permanent	34.3	34.5	34.5	34.5	34.4	34.4	34.4	34.3	34.2	34.1
Health Care Center - Temporary	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
<u>Health Care Center - Direct Admit</u>	<u>49.6</u>	<u>49.4</u>	<u>49.4</u>	<u>49.4</u>	<u>49.4</u>	<u>49.5</u>	<u>49.5</u>	<u>49.6</u>	<u>49.7</u>	<u>49.9</u>
Health Care Center - Total	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0
Total Residents	385.8	385.5	385.5	385.5	385.6	385.8	385.9	386.0	386.0	386.1
<u>Closed Group Occupancy Projection</u>										
Independent Living Residents	51.6	41.1	32.3	25.0	19.1	14.3	10.6	7.8	5.6	4.0
Total ILU Units Occupied	47.7	38.4	30.6	23.9	18.4	14.0	10.4	7.7	5.6	4.0
Assisted Living - Permanent	9.3	7.9	6.7	5.5	4.4	3.5	2.8	2.1	1.5	1.1
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	16.1	14.1	12.1	10.2	8.5	7.1	5.8	4.6	3.6	2.7
Health Care Center - Temporary	2.0	1.6	1.4	1.1	0.9	0.7	0.5	0.4	0.3	0.2
Total Residents	77.0	63.1	51.0	40.7	32.1	25.0	19.1	14.5	10.7	7.8

**RESIDENT LEVEL OF CARE INFORMATION**

	YEAR									
	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>	<u>2051</u>	<u>2052</u>	<u>2053</u>
<u>Community Configuration</u>										
Independent Living	221	221	221	221	221	221	221	221	221	221
Assisted Living	52	52	52	52	52	52	52	52	52	52
Health Care Center	100	100	100	100	100	100	100	100	100	100
<u>Total Community Occupancy Projection</u>										
Independent Living Residents	252.7	252.7	252.7	252.7	252.7	252.7	252.7	252.7	252.7	252.8
Total ILU Units Occupied	214.1	214.1	214.1	214.1	214.1	214.1	214.1	214.1	214.1	214.1
Assisted Living - Permanent	21.6	21.6	21.6	21.6	21.6	21.5	21.5	21.5	21.5	21.5
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Assisted Living - Direct Admit</u>	<u>27.8</u>	<u>27.8</u>	<u>27.8</u>	<u>27.8</u>	<u>27.8</u>	<u>27.9</u>	<u>27.9</u>	<u>27.9</u>	<u>27.9</u>	<u>27.9</u>
Assisted Living - Total	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4
Health Care Center - Permanent	34.0	33.9	33.9	33.9	33.9	33.9	33.8	33.8	33.8	33.8
Health Care Center - Temporary	7.1	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
<u>Health Care Center - Direct Admit</u>	<u>50.0</u>	<u>50.0</u>	<u>50.1</u>	<u>50.1</u>	<u>50.1</u>	<u>50.1</u>	<u>50.1</u>	<u>50.1</u>	<u>50.2</u>	<u>50.2</u>
Health Care Center - Total	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0	91.0
Total Residents	386.1	386.1	386.1	386.1	386.1	386.1	386.1	386.1	386.1	386.1
<u>Closed Group Occupancy Projection</u>										
Independent Living Residents	2.8	2.0	1.4	0.9	0.6	0.4	0.3	0.2	0.1	0.1
Total ILU Units Occupied	2.8	2.0	1.4	0.9	0.6	0.4	0.3	0.2	0.1	0.1
Assisted Living - Permanent	0.8	0.6	0.4	0.3	0.2	0.1	0.1	0.1	0.0	0.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Permanent	2.0	1.5	1.1	0.8	0.6	0.4	0.3	0.2	0.1	0.1
Health Care Center - Temporary	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Residents	5.6	4.0	2.9	2.0	1.4	1.0	0.7	0.4	0.3	0.2

**REVENUE AND EXPENSE ASSUMPTIONS**

<b>REVENUES</b>	<b>YEAR</b>									
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
Inflation		5.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Independent Living Unit</u>										
Annual Fee Per Unit - Grandfather	\$44,648	\$46,880	\$48,755	\$50,705	\$52,227	\$53,793	\$55,407	\$57,069	\$58,781	\$60,545
Annual Fee Per Second Resident - Grandfather	9,336	9,803	10,195	10,603	10,921	11,249	11,586	11,934	12,292	12,661
Annual Fee Per Unit - 2016-2017 Fees	42,527	44,653	46,439	48,297	49,746	51,238	52,775	54,358	55,989	57,669
Annual Fee Per Second Resident - 2016-2017 Fees	9,336	9,803	10,195	10,603	10,921	11,249	11,586	11,934	12,292	12,661
Annual Fee Per Unit - 2017-2018 Fees	46,580	48,909	50,865	52,900	54,487	56,121	57,805	59,539	61,325	63,165
Annual Fee Per Second Resident - 2017-2018 Fees	11,377	11,946	12,423	12,920	13,308	13,707	14,118	14,542	14,978	15,428
Per Assisted Living Resident	102,192	107,302	111,594	116,057	119,539	123,125	126,819	130,624	134,542	138,579
Per Health Care Center Resident	162,902	171,047	177,888	185,004	190,554	196,271	202,159	208,224	214,470	220,904
<u>Investment Income</u>										
Asset Base	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563
Earnings Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Income	252,391	252,391	252,391	252,391	252,391	252,391	252,391	252,391	252,391	252,391
Allocated Other Income	200,339	183,938	166,131	148,393	131,184	114,759	99,372	85,194	72,293	60,706
<b>EXPENSES</b>										
Inflation		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Independent Living Unit</u>										
Per Unit	\$18,710	\$19,271	\$19,849	\$20,444	\$21,058	\$21,690	\$22,340	\$23,010	\$23,701	\$24,412
Per Resident	19,161	19,735	20,327	20,937	21,565	22,212	22,879	23,565	24,272	25,000
Per Assisted Living Resident	72,801	74,985	77,235	79,552	81,939	84,397	86,929	89,536	92,223	94,989
Per Health Care Center Resident	119,697	123,288	126,987	130,796	134,720	138,762	142,925	147,212	151,629	156,178
<u>Interest Expense</u>										
Total Interest Expense	\$4,232,694	\$4,155,857	\$4,075,444	\$3,990,957	\$3,902,644	\$3,810,363	\$3,713,538	\$3,611,563	\$3,504,569	\$3,384,344
Allocated Interest Expense	3,359,756	3,028,717	2,682,570	2,346,472	2,028,449	1,732,516	1,462,103	1,219,071	1,003,815	814,018

**REVENUE AND EXPENSE ASSUMPTIONS**

<b>REVENUES</b>	YEAR									
	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Independent Living Unit</u>										
Annual Fee Per Unit - Grandfather	\$62,361	\$64,232	\$66,159	\$68,144	\$70,188	\$72,294	\$74,463	\$76,697	\$78,997	\$81,367
Annual Fee Per Second Resident - Grandfather	13,041	13,432	13,835	14,250	14,677	15,118	15,571	16,038	16,519	17,015
Annual Fee Per Unit - 2016-2017 Fees	59,399	61,181	63,016	64,907	66,854	68,859	70,925	73,053	75,245	77,502
Annual Fee Per Second Resident - 2016-2017 Fees	13,041	13,432	13,835	14,250	14,677	15,118	15,571	16,038	16,519	17,015
Annual Fee Per Unit - 2017-2018 Fees	65,060	67,012	69,022	71,093	73,225	75,422	77,685	80,015	82,416	84,888
Annual Fee Per Second Resident - 2017-2018 Fees	15,890	16,367	16,858	17,364	17,885	18,421	18,974	19,543	20,129	20,733
Per Assisted Living Resident	142,736	147,018	151,429	155,971	160,651	165,470	170,434	175,547	180,814	186,238
Per Health Care Center Resident	227,532	234,358	241,388	248,630	256,089	263,771	271,685	279,835	288,230	296,877
<u>Investment Income</u>										
Asset Base	\$12,619,563	\$12,619,563	\$12,619,563	#####	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563
Earnings Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Income	252,391	252,391	252,391	252,391	252,391	252,391	252,391	252,391	252,391	252,391
Allocated Other Income	50,377	41,286	33,406	26,656	20,991	16,328	12,523	9,459	7,014	5,102
<b>EXPENSES</b>										
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Independent Living Unit</u>										
Per Unit	\$25,144	\$25,898	\$26,675	\$27,476	\$28,300	\$29,149	\$30,023	\$30,924	\$31,852	\$32,807
Per Resident	25,750	26,523	27,318	28,138	28,982	29,852	30,747	31,670	32,620	33,598
Per Assisted Living Resident	97,839	100,774	103,797	106,911	110,118	113,422	116,825	120,329	123,939	127,658
Per Health Care Center Resident	160,863	165,689	170,660	175,779	181,053	186,484	192,079	197,841	203,776	209,890
<u>Interest Expense</u>										
Total Interest Expense	\$3,257,969	\$3,125,144	\$2,983,019	\$2,833,594	\$2,676,356	\$2,511,044	\$2,333,425	\$2,146,513	\$1,949,750	\$1,742,369
Allocated Interest Expense	650,285	511,205	394,822	299,267	222,586	162,443	115,775	80,445	54,181	35,225

**REVENUE AND EXPENSE ASSUMPTIONS**

<b>REVENUES</b>	<b>YEAR</b>									
	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>	<u>2051</u>	<u>2052</u>	<u>2053</u>
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Independent Living Unit</u>										
Annual Fee Per Unit - Grandfather	\$83,808	\$86,323	\$88,912	\$91,580	\$94,327	\$97,157	\$100,072	\$103,074	\$106,166	\$109,351
Annual Fee Per Second Resident - Grandfather	17,525	18,051	18,593	19,150	19,725	20,317	20,926	21,554	22,201	22,867
Annual Fee Per Unit - 2016-2017 Fees	79,827	82,222	84,688	87,229	89,846	92,541	95,318	98,177	101,122	104,156
Annual Fee Per Second Resident - 2016-2017 Fees	17,525	18,051	18,593	19,150	19,725	20,317	20,926	21,554	22,201	22,867
Annual Fee Per Unit - 2017-2018 Fees	87,435	90,058	92,760	95,543	98,409	101,361	104,402	107,534	110,760	114,083
Annual Fee Per Second Resident - 2017-2018 Fees	21,355	21,996	22,656	23,335	24,036	24,757	25,499	26,264	27,052	27,864
Per Assisted Living Resident	191,825	197,580	203,507	209,613	215,901	222,378	229,049	235,921	242,998	250,288
Per Health Care Center Resident	305,783	314,957	324,406	334,138	344,162	354,487	365,121	376,075	387,357	398,978
<u>Investment Income</u>										
Asset Base	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563	\$12,619,563
Earnings Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Income	252,391	252,391	252,391	252,391	252,391	252,391	252,391	252,391	252,391	252,391
Allocated Other Income	3,672	2,632	1,873	1,324	923	631	429	290	194	129
<b>EXPENSES</b>										
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Independent Living Unit</u>										
Per Unit	\$33,792	\$34,805	\$35,850	\$36,925	\$38,033	\$39,174	\$40,349	\$41,559	\$42,806	\$44,090
Per Resident	34,606	35,644	36,714	37,815	38,949	40,118	41,322	42,561	43,838	45,153
Per Assisted Living Resident	131,487	135,432	139,495	143,680	147,990	152,430	157,003	161,713	166,564	171,561
Per Health Care Center Resident	216,186	222,672	229,352	236,233	243,320	250,619	258,138	265,882	273,858	282,074
<u>Interest Expense</u>										
Total Interest Expense	\$1,524,100	\$1,294,138	\$944,847	\$797,000	\$544,250	\$278,750	\$278,750	\$278,750	\$278,750	\$278,750
Allocated Interest Expense	22,177	13,496	7,013	4,182	1,990	697	474	320	214	143

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
Independent Living Units	\$13,611,266	\$12,490,854	\$11,267,480	\$10,085,909	\$8,865,553	\$7,720,322	\$6,657,650	\$5,682,742	\$4,799,281	\$4,008,551
Assisted Living Units	2,569,140	2,369,595	2,236,892	2,151,421	2,064,068	1,973,636	1,869,579	1,751,385	1,619,672	1,478,008
Health Care Center	6,046,824	6,447,594	6,511,433	6,401,630	6,150,713	5,854,690	5,539,678	5,207,248	4,855,508	4,495,042
Investment Income	200,339	183,938	166,131	148,393	131,184	114,759	99,372	85,194	72,293	60,706
<b>TOTAL CASH INFLOWS</b>	<b>\$22,427,569</b>	<b>\$21,491,982</b>	<b>\$20,181,935</b>	<b>\$18,787,352</b>	<b>\$17,211,518</b>	<b>\$15,663,407</b>	<b>\$14,166,279</b>	<b>\$12,726,568</b>	<b>\$11,346,754</b>	<b>\$10,042,307</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
Independent Living Units	\$9,326,500	\$8,556,500	\$7,783,168	\$7,018,493	\$6,269,374	\$5,543,288	\$4,849,363	\$4,195,259	\$3,587,349	\$3,030,469
Assisted Living Units	1,830,248	1,655,939	1,548,171	1,474,699	1,414,822	1,352,836	1,281,509	1,200,493	1,110,210	1,013,105
Health Care Center	4,443,101	4,647,340	4,648,225	4,525,901	4,348,505	4,139,219	3,916,508	3,681,483	3,432,806	3,177,959
Interest Expense	3,359,756	3,028,717	2,682,570	2,346,472	2,028,449	1,732,516	1,462,103	1,219,071	1,003,815	814,018
<b>TOTAL CASH OUTFLOWS</b>	<b>\$18,959,606</b>	<b>\$17,888,496</b>	<b>\$16,662,135</b>	<b>\$15,365,565</b>	<b>\$14,061,150</b>	<b>\$12,767,858</b>	<b>\$11,509,483</b>	<b>\$10,296,306</b>	<b>\$9,134,180</b>	<b>\$8,035,551</b>

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>
Independent Living Units	\$3,311,022	\$2,704,923	\$2,183,138	\$1,738,305	\$1,364,201	\$1,054,327	\$803,393	\$605,061	\$450,087	\$330,459
Assisted Living Units	1,324,450	1,164,238	1,007,239	855,623	714,710	586,876	470,438	366,500	275,655	202,412
Health Care Center	4,101,442	3,678,993	3,245,169	2,815,418	2,403,231	2,033,727	1,696,437	1,387,380	1,107,716	859,809
Investment Income	50,377	41,286	33,406	26,656	20,991	16,328	12,523	9,459	7,014	5,102
<b>TOTAL CASH INFLOWS</b>	<b>\$8,787,291</b>	<b>\$7,589,440</b>	<b>\$6,468,951</b>	<b>\$5,436,003</b>	<b>\$4,503,133</b>	<b>\$3,691,258</b>	<b>\$2,982,791</b>	<b>\$2,368,400</b>	<b>\$1,840,472</b>	<b>\$1,397,783</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>
Independent Living Units	\$2,529,025	\$2,085,303	\$1,697,099	\$1,361,348	\$1,075,282	\$835,602	\$639,590	\$483,400	\$360,575	\$265,299
Assisted Living Units	907,849	798,031	690,415	586,490	489,900	402,276	322,463	251,219	188,949	138,744
Health Care Center	2,899,687	2,601,019	2,294,309	1,990,478	1,699,065	1,437,829	1,199,368	980,867	783,147	607,878
Interest Expense	650,285	511,205	394,822	299,267	222,586	162,443	115,775	80,445	54,181	35,225
<b>TOTAL CASH OUTFLOWS</b>	<b>\$6,986,845</b>	<b>\$5,995,558</b>	<b>\$5,076,644</b>	<b>\$4,237,582</b>	<b>\$3,486,834</b>	<b>\$2,838,150</b>	<b>\$2,277,196</b>	<b>\$1,795,930</b>	<b>\$1,386,852</b>	<b>\$1,047,146</b>

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>	<u>2051</u>	<u>2052</u>	<u>2053</u>
Independent Living Units	\$239,921	\$172,719	\$123,018	\$86,618	\$60,347	\$41,526	\$28,370	\$19,380	\$13,207	\$8,971
Assisted Living Units	149,276	110,003	80,574	58,660	40,167	25,988	17,748	12,216	8,394	5,765
Health Care Center	655,851	499,441	378,611	285,793	214,522	158,056	113,892	80,627	56,319	39,024
Investment Income	3,672	2,632	1,873	1,324	923	631	429	290	194	129
<b>TOTAL CASH INFLOWS</b>	<b>\$1,048,720</b>	<b>\$784,794</b>	<b>\$584,076</b>	<b>\$432,395</b>	<b>\$315,960</b>	<b>\$226,202</b>	<b>\$160,439</b>	<b>\$112,512</b>	<b>\$78,115</b>	<b>\$53,890</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>	<u>2051</u>	<u>2052</u>	<u>2053</u>
Independent Living Units	\$192,927	\$139,061	\$99,138	\$69,853	\$48,692	\$33,518	\$22,905	\$15,650	\$10,667	\$7,246
Assisted Living Units	102,322	75,402	55,230	40,208	27,533	17,814	12,165	8,373	5,754	3,952
Health Care Center	463,681	353,101	267,675	202,054	151,665	111,745	80,521	57,003	39,817	27,589
Interest Expense	22,177	13,496	7,013	4,182	1,990	697	474	320	214	143
<b>TOTAL CASH OUTFLOWS</b>	<b>\$781,106</b>	<b>\$581,058</b>	<b>\$429,056</b>	<b>\$316,297</b>	<b>\$229,880</b>	<b>\$163,773</b>	<b>\$116,065</b>	<b>\$81,346</b>	<b>\$56,452</b>	<b>\$38,931</b>



**PRESENT VALUE OF NET  
CASH OUTFLOWS (INFLOWS)**

	YEAR									
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
Net Cash Outflows (Inflows)	(\$3,467,964)	(\$3,603,486)	(\$3,519,801)	(\$3,421,788)	(\$3,150,368)	(\$2,895,549)	(\$2,656,796)	(\$2,430,262)	(\$2,212,574)	(\$2,006,756)
Discount Rate	0.974	0.923	0.875	0.829	0.786	0.745	0.706	0.669	0.634	0.601
Present Value of Net Cash Outflows (Inflows)	(3,376,357)	(3,325,402)	(3,078,838)	(2,837,066)	(2,475,855)	(2,156,961)	(1,875,932)	(1,626,521)	(1,403,628)	(1,206,691)
Present Value of Net Cash Outflows	(28,490,735)	@	5.5%							

**DEPRECIATION COST**

	YEAR									
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
Depreciation	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574
Allocated Depreciation	4,611,425	4,233,918	3,824,023	3,415,723	3,019,600	2,641,527	2,287,359	1,961,003	1,664,039	1,397,346

**PRESENT VALUE OF NET  
CASH OUTFLOWS (INFLOWS)**

	YEAR									
	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>
Net Cash Outflows (Inflows)	(\$1,800,446)	(\$1,593,882)	(\$1,392,307)	#####	(\$1,016,299)	(\$853,109)	(\$705,595)	(\$572,471)	(\$453,620)	(\$350,637)
Discount Rate	0.570	0.540	0.512	0.485	0.460	0.436	0.413	0.392	0.371	0.352
Present Value of Net Cash Outflows (Inflows)	(1,026,194)	(861,099)	(712,983)	(581,703)	(467,585)	(372,041)	(291,669)	(224,303)	(168,470)	(123,434)
Present Value of Net Cash Outflows										

**DEPRECIATION COST**

	YEAR									
	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>
Depreciation	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574
Allocated Depreciation	1,159,580	950,319	768,934	613,571	483,169	375,830	288,247	217,725	161,442	117,449

**PRESENT VALUE OF NET  
CASH OUTFLOWS (INFLOWS)**

	YEAR									
	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>	<u>2051</u>	<u>2052</u>	<u>2053</u>
Net Cash Outflows (Inflows)	(\$267,614)	(\$203,736)	(\$155,020)	(\$116,099)	(\$86,079)	(\$62,428)	(\$44,374)	(\$31,167)	(\$21,663)	(\$14,959)
Discount Rate	0.334	0.316	0.300	0.284	0.269	0.255	0.242	0.229	0.217	0.206
Present Value of Net Cash Outflows (Inflows)	(89,296)	(64,438)	(46,474)	(32,991)	(23,185)	(15,938)	(10,738)	(7,149)	(4,710)	(3,083)
Present Value of Net Cash Outflows										

**DEPRECIATION COST**

	YEAR									
	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>	<u>2051</u>	<u>2052</u>	<u>2053</u>
Depreciation	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574	\$5,809,574
Allocated Depreciation	84,533	60,583	43,120	30,480	21,241	14,521	9,875	6,668	4,469	2,980

**OBLIGATION TO PROVIDE FUTURE SERVICES AND THE USE OF FACILITIES TO CURRENT RESIDENTS**

Present Value of Net Cash Outflows	(28,491,000)
Less:	
Unamortized deferred revenue at March 31, 2023	28,481,000
Plus:	
Allocable depreciation	34,471,000
Unamortized costs of acquiring initial continuing-care contracts	0
Obligation to provide future services and the use of facilities to current residents	(22,501,000)

## Appendix A4

Summary of Calculation of Obligation to Provide Future Service  
as of March 31, 2023

(Continuing Care without Lodging Program)



Navigation

AT HOME

PROTECTION | COORDINATION | CARE

Navigation at Home

Calculation of the Obligation  
To Provide Future Services

HEALTH CARE AUDIT GUIDELINE

As of March 31, 2023

Report Date: JUNE 26, 2023

## TABLE OF CONTENTS

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## **I. INTRODUCTION & EXECUTIVE SUMMARY**

Continuing Care Actuaries, LLC ("Continuing Care Actuaries") was engaged by Navigation at Home to calculate the Obligation to Provide Future Services and the Use of Facilities to current residents (the "Obligation") as defined by the AICPA Health Care Accounting Guide. This calculation was performed as of March 31, 2023. This report includes an actuarial based financial projection that measures Navigation at Home's obligation to provide future services to current members.

The population projection uses actual member data to develop future assumptions about demographic characteristics of existing members. In order to calculate the liabilities, we projected existing members through the home and various levels of care until lapse or death. The rates of population movement utilized in these population projections were developed based on a review of Navigation at Home's member demographic experience for the historical period of September 2014 through March 2023 and the Continuing Care Actuaries' demographic database for at Home members. This information was then aggregated to create reasonable assumptions consistent with Navigation at Home's operational and administrative practices.

The population assumptions were then used to develop a closed group population projection, which reflects only the activity of the current group of Navigation at Home's members. A closed group does not have any new members entering the program, so as members die or voluntarily withdrawal, the projected group size declines. Closed group projections can be used to anticipate individual revenues and expenses over the life of the group. The population projections form the basis of the financial projection, which was prepared for the obligation calculation as recommended by the AICPA.

We combined the results of our population projection with projected revenues and projected expenses for Navigation at Home to develop the net present value of future cash outflows. This value, together with unamortized deferred revenue, unamortized costs of acquiring the initial continuing-care contracts, and allocable depreciation, produces the amount of the Obligation.

Navigation at Home management representatives provided data regarding resident ages and permanent living location. Assumptions regarding expected mortality and morbidity were derived from actual Navigation at Home historical data and the Continuing Care Actuaries' at Home database. Financial information regarding revenues and expenses was provided by Navigation at Home management and consisted of the Navigation at Home budget for fiscal year 2024. No secondary due diligence was conducted by Continuing Care Actuaries as to the accuracy of these assumptions.



## **RESULTS**

Continuing Care Actuaries has calculated the Obligation for Future Services for Current Residents at Navigation at Home as of March 31, 2023 to be (\$3,590,203) based on AICPA standards. Since this is a liability calculation, the negative result represents a surplus and means that based on current assumptions regarding future population and financial activity, the present value of Navigation at Home's current and future resources is adequate to cover future contractual obligations for all current members, as defined by the AICPA in the Health Care Audit Guide. For financial statement purposes, the amount to be booked as an obligation is \$0.

It should be noted that this surplus is based on the assumptions that monthly fees and operating expenses, not including interest expense, depreciation and amortization, will increase 3.0% each year throughout the projection period. The surplus pertains only to the Obligation calculation and does not demonstrate the financial feasibility of the entire community since debt principal repayments, general and administrative expenses and some revenues are not included in the Obligation calculation.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual resident movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected results.

Management should scrutinize future developments, which may cause the Obligation liability to increase. These developments include higher program withdrawal rates, higher expense inflation, higher nursing care utilization, and longer life expectancies than assumed in the current projection.

If you have any questions or comments, please contact Brad Paulis or Dave Bond at (410) 833-4220.

Sincerely yours,



Dave Bond, F.S.A., M.A.A.A.

Managing Partner

[dbond@continuingcareactuaries.com](mailto:dbond@continuingcareactuaries.com)

(410) 833-4220

## **II. METHODOLOGY AND ASSUMPTIONS**

The first step of our actuarial review was to develop the demographic assumptions as input to the population projections. These assumptions, which include mortality rates, morbidity rates, and withdrawal rates, are applied to the current and future member populations in order to track the resident movements through various levels of care until death or withdrawal from the program.

In order to develop these demographic assumptions, we collected historical member information relating to deaths, transfers, and voluntary withdrawals. These events were compiled and applied against the number of life years of the member population in order to develop historical decrement rates.

The second step in our actuarial review was to develop a closed group population projection based on the derived demographic assumptions. Existing members as of March 31, 2023 were projected through the various levels of care until death or withdrawal. Lapses due to deaths and voluntary withdrawals were projected.

The final step in our actuarial analysis was to develop the present values of the Future Service Obligation. This calculation will be presented in Section III. This calculation is necessary in order to comply with the Healthcare Accounting Guide promulgated by the AICPA. The AICPA requires that a program recognize future contract losses. The Obligation calculation excludes most of the general and administrative expenses and allocates a portion of the depreciation charge based on historical costs to the existing residents.

Navigation at Home management supplied Continuing Care Actuaries with revenue and expense information based on their fiscal year 2024 budget. We combined the revenue and expense assumptions with the results of the population projection to develop expected cash flows. We have assumed a constant discount rate of 5.5%. The 3.0% inflation rate and monthly fee increase assumptions were determined to be most appropriate. Exhibit A contains key financial assumptions.

**EXHIBIT A**  
**FINANCIAL ASSUMPTIONS**

**ANNUAL REVENUES FISCAL YEAR 2024**

Home Per Member	\$11,635
Assisted Living Per Member	21,078
Skilled Nursing Per Member	38,060
At Home CoPays Per Member	344

**ANNUAL EXPENSES FISCAL YEAR 2024**

Home Per Member	\$2,425
Care Costs Per Member	1,543
Assisted Living Per Member	94,637
Skilled Nursing Per Member	170,884

Monthly Service Fee Increase Rate	3.0%
Inflation Rate	3.0%
Discount Rate	5.5%

Allocable Depreciation	\$0
Unamortized Initial Acquisition Costs	0
Deferred Member Fees	\$3,175,000

### **III. FUTURE SERVICE OBLIGATION CALCULATION**

The Obligation to Provide Future Services to Current Residents calculation consists of ten pages numbered 6 through 15. The last page summarizes the actual calculation with the Obligation found on the last line. A positive value represents a liability, while a negative value represents an asset or a surplus.

Pages six through eight contain both the open and closed group population projections from the Continuing Care Actuaries' population projection system. Each row represents the average number of members that occupy the community throughout each fiscal year.

Pages nine through eleven illustrate the revenue and expense assumptions. The first four lines represent the amount collected per member each year. Similarly, the expense summary represents the expense per member per year. The interest summary contains the total interest payments and the amount allocated to the closed group of members. The bottom section develops the projected cash inflows and cash outflows. These values are obtained from the revenue and expense assumptions applied to the closed group population.

Pages twelve through fourteen develop the net cash outflows as well as their present value as of the Fiscal Year ending March 31. These pages additionally project each year's community depreciation charge and the amount allocated to the closed group of members.

Navigation at Home  
Future Service Obligation as of March 31, 2023

RESIDENT LEVEL OF CARE INFORMATION	YEAR									
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
<u>Total Community Occupancy Projection</u>										
At Home Members	134.7	149.1	161.9	173.3	183.6	192.7	200.8	207.9	214.1	219.4
Total Member Homes	83.9	95.3	106.1	116.1	125.3	133.7	141.2	148.0	153.9	159.1
Assisted Living - Lifecare	0.4	1.1	1.5	1.8	2.0	2.2	2.4	2.5	2.7	2.8
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Assisted Living - Direct Admits</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Assisted Living - Total	0.4	1.1	1.5	1.8	2.0	2.2	2.4	2.5	2.7	2.8
Health Care Center - Lifecare	0.1	0.3	0.7	1.1	1.4	1.8	2.1	2.4	2.7	2.9
Health Care Center - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Health Care Center - Direct Admits</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Health Care Center - Total	0.1	0.3	0.7	1.1	1.4	1.8	2.1	2.4	2.7	2.9
Total Residents	135.2	150.5	164.0	176.2	187.0	196.7	205.3	212.8	219.4	225.1
<u>Closed Group Occupancy Projection</u>										
At Home Members	124.4	118.4	111.6	104.4	97.1	89.6	82.2	75.0	67.9	61.0
Total Member Homes	77.4	75.8	73.7	71.1	68.1	64.8	61.1	57.2	53.1	48.9
Assisted Living - Lifecare	0.4	1.0	1.3	1.4	1.4	1.3	1.3	1.3	1.2	1.2
Assisted Living - Lifecare Second Persons	0.3	0.8	0.9	0.9	0.8	0.7	0.7	0.6	0.5	0.5
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Lifecare	0.1	0.3	0.6	0.9	1.1	1.3	1.4	1.5	1.5	1.5
Health Care Center - Lifecare Second Persons	0.0	0.2	0.4	0.6	0.7	0.7	0.7	0.7	0.6	0.6
Health Care Center - Temporary	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Residents	124.8	119.7	113.5	106.7	99.6	92.3	85.0	77.8	70.6	63.7

Navigation at Home  
Future Service Obligation as of March 31, 2023

RESIDENT LEVEL OF CARE INFORMATION	YEAR									
	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>
<u>Total Community Occupancy Projection</u>										
At Home Members	223.8	227.6	230.6	233.1	234.9	236.3	237.2	237.8	238.1	238.1
Total Member Homes	163.6	167.4	170.6	173.2	175.3	176.8	177.9	178.7	179.1	179.3
Assisted Living - Lifecare	2.9	3.1	3.2	3.3	3.4	3.5	3.6	3.6	3.7	3.7
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Assisted Living - Direct Admits</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Assisted Living - Total	2.9	3.1	3.2	3.3	3.4	3.5	3.6	3.6	3.7	3.7
Health Care Center - Lifecare	3.1	3.2	3.4	3.5	3.6	3.7	3.7	3.8	3.8	3.8
Health Care Center - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Health Care Center - Direct Admits</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Health Care Center - Total	3.1	3.2	3.4	3.5	3.6	3.7	3.7	3.8	3.8	3.8
Total Residents	229.9	233.9	237.2	239.8	241.9	243.5	244.5	245.2	245.6	245.6
<u>Closed Group Occupancy Projection</u>										
At Home Members	54.5	48.3	42.5	37.1	32.1	27.5	23.4	19.6	16.3	13.3
Total Member Homes	44.7	40.4	36.3	32.3	28.4	24.8	21.3	18.1	15.2	12.6
Assisted Living - Lifecare	1.1	1.1	1.0	1.0	0.9	0.8	0.7	0.7	0.6	0.5
Assisted Living - Lifecare Second Persons	0.4	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Lifecare	1.4	1.3	1.2	1.1	1.0	0.9	0.8	0.7	0.6	0.5
Health Care Center - Lifecare Second Persons	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.0
Health Care Center - Temporary	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Residents	57.1	50.7	44.8	39.2	34.0	29.2	24.9	20.9	17.4	14.3

Navigation at Home  
Future Service Obligation as of March 31, 2023

RESIDENT LEVEL OF CARE INFORMATION	YEAR									
	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>	<u>2051</u>	<u>2052</u>	<u>2053</u>
<u>Total Community Occupancy Projection</u>										
At Home Members	238.0	237.8	237.5	237.1	236.7	236.4	236.0	235.7	235.4	235.1
Total Member Homes	179.3	179.2	179.0	178.7	178.4	178.1	177.9	177.6	177.3	177.1
Assisted Living - Lifecare	3.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Assisted Living - Direct Admits</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Assisted Living - Total	3.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Health Care Center - Lifecare	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Health Care Center - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Health Care Center - Direct Admits</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Health Care Center - Total	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Total Residents	245.5	245.3	245.1	244.7	244.3	244.0	243.6	243.3	242.9	242.6
<u>Closed Group Occupancy Projection</u>										
At Home Members	10.8	8.6	6.8	5.2	4.0	3.0	2.2	1.6	1.2	0.8
Total Member Homes	10.3	8.3	6.6	5.1	4.0	3.0	2.2	1.6	1.2	0.8
Assisted Living - Lifecare	0.5	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1
Assisted Living - Lifecare Second Persons	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assisted Living - Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Lifecare	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.0
Health Care Center - Lifecare Second Persons	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health Care Center - Temporary	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Residents	11.6	9.3	7.3	5.7	4.4	3.3	2.5	1.8	1.3	0.9

Navigation at Home  
Future Service Obligation as of March 31, 2023

**REVENUE AND EXPENSE ASSUMPTIONS**

	YEAR									
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
REVENUES										
Inflation		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Home Per Member	\$11,635	\$11,984	\$12,344	\$12,714	\$13,095	\$13,488	\$13,893	\$14,310	\$14,739	\$15,181
Per Assisted Living Resident	21,078	21,711	22,362	23,033	23,724	24,436	25,169	25,924	26,701	27,502
Per Health Care Center Resident	38,060	39,202	40,378	41,590	42,837	44,122	45,446	46,810	48,214	49,660
Home Care Copays Per Member	344	537	708	870	915	969	1,034	1,111	1,198	1,288
<u>Investment &amp; Other Income</u>										
Asset Base	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Earnings Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment Income	0	0	0	0	0	0	0	0	0	0
Allocated Investment Income	0	0	0	0	0	0	0	0	0	0
Total Other Income	0	0	0	0	0	0	0	0	0	0
Allocated Other Income	0	0	0	0	0	0	0	0	0	0

EXPENSES

Home Per Member	\$2,425	\$2,256	\$2,678	\$2,577	\$2,506	\$2,458	\$2,430	\$2,417	\$2,418	\$2,431
Care Costs Per Member	1,543	2,412	3,178	3,908	4,107	4,351	4,644	4,987	5,377	5,785
Per Assisted Living Resident	94,637	97,476	100,401	103,413	106,515	109,711	113,002	116,392	119,884	123,480
Per Health Care Center Resident	170,884	176,010	181,290	186,729	192,331	198,101	204,044	210,165	216,470	222,964

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
Member Homes	\$900,028	\$908,046	\$909,146	\$903,781	\$891,997	\$873,774	\$849,249	\$818,799	\$783,001	\$742,586
Assisted Living	8,020	21,430	28,233	31,349	32,620	32,733	33,697	33,696	33,121	32,919
Health Care Center	2,305	10,748	23,922	37,030	48,888	58,694	65,417	70,132	72,846	73,394
Investment Income	0	0	0	0	0	0	0	0	0	0
Home Care CoPays	42,726	63,611	78,993	90,889	88,782	86,852	85,071	83,264	81,299	78,652
<b>TOTAL CASH INFLOWS</b>	<b>953,078</b>	<b>1,003,835</b>	<b>1,040,294</b>	<b>1,063,050</b>	<b>1,062,286</b>	<b>1,052,053</b>	<b>1,033,434</b>	<b>1,005,890</b>	<b>970,267</b>	<b>927,552</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
Member Homes	\$301,528	\$267,169	\$298,939	\$269,053	\$243,164	\$220,320	\$199,836	\$181,225	\$164,151	\$148,378
At Home Care	191,832	285,601	354,663	408,074	398,612	389,950	381,950	373,838	365,017	353,132
Assisted Living	36,007	96,216	126,758	140,752	146,455	146,964	151,294	151,287	148,705	147,801
Health Care Center	10,348	48,257	107,406	166,259	219,496	263,525	293,709	314,876	327,062	329,525
<b>TOTAL CASH OUTFLOWS</b>	<b>539,714</b>	<b>697,243</b>	<b>887,766</b>	<b>984,137</b>	<b>1,007,727</b>	<b>1,020,759</b>	<b>1,026,788</b>	<b>1,021,226</b>	<b>1,004,935</b>	<b>978,835</b>



Navigation at Home  
Future Service Obligation as of March 31, 2023

**REVENUE AND EXPENSE ASSUMPTIONS**

	YEAR									
	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>
REVENUES										
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Home Per Member	\$15,636	\$16,105	\$16,589	\$17,086	\$17,599	\$18,127	\$18,671	\$19,231	\$19,808	\$20,402
Per Assisted Living Resident	28,328	29,177	30,053	30,954	31,883	32,839	33,825	34,839	35,884	36,961
Per Health Care Center Resident	51,150	52,685	54,265	55,893	57,570	59,297	61,076	62,908	64,795	66,739
Home Care Copays Per Member	1,406	1,519	1,629	1,736	1,840	1,958	2,073	2,184	2,290	2,391
<u>Investment &amp; Other Income</u>										
Asset Base	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Earnings Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment Income	0	0	0	0	0	0	0	0	0	0
Allocated Investment Income	0	0	0	0	0	0	0	0	0	0
Total Other Income	0	0	0	0	0	0	0	0	0	0
Allocated Other Income	0	0	0	0	0	0	0	0	0	0
EXPENSES										
Home Per Member	\$2,453	\$2,486	\$2,526	\$2,575	\$2,631	\$2,694	\$2,764	\$2,840	\$2,922	\$3,009
Care Costs Per Member	6,310	6,820	7,315	7,796	8,260	8,790	9,306	9,804	10,280	10,734
Per Assisted Living Resident	127,185	131,000	134,930	138,978	143,148	147,442	151,865	156,421	161,114	165,947
Per Health Care Center Resident	229,653	236,543	243,639	250,948	258,477	266,231	274,218	282,445	290,918	299,646

**PROJECTED CASH INFLOWS**

	YEAR									
	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>
Member Homes	\$698,370	\$651,196	\$601,896	\$551,237	\$499,926	\$448,642	\$398,074	\$348,920	\$301,879	\$257,621
Assisted Living	32,516	31,831	30,880	29,703	28,344	26,828	25,167	23,371	21,455	19,441
Health Care Center	72,409	70,237	67,133	61,382	56,145	52,967	47,978	42,689	37,891	31,296
Investment Income	0	0	0	0	0	0	0	0	0	0
Home Care CoPays	76,614	73,409	69,276	64,434	59,070	53,881	48,398	42,786	37,210	31,823
<b>TOTAL CASH INFLOWS</b>	<b>879,910</b>	<b>826,674</b>	<b>769,184</b>	<b>706,756</b>	<b>643,485</b>	<b>582,318</b>	<b>519,617</b>	<b>457,766</b>	<b>398,434</b>	<b>340,182</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>
Member Homes	\$133,738	\$120,111	\$107,404	\$95,545	\$84,473	\$74,146	\$64,542	\$55,652	\$47,485	\$40,056
At Home Care	343,982	329,592	311,033	289,295	265,212	241,915	217,296	192,101	167,065	142,880
Assisted Living	145,992	142,917	138,645	133,362	127,261	120,454	112,995	104,932	96,328	87,286
Health Care Center	325,102	315,348	301,414	275,593	252,082	237,810	215,412	191,665	170,121	140,514
<b>TOTAL CASH OUTFLOWS</b>	<b>948,815</b>	<b>907,968</b>	<b>858,496</b>	<b>793,795</b>	<b>729,027</b>	<b>674,325</b>	<b>610,245</b>	<b>544,351</b>	<b>480,999</b>	<b>410,737</b>

Navigation at Home  
Future Service Obligation as of March 31, 2023

**REVENUE AND EXPENSE ASSUMPTIONS**

	YEAR									
	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
REVENUES										
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Home Per Member	\$21,014	\$21,644	\$22,294	\$22,963	\$23,651	\$24,361	\$25,092	\$25,845	\$26,620	\$27,418
Per Assisted Living Resident	38,070	39,212	40,388	41,600	42,848	44,133	45,457	46,821	48,226	49,672
Per Health Care Center Resident	68,741	70,804	72,928	75,116	77,369	79,690	82,081	84,543	87,080	89,692
Home Care Copays Per Member	2,486	2,577	2,662	2,744	2,822	2,896	2,969	3,040	3,110	3,178
<u>Investment &amp; Other Income</u>										
Asset Base	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Earnings Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment Income	0	0	0	0	0	0	0	0	0	0
Allocated Investment Income	0	0	0	0	0	0	0	0	0	0
Total Other Income	0	0	0	0	0	0	0	0	0	0
Allocated Other Income	0	0	0	0	0	0	0	0	0	0

**EXPENSES**

Home Per Member	\$3,101	\$3,197	\$3,297	\$3,401	\$3,509	\$3,620	\$3,734	\$3,851	\$3,972	\$4,097
Care Costs Per Member	11,163	11,569	11,954	12,319	12,669	13,005	13,331	13,649	13,962	14,271
Per Assisted Living Resident	170,926	176,053	181,335	186,775	192,378	198,150	204,094	210,217	216,523	223,019
Per Health Care Center Resident	308,635	317,894	327,431	337,254	347,371	357,792	368,526	379,582	390,969	402,699

**PROJECTED CASH INFLOWS**

	YEAR									
	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Member Homes	\$216,739	\$179,692	\$146,771	\$118,081	\$93,533	\$72,866	\$55,808	\$41,985	\$30,927	\$22,242
Assisted Living	17,365	15,272	13,216	11,250	9,437	7,879	6,434	5,083	3,983	3,077
Health Care Center	25,758	22,631	19,091	15,621	12,463	9,738	7,473	5,596	4,094	2,953
Investment Income	0	0	0	0	0	0	0	0	0	0
Home Care CoPays	26,761	22,130	17,997	14,397	11,328	8,759	6,655	4,964	3,625	2,584
<b>TOTAL CASH INFLOWS</b>	<b>286,623</b>	<b>239,725</b>	<b>197,076</b>	<b>159,349</b>	<b>126,761</b>	<b>99,242</b>	<b>76,369</b>	<b>57,627</b>	<b>42,628</b>	<b>30,856</b>

**PROJECTED CASH OUTFLOWS**

	YEAR									
	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Member Homes	\$33,378	\$27,459	\$22,290	\$17,848	\$14,087	\$10,946	\$8,369	\$6,289	\$4,631	\$3,330
At Home Care	120,153	99,357	80,803	64,639	50,859	39,325	29,878	22,289	16,276	11,601
Assisted Living	77,964	68,568	59,338	50,509	42,372	35,374	28,887	22,819	17,881	13,815
Health Care Center	115,648	101,607	85,716	70,137	55,957	43,723	33,552	25,124	18,381	13,257
<b>TOTAL CASH OUTFLOWS</b>	<b>347,144</b>	<b>296,991</b>	<b>248,148</b>	<b>203,133</b>	<b>163,274</b>	<b>129,368</b>	<b>100,686</b>	<b>76,522</b>	<b>57,169</b>	<b>42,003</b>

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Future Service Obligation as of March 31, 2023

<b>PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)</b>	YEAR									
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
Net Cash Outflows (Inflows)	(\$413,364)	(\$306,592)	(\$152,527)	(\$78,912)	(\$54,559)	(\$31,294)	(\$6,646)	\$15,336	\$34,668	\$51,283
Discount Rate 5.50%	0.974	0.923	0.875	0.829	0.786	0.745	0.706	0.669	0.634	0.601
Present Value of Net Cash Outflows (Inflows)	(402,445)	(282,932)	(133,419)	(65,428)	(42,878)	(23,312)	(4,692)	10,264	21,993	30,837
Present Value of Net Cash Outflows	(415,203)									
<b>DEPRECIATION COST</b>	YEAR									
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Depreciation	0	0	0	0	0	0	0	0	0	0

Navigation at Home  
Future Service Obligation as of March 31, 2023

<b>PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)</b>	YEAR									
	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>
Net Cash Outflows (Inflows)	\$68,905	\$81,294	\$89,312	\$87,038	\$85,542	\$92,007	\$90,628	\$86,584	\$82,565	\$70,555
Discount Rate 5.50%	0.570	0.540	0.512	0.485	0.460	0.436	0.413	0.392	0.371	0.352
Present Value of Net Cash Outflows (Inflows)	39,274	43,919	45,735	42,248	39,357	40,124	37,462	33,925	30,664	24,837

Present Value of Net Cash Outflows

<b>DEPRECIATION COST</b>	YEAR									
	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Depreciation	0	0	0	0	0	0	0	0	0	0

Navigation at Home  
Future Service Obligation as of March 31, 2023

<b>PRESENT VALUE OF NET CASH OUTFLOWS (INFLOWS)</b>	YEAR									
	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>	<u>2051</u>	<u>2052</u>	<u>2053</u>
Net Cash Outflows (Inflows)	\$60,520	\$57,266	\$51,072	\$43,783	\$36,513	\$30,126	\$24,317	\$18,895	\$14,541	\$11,147
Discount Rate 5.50%	0.334	0.316	0.300	0.284	0.269	0.255	0.242	0.229	0.217	0.206
Present Value of Net Cash Outflows (Inflows)	20,194	18,112	15,311	12,442	9,835	7,691	5,885	4,334	3,161	2,297

Present Value of Net Cash Outflows

<b>DEPRECIATION COST</b>	YEAR									
	<u>2044</u>	<u>2045</u>	<u>2046</u>	<u>2047</u>	<u>2048</u>	<u>2049</u>	<u>2050</u>	<u>2051</u>	<u>2052</u>	<u>2053</u>
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Depreciation	0	0	0	0	0	0	0	0	0	0

**OBLIGATION TO PROVIDE FUTURE SERVICES AND THE USE OF FACILITIES TO CURRENT RESIDENTS**

Present Value of Net Cash Outflows	( \$415,203)
Less:	
Unamortized deferred revenue at March 31, 2023	3,175,000
Plus:	
Allocable depreciation	0
Unamortized costs of acquiring initial continuing-care contracts	0
Obligation to provide future services and the use of facilities to current residents	(3,590,203)

Appendix A5

Independent Accountants' Compilation Report  
as of July 31, 2023  
for the years ending 2024 through 2028.

**Moravian Home, Incorporated**  
**(d/b/a Salemtowne)**

Compilation of a Financial Forecast

For Each of the Five Years  
Ending March 31, 2028

(with Independent Accountants'  
Compilation Report thereon)



**Moravian Home, Incorporated d/b/a Salemtowne**

Compilation of a Financial Forecast

Five Years Ending March 31, 2028

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191 Peachtree Street NE, Suite 2700 / Atlanta, GA 30303

P 404.575.8900 / F 404.575.8870

[forvis.com](http://forvis.com)

## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Trustees  
Moravian Home, Incorporated d/b/a Salemtowne  
Winston-Salem, North Carolina

Management of Moravian Home, Incorporated d/b/a Salemtowne (the "Corporation") ("Management") is responsible for the accompanying financial forecast of the Corporation, which comprises the forecasted balance sheets as of and for each of the five years ending March 31, 2028 and the related forecasted statements of operations, changes in net assets, and cash flows for each of the years then ending, and the related summaries of significant forecast assumptions and rationale in accordance with guidelines for the presentation of a financial forecast established by the American Institute of Certified Public Accountants ("AICPA").

The accompanying forecast and this report were prepared for inclusion with the disclosure statement filing requirements of North Carolina General Statutes, Chapter 58, Article 64. Accordingly, this report should not be used for any other purpose.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial forecast. The forecasted results may not be achieved, as there will usually be differences between the prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

**FORVIS, LLP**

Atlanta, Georgia  
July 31, 2023

## Moravian Home, Incorporated d/b/a Salemtowne

### Forecasted Statements of Operations and Changes in Net Assets For the Years Ending March 31, (In Thousands of Dollars)

	2024	2025	2026	2027	2028
<b>Revenue, gains, and other support:</b>					
Net resident service revenue:					
Independent living revenue	\$ 9,790	\$ 10,272	\$ 10,720	\$ 11,186	\$ 11,549
Home health, assisted living, memory care, and nursing revenue	19,606	20,321	20,881	21,454	22,093
Amortization of advance fees	4,600	4,964	5,113	5,267	5,425
Contributions	188	592	604	616	628
Investment income	312	408	364	321	385
Other support	227	234	241	248	255
Navigation at Home program:					
Amortization of advance fees	331	273	281	289	298
Net member service revenue	851	876	902	929	957
Other income	1,164	1,199	1,235	1,272	1,310
<b>Total revenue, gains, and other support</b>	<b>37,069</b>	<b>39,139</b>	<b>40,341</b>	<b>41,582</b>	<b>42,900</b>
<b>Expenses:</b>					
Program services - provision for housing and related services:					
Healthcare, assisted living and clinic expenses	10,353	10,663	10,983	11,313	11,652
Environmental services expenses	5,278	5,437	5,600	5,768	5,941
Dining services	5,265	5,423	5,586	5,754	5,926
Life enrichment expenses	945	973	1,002	1,032	1,063
Navigation at home expenses	1,144	1,178	1,214	1,250	1,288
Interest expense and amortization	4,342	4,213	4,182	4,097	3,926
Depreciation	5,777	5,575	5,236	4,934	4,523
Administration and general	7,212	7,428	7,651	7,880	8,117
<b>Total expenses</b>	<b>40,316</b>	<b>40,890</b>	<b>41,454</b>	<b>42,028</b>	<b>42,436</b>
Operating income (loss)	(3,247)	(1,751)	(1,113)	(446)	464
Non-operating gains:					
Disposal of fixed assets	(120)	-	-	-	-
Net assets released from restrictions	200	-	-	-	-
Excess of revenues over (under) expenses	(3,167)	(1,751)	(1,113)	(446)	464
Net assets with donor restrictions:					
Contributions	650	663	676	690	704
Investment income	57	76	78	60	62
Net assets released from restrictions	(347)	(505)	(514)	(524)	(534)
Increase (decrease) in net assets with donor restrictions	360	234	240	226	232
Change in net assets	(2,807)	(1,517)	(873)	(220)	696
Net assets, beginning of year	5,516	2,709	1,192	319	99
Net assets, end of year	2,709	1,192	319	99	795

**See accompanying Summary of Significant Forecast Assumptions and Rationale and  
Independent Accountants' Compilation Report**

## Moravian Home, Incorporated d/b/a Salemtowne

### Forecasted Statements of Cash Flows For the Years Ending March 31, (In Thousands of Dollars)

	2024	2025	2026	2027	2028
<b>Cash flows from operating activities:</b>					
Change in net assets	(2,807)	(1,517)	(873)	(220)	696
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	5,777	5,575	5,236	4,934	4,523
Amortization of bond premium and discount	46	57	106	106	23
Amortization of advance fees	(4,931)	(5,237)	(5,394)	(5,556)	(5,722)
Disposal of fixed assets	120	-	-	-	-
Net changes in:					
Accounts receivable	847	34	57	62	69
Prepaid expense and other assets	(37)	(39)	(41)	(39)	(43)
Accounts payable and accrued expenses	48	55	56	57	58
Entrance Fees received (non-refundable)	4,076	6,352	6,852	7,336	7,730
Entrance Fees received (non-refundable) - Navigation	1,231	1,280	1,332	1,385	1,440
<b>Net cash provided by operating activities</b>	<b>4,370</b>	<b>6,560</b>	<b>7,331</b>	<b>8,065</b>	<b>8,774</b>
<b>Cash flows from investing activities:</b>					
Purchase of property and equipment	(3,000)	(2,684)	(2,772)	(2,862)	(2,949)
Change in Designated for Statutory Operating Reserve fund	(519)	(931)	474	(240)	(227)
Change in investments	1,951	2,347	(2,716)	(2,642)	(3,119)
<b>Net cash used in investing activities</b>	<b>(1,568)</b>	<b>(1,268)</b>	<b>(5,014)</b>	<b>(5,744)</b>	<b>(6,295)</b>
<b>Cash flows from financing activities:</b>					
Refunds of Entrance Fees	(1,483)	(728)	(494)	(480)	(513)
Refunds of Entrance Fees - Navigation	(25)	(28)	(24)	(19)	(19)
Principal payments on debt - Note Payable and Capital Lease	(10)	(2,881)	-	-	-
Principal payments on debt - Bond Obligations	(1,605)	(1,680)	(1,765)	(1,845)	(1,935)
<b>Net cash used in financing activities</b>	<b>(3,123)</b>	<b>(5,317)</b>	<b>(2,283)</b>	<b>(2,344)</b>	<b>(2,467)</b>
Change in cash, cash equivalents, and restricted cash	(321)	(25)	34	(23)	12
Cash, cash equivalents, and restricted cash at beginning of year	13,167	12,846	12,821	12,855	12,832
<b>Cash, cash equivalents, and restricted cash at end of year</b>	<b>12,846</b>	<b>12,821</b>	<b>12,855</b>	<b>12,832</b>	<b>12,844</b>
<b>Reconciliation of cash, cash equivalents, and restricted cash:</b>					
Cash and cash equivalents	4,033	4,004	4,038	4,012	4,021
Assets limited as to use, current	2,956	2,960	2,960	2,963	2,966
Debt service reserve funds	5,857	5,857	5,857	5,857	5,857
<b>Cash, cash equivalents, and restricted cash</b>	<b>12,846</b>	<b>12,821</b>	<b>12,855</b>	<b>12,832</b>	<b>12,844</b>

**See accompanying Summary of Significant Forecast Assumptions and Rationale and  
Independent Accountants' Compilation Report**

## Moravian Home, Incorporated d/b/a Salemtowne

### Forecasted Balance Sheets As of March 31, (In Thousands of Dollars)

	2024	2025	2026	2027	2028
<b>Assets</b>					
Current assets					
Cash and cash equivalents	4,033	4,004	4,038	4,012	4,021
Assets limited as to use, current	2,956	2,960	2,960	2,963	2,966
Accounts receivable	1,406	1,373	1,316	1,254	1,185
Prepaid and other current assets	232	237	242	247	252
Total current assets	8,627	8,574	8,556	8,476	8,424
Investments	8,559	6,212	8,928	11,570	14,689
Assets limited as to use:					
Designated for Statutory Operating Reserve fund	7,579	8,510	8,036	8,276	8,503
Debt service reserve funds	5,857	5,857	5,857	5,857	5,857
Total assets limited as to use	13,436	14,367	13,893	14,133	14,360
Property and equipment, gross	151,901	154,585	157,357	160,219	163,168
Less: accumulated depreciation	(60,037)	(65,612)	(70,848)	(75,782)	(80,305)
Property and equipment, net	91,864	88,973	86,509	84,437	82,863
Assets in split-interest agreements	945	945	945	945	945
Other assets	797	831	867	903	940
Total assets	124,228	119,902	119,698	120,464	122,221
<b>Liabilities and Net Assets</b>					
Current liabilities					
Accounts payable	943	971	1,001	1,031	1,062
Accrued expenses	2,168	2,233	2,300	2,369	2,440
Accrued interest payable	2,116	2,078	2,038	1,995	1,951
Refundable Entrance Fees	160	160	160	160	160
Current maturities of long-term debt	1,680	1,765	1,845	1,935	2,030
Total current liabilities	7,067	7,207	7,344	7,490	7,643
Long-term liabilities:					
Long-term debt, net of current portion	78,360	76,652	74,913	73,085	71,078
Note Payable	2,881	-	-	-	-
Total long-term debt, net of financing costs	81,241	76,652	74,913	73,085	71,078
Deferred revenue from membership fees - Navigation	4,075	5,083	6,134	7,229	8,372
Deferred revenue from entrance fees	29,136	29,768	30,988	32,561	34,333
Total liabilities	121,519	118,710	119,379	120,365	121,426
Net Assets					
Without donor restrictions	(2,474)	(4,225)	(5,338)	(5,784)	(5,320)
With donor restrictions	5,183	5,417	5,657	5,883	6,115
Total net assets	2,709	1,192	319	99	795
Total liabilities and net assets	124,228	119,902	119,698	120,464	122,221

**See accompanying Summary of Significant Forecast Assumptions and Rationale and  
Independent Accountants' Compilation Report**

## **Moravian Homes, Incorporated d/b/a Salemtowne**

### **Summary of Significant Forecast Assumptions and Rationale**

#### **For Each of the Five Years Ending March 31, 2028**

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##### **Basis of Presentation**

The accompanying financial forecast presents, to the best knowledge and belief of management of Moravian Home, Incorporated d/b/a Salemtowne (the “Corporation”) (“Management”), the expected financial position, results of operations, and cash flows of the Corporation as of and for each of the five years ending March 31, 2028. Accordingly, the accompanying forecast reflects Management’s judgment as of July 31, 2023, the date of this report, of the expected conditions and its course of action during the forecast period. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Management’s purpose in releasing this financial forecast is for inclusion in the Corporation’s annual disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the prospective financial statements.

The prospective financial statements included in the forecast have been prepared in accordance with the accounting principles generally accepted in the United States of America. Significant accounting policies are described in the appropriate assumptions and notes to the prospective financial statements. The assumptions described are not all-inclusive.

##### **Background of the Corporation**

The Corporation owns and operates a continuing care retirement community (“CCRC”) known as Salemtowne (the “Community”) in Winston-Salem, North Carolina. The mission of the Community is to promote the well-being of its residents by providing a caring environment. Affiliated with the Moravian Church in America, Southern Province, the Community is an ecumenical community that reflects the Moravian values of individual respect, hospitality, life-long learning, and love of the arts.

The Corporation is exempt from income tax as an entity described in Section 501(c)(3) of the Internal Revenue Code. The business and affairs of the Corporation are directed by a self-perpetuating Board of Trustees (the “Board”) composed of not less than 12 and not more than 18 members. The Board currently meets six times per year and at such other times as the Board may determine necessary. No members of the Board are employees of the Community.

**See Independent Accountants’ Compilation Report**

## The Community

The Community is situated on approximately 117 acres of land located in northwest Winston-Salem near historic Bethabara, the first Moravian settlement in North Carolina. The Community opened in 1972 and consists of the following residential living units available for occupancy:

- 148 independent living apartments (the “Independent Living Apartments”) and 73 independent living cottages (the “Independent Living Cottages” and, collectively with the Independent Living Apartments, the “Independent Living Units”);
- 46 licensed assisted living beds, currently configured in 32 units (the “Assisted Living Units”);
- 20 memory support units (the “Memory Support Units”); and,
- A 100-bed nursing care facility (the “Nursing Care Center” and the “Nursing Beds”).

In addition, the Community includes common areas and amenities such as a community center, fitness center, walking trails, art galleries, computer room, dining rooms, beauty/barber shops, gift shop, libraries, game rooms, and an aquatic center with indoor pool.

The Assisted Living Units, the Memory Support Units, and the Nursing Care Center are collectively referred to as the “Health Center.” Ten Assisted Living Units, 10 Memory Support Units, and 16 Nursing Beds are sheltered beds and not open for direct admission.

The Community is currently licensed for 46 assisted living beds. In order to meet the needs of assisted living residents desiring more space, Management began joining two adjacent rooms to create larger suites. Suites may accommodate singles, couples, or be reconfigured for two unrelated residents. As of July 2023, the Assisted Living Units were comprised of 18 rooms and 14 larger suites, for a total of 32 units (with 46 licensed beds).

The following table summarizes the type, number, approximate square footage, monthly fees (“Monthly Fees”) and entrance fees (“Entrance Fees”) for the Independent Living Units effective April 1, 2023.

**Table 1**  
**Independent Living Unit Configuration**

Type of Unit	Units	Square Footage	Entrance Fees <sup>(1)(2)</sup>	Monthly Fees <sup>(1)(3)(4)(5)</sup>
<b>Independent Living Apartments <sup>(6)</sup></b>				
<i>Vogler Building/Bahnson Hall</i>				
Forsyth (1 bedroom)	8	530	\$ 83,600 – 102,100	\$2,600
Winston A or B (2 bedroom)	17	790	\$112,400 – 124,300	\$2,931
West End (1 bedroom, den & laundry)	3	790	\$112,500 – 122,000	\$2,931
Buena Vista (2 bedroom, den & laundry)	5	1,055	\$156,300 – 169,600	\$3,273
<i>Driscoll Building Apartments</i>				
Reynolda (1 bedroom)	15	751	\$143,800 – 180,300	\$3,089
Sherwood (1 bedroom w/den)	9	936	\$171,700 – 186,100	\$3,433
Piedmont (2 bedroom)	21	1,073	\$214,000 – 229,000	\$3,865
Brookstown (2 bedroom corner)	4	1,107	\$218,400 – 225,000	\$3,871
Twin City (2 bedroom w/den)	10	1,240	\$229,100 – 241,200	\$4,147
<i>Woodlands Apartments</i>				
Beech (1 bedroom w/ den)	16	1,215	\$214,600 – 254,500	\$4,029
Dogwood (2 bedroom)	8	1,395	\$293,500 – 346,000	\$4,224
Hawthorne (2 bedroom)	8	1,490	\$294,900 – 368,900	\$4,328
Pine (2 bedroom w/ den)	8	1,640	\$355,000 – 429,400	\$4,508
Sycamore (2 bedroom w/ sunroom)	8	1,750	\$349,200 – 452,000	\$4,689
Willow (2 bedroom w/ sunroom)	8	1,875	\$416,800 – 508,300	\$4,779
<b>Total Independent Living Apartments</b>	<b>148</b>			
<b>Independent Living Cottages</b>				
<i>Wachovia Village</i>				
Hatteras (2 bedroom)	7	1,172	\$197,000 – 206,100	\$3,508
Emerald (2 bedroom w/den)	15	1,356	\$236,400 – 240,000	\$3,656
<i>Salem Village</i>				
Bethania (2 bedroom w/den)	2	1,533	\$309,400 – 315,300	\$4,012
Hickory (2 bedroom w/sunroom/den)	10	1,560 – 1,755	\$301,300 – 368,600	\$4,083 – 4,499
Catawba (2-3 bedroom w/den & sunroom)	19	1,678 – 3,210	\$323,700 – 531,800	\$4,300 – 5,084
<i>Bethabara Place</i>				
Mitchell (2 bedroom)	1	1,440	\$327,000	\$4,081
Shenandoah (2 bedroom w/den)	4	1,617 – 1,698	\$369,100 – 387,600	\$4,297 – 4,440
Appalachian (2 bedroom w/sunroom)	7	1,640 – 1,750	\$374,400 – 388,100	\$4,367 – 4,447
Rutherford (2 bedroom w/den & sunroom)	7	1,817 – 2,100	\$369,100 – 404,800	\$4,725 – 5,461
Watauga (2 bedroom w/den & sunroom)	1	3,200	\$561,900	\$5,323
<b>Total Independent Living Cottages</b>	<b>73</b>			
<b>Total Independent Living Units</b>	<b>221</b>			

Source: Management



**Notes to the table:**

- (1) Pricing is effective as of April 1, 2023. Second person Entrance Fees are assumed to be \$10,000. Additionally, second person Monthly Fees are \$1,081 for the Independent Living Apartments - Vogler Building/Bahnson Hall and Driscoll Building Apartments, \$864 for the Independent Living Apartments – Woodlands, and \$845 for the Independent Living Cottages. Residents of the Woodland apartments receive a \$256 monthly meal allowance; all other apartment residents receive a \$408 monthly meal allowance. Residents of the Independent Living Cottages receive a \$195 monthly meal allowance.
- (2) The Corporation previously offered three Entrance Fee plans under the Residency Agreement (hereinafter defined): a declining refundable Entrance Fee plan (the “Traditional Amortizing Plan”), shown in the table, a 50% refundable plan (the “50% Refundable Plan”), and a 90% refundable plan (the “90% Refundable Plan”). The Corporation no longer offers the 50% Refundable Plan and the 90% Refundable Plan.
- (3) Independent Living Unit Monthly Fees for the 90% Refundable Plan equal the Monthly Fees for the Traditional Amortizing Plan and are discounted by 10 percent for the 50% Refundable Plan.
- (4) Single occupancy residents who entered the Community prior to May 1, 2014 pay grandfathered Monthly Fee rates which average \$3,576 for the Independent Living Apartments and \$4,267 for the Independent Living Cottages as of April 1, 2023. Second person occupants pay an additional average fee of \$1,162 in the Independent Living Apartments and \$1,147 in the Independent Living Cottages as of April 1, 2023. Residents of the Independent Living Apartments receive a \$408 meal allowance and Residents in Independent Living Cottages may opt out of the meal allowance plan.
- (5) Single occupancy Residents who entered the Community between May 1, 2014 and May 31, 2017 pay grandfathered Monthly Fee rates that average \$3,203 for the Independent Living Apartments and \$3,974 for the Independent Living Cottages as of April 1, 2023. The second person Monthly Fee averages \$882 in the Independent Living Apartments and \$647 in the Independent Living Cottages as of April 1, 2023. Residents of the Independent Living Apartments receive a \$408 meal allowance and Residents in Independent Living Cottages receive a \$195 meal allowance.
- (6) In addition to the 221 Independent Living Units shown, the Community has three studio apartments which are no longer in service.

The following table summarizes the type, number, approximate square footage, the Monthly Fees, and daily fees (“Daily Fees”) for the Health Center effective April 1, 2023.

**Table 2**  
**Health Center Configuration**

Type of Unit	Units	Beds	Square Footage (room)	Monthly Fees <sup>(1)</sup>
<b>Assisted Living Units <sup>(2)</sup></b>				
Assisted living room	18	18	262	\$6,375
Assisted living suite	14	28	524	\$8,457 <sup>(3)</sup>
<b>Total Assisted Living Beds/Units:</b>	<b>32 <sup>(4)(5)</sup></b>	<b>46</b>		
<b>Memory Support Units</b>				
Private room	20 <sup>(5)</sup>	20	300	\$10,380
<b>Total Memory Support Units:</b>	<b>20</b>	<b>20</b>		
<b>Nursing Care Center</b>				<b>Daily Fees <sup>(1)(6)</sup></b>
Private room	100	100	300	\$446
<b>Total Nursing Beds:</b>	<b>100</b>	<b>100</b>		
<b>Total Health Center</b>	<b>152</b>	<b>166</b>		

Source: Management

- (1) Monthly and Daily Fees shown are for direct admission into the Health Center. Independent Living Unit Residents who entered the Community after May 1, 2014 who transfer to the Health Center receive a discount of 20% on the Monthly Fee for the Assisted Living Units and Memory Support Units and the Daily Fee for the Nursing Beds.
- (2) Assisted living respite stay is assumed to be \$292 per day.
- (3) Single occupancy rate for an assisted living suite. A couple residing in an assisted living suite would be required to pay two times the assisted living Monthly Fee of \$6,375.
- (4) Management has completed combinations of assisted living rooms to create larger suites. A total of 32 Assisted Living Units (46 licensed beds) are available for occupancy.
- (5) Ten Assisted Living Units and 10 Memory Support Units are sheltered beds and not open to direct admit residents.
- (6) The Monthly Fees shown are for direct admissions. One hundred (100) Nursing Beds are certified for Medicare and 20 Nursing Beds are also certified for Medicaid. Sixteen Nursing Beds are sheltered beds and not open to direct admit residents.

**Navigation at Home Program**

The Corporation offers a “Continuing Care Services without Lodging” program (“Navigation at Home”), which is designed to provide an option for seniors to age in their homes and access home and community-based services, as needed. Services provided on a capitated basis may include skilled home health care, homemaker, companion, emergency response system, meals, and adult day care. Members of the Navigation at Home program (“Members”) have access to many of the amenities of the Community. Members must reside in their own home in the program’s designated service area to participate in Navigation at Home. Four plan options, providing varying coverage levels for program services, are offered to potential Members of Navigation at Home as follows: “All Inclusive,” “Enhanced,” “Classic,” and “Access” (collectively, the “Navigation Payment Plans”). The following table shows the percentage of service cost covered for the Navigation Payment Plans.

**Table 3**  
**Navigation Payment Plans**

Service	All Inclusive	Enhanced	Classic	Access
Percentage of Service Cost Covered <sup>(1)</sup>				
Care Coordination	100%	100%	100%	100%
Home Health Aide	100%	75%	50%	65%
Companion Care	100%	75%	50%	65%
Live-in Companion	100%	75%	50%	65%
Adult Day Care	100%	75%	50%	65%
Delivered Meals	100%	100%	100%	100%
Emergency Response System	100%	100%	100%	100%
Home Inspections	100%	100%	100%	100%
Transportation	100%	100%	100%	100%
Residential or Assisted Living Care	100%	75%	50%	0%
Nursing Home Care	100%	75%	50%	0%

Source: Management

(1) Service costs covered shown are effective as of July 2023. Prior contracts for Navigation at Home offered by the Corporation provided different levels of coverage for services.

Members pay an initial membership fee (the “Membership Fee”) and an ongoing monthly fee (the “Navigation Monthly Fee”), which vary based on the plan option chosen. The table below shows the Membership Fee and Navigation Monthly Fee for the four plan options for singles and couples aged 65, 75, and 85, effective as of April 1, 2023.

**Table 4**  
**Navigation at Home Program Pricing**

	<u>All Inclusive</u>	<u>Enhanced</u>	<u>Classic</u>	<u>Access</u>
<b>Age</b>	Single <sup>(1)</sup>	Single <sup>(1)</sup>	Single <sup>(1)</sup>	Single <sup>(1)</sup>
65	\$40,800	\$38,000	\$27,000	\$24,600
75	\$66,100	\$62,000	\$42,100	\$38,200
85	\$92,800	\$82,000	\$57,600	\$50,000
<b>Monthly Fee</b>	\$700	\$610	\$500	\$500

Source: Management

(1) Couples receive a five percent discount on the Membership Fee and the Navigation Monthly Fee

For the purposes of Management’s forecast, 58 percent of Members are assumed to choose the All-Inclusive Plan, 12 percent are assumed to choose the Enhanced Plan, 27 percent are assumed to choose the Classic Plan, and three percent are assumed to choose the Access Plan.

The assumed utilization of home health and other healthcare-related services have been provided by the Corporation’s actuary, Continuing Care Actuaries, LLC (the “Actuary”).

## Description of the Reservation Agreement and Residency Agreement

To be accepted for admission to the Independent Living Units, a prospective resident must be at least 62 years of age at the time residency is established (in the case of double occupancy, at least one of the persons must be 62 years of age or older), meet health qualifications to live independently at the Community, and exhibit an ability meet their financial obligations as a resident of the selected Independent Living Unit.

### *Reservation Agreement*

To reserve an Independent Living Unit, a prospective resident is required to execute a reservation agreement (the “Reservation Agreement”), provide self-disclosure of his or her finances, and place a deposit equal to 10 percent of the Entrance Fee (the “Entrance Fee Deposit”) on the selected Independent Living Unit (the “Depositor”). The remaining 90 percent of the Entrance Fee is due on or before the occupancy date of the Independent Living Unit (the “Occupancy Date”). The Reservation Agreement reserves the right of the prospective resident to choose the selected Independent Living Unit and indicate his or her intent to execute a residence and services agreement (the “Residency Agreement”).

### *Residency Agreement*

The Residency Agreement is a contract under which the Corporation is obligated, upon payment by the resident of an Entrance Fee and ongoing payments of the Monthly Fee, to provide certain services to the resident of an Independent Living Unit (the “Resident”).

Payment of the Entrance Fee and Monthly Fee entitles the Resident to occupy the selected Independent Living Unit and receive the following services and amenities:

- Flexible dining plan (depending on dining allowance option chosen or required);
- Housekeeping service (in certain buildings);
- Bed and bath linen service (in certain buildings);
- All utilities, except telephone and service;
- Basic cable television service and Wi-Fi internet service;
- 24-hour medical emergency call system, and fire protection;
- One unassigned parking space;
- Maintenance of grounds and equipment owned by the Corporation;
- Limited local medical transportation;
- Social, recreational, spiritual, educational, and recreational programs;
- U.S. Mailbox in a central location;
- Use of the common areas; and
- Priority access to the Health Center.

In addition to the services included in the Monthly Fee, certain services are available to Residents at an additional cost including, but not limited to, special transportation, extra meals, dental care, and rehabilitation care.

The Resident is expected to obtain and maintain Medicare Parts A and B (or an equivalent substitute policy approved by the Corporation) and suitable supplemental medical insurance.

#### *Entrance Fee Options*

The Corporation offers the Traditional Amortizing Plan under the Residency Agreement. If the Residency Agreement is terminated during the first 48 months, the Resident, or the Resident's estate, is to receive a refund of the Entrance Fee, less (1) a four percent administration fee, (2) two percent of the Entrance Fee for each month prior to the use of any services (full or partial without prorating) the Residency Agreement remained in effect, (3) four percent of the Entrance Fee for each month starting with the first month of services used, and (4) any additional fees accrued. If the Residency Agreement is terminated after the first 48 months, the Resident is due no refund of the Entrance Fee. Any refund is due to the Resident no later than 120 days after the effective date of termination, unless the Residency Agreement is terminated by the Community, in which case the refund is to be paid within 60 days.

Entrance Fees are not subject to a refund at the time of the Resident's transfer to the Health Center. Any refund due to the Resident is to be made within 30 days of the date the Resident's Independent Living Unit is reserved by a prospective Resident and such prospective Resident paid the applicable Entrance Fee.

The following table summarizes the Entrance Fee Plans and refund options selected by Residents of the Community and Management's assumed utilization for the forecast.

**Table 5**  
**Utilization of Residency Agreement Options**

Plan Type	Residents <sup>(1)</sup>		Management's Forecasted Assumption – Future New Entrants
	Number	Percent of Total	Percent of Total
<i>Prior to May 1, 2014</i>			
Traditional Amortizing Plan	41	11.5%	N/A
50% Refundable Plan	–	0.0%	N/A
90% Refundable Plan	–	0.0%	N/A
Second persons	3	0.8%	N/A
<i>Between May 1, 2014 and May 31, 2017</i>			
Traditional Amortizing Plan	64	17.9%	N/A
50% Refundable Plan	1	0.3%	N/A
90% Refundable Plan	4	1.1%	N/A
Second persons	24	6.7%	N/A
<i>June 1, 2017 to current</i>			
Traditional Amortizing Plan	159	44.6%	100.0%
50% Refundable Plan <sup>(2)</sup>	1	0.3%	N/A
90% Refundable Plan <sup>(2)</sup>	1	0.3%	N/A
Second persons	59	16.5%	N/A
<b>Total</b>	<b>357</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Management

N/A – Not Applicable

(1) Includes all Residents at the Community as of June 30, 2023.

(2) As of June 1, 2022, the 50% Refundable Plan and the 90% Refundable Plan are no longer offered at the Community.

#### *Termination by the Resident Prior to Occupancy Date*

The Residency Agreement can be terminated at any time prior to assuming occupancy at the Community for any reason by giving written notice to the Corporation. The Corporation would issue any refunds due within 60 days of receiving a written termination letter.

#### *Termination by the Resident After the Occupancy Date*

After the Occupancy Date, the Resident may terminate the Residency Agreement by providing 14 days written notification. Upon termination, any refund due to the Resident is to be refunded within 30 days from the date the Independent Living Unit is reserved by a prospective Resident and such prospective Resident has paid the applicable Entrance Fee.

*Access to the Health Center*

The Community provides accommodations for Residents in the Health Center. Admission to the Health Center is restricted to persons 62 years of age or older, other than admission to the temporary rehabilitation beds, which is restricted to persons 55 years of age or older.

Residents who have paid an Entrance Fee on or after May 1, 2014 and are transferred to the Health Center receive the following benefits:

- Priority admission to the Health Center; and
- Twenty percent discount on the Monthly Fee/Daily Fee for all private pay stays in the Health Center.

Residents who entered the Community prior to May 1, 2014 receive the following benefits:

- Priority admission to the Health Center;
- Reduced Monthly/Daily Fees for services provided in the Assisted Living Units and Memory Support Units; and
- Twenty-four (24) grace healthcare days each fiscal year in the Nursing Beds (“Grace Days”) at no charge for Residents who have paid an Entrance Fee and have a temporary stay. Unused Grace Days cannot be carried forward into future years. Grace Days are not available to permanent residents of the Assisted Living Units or Nursing Beds.

*Direct Admissions to the Health Center*

Individuals entering directly into the Health Center (“Direct Admit Residents”) from outside the Community are not required to pay an Entrance Fee. Direct Admit Residents may be admitted to the Health Center for short-term respite or rehabilitation stays if Nursing Beds are available in excess of those needed to satisfy the needs of Community Residents. Residents of the Community requiring care in the Health Center will have priority access to the Health Center over Direct Admit Residents.

*Assisted Living and Memory Support Services*

Residents in the Assisted Living Units and Memory Support Units are to receive the following: three meals daily; meal service to room, if required; dining room assistance; assistance with bathing and grooming; wheelchair assistance; weekly housekeeping; personal laundry service; monitoring of vital signs according to physician’s orders; medication delivery by a nurse or medical technician; 24-hour on duty LPNs and CNAs; nursing assessment; multi-disciplinary care planning; and access to the fitness center.

*Nursing Service*

Residents in the Nursing Beds are to receive the following: three meals daily; meal service to room, if required; dining room assistance; assistance with bathing and grooming; wheelchair assistance; daily housekeeping; personal laundry service; medication delivery by a nurse; monitoring of vital signs according to physician’s order; nursing assessment; multi-disciplinary care planning; whirlpool tub; 24-hour skilled nursing care by RNs, CNAs, and LPNs; and access to the fitness center.



## Membership Agreement – Navigation at Home Program

The Corporation has a Membership Services Agreement (the “Membership Agreement”) for individuals wishing to enroll in the Navigation at Home program. The Corporation shall accept persons at least 62 years of age into the Navigation at Home program who are able to meet the financial and medical obligations as a Member in the program. A prospective Member must complete a “Member Application” and sign a medical release form allowing the Corporation to request the past four years of medical records from the Member prospect’s personal physician. Members are expected to obtain and maintain Medicare Parts A and B (or an equivalent substitute policy approved by the Corporation) and suitable supplemental medical insurance.

In exchange for payment of the Membership Fee, the Navigation Monthly Fee, and the payment of certain co-pays, deductibles, fees, costs, and expenses, depending on the type of plan selected by the Member, the Corporation is to provide the Member the following services and programs:

- Access to the Community, including limited select on-campus amenities and common areas;
- Activities and leisure events including but not limited to social, recreational, spiritual, educational, and cultural activities, and exercise and health programs;
- Care coordination, including a care plan developed by the care coordination team to meet the Member’s particular needs;
- Home inspection, conducted the first year of membership and every other year thereafter (unless required more frequently), to determine if any functional or safety issues exist which could jeopardize the well-being of the Member;
- Transportation to and from outpatient surgery or medical office procedures if the Member is unable to drive. This does not include transportation for regular physician office visits, dialysis, and routine specialist appointments;
- Lifestyle and wellness programs, such as exercise classes, arts and crafts, and wellness seminars; and
- Other services deemed to be appropriate by the care coordination team such as:
  - Home site services, such as skilled home care, homemaker services, and companion services, if the Member requires assistance with one or more activities of daily living;
  - Emergency response system;
  - Delivery of one meal per day for a maximum of one week;
  - Adult day care services;
  - Facility-based assisted living and nursing home services at either the Community or a similar facility approved by the Community. Should the Member move to accommodations other than the Health Center and the cost is higher, the Member would pay the difference between the cost of services at the chosen facility and the current negotiated private pay daily rate for a private room at the Health Center. The Member is to continue to pay the Navigation Monthly Fee.

Other services and programs are available to Members for an additional charge, such as private transportation, catering, and other designated services.

Members who choose to move into an Independent Living Units may cancel their membership and apply their Membership Fee to their Entrance Fee, less an administrative fee of four percent.

If the Membership Agreement is terminated during the first 48 months, the Member, or the Member's estate, is to receive a refund of the Membership Fee, less (1) a four percent administration fee, (2) two percent of the Membership Fee for each month prior to the use of services (full or partial without prorating) the Membership Agreement remained in effect, (3) four percent of the Membership Fee for each month starting with the first month of services used, and (4) any additional fees accrued. If the Membership Agreement is terminated after the first 48 months, the Member is due no refund of the Membership Fee. Any refund is due to the Member no later than 120 days after the effective date of termination, unless the Membership Agreement is terminated by the Community, in which case the refund is to be paid within 60 days.

In the case of a Member's financial inability to continue to pay the Navigation Monthly Fee because of reasons beyond the Member's control, the Corporation may choose to subsidize all or part of the Navigation Monthly Fee and other costs so long as this subsidy does not impair the Corporation's ability to attain its objectives while operating on a sound financial basis.

**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 investments and 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) Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. The fair values of investments are determined based upon quoted market prices. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in investment income without donor restrictions and changes in net assets with donor restrictions. Management has not included any unrealized gains or losses on investments within its forecast.
- (d) Restricted Cash – Restricted cash includes debt service reserve fund and current portion of assets limited as to use held by the trustee under the bond indenture.
- (e) Assets Limited as to Use - Assets limited as to use include an amount set aside to meet the operating reserve requirements of North Carolina General Statute Chapter 58, Article 64. Assets limited as to use under bond indenture agreement consist of the proceeds of borrowing available to pay accrued interest as well as funds set aside for debt service, issuance, and principal fund reserves.

North Carolina General Statute § 58-64-33 requires CCRCs to maintain an operating reserve (the “Statutory Operating Reserve”) equal to 50 percent of the total operating costs in a given year, or 25 percent of such total operating costs if occupancy as of a certain date exceeds 90 percent of the independent and assisted living unit capacity. The Statutory Operating Reserve shall only be released upon the submittal of a detailed request and must be approved by the Department. This law provides security to residents that the Corporation is able to meet its contractual obligations to provide continuing care. At March 31, 2023, Management estimated that \$7,060,000 would be required to meet the 25 percent operating reserve requirement.

- (f) 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 40 years for buildings, 8 to 10 years for principal equipment, 5 years for minor equipment, and 5 years for vehicles. The cost of maintenance and repairs is expensed as incurred.
- (g) Costs of Borrowing - Net interest costs incurred on borrowed funds related to a project during the construction period are capitalized as components of the costs of acquiring those assets.
- (h) Deferred Marketing Costs - The Corporation capitalizes incremental costs of acquiring contracts and amortizes such costs over the estimated term of the related contract.

- (i) Deferred Financing Costs and Original Issue Premium/Discount - Costs associated with the issuance of the related financing are assumed to be capitalized and amortized over the expected life of the bonds using the straight-line method, which approximates the effective interest method. Debt issuance costs are netted against the related debt on the forecasted balance sheet and the amortization is included in interest expense on the forecasted statement of operations.
- (j) Obligation to Provide Future Services - The Corporation enters into continuing care contracts with residents. A continuing care contract is an agreement between a resident and the Corporation specifying the services and facilities to be provided over the resident's remaining life. Under each contract, the Corporation has the ability to increase fees as deemed necessary. As of the end of each year, the Corporation calculates the present value of the estimated net cost of future services to be provided to current residents, including the cost of facilities, and compares the amount with the balance of deferred revenue from entrance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the balance of deferred revenue from entrance fees, a liability (obligation to provide future services) is recorded. Management has calculated that the value will not exceed the balance of deferred revenue from entrance fees; therefore, no liability for the obligation to provide future services is required to be recorded for the forecast period.
- (k) Income Taxes - The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying forecasted financial statements do not reflect a provision or liability for federal and state income taxes.
- (l) Deferred Revenue from Entrance Fees - Fees paid by a resident upon entering into a continuing care contract, net of the portion thereof which is refundable to the resident, are recorded as deferred revenue and amortized into net resident services revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis.
- (m) 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. Refunds of the Refundable Entrance Fees are paid upon termination of the agreement (provided the Resident's Independent Living Unit is reoccupied) or within 24 months, whichever occurs first.
- (n) Benevolent Assistance - The Corporation has a policy of providing benevolent assistance to Residents who are unable to pay. Such residents are identified based on financial information obtained from the Resident and subsequent review and analysis. The Corporation maintains certain net assets with donor restrictions, as well as earnings from net assets with donor restrictions and board designated net assets, to fund the care of such residents. Management has forecasted benevolent assistance based on its historical experience.

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

Independent living revenue includes charges for services provided to Residents of the Independent Living Units and is based upon the assumed occupancy and the Monthly Fee of the respective unit. Management assumes that Monthly Fees for the Independent Living Units increase 4.5 percent on April 1, 2024, 4.0 percent on April 1, 2025 and April 1, 2026, and 3.0 percent on April 1, 2027.

*Assumed Independent Living Unit Utilization*

The Independent Living Apartments and the Independent Living Cottages are assumed to achieve and maintain an overall 96.2 percent occupancy level during the forecast period. The following table summarizes the forecasted utilization of the Independent Living Apartments and the Independent Living Cottages.

Years ended	Independent Living Apartments			Independent Living Cottages			Total ILU
	Occupied	Available	% Occupied	Occupied	Available	% Occupied	% Occupied
<i>Historical</i>							
2022	143.6	151.0	95.1%	69.4	73.0	95.1%	95.1%
2023 <sup>(1)</sup>	144.6	148.0	97.7%	70.6	73.0	96.7%	97.4%
2024 <sup>(2)</sup>	143.5	148.0	97.0%	73.0	73.0	100.0%	98.0%
<i>Forecasted</i>							
2024	143.3	148.0	96.8%	69.4	73.0	95.1%	96.2%
2025	143.3	148.0	96.8%	69.4	73.0	95.1%	96.2%
2026	143.3	148.0	96.8%	69.4	73.0	95.1%	96.2%
2027	143.3	148.0	96.8%	69.4	73.0	95.1%	96.2%
2028	143.3	148.0	96.8%	69.4	73.0	95.1%	96.2%

Source: Management

(1) During fiscal year 2023, Management removed three Independent Living Units from service, for a total of 148 available units.

(2) Year to date occupancy is for the three months ending June 30, 2023.

The assumed number of Independent Living Units becoming available due to resident turnover, the double occupancy rate, the number of annual resident Entrance Fee refunds, and the movement of Residents into the Health Center are provided by the Actuary.

The double occupancy rate for the Independent Living Units is assumed to approximate 40 percent throughout the forecast period.

**See Independent Accountants' Compilation Report**

*Entrance Fee and Membership Fee Receipts and Refunds*

The assumed turnover for the Independent Living Units due to death, withdrawal, or transfer to assisted living, memory support, or nursing accommodations, 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 and Membership Fees are provided by the Actuary. The following table presents the assumed Entrance Fees and Membership Fees received and Entrance Fees and Membership Fees refunded.

**Table 7**  
**Entrance Fee and Membership Fee Receipts and Refunds**  
**(In Thousands)**

Fiscal Year Ending March 31,	2024	2025	2026	2027	2028
<i>Fees Received</i>					
<i>Membership Fees for Navigation at Home <sup>(1)</sup></i>					
Number of Membership Fees received	21.0	21.0	21.0	21.0	21.0
Membership Fees received	\$1,231	\$1,280	\$1,332	\$1,385	\$1,440
<i>Turnover:</i>					
Number of Entrance Fees received	14.4	20.2	21.0	21.7	22.2
Entrance Fees received	\$4,076	\$6,352	\$6,852	\$7,336	\$7,730
<b>Total Fees Received</b>	<b>\$5,307</b>	<b>\$7,632</b>	<b>\$8,184</b>	<b>\$8,721</b>	<b>\$9,170</b>
<i>Fees Refunded</i>					
Membership Fee Refunds	(25)	(28)	(24)	(19)	(19)
CCRC Entrance Fee Refunds	(1,483)	(728)	(494)	(480)	(513)
<b>Total Fees Refunded</b>	<b>\$(1,508)</b>	<b>\$(756)</b>	<b>\$(518)</b>	<b>\$(499)</b>	<b>\$(532)</b>
<b>Total Entrance Fees and Membership Fees Received, Net of Refunds</b>	<b>\$3,799</b>	<b>\$6,876</b>	<b>\$7,666</b>	<b>\$8,222</b>	<b>\$8,638</b>

Source: Management and the Actuary

(1) The Navigation at Home Membership Fee includes first- and second-person Membership Fees received.

Entrance Fees for the Independent Living Units are assumed to increase 5.0 percent in fiscal year 2025, 4.0 percent in fiscal year 2026 and fiscal year 2027, and 3.0 percent in fiscal year 2028. Membership Fees for the Navigation at Home program are assumed to increase 3.0 percent annually during the forecast period.

*Assisted Living and Memory Support Revenue*

Assisted Living Units and Memory Support 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.

Residents permanently transferring from the Independent Living Units to the Assisted Living Units and Memory Support Units are to pay the rate based on the Health Care Benefit stated in the Residency Agreement. Management assumes the Monthly Fees for the Assisted Living Units inflate 4.0 percent on April 1, 2024, and annually thereafter. Management assumes the Monthly Fees for the Memory Support Units inflate 5.0 percent on April 1, 2024, 4.0 percent on April 1, 2025, and annually thereafter. The following table summarizes the historical and forecasted utilization of the Assisted Living Units and Memory Support Units.

**Table 8**  
**Utilization of Assisted Living Units and Memory Support Units**

Year Ending March 31,	<u>Assisted Living Units</u>			<u>Memory Support Units</u>		
	Average Units Occupied	Average Units Available	Average Occupancy	Average Units Occupied	Average Units Available	Average Occupancy
<i>Historical</i>						
2022 <sup>(1)</sup>	30.5	32.0	95.3%	19.6	20.0	98.0%
2023	30.3	32.0	94.7%	19.1	20.0	95.5%
2024 <sup>(2)</sup>	31.8	32.0	99.4%	19.6	20.0	98.0%
<i>Forecasted</i>						
2024	30.0	32.0	93.8%	19.0	20.0	95.0%
2025	30.0	32.0	93.8%	19.0	20.0	95.0%
2026	30.0	32.0	93.8%	19.0	20.0	95.0%
2027	30.0	32.0	93.8%	19.0	20.0	95.0%
2028	30.0	32.0	93.8%	19.0	20.0	95.0%

Source: Management

- (1) During fiscal year 2022, the Assisted Living Units were reconfigured to 18 rooms and 14 larger suites, for a total of 32 units (with 46 licensed beds).
- (2) Year to date occupancy is for the three months ending June 30, 2023.

*Nursing Revenue*

Skilled nursing revenue is based upon charges for services provided to Residents transferring from the Independent Living Units, Assisted Living Units, and Memory Support Units. Management assumes that the Daily Fees increase 5.0 percent on April 1, 2024, 4.0 percent on April 1, 2025, and annually thereafter. Management assumes the Daily Fees for Medicare, Medicaid, and insurance will not inflate throughout the forecast period. The following table summarizes the average historical and assumed utilization of the Nursing Beds.

**Table 9**  
**Nursing Bed Utilization**

Year Ending March 31,	Average Private Residents	Average Medicaid Residents	Average Medicare & Insurance Residents	Average Nursing Beds Occupied	Average Nursing Beds Available	Average Occupancy Percentage
<i>Historical</i>						
2022	49.2	6.4	28.4	84.0	100.0	84.0%
2023	50.4	8.7	31.0	90.1	100.0	90.1%
2024 <sup>(1)</sup>	54.7	7.0	26.8	88.6	100.0	88.6%
<i>Forecasted</i>						
2024	51.5	8.5	31.0	91.0	100.0	91.0%
2025	51.5	8.5	31.0	91.0	100.0	91.0%
2026	51.5	8.5	31.0	91.0	100.0	91.0%
2027	51.5	8.5	31.0	91.0	100.0	91.0%
2028	51.5	8.5	31.0	91.0	100.0	91.0%

Source: Management

(1) Year to date occupancy is for the three months ending June 30, 2023.

*Navigation at Home Program*

Management began accepting Members into the Navigation at Home program in fiscal year 2015. As of June 30, 2023, there were 131 members in the Navigation at Home program. Management assumes an additional 21 Members annually during the forecast period.

*Investment Income*

During the forecast period, Management assumes an average annual rate of return of 2.5 percent on the Corporation's cash, investments, board designated funds and operating reserve accounts; and 1.0 percent on the proceeds of the Series 2015 Bonds, Series 2016 Bonds, and Series 2018 Bonds deposited in the Debt Service Reserve Funds.



*Other Income*

Other income 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 forecasted to increase 3.0 percent annually throughout the forecast period.

*Contributions*

The Community reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. These revenues are forecasted to increase 2.0 percent annually throughout the forecast period.

**Summary of Expense Assumptions**

Operating expenses are estimated by Management based upon the historical experience of the Corporation. Staff salaries and wages are forecasted 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 on April 1, 2024, and annually thereafter throughout the forecast period. The cost of employee fringe benefits, consisting primarily of payroll taxes, health insurance and other costs are assumed to approximate 17 percent of salaries and wages throughout the forecast.

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

<b>Department</b>	
Healthcare, assisted living and clinic	115.5
Environmental services	48.8
Dining services	60.1
Life enrichment	12.3
Continuing care at home	5.3
Administration and general	41.8
<b>Total FTEs</b>	<b>283.8</b>

Source: Management

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance, 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 on April 1, 2024 and annually thereafter.

**Assets Limited as to Use**

The following funds and accounts are assumed to be held in association with the Series 2015 Bonds, the Series 2016 Bonds, and the Series 2018 Bonds:

- Assets Limited as to Use, current: Contains the bond principal and interest payments to be used for payment of debt service on the Series 2015 Bonds, the Series 2016 Bonds, and the Series 2018 Bonds.
- Debt Service Reserve Funds: Funded by proceeds received from the Series 2015 Bonds, the Series 2016 Bonds, and the Series 2018 Bonds.

In addition, the Corporation maintains the following funds and accounts based on restrictions of the Board, outside donors, or other legal or regulatory requirements and include the following:

- Designated for Statutory Operating Reserve: North Carolina General Statute § 58-64-33 requires CCRC's to maintain an operating reserve (the "Statutory Operating Reserve") equal to 50 percent of the total operating costs each year, or 25 percent of such total operating costs if occupancy as of a certain date exceeds 90 percent of the independent and assisted living unit capacity. The following summarizes the calculation of the Statutory Operating Reserve:

**Table 11**  
**Operating Reserve Requirement**  
**(In Thousands)**

Years Ending March 31,	2024	2025	2026	2027	2028
Forecasted operating expense	\$ 40,316	\$ 40,890	\$ 41,454	\$ 42,028	\$ 42,436
Add: Principal payments on long-term debt obligations	1,615	4,561	1,765	1,845	1,935
Subtract: Depreciation and amortization	(5,777)	(5,575)	(5,236)	(4,934)	(4,523)
Subtract: Debt service accounted for by way of another reserve	(5,838)	(5,836)	(5,840)	(5,836)	(5,838)
Forecasted operating expenses-adjusted	30,316	34,040	32,143	33,103	34,010
Operating reserve % required	25%	25%	25%	25%	25%
<b>Operating reserve</b>	<b>\$ 7,579</b>	<b>\$ 8,510</b>	<b>\$ 8,036</b>	<b>\$ 8,276</b>	<b>\$ 8,503</b>
Independent Living & Assisted Living Units					
Available units	273	273	273	273	273
Occupied units as of last day of the year	262	262	262	262	262
Occupancy percentage	96%	96%	96%	96%	96%

Source: Management

- Resident Deposits: Deposits for Independent Living Units to be occupied in the future are held in this fund.

**Property and Equipment and Depreciation Expense**

The Corporation is assumed to incur routine capital additions during the forecast period to 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 forecast period are summarized in the table below.

**Table 12**  
**Schedule of Property and Equipment**  
**(In Thousands)**

Years Ending March 31,	2024	2025	2026	2027	2028
Property and equipment, net beginning balance	\$149,021	\$151,901	\$154,585	\$157,357	\$160,219
Disposal of fixed assets	(120)	-	-	-	-
Routine capital additions	3,000	2,684	2,772	2,862	2,949
Property and equipment, gross	151,901	154,585	157,357	160,219	163,168
Accumulated depreciation, net	(60,037)	(65,612)	(70,848)	(75,782)	(80,305)
Property and equipment, net Ending Balance	\$91,864	\$88,973	\$86,509	\$84,437	\$82,863

Source: Management

**Long-Term Debt and Interest Expense***Series 2015 Bonds*

In 2015, the North Carolina Medical Care Commission (the "Commission") issued, at a discount, tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Bonds (the "Series 2015 Bonds"), the proceeds of which were used to fund the construction of Nursing Beds and Memory Support Units. As of March 31, 2023, approximately \$42,585,000 of the Series 2015 Bonds were outstanding. Principal on the Series 2015 Bonds is to be paid annually commencing October 1, 2031, with a final maturity on October 1, 2045. Interest on the Series 2015 Bonds is payable April 1 and October 1 of each year, at coupon rates ranging from 5.25 to 5.375 percent per annum and yields ranging from 5.25 to 5.45 percent per annum.

*Series 2016 Bonds*

In 2016, the Commission issued, at a premium, tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Refunding Bonds (the “Series 2016 Bonds”), the proceeds of which were used to refund then outstanding debt. As of March 31, 2023, approximately \$15,210,000 of the Series 2016 Bonds were outstanding. Principal on the Series 2016 Bonds is paid annually on October 1<sup>st</sup> with a final maturity on October 1, 2030. Interest on the Series 2016 Bonds is payable April 1 and October 1 of each year, at coupon rates ranging from 3.25 to 5.00 percent per annum and yields ranging from 1.50 to 3.75 percent per annum.

*Series 2018 Bonds*

In 2018, the Commission issued Retirement Facilities First Mortgage Revenue Refunding Bonds (the “Series 2018 Bonds”), the proceeds of which were used to fund an independent living expansion project. As of March 31, 2023, approximately \$24,875,000 of the Series 2018 Bonds were outstanding. The Series 2018 Bonds were issued at a premium, with coupon rates ranging from 4.50 to 5.00 percent per annum. Interest on the Series 2018 Bonds is payable April 1 and October 1 of each year beginning April 1, 2019. Principal on the Series 2018 Bonds is to be paid annually commencing October 1, 2033, with a final maturity on October 1, 2048.

The following table presents the assumed annual debt service for the Series 2015 Bonds, the Series 2016 Bonds, and Series 2018 Bonds during the forecast period and thereafter.

**Table 13**  
**Schedule of Annual Debt Service**  
**Series 2015 Bonds, Series 2016 Bonds, and Series 2018 Bonds**  
**(In Thousands)**

<b>Years Ending</b>	<b><u>Series 2015 Bonds</u></b>		<b><u>Series 2016 Bonds</u></b>		<b><u>Series 2018 Bonds</u></b>		<b>Total Debt Service</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
<b>March 31,</b>							
2024	\$ -	\$2,269	\$1,605	\$ 727	\$ -	\$1,237	\$5,838
2025	-	2,269	1,680	650	-	1,237	5,836
2026	-	2,269	1,765	569	-	1,237	5,840
2027	-	2,269	1,845	485	-	1,237	5,836
2028	-	2,269	1,935	397	-	1,237	5,838
Thereafter	42,585	27,230	6,380	617	24,875	21,227	122,914
<b>Total</b>	<b>\$ 42,585</b>	<b>\$38,575</b>	<b>\$15,210</b>	<b>\$ 3,445</b>	<b>\$24,875</b>	<b>\$27,412</b>	<b>\$152,102</b>

Source: Management

*Note Payable*

In December 2021, the Corporation entered into a bridge loan note (the “Note Payable”) with a local bank to begin funding a strategic growth plan, which allows for borrowing up to \$3,500,000, collateralized by real estate. Interest accrues at a rate of 3.00 percent and is due and payable monthly commencing in January 2022. The outstanding principal and accrued interest will be due on May 15, 2024. The outstanding balance at March 31, 2023 was approximately \$2,881,000. Management assumes the Note Payable is to be satisfied during the fiscal year ended March 31, 2025.

The following table presents the assumed annual debt service for the Note Payable during the forecast period and thereafter.

**Table 14**  
**Schedule of Annual Debt Service**  
**Note Payable**  
**(In Thousands)**

Years Ending	Note Payable		Total
	Principal	Interest	
2024	\$ -	\$ 43	\$ 43
2025	2,881	-	2,881
Total	\$ 2,881	\$ 43	\$ 2,924

Source: Management

*Capital Lease*

The Corporation entered into a capital lease obligation during fiscal year ending March 31, 2019. The capital lease obligation (the “Capital Lease”) is for computer equipment purchases of approximately \$144,000 with an annual interest rate of 7.37 percent and monthly installments totaling approximately \$2,880, with a maturity date of May 31, 2023, collateralized by the equipment. Management assumes the Capital Lease is to be satisfied during the fiscal year ended March 31, 2024, and no material additional debt obligations will be incurred during the forecast period.

**Current Assets and Current Liabilities**

Operating expenses exclude amortization, depreciation, other non-cash expenses and interest expenses. 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:

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**Table 15**  
**Working Capital – Days on Hand**

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Accounts receivable	13	days of operating revenues
Other receivables	2	days of operating revenues
Accounts payable	12	days of operating expenses
Accrued expenses	21	days of operating expenses

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Source: Management

## Appendix B1

### Continuing Care Residence and Services Agreement



# **Independent Living Residence and Services Agreement**

**(with continuing care in the Assisted Living and Health Care Centers)**

**Resident(s):** \_\_\_\_\_

**Living Accommodation:** \_\_\_\_\_



# INDEPENDENT LIVING RESIDENCE AND SERVICES AGREEMENT

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**INDEPENDENT LIVING RESIDENCE AND SERVICES AGREEMENT**

This Agreement (the “Agreement”) is made this (*date of occupancy*) \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by and between MORAVIAN HOME, INCORPORATED d/b/a SALEMTOWNE, a North Carolina nonprofit corporation (hereinafter the “Corporation”, “Salemtowne”, “we”, “us” or “our”), and \_\_\_\_\_ (hereinafter “Resident”, “resident”, “you”, “your” or when two persons “Resident”, “resident”, “Residents”, “residents”, “you” or “your” shall apply to both persons except where the context otherwise requires).

WHEREAS, the Corporation operates a continuing care retirement community located at 1000 Salemtowne Drive in Winston Salem, North Carolina, known as “Salemtowne”; and

WHEREAS, you desire to become a resident of Salemtowne and to use and enjoy the facilities, programs, and services provided by the Corporation subject to the terms and conditions of this Agreement;

NOW, THEREFORE, you and the Corporation agree as follows:

**I. ACCOMMODATIONS AND SERVICES**

Subject to the terms and conditions set forth in this Agreement, we agree to provide you the Living Accommodation, services, and programs at Salemtowne described as follows:

**A. Living Accommodation.** Unit number (*address*) \_\_\_\_\_, a(n) (*cottage or apartment type of Living Accommodation*) \_\_\_\_\_ (as described in materials presented to you and as shown to you during a physical tour), located at (*name of village or building*) \_\_\_\_\_ in Salemtowne (hereinafter referred to as the “Living Accommodation”). You have the exclusive right to occupy and use the Living Accommodation, subject to the terms and conditions set forth in this Agreement and applicable state and federal laws. You, with the prior written consent of the Corporation and subject to the terms and conditions of this Agreement, may from time-to-time transfer from one Living Accommodation in Salemtowne to another. Transfer charges may apply. In the event of such a transfer, the reference to the “Living Accommodation” designated above shall be automatically amended to reflect such a transfer.

**B. Security.** We will use reasonable care in providing security on the premises of Salemtowne. We will furnish an emergency call system that is monitored twenty- four (24) hours a day. Smoke detectors are provided in all Living Accommodations. We are not responsible for theft, loss, or damage to your personal property. You are responsible for securing your Living Accommodation.

**Initials**

\_\_\_\_\_  
**Corporation**

\_\_\_\_\_  
**Resident(s)**

- C. **Utilities.** We will provide electricity, heating, air conditioning, water, sewer, gas, basic cable television service, Wi-Fi Internet connection, and trash removal. You are responsible for telephone installation charges and the cost of telephone services.
- D. **Furnishings and Appliances.** The Corporation will provide furnishings and appliances in the Living Accommodation as described in the literature published by the Corporation regarding Salemtowne. All other furniture and furnishings for the Living Accommodation shall be provided by the Resident and shall be maintained by you at your risk.
- E. **Meals.** You will have access to nutritionally well-balanced meals each day. These meals, as well as any dining plans, are offered by the Corporation in accordance with the Corporation's policies and procedures, which may be changed and amended by the Corporation.

Delivery service and meals containing substitutes or special diets will be provided when approved by the Corporation. An extra charge may be made for special diets, dietary supplements, and delivery services.

- F. **Housekeeping Services.** We agree to maintain the Living Accommodation by providing housekeeping and trash removal for Independent Living and Assisted Living Residents. Housekeeping includes vacuuming, dusting, cleaning of baths and kitchen and changing of bed linens, and trash removal. Housekeeping services will be provided in the Health Care Center, Assisted Living Center, and Memory Care Assisted Living Center ("Westerly Place"). Additional housekeeping services may be made available at your expense.
- G. **Laundry.** Laundry facilities will be provided free of charge for personal laundry. You are responsible for arranging and paying for dry cleaning services.

Bed and bath linens and linen laundry service (washing, drying, and folding) will be provided for residents in Bahnson Hall and Vogler Building apartments, the Assisted Living Center, Westerly Place, and the Health Care Center. The costs of these services are included in the Monthly/Daily Fees.

Salemtowne is not responsible for loss or damage to personal items laundered by Salemtowne.

- H. **Maintenance and Repairs.** We will maintain and keep in repair the improvements, furnishings, appliances, and equipment owned by the Corporation. Maintenance and repair of your personal property are your responsibility. You will be responsible for the cost of repairing any damage to property of the Corporation caused by your negligence or intentional acts and/or the negligence or intentional acts of any guest of yours, ordinary wear and tear excepted.
- I. **Alterations to Living Accommodation.** Any structural or physical change or redecoration of any kind within the Living Accommodation will require the prior

approval of the Corporation. The cost of any change, repairs, or maintenance for that change and the subsequent cost to return the Living Accommodation to its original condition in the event of such change or redecoration will be paid by you. Any such improvement or change will be owned by the Corporation and will not be considered in determining the amount of any refund to you upon the termination of this Agreement.

**J. Use of and Changes to Living Accommodation.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws, or regulations. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental laws or regulations.

**K. Groundskeeping.** We will furnish basic groundskeeping services for the grounds of Salemtowne, including lawn, tree, and shrubbery care. You may plant and maintain certain areas designated for such purpose in accordance to the policies and procedures of the Corporation. The cost of these plantings and maintenance of such plantings will be at your expense.

**L. Parking.** The Corporation will provide one (1) unassigned parking area for your personal vehicle and limited parking for guests.

**M. Mail.** Mail will be delivered by the postal service to Salemtowne. The postal service delivers mail directly to the central mail areas for independent Living Accommodations. Salemtowne staff delivers mail directly to Assisted Living Center, Westerly Place, and the Health Care Center.

Package deliveries vary by carrier. If a carrier does not deliver packages directly to the Resident's Living Accommodation, Salemtowne staff will notify the Resident so that the package can be picked up from a central location. Salemtowne staff will deliver packages directly to Assisted Living Center, Westerly Place, and Health Care Center Residents.

**N. Storage.** Additional storage space is provided on a "first come, first serve" basis for some independent living apartment building Living Accommodations. Additional charges may be incurred for storage. Additional storage space is not provided for cottages, Bahnson Hall, the Assisted Living Center, Westerly Place, or Health Care Center Living Accommodations.

**O. Common Facilities.** We will provide common facilities for the use and/or benefit of all Residents, so long as there are no contraindications identified by a Resident's physician, physician assistant, or nurse practitioner. Such common facilities currently include an enclosed swimming pool and exercise facility, dining rooms, mailroom, multi-purpose rooms, library, computer area, game/television area, lounges, and sitting areas, which may be subject to change from time-to-time.

**P. Transportation.** We will provide local transportation for scheduled medical appointments Monday through Friday between 9:00 a.m. and 4:30 p.m., except for

holidays. Forty-eight (48) hours notice is required. Additional charges will be incurred for appointments exceeding four (4) per month and those appointments outside of normal service hours noted above. Additional charges will be incurred for residents who require staff accompaniment.

We will provide local transportation for residents as part of the Activity Program for the following: weekly shopping, scheduled meal outings, day trips, and other special events. An additional charge may be made for transportation for special, personal, or group trips.

- Q. Activities.** Physical, social, intellectual, and spiritual activities will be available to residents. Additional charges may be incurred for some programs.
- R. Other Services Available.** Residents engaging third parties for services within Salemtowne may do so only with prior notification and authorization by Salemtowne (i.e., companions, private duty nurses, maintenance workers, etc.). This is not an all- inclusive listing of services you may request or utilize. With respect to services not listed, consult the schedule of charges or the Finance Office.
- S. Limitation to Services.** You hereby acknowledge and agree that the Corporation is prohibited by law from furnishing certain types of services, based upon applicable statutes, administrative regulations, and interpretations of statutes and regulations by the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Adult Care Licensure Section. You agree that if you need services that the Corporation is not legally authorized or does not otherwise provide, you shall be discharged from Salemtowne. Except as otherwise expressly stated in this Agreement, you are responsible to arrange and pay for health and medical care services not provided by the Corporation, including, without limitation, hospital services, physicians' services, private duty personnel, medications, vitamins, eyeglasses, eye examinations, hearing aids, ear examinations, dental work, dental examinations, orthopedic appliances, laboratory tests, x-ray services or any rehabilitative therapies.
- T. Professional Management of Salemtowne and its Facilities.** The Corporation will employ management and staff and/or agents ("Staff") to manage the operations of Salemtowne and its facilities.
- U. Nursing and Health Care.** We will provide nursing and health care for each resident as follows:
- 1. Babcock Health Care Center.** The Health Care Center will be provided for the benefit of the residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation, to operate intermediate and skilled nursing care for residents who are temporarily ill or who require long-term nursing care. Private accommodations will be provided for residents in the Health Care Center. Some of the beds in the Health Care Center are certified for Medicare and Medicaid reimbursement.

- Twenty-four (24) hour nursing staff maintained in the Babcock Health Care Center.
  - Charges for Health Care Center accommodations and services are described in the Schedule of Fees and other literature published by the Corporation and distributed to residents at least annually.
  - Temporary care (up to 30 days) is also available in the Health Care Center for the treatment of short-term illnesses or injuries.
2. **Resident's Attending Physician.** Residents may choose their own personal physician and are responsible for charges for services by such physicians and any consultants.
  3. **Other Healthcare Services.** Other health care services may be made available to the Resident at the Resident's expense, including, but not limited to: pharmacy services, radiology services, dental services, laboratory tests, physical therapy, occupational therapy, therapeutic activities, rehabilitative treatments, wheelchairs, medical equipment, and supplies. The cost of such services shall not be covered by the Monthly/Daily Fees described herein.
  4. **On-Site Emergency Call Response.** Each Living Accommodation is equipped with an emergency call system. Salemtowne staff will respond to emergency calls.
  5. **Resident Health Record.** Salemtowne shall maintain a health record for Resident that contains health and other personal information that is pertinent to the Services which Salemtowne is providing. All information and records regarding Resident are confidential and are only disclosed in accordance with applicable law, including the HIPAA Privacy Rule. Resident may review his or her health record and authorize others to review Resident's health record.
  6. **Assisted Living Center.** The Assisted Living Center will be provided for the benefit of the residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation, to provide support services for residents who require assistance with

activities of daily living. Private accommodations will be provided for residents in the Assisted Living Center. The Assisted Living Center is licensed to provide services to individuals who require some assistance with activities of daily living, including but not limited to: bathing, dressing, and medication administration, dining room assistance, monitoring of vital signs, and nursing assessments.

7. **Westerly Place Memory Care Assisted Living Center.** The Westerly Place Memory Care Assisted Living Center will be provided for the benefit of the residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation to provide support services for residents who require assistance with Alzheimer's, memory care, or dementia. Private accommodations will be provided for residents in the Westerly Place Memory Care Assisted Living Center.
8. **Resident's Consent to Receive Health Care Services.** Resident authorizes Salemtowne to provide those health care-related services that are specifically set forth in this Agreement. Resident also authorizes Salemtowne to obtain all necessary clinical and/or financial information from Resident's attending physician, and any other health care providers treating Resident, including, but not limited to, any hospital or nursing facility from which Resident may be transferring or may transfer in the future and hereby authorizes such health care provider(s) to provide such health care information to Salemtowne.

V. **Services.** The services and facilities that are provided through the Entrance and Monthly/Daily Fees (may also be described further herein) are summarized below:

At the time of the execution of this Agreement, the following services are provided to all residents and are included in the Monthly/Daily Fees. (Fees will not be reduced or unbundled for services that residents decline, such as dining.)

- Flexible dining plan (depending on dining allowance option chosen or required)
- Utilities, except telephone service
- Basic Cable television service and Wi-Fi Internet services
- Housekeeping services
- Maintenance services
- Limited local medical transportation
- Social, spiritual, intellectual, and recreational programs
- Pastoral care
- Nutritional consultation

Salemtowne reviews services and costs of operations, as well as the need for any changes in services, regularly. Salemtowne reserves the right to change the services provided to residents and the associated fees and charges.

**II. FINANCIAL ARRANGEMENTS**

**A. Entrance Fee Choices.** You agree to pay the Corporation one of the following Entrance Fees (**selected option checked below**) as a condition of becoming a Resident of Salemtowne. This Entrance Fee is refundable in whole or in part as described below and in Section VI of this Agreement.

<b>Entrance Fee Option</b>	<b>Amount of Entrance Fee</b>	<b>Amortization Schedule</b>
Standard Refund Entrance Fee	\$ _____	2% a month for 48 months less 4% non-refundable fee.
50% Refund Entrance Fee	\$ _____	2% per month for 23 months less 4% non-refundable fee. Refund never less than 50% of original entrance fee, subject to any reduction for unpaid non- standard costs and accrued expenses.
90% Refund Entrance Fee	\$ _____	1% per month for 6 months less 4% non-refundable fee. Refund never less than 90% of original entrance fee, subject to any reduction for unpaid non- standard costs and accrued expenses.

**Initials**

\_\_\_\_\_  
**Corporation**

\_\_\_\_\_  
**Resident (s)**



It is agreed that

\$ \_\_\_\_\_, representing the Application Fee **and**

\$ \_\_\_\_\_, representing 10% of the Entrance Fee **and**

\$ \_\_\_\_\_, representing 100% of the cost of non-standard features

are payable upon execution of a Reservation Agreement or prior to the installation of the applicable non-standard features, whichever occurs earlier.

The Entrance Fee balance and unpaid non-standard feature costs will be due and payable 10 days prior to the date of occupancy. We will give you reasonable notice prior to the projected date of occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident’s furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne. Notwithstanding the foregoing, unless we agree in writing to other arrangements, you must take occupancy within thirty (30) days after the date the Living Accommodation is available for occupancy in accordance with the Reservation Agreement. If you do not take occupancy by such time, you shall pay the balance of the Entrance Fee, balance of any non-standard costs, and begin paying the applicable Monthly / Daily Fees beginning with the 30<sup>th</sup> day after the date the Living Accommodation is available for occupancy, unless this Agreement is terminated as described in this Agreement.

The Corporation has consented to your request to add the following non-standard features in your Living Accommodation and you agree to pay the following amount to cover the additional costs, maintenance, and removal of these features. This additional amount is not subject to any refund provision herein.

<u>Non-Standard Features Added:</u>	<u>Cost</u>
	\$
	\$
	\$
	\$
<b>Total of Non-Standard Features Added</b>	<b>\$</b>

**Initials**

\_\_\_\_\_  
**Corporation**

\_\_\_\_\_  
**Resident(s)**

**B. Monthly/Daily Fee.** In addition to the Entrance Fee and any other charges provided for under this Agreement, you agree to pay a Monthly/Daily Fee during the term of this Agreement which shall be payable in advance by the 10<sup>th</sup> day of each month. As of the date of this Agreement, the Monthly/Daily Fee associated with the Living Accommodation will be:

**Estimated  
Monthly Fee**

Monthly Fee Resident (includes dining allowance plan) (current dining allowance value is \$ _____)	\$
Monthly Fee for 2 <sup>nd</sup> Resident occupying Living Accommodation (includes dining allowance plan), if applicable.	\$
Total Estimated Monthly Fee for Living Accommodation	\$

No credit will be provided to you should you refuse services, which are included in the Monthly/Daily Fee, such as laundry, housekeeping, dining, etc.

**Initials**

\_\_\_\_\_  
**Corporation**

\_\_\_\_\_  
**Resident(s)**

**C. Adjustments in the Monthly/Daily Fee.** The Corporation usually sets fees annually but shall have the authority to adjust the Monthly/Daily Fee from time to time during the term of this Agreement as it, in its discretion, deems necessary. Any such increase in the Monthly/Daily Fee or other charges may be made by the Corporation upon thirty (30) days written notice to the Resident.

In the event that it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes. You will pay all taxes assessed on your personal property.

In the event Salemtowne is assessed sales or use tax on Monthly/Daily fees and/or fees for other services, you agree to pay Salemtowne the amount of such taxes.

**D. Schedule of Fees.** You have been given a current copy of the Schedule of Fees. Fees and charges may change from time to time, and copies of current fees and charges are available upon request.

**E. Monthly Statements.** We will furnish you with monthly statements showing the total amount of fees and other charges owed by you, which shall be payable by the 10<sup>th</sup> of the month. Late payments are subject to an interest charge of one and one-half percent (1.5%) per month from the first of the month. In the event the Corporation initiates any collection actions or legal proceedings to collect payments due from you under this Agreement, you shall be responsible to pay all costs and attorneys' fees incurred by the Corporation in pursuing the enforcement of your financial obligations under this Agreement. The Corporation may terminate this Agreement if you have a past due amount upon thirty (30) days written notice. Termination of this Agreement does not end the obligation of you or your estate to pay all amounts due, no matter when incurred.

You, and your current and future responsible parties (i.e., power(s) of attorney, executor(s)) on your behalf, from your assets and income, agree to pay all costs, expenses, and reasonable attorneys' fees, in the event same must be expended in the collection of any sums due and owed by you to the Corporation.

The Corporation reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance and are pro-rated at termination.

**F. Assisted Living Center, Health Care Center, and Westerly Place Fees and Charges.**

**1. Priority Entry.** Residents are provided priority over non-residents for entry to the Health Care Center, the Assisted Living Center, and Westerly Place. Salemtowne will make every effort to accommodate residents in the Health Care Center, the Assisted Living Center, and Westerly Place but cannot guarantee the availability of accommodations. In the event the Health Care Center, the Assisted Living Center, or Westerly Place, as applicable, is fully occupied when Resident is in need of care, Resident agrees to relocate to an alternate health care facility ("a Comparable Facility"). In the event of relocation, Salemtowne will make every effort to transfer Resident back to Salemtowne when accommodations become available.

Upon your relocation to a Comparable Facility, you will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). Salemtowne will not be responsible for the charges associated with the alternate health care accommodations.

**2. Room and Bed Discount Program.** If you are admitted to the Health Care Center, Westerly Place, or the Assisted Living Center, you are entitled to participate in the Room and Bed Discount Program, which provides residents who have paid an Entrance Fee and have a stay in the Health Care Center, Westerly Place or Assisted Living Center a 20% discount from published rates.

**G. Application for Benefits.** If requested by Salemtowne, you will apply for any or all federal, state, and local benefits for which you may be eligible or entitled; and if requested by Salemtowne, you will apply for any or all such benefits toward the cost of your care at Salemtowne. These benefits may include, but are not limited to: Medicare, Medicaid, prescription, and Veterans benefits.

Residents who receive Medicaid funding and who reside in a Medicaid certified accommodation must have their Social Security, pension, or other monthly income paid directly to Salemtowne in accordance with Medicaid guidelines. Salemtowne will administer and manage these funds, on behalf of Resident in accordance with applicable laws and regulations, to pay for the residence and services provided to Resident.

- H. Assignment of Benefits.** You will, from time to time, authorize any provider of medical and health services, including Salemtowne, to receive reimbursement as provided under Medicare/Medicaid, any or all Federal, State, and local benefits for which you may be eligible or entitled, and any supplementary insurance programs. If requested by Salemtowne, you will, from time to time, make assignments to the provider of medical and other health services of all benefits otherwise accruing to you under Medicare/Medicaid or other programs and supplementary extended coverage plans to compensate for services rendered. Resident irrevocably authorizes Salemtowne to make claims and to take other actions to secure receipt by Salemtowne of all payments from a third-party payor to reimburse Salemtowne for its charges for the stay and care of Resident.
- I. Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, or other programs, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:
- 1. Participating Provider.** If Salemtowne is a participating provider with your managed care program, the Corporation agrees to be reimbursed at the rate negotiated with your managed care program.
  - 2. Not a Participating Provider.** If Salemtowne is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided and be responsible for all costs. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is terminated, you will continue to pay the Monthly/Daily Fee for your Living Accommodation, unless your Living Accommodation has been surrendered.
  - 3. No Negotiated Managed Care Rate.** If Salemtowne is not a participating provider in your managed care program and a negotiated rate is not agreed upon by Salemtowne, and you would still like to receive health care and services at Salemtowne, then you will be responsible for the full amount of applicable charges not paid by your insurance carrier.
  - 4. Medicaid.** In the event you receive financial assistance through the Medicaid program while occupying a Medicaid certified bed in the Health Care Center, you will be charged in advance for your liability portion established by the local county department of social services. You will be responsible for all charges for additional items and services requested by you and furnished to you which are not covered under the Medicaid program. Charges shall be made only as permitted under the Social Security Act and applicable regulations.

### III. ENTRY REQUIREMENTS

You will become approved for residency at Salemtowne upon satisfaction of the following provisions:

- A. **Age.** The entry requirements for residency at Salemtowne are nondiscriminatory except as to age, and Salemtowne is open to both married and single men and women of all races and religions. Entry to independent living is restricted to persons 62 years of age or older, except in the case of double occupancy, at least one Resident must be 62 years of age or older. Entry to the Assisted Living Center, Westerly Place, and the Health Care Center is restricted to persons 62 years of age or older.
- B. **Personal Interview.** You shall have an interview with a representative from Salemtowne (including nursing evaluation) prior to taking residency at Salemtowne. Upon review of all information required to be furnished herein, additional personal interviews may be requested by the Corporation.
- C. **Application, Health History, and Financial Statement.** You shall submit for review by the Corporation, an Application for Entry, a personal health history, and a Confidential Financial Statement, all on forms furnished by the Corporation.
- D. **Notification.** We shall review the application materials as well as the results of the Personal Interview(s) and will notify you whether you meet the entry requirements. We will also notify you as early as possible of the date on which the Living Accommodation is expected to be available for occupancy.
- E. **Health Requirements.** Prior to residency at Salemtowne, you shall provide medical records and reports as requested by Salemtowne. We may require you to have a physical examination by our Medical Director or by another physician approved by the Corporation. You shall be responsible for the costs of such physical examinations. If your health as disclosed by such physical examination differs materially from that disclosed in your Application for Entry and Personal Health History, the Corporation shall have the right to decline entry and to terminate this Agreement, or in the discretion of the Corporation, to permit you to take occupancy of accommodations at Salemtowne suitable to your needs.
- F. **Mental Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** Salemtowne is not designed to care for persons who have an active mental illness, a dangerous communicable disease, or who require treatment for drug or alcohol abuse. Should Salemtowne, in consultation with the Medical Director, determine that your physical or mental illness, or that your condition as a result of drug or alcohol abuse, is such that your continued presence is either dangerous or detrimental to your life, health or safety, or the life, health, peace or safety of others in the community, then Salemtowne may transfer you to another facility of your choosing and/or require you to terminate your residency at Salemtowne.
- G. **Financial Requirements.** You must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under this Agreement and to meet your ordinary living expenses. We may require you to furnish current financial information at any time prior to and subsequent to occupancy.

- H. Financial Resources.** You, your current and future responsible parties (i.e., power(s) of attorney, executor(s)), will abide by any and all financial arrangements made with the Corporation for the purpose of securing your ability to pay any and all charges for residing at Salemtowne. You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this Agreement, or if such gift or transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle Salemtowne to terminate this Agreement with thirty (30) days' notice, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.
- I. Power of Attorney.** You agree to execute and maintain in effect a durable power of attorney that is valid under North Carolina law and will survive your incapacity or disability. This durable power of attorney will designate an attorney-in-fact and an alternate attorney-in-fact who will act for you in managing your financial affairs and in filing for insurance or other benefits under private and public assistance programs as full and complete a manner as you could do if acting personally for yourself. **You will deliver a copy of a fully executed power of attorney to Salemtowne prior to occupancy.** You will not revoke or amend this durable power of attorney except upon execution of a replacement durable power of attorney, a fully executed copy of which will be delivered to Salemtowne. This document also may address at your option, other affairs, such as decisions concerning medical care.
- J. Will.** You agree to execute a Will, and to provide to Salemtowne a copy of such sections of the Will and any revisions, as applicable during the term of this Agreement, to document the name(s) of the person(s) to be contacted in the event of your death (i.e., executor(s)).

In the event of your death, while you are a resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death unless they are the executor(s) named in your Will.

- K. Funeral and Burial.** Salemtowne will not be responsible for making funeral or burial arrangements and is not responsible for related expenses.
- L. Advance Directives.** You are encouraged to execute a Living Will and a Health Care Power of Attorney and deliver a fully executed copy thereof to Salemtowne, as well as any revisions as applicable, during the term of this Agreement.
- M. Appointment of Guardian.** If you become unable to care for your business and financial affairs, the Corporation reserves the right to institute action for the determination of your incompetence and the appointment of a guardian to fulfill the terms of this Agreement; unless such needed arrangements have already been made. The cost of the legal proceedings, including attorneys' fees, shall be paid by you or your estate.

N. **Emergency Notifications.** You agree to provide Salemtowne with the following information prior to the date of occupancy as well as updates of this information during the term of this Agreement:

- Names, addresses, and phone numbers of persons to notify in an emergency (minimum of two are required);
- Names of persons having the right of entry into your residence;
- Name, address, and phone number of funeral home (prior arrangements are encouraged);
- Names, addresses, and phone numbers of lawyer and executor;
- Names, addresses, and phone numbers for powers of attorney; and
- Names, addresses, and phone numbers for emergency pet contacts, if applicable.

O. **Contents and Accuracy of Resident's Application.** Salemtowne has accepted Resident based on the information contained in Resident's Application and has agreed to enter this Agreement. In signing this Agreement, Resident understands and agrees that the information provided in the Resident's Application is part of this Agreement, and is a basis upon which Salemtowne has agreed to enter into the Agreement. Resident hereby affirms that all the information provided in the Resident's Application is true and correct to the best of the knowledge of each person who signs the Agreement, and each also acknowledges that any material misrepresentation or omission in Resident's Application shall render this Agreement voidable at the option of Salemtowne. Resident agrees to submit updated copies of the information requested in the Resident's Application, when requested by Salemtowne from time to time during the term of this Agreement.

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

A. **Rights of Resident.** Subject to the terms and conditions of this Agreement, you have the right to occupy and enjoy the Living Accommodation described herein during your lifetime unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Corporation other than the right to use or occupy the Living Accommodation in accordance with the terms hereof. The Living Accommodation may not be used for commercial purposes. The Living Accommodation may not be occupied or used in any manner in violation of any ordinance, law, or regulation.

B. **Subordination.** You agree that all of your rights under this Agreement shall at all times be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Corporation, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender or lenders such further written evidence of such subordination as such lenders may reasonably require. You shall not be liable for any such indebtedness.

C. **Resident.** When Resident consists of more than one person, the rights and obligations of each are joint and severally except as the context otherwise requires.

- D. Policies, Rules, and Regulations.** You understand and agree that: (i) in order for Salemtowne to operate in the best interests of the entire community, it is essential that we have the cooperation of and compliance with applicable policies, rules, and regulations by you, your family, guests, responsible party and others who may intervene, speak or act or purport to intervene, speak or act, for or on behalf of you or who may come on the premises of Salemtowne in any capacity or for any purpose in connection with or as a result of your residency at Salemtowne; (ii) a continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Salemtowne that it is impracticable or impossible for Salemtowne to continue to accommodate you as a Resident; and (iii) upon such determination by Salemtowne, we shall have the right to terminate this Agreement. The Corporation reserves the right to amend or change its policies, rules, and regulations, including, without limitation, those pertaining to Salemtowne, from time to time at its sole discretion. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Resident Handbook.
- E. Weapons.** No weapons of any type shall be brought on to the Salemtowne property by you or your guests without the express prior written permission of the Corporation.
- F. Resident Representation.** Residents have the right of self-organization through a Residents' council, which may convene to review the interests of the Resident population. You shall have Resident representation on the Salemtowne Board of Trustees subject to and as outlined in the Bylaws of Salemtowne.
- G. Guests and Visitors.** Guests and visitors are welcome at Salemtowne. Guests may use Salemtowne guest accommodations, subject to availability and additional charges. Guests may also stay in your Living Accommodation for visits of limited duration (less than two weeks, except with Salemtowne approval). Guests approved for stays in your Living Accommodation for longer than two weeks may result in additional charges. No other person, except the Resident(s), may reside in the accommodation without approval from the Corporation.

At all times, you shall be responsible for any injury to others or damage to the property of others or Salemtowne caused by you or your guest(s). Salemtowne reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason.

- H. Relationships Between Residents and Staff.** Salemtowne is built on mutual respect and instructs its staff to be cordial and helpful to Residents. The relationship is to remain professional. Staff must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of the Corporation's grievance procedure.

Giving gratuities or bequests to staff or staff's families is not permitted. Residents will not employ Salemtowne Staff nor hire former Salemtowne Staff without the prior written consent of Salemtowne Management.



- I. Loss of Property.** The Corporation maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance, and worker's compensation.

The Corporation will not be responsible for the loss of any property belonging to the Resident or their guest(s) due to theft, mysterious disappearance, fire, or any other cause. You will have the responsibility for obtaining "renters insurance" to cover such losses.

- J. Right of Entry.** Salemtowne recognizes your right to privacy and shall limit entry to your Living Accommodation to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby authorize Staff or agents of Salemtowne to enter your Living Accommodation upon reasonable notice for all such purposes.

- K. Appliances.** Salemtowne is not obligated to determine your ability to safely utilize the appliances, if any, in your Living Accommodation. However, should we determine that you have demonstrated an inability to utilize appliances in your Living Accommodation safely; we will have the right to turn off the power servicing such appliance(s) and/or to remove any and all such appliances. In any such instance, you shall remain obligated to pay for the full Month/Daily Fee for your Living Accommodation, any extra meals, and any fire alarm charges issued by the fire department.

- L. Changes in Living Accommodations.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes, laws, or regulations. The Corporation reserves the right to relocate you to another accommodation when deemed necessary in order for the Corporation to fulfill its strategic, financial or other obligations. The Corporation will use reasonable efforts to relocate you to an accommodation of the same or similar type as your accommodation. Any such decision to relocate you will be discussed thoroughly with you in order to enlist your understanding of the need for and cooperation with the relocation. The Corporation will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between your accommodation and any new accommodation to which you may be relocated.

- M. Occupancy by Two Residents.** In the event that two Residents occupy a Living Accommodation under the terms of this Agreement, upon the permanent transfer to the Health Care Center, Westerly Place, or the Assisted Living Center or the death of one of such Residents, or in the event of the termination of this Agreement with respect to one of such Residents, such as in the case of death or divorce, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Living Accommodation or to move to a smaller Living Accommodation, in which event there will be no refund of the Entrance Fee. The remaining or surviving Resident will thereafter pay the Monthly/Daily Fee for one Resident associated with

the Living Accommodation occupied by the Resident. No refund will be payable with respect to the Living Accommodation surrendered, except as provided in the Termination and Refund Provisions of Section VI. Any fees paid for a second Resident are not transferable to a future second Resident, such as in the case of a subsequent marriage.

- N. Health Insurance.** You will maintain eligible Medicare coverage and one supplemental health insurance policy or equivalent insurance coverage, which adequately covers hospital, medical, prescriptions, and skilled nursing deductibles and co-payments required of your primary insurance plan. Both your primary and supplemental health insurance policies must recognize Salemtowne as a health care provider, or you will assume the financial responsibility for services provided that otherwise could be covered.

You will be responsible for ensuring that the health insurance coverage does not lapse and will provide Salemtowne with evidence of such coverage upon request. If your health insurance coverage should lapse, Salemtowne may require that you reapply for suitable coverage. If you are unable to obtain adequate new coverage, Salemtowne will charge you for any costs of medical and other health care services provided that otherwise would have been covered by an approved policy.

**O. Filing for and Rights to Insurance Benefits.**

- Salemtowne will file claims with your insurance for all covered services. By law, the patient is responsible for payment of the deductible, co-insurance, and any non-covered service. Non-covered services include but are not limited to beauty shop charges.
- As a courtesy, Salemtowne will file claims to your secondary insurance carrier for your Medicare Parts A & B co-insurance unless we are prohibited from filing due to participation requirements of the carrier.
- Deductibles and co-insurance amounts will be billed on your monthly Salemtowne statement. You are responsible for payment of all deductibles and co-insurance billed by Salemtowne upon receipt of the bill. Payments received from your insurance carrier for Medicare Part A co-insurance will be applied to your monthly Salemtowne statement when received.
- Outpatient Services (e.g., therapy) not paid by a Resident's insurance carrier within ninety (90) days of the date of service will become due and payable by Resident unless the claim is subject to Medicare, Medicaid, or an insurance plan in which Salemtowne participates.
- In the event a Resident's health insurance determines a service is "not covered," the Resident will be responsible for payment. Salemtowne tries to inform Residents when services may not be covered; however, it is the Resident's responsibility to understand his/her policy limitations.

- If, for any reason, Salemtowne cannot submit claims directly for benefits payable under insurance required by this Agreement, you agree to make such submissions and to pay Salemtowne the fees, costs or charges for services rendered.
- **Salemtowne reserves the right, in its discretion, to eliminate or change its participation with any and all insurance plans.**

**P. Addition of a New Occupant/Sharing Occupancy After Admission/Entry.**

1. Addition of a Resident Occupant - If a Resident, while occupying a Living Accommodation, wishes to share a Living Accommodation with a person who is also a Resident, the two Residents may, with the prior written consent of the Corporation, occupy the Living Accommodation of either Resident and shall surrender the Living Accommodation not to be occupied by them. No refund will be payable with respect to the Living Accommodation surrendered, except as provided in the Termination and Refund Provisions of Section VI. Such Residents will pay the Monthly/Daily Fee for double occupancy associated with the Living Accommodation occupied by them.
2. Addition of a Non-Resident Occupant - In the event that a Resident wishes to share a Living Accommodation with a person who is not a Resident (“Non-Resident”), the Non-Resident may become a Resident if such individual meets all of the then current requirements for entry to Salemtowne; enters into a then current version of the Residence and Services Agreement with the Corporation, and pays an Entrance Fee in an amount determined by the Corporation in its sole discretion. The Resident and new Resident shall pay the Monthly/Daily Fee for double occupancy associated with the Living Accommodation occupied by them. If the Non-Resident does not meet the requirements of Salemtowne for entry as a Resident, the Resident may terminate this Agreement in the manner as provided in Section VI. B. with respect to voluntary termination.

**Q. Combination of Living Accommodations.** Various circumstances may make it desirable that a Living Accommodation occupied by a Resident be combined with an adjoining Living Accommodation to form one combined Living Accommodation. You agree that if a determination is made by the Corporation that it is desirable to combine your Living Accommodation with a Living Accommodation which adjoins your Living Accommodation, you will surrender occupancy of your Living Accommodation, within a reasonable time after receiving notice of such determination. In the event that the Corporation makes such determination and notifies you of such, you have the option to (i) transfer into the combined Living Accommodation when such combined Living Accommodation is ready for occupancy, or (ii) transfer to another Living Accommodation, when available, of the same type as the Living Accommodation previously occupied by you.

If you elect to occupy the combined Living Accommodation and the Entrance Fee established for such combined Living Accommodation exceeds the Entrance Fee paid by you for your previous Living Accommodation, you shall pay the amount of such excess upon taking occupancy. You will pay the Monthly/Daily Fee associated with the combined Living Accommodation as established by the Corporation.

If you elect to transfer to a Living Accommodation of the same type as the Living Accommodation previously occupied, the Corporation will repaint and re-carpet, if needed, such Living Accommodation at our expense prior to occupancy.

- R. Transfer to Another Living Accommodation.** You may move to a different Living Accommodation at Salemtowne, when it becomes available, upon payment of such fees, consent by the Corporation, and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Salemtowne reserves the right to amend such policies, guidelines, and fees, at its discretion.

If you transfer to another Living Accommodation, you are responsible for paying any difference in the Entrance Fee, if the amount of the Entrance Fee of the new Living Accommodation is greater than the Entrance Fee for the previous Living Accommodation to be vacated. If the Entrance Fee for the new Living Accommodation is smaller than the Entrance Fee for the previous Living Accommodation to be vacated, no refund will be paid for the difference.

- S. Room or Unit Assignment in Assisted Living Center, Westerly Place, or Health Care Center.** You understand that you acquire no ownership in any property at Salemtowne under this Agreement; also, that no particular room or unit in the Assisted Living Center, Westerly Place, or the Health Care Center is subject to reservation or permanent assignment, and that we may change your room or unit assignment in the Assisted Living Center, Westerly Place or the Health Care Center. Though we retain the right to change your room or unit assignment in the Health Care Center, we agree that we will make changes only as we find such changes to be necessary or advisable.
- T. Moving Costs.** You are responsible for arranging and paying for all packing and moving costs for moves into, within, and out of Salemtowne. Assistance may be provided by Salemtowne at an additional cost.
- U. Pets.** Residents may bring pets to Salemtowne if they complete necessary paperwork, pay the current pet deposit, and follow current policies and guidelines. "Pets" shall be defined as household dogs, cats, tropical fish, or caged birds. No other animals will be permitted without written approval from the Corporation. Pets must be approved by Salemtowne prior to bringing the pet on campus. Pets may not be a nuisance or pose a health or safety risk to other residents or staff of Salemtowne and must be properly cared for at all times. Failure to comply with the pet policy may necessitate the removal of the pet from the Community. If the pet is not removed after a removal request has been made by the Corporation, Salemtowne reserves the right to terminate this Agreement. You shall be responsible for all damages caused

by your pet, and you agree to have your pet in control at all times when outside of your residence. Salemtowne reserves the right to amend or terminate policies and guidelines related to pets at its discretion.

V. **Smoking, Vaping & Tobacco Products**. Salemtowne is a “Tobacco Free” Community. Smoking, vaping, and use of tobacco products are not permitted anywhere on Salemtowne property including, campus buildings (Babcock Health Care Center, Assisted Living Center, and Community Center, etc.), building entrances, or common areas. The only exceptions are:

- Independent Living Residents and their personal visitors may continue to use these products in their own private residences. In the event concentrated oxygen is required by the Resident, smoking will no longer be permitted in that residence.
- The Health Care Center Administrator may permit smoking for a Resident, if so, a designated smoking area would be created outside. However, the prohibition will remain in effect for a family member or caregiver who may accompany the Resident to the designated area.

W. **Absences**. Monthly/Daily Fees are not subject to change or credit if a Resident is away from the Living Accommodation for any period of time for Assisted Living or the Health Care Center. (For example, vacations, hospital stays, etc.)

You agree to inform Salemtowne (Clinic, Billing Office & Dining Services) when you are going to be away for three (3) days or more and to give us the names of people we can contact in an emergency. In order to provide adequate time for medications to be available, if applicable, you must provide at least 24 hours advance notice of an absence.

You will be entitled to an “away” discount on your Independent Living Monthly/Daily Fee when You (and the 2<sup>nd</sup> Resident, if applicable) are (both) away from your Independent Living Residence for more than thirty (30) consecutive days in accordance with the program in place at the time of the absence. The “away” discount program is subject to change. No credit or additional carry forward for missed meals will be given during absences. The amount of the “away” discount can be found in the current Schedule of Fees.

V. **TRANSFERS OR CHANGES IN LEVELS OF CARE**. (A change in Living Accommodations within independent living or to the Assisted Living Center, Westerly Place, or the Health Care Center will require no additional residence and services agreement. This Agreement will remain in effect, subject to any applicable amendments referred to in this Agreement.)

A. **Transfer to Health Care Center, Westerly Place or Assisted Living Center**. You agree that the Corporation shall have authority to determine that you should be transferred from your Living Accommodation to the Health Care Center, Westerly

Place or the Assisted Living Center or a separate area within each center. Such determinations shall be made by solely by Salemtowne and based on the professional opinion of the Resident's physician and the Resident Review Committee. This determination, when possible, shall be made after consultation with the Resident, the Resident's physician, a representative of the Resident's family, or the Resident's responsible party.

In the event that you are permanently transferred to the Assisted Living Center, Westerly Place, or the Health Care Center, your Entrance Fee will not be subject to refund at the time of the transfer. Entrance Fees are subject to refund when a resident leaves the community in accordance with section VI.

- B. Transfer to Hospital or Other Facility.** If it is determined by your physician that you need care beyond that which can be provided by Salemtowne you may be transferred to a hospital, center, or institution equipped to give such care, which care will be at your expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family, or the Resident's responsible party.

In the event it becomes necessary for you to be transferred to a hospital, Salemtowne will provide any information available to meet the provisions of any hospital admissions agreement, and you agree that Salemtowne has the right to provide such information, which may include part or all of your records.

- C. Surrender of Living Accommodation.** If a determination is made by the Corporation that any transfer described in this Section is permanent in nature, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you prior to such transfer, within 30 days of the determination.

You are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated. For the purposes of this Section V. C., occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

If the Corporation subsequently determines based upon the opinion of your physician that you can resume occupancy in accommodations comparable to those occupied by you prior to such transfer you shall have priority to such accommodations as soon as they become available, and you will be responsible for applicable fees as determined by the Corporation.

## **VI. TERMINATION AND REFUND PROVISIONS**

- A. Termination Prior to Occupancy.** This Agreement may be terminated by you at any time prior to taking occupancy at Salemtowne for any reason by giving written notice to the Corporation. This Agreement will automatically be canceled due to death or

physical or mental conditions that would make you ineligible for entry to Salemtowne.

This Agreement may be terminated by the Corporation at any time prior to the date that you take occupancy if the Corporation determines that you do not meet the physical, mental or financial requirements for entry or if it is determined by the Corporation that you have misrepresented or omitted medical, financial, or other information given to the Corporation during the application process.

In the event of such termination (including death, illness, injury, or incapacity), you shall receive a refund of the Entrance Fee paid in accordance with Section II. Any such refund shall be paid by the Corporation within sixty (60) days following termination pursuant to this paragraph.

**B. Voluntary Termination.** Except as provided in subsection A of this Section VI., you may terminate this Agreement at any time by giving the Corporation written notice of such termination. Fourteen (14) days advance notice is required for independent living, Westerly Place and the Assisted Living Center, and five (5) days advance notice is required for the Health Care Center. If required notice is given, or if no written notice is given, you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy, except you shall only be charged for the days of occupancy when a delay in discharge or transfer would jeopardize your health or safety or that of others at Salemtowne. Any refund of the Entrance Fee due to the Resident following voluntary termination of this Agreement will be made in accordance with Section II A.

**C. Abandoned Living Accommodation.** You may be deemed to have abandoned the Living Accommodation and terminated this Agreement if you do not occupy a residence at Salemtowne for a period of one continuous year.

In the event of such termination (including death, illness, injury, or incapacity), you shall receive a refund of the Entrance Fee paid in accordance with Section II. Any such refund shall be paid by the Corporation within sixty (60) days following termination pursuant to this paragraph.

**D. Temporary Absence.** Temporary absence because of illness, trips, or other will not affect your rights to retain occupancy of your Living Accommodation, as long as applicable Monthly/Daily Fees are paid.

**E. Termination Upon Death.** In the event of your death and you are not survived by a co-Resident residing at Salemtowne, who has signed this Agreement, this Agreement shall terminate and, subject to your continuing obligations described herein, the portion, if any, of the Entrance Fee paid by you to be refunded shall be determined in the same manner described in Section II. herein.

Any refund to which you are entitled shall be paid to your Estate unless you execute a designation and name a trust revocable by you at the time of your death to receive applicable refunds. Should you execute a revocable trust subsequent to signing this Agreement, you or your estate's executor may submit a written beneficiary designation form designating a trust, revocable by you at the time of your death, to receive applicable refunds.

In the event of your death and you are survived by a co-Resident residing at Salemtowne who has signed this Agreement, then this Agreement shall not terminate, and no refund will be payable.

In the event a refund becomes due, the date that the deceased Resident's responsible party/estate executor removes all personal belongings from the Living Accommodation shall determine the termination date. Any refund due to the Resident's estate under this paragraph will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee; provided, however, that the Resident's estate shall continue to be obligated to pay the applicable Monthly/Daily Fee for such Resident's Living Accommodation until such Resident's Living Accommodation is vacated and left in good condition except for normal wear and tear.

- F. Termination by the Corporation.** We may terminate this Agreement at any time (i) if there has been a material misrepresentation or omission made by you during the application process; (ii) if you fail to make payment to the Corporation of any fees or charges due to the Corporation within thirty (30) days after receiving written notice of your failure to pay such fees or charges; (iii) if you do not abide by the rules and regulations adopted by the Corporation or breach any of the terms and conditions of this Agreement; (iv) if the health or safety of other individuals in the Corporation is endangered if you remain in Salemtowne, as determined by a physician, physician assistant or nurse practitioner; (v) the discharge is necessary for your welfare and your needs cannot be met by the Corporation as documented by your physician, physician assistant or nurse practitioner; (vi) if you refuse to relocate as may be required by the Corporation in accordance with this Agreement; or (vii) you engage in activities or conduct disruptive to the Community.

In addition, Resident hereby acknowledges that it is the policy of Salemtowne to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Salemtowne and again prior to entering into a Residence and Services Agreement. If the screening shows that the prospective resident is identified as a sex offender, Salemtowne will deny admission of the prospective resident on that basis and not execute a Residence and Services Agreement. In addition, Resident hereby acknowledges and agrees that if, after Salemtowne and Resident have entered into a Residence and Services Agreement, Salemtowne becomes aware that Resident is listed on any sex offender registry, Salemtowne may terminate this Agreement with



Resident and remove Resident from Salemtowne. If there is more than one Resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the Resident listed on the sex offender registry.

Following termination of this Agreement pursuant to this Section VI.F., you will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy. Any refund of the Entrance Fee due to the Resident following voluntary termination of this Agreement by the Corporation will be made in accordance with this Section VI.

Except in cases of emergency, you will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination. You may be entitled to appeal the Corporation's decision to terminate this Agreement, and except in cases of emergency, the Corporation will not discharge you before the final decision resulting from the appeal has been rendered.

- G. Condition of Living Accommodation.** At the effective date of termination of this Agreement, you will vacate the Living Accommodation, including any storage areas at Salemtowne, and will leave both in good condition except for normal wear and tear. You, or your estate, will be liable to the Corporation for any costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear. Such costs may be deducted from any refundable portion of the Entrance Fee due to you or your estate, if any.
- H. Removal of Personal Property.** In the event of termination of this Agreement, you agree to surrender the Living Accommodation and any storage areas, which were occupied by you within thirty (30) days of the notice of termination.

The Corporation reserves the right to remove your belongings from the Living Accommodation and any storage areas. You will pay a reasonable storage fee or the actual cost of external storage, whichever is applicable. The Corporation is not responsible for any damages incurred to your property if storage becomes necessary. Unclaimed property will become the property of Salemtowne after thirty (30) days following the termination of this Agreement and will be disposed of at the sole discretion of the Corporation.

In the event of your death, while you are a Resident of Salemtowne under this Agreement, only the executor(s) named in your Will (or such person or entity designated by such executor(s)) will be allowed to remove or dispose of your furnishings and belongings in your Living Accommodation and any related storage areas at Salemtowne. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

## I. Refund.

1. **Refund of Entrance Fee.** You or your estate, or a revocable trust designated by you, may be entitled to a refund of the Entrance Fee, provided you or your estate have met all of your obligations under this Agreement. Your refund, if applicable, shall be calculated in accordance with the following:
  - **Standard Refund Entrance Fee.** Your Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to forty- eight (48) months, except for any unpaid non-standard costs and accrued expenses that will be deducted. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. No refund of the Entrance Fee shall be paid after forty-eight (48) months of occupancy. You will not receive a refund of any amounts paid for non-standard features added to the Living Accommodation.
  - **50% Refund Entrance Fee.** Your Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to twenty-three (23) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. The refunded Entrance Fee will never be less than 50% of the original Entrance Fee, except for unpaid non-standard costs and accrued expenses that will be deducted. You will not receive a refund of any amounts paid for non-standard features added to the Living Accommodation.
  - **90% Refund Entrance Fee.** Your Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of one percent (1%) for each month of occupancy, as defined herein, for up to six (6) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. The refunded Entrance Fee will never be less than 90% of the original Entrance Fee, except for unpaid non-standard costs and accrued expenses that will be deducted. You will not receive a refund of any amounts paid for non-standard features added to the Living Accommodation.

The cost to repair damages to the Living Accommodation and storage areas in excess of normal wear and tear, the cost of storage paid by the Corporation and any amounts due and unpaid relating to the cost of care provided by Salemtowne or any third party health care provider, including without limitation, the

Monthly/Daily Fee or other amounts payable to Salemtowne which remain outstanding and the amount of any charges due by Salemtowne on behalf of the Resident, or by the Resident, to the pharmacy, rehabilitation services or any other third party, will be deducted from any applicable refund.

Any refund due you under this paragraph will be made within thirty (30) days from the date that your Living Accommodation shall have been reserved by a prospective Resident, and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee.

If, after an extended period of time, a Living Accommodation has not been reoccupied, the Corporation may return, in its sole discretion, the applicable refundable portion of your Entrance Fee, to you or your estate. If a refund is returned prior to a former Living Accommodation being reoccupied, it will be reduced by ten percent (10%) of its original value.

Entrance Fees will not be refunded upon transfer to the Assisted Living Center or the Health Care Center.

2. **Refund of Fee Related to Cost of Care.** You or your estate, or a revocable trust designated by you may be entitled to a refund of that portion of the fee which is related to the cost of health care services provided by Salemtowne or any third party health care provider less any amounts payable to Salemtowne or any third party health care provider through the date the refund is due hereunder. In the case of your death, any refund of the amount of the fee related to the cost of health care services provided by Salemtowne will be made no later than thirty (30) days from the date of your death.

If the Agreement is terminated by the Corporation in an emergency situation (i.e., because the Corporation is no longer able to meet your urgent health care needs, or termination is necessary to protect your health and safety or that of another person at Salemtowne), the refund of the amount of the fee related to the cost of health care services will be made within fourteen (14) days after you leave Salemtowne.

If you terminate this Agreement, any refund shall be made within fourteen (14) days from the date of notice of termination or, if no notice is given, within fourteen (14) days after you leave Salemtowne.

Nothing in this Section shall apply in the event of a transfer to the Assisted Living Center or the Health Care Center.

- J. **Release from Obligations Upon Termination.** Upon termination of this Agreement, Salemtowne is released from any further obligations to you except for the payment of any refund which may be due under this Agreement.

## **VII. RIGHT OF RESCISSION**

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by you giving written notice of such rescission to the Corporation within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, et seq. of the North Carolina General Statutes. In the event of such rescission, you shall receive a refund in an amount equal to the Entrance Fee less a non-refundable fee of four percent 4% of the Entrance Fee less any Monthly/Daily Fees (in accordance with Section II herein) or portion thereof applicable to any period a Living Accommodation or storage area was actually occupied by you or your belongings less any unpaid non-standard costs and accrued expenses. In the event of such rescission, you shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. You will not be required to move into Salemtowne before the expiration of such thirty (30) day period. Notwithstanding anything to the contrary in this Agreement, any such refund shall be paid by the Corporation within fourteen (14) days following receipt of written notice of rescission pursuant to this paragraph.

## **VIII. FINANCIAL ASSISTANCE**

**A. Subsidy.** In connection with its charitable mission, it is the desire of the Board of Trustees of Salemtowne that no one leave Salemtowne because of lack of funds. Any disposition of Resident's assets in any way other than for care at Salemtowne or related living/medical expenses to the extent that Resident cannot adequately provide for Resident's expenses or care will nullify this desire on the part of Salemtowne and entitle Salemtowne to terminate Resident's right to reside in Salemtowne.

Salemtowne will make reasonable efforts to acquire the funds necessary to meet Salemtowne's fees for care. However, the resources of Salemtowne to provide care for Residents are not unlimited, and Salemtowne reserves the right to terminate the residency of any person, including Resident, who cannot pay the full cost of Salemtowne's Monthly/Daily Fees and charges, and other costs in connection with such person's stay at Salemtowne.

In the event that a Resident presents facts which in the opinion of the Corporation justify special financial consideration, the Corporation will give careful consideration to subsidizing in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Resident hereunder so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis.

In the event that the Corporation may subsidize in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Resident hereunder, the Resident will be required to execute a separate Financial Assistance Agreement with the Corporation.

In the event that we continue to provide the services to you under the terms of this Agreement despite your financial inability to continue to pay the Monthly/Daily Fee or other Salemtowne charges payable under the terms of this Agreement, Salemtowne shall be entitled to require you to move to a smaller or less costly Living Accommodation.

Any determination by the Corporation with regard to the granting or continuation of financial assistance shall be within the sole discretion of the Corporation, under a separate agreement.

- B. Recovery of Subsidies Provided by Salemtowne.** When a Resident dies or moves out of the community if said Resident's fees have been subsidized wholly or partly by Salemtowne, the Resident or Resident's estate, if any, will be liable to Salemtowne for the full amount of the subsidy the Resident received for the entire time of residency. This paragraph will apply whether or not the Resident is in residence at Salemtowne at the time of death. This Agreement will operate as a lifetime assignment, transfer, and conveyance to Salemtowne of so much of Resident's property as is necessary to cover such liability. Any amount due Salemtowne under this paragraph may be deducted from any refund payable to Resident or to the Resident's estate.
- C. Financial Assistance Funds.** The Corporation has established funds which will be used to assist Residents who would otherwise not be able to live at Salemtowne. Such funds may be used for the purposes of providing financial assistance, but no Resident shall have any claim to or expectation of receiving or continuing to receive any such assistance.

## **IX. GENERAL**

- A. Compliance with Applicable Laws.** Resident and Salemtowne will comply with all laws, rules, regulations, and ordinances promulgated by lawful governmental authorities.
- B. Right to Delegate.** Resident acknowledges the right of Corporation to contract for the various services as provided by this Agreement, including, but not limited to, management services for the Corporation.
- C. Confidentiality.** The Corporation has the responsibility to keep all of the personal, medical, and financial information you have supplied to it confidential. You consent to the release of any of your personal and medical records maintained by the Corporation (i) to the Corporation's employees, staff, and agents; (ii) to persons and organizations from whom you receive health care services; (iii) to third-party payors of health care services provided by the Corporation or other organizations; and (iv) to others deemed reasonably necessary by the Corporation for purposes of treatment, payment and operations of the Corporation, consistent with applicable state and federal health care privacy laws. You understand and agree that authorized agents of the state or federal government, including the Long Term Care Ombudsman, may obtain your records without your written consent or authorization. Release of your records for other purposes shall be made in accordance with applicable law, with a specific authorization from you or your legal representative where required.

- D. Release of Medical Information.** The privacy of all Residents will be protected as provided for by the Health Insurance Portability and Accountability Act (HIPAA), as amended, and other applicable regulations. Resident hereby authorizes Corporation to release any medical information relating to Resident to any doctor, hospital or other facility or individuals when it is deemed necessary or helpful in providing for Resident's ongoing care or treatment, for the purpose of submitting claims for benefits payable for health care services or for carrying out or enforcing Resident's and Corporation's rights and obligations under this Agreement. Resident further authorizes the release of any information to Corporation from any health care provider when deemed necessary or beneficial for providing for Resident's on-going care or treatment.
- E. Assignment.** Your rights and privileges under this Agreement to the facilities, services, and programs of the Corporation are personal to you and may not be transferred or assigned by you or otherwise.
- F. Resident has no Tenancy Interest or Management Rights in Salemtowne.** The absolute rights of management are reserved by the Corporation, its Board of Trustees, and its administrators as delegated by said Board of Trustees. The Corporation reserves the right to accept or deny any person for residency. Residents do not have the right to determine entry or terms of entry of any other Resident. Salemtowne reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the community at its sole discretion.

Subject to the terms and conditions of this Agreement, this Agreement gives Resident the right to live in Salemtowne and to receive or have access to the services and amenities described in the Agreement. However, it does not give Resident the rights of a "tenant" as that term is defined by North Carolina state law. Salemtowne retains the exclusive authority to make all management decisions with regard to the management of Salemtowne, including decisions about admission and discharges, setting charges, Salemtowne's policies and procedures, and the scope of services offered by Salemtowne, consistent with state law and the terms of this Agreement.

- G. Uncontrollable Interruption of Service.** No breach of Salemtowne's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, the contracted services under this Agreement due to an act of God or other cause beyond the reasonable control of Salemtowne, specifically including, but not limited to, strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, inclement weather, epidemic or pandemic, or acts of the Resident.
- H. Moravian Affiliation.** Salemtowne is affiliated with the Moravian Church in America, Southern Province ("Southern Province"). The Southern Province is not responsible for the financial and contractual obligations of Salemtowne.
- I. Indemnity.** You agree to indemnify, defend and hold us harmless from claims, damages, or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or those of your guests, including private duty nurses, companions, or other.
- J. Limitation on Liability.** You understand and agree that the services provided by the Corporation and others within Salemtowne are not designed to protect you from the everyday, normal risks and responsibilities of living, including, but not limited to, such general

accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from your failure to partake of food and drink. Additionally, you understand and agree that the services provided by the Corporation do not include one-on-one monitoring of you and that your expectations will be consistent with this understanding. The Corporation shall exercise reasonable care toward you based on your known condition. However, you agree that the Corporation is not an insurer of your welfare and safety. You agree that you will exercise due care to protect yourself from harm.

- K. Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- L. Resident Contracted Services.** If you wish to privately employ outside assistance, including Salemtowne employed staff, for whatever reason, all Salemtowne policies must be upheld, and prior written approval by Salemtowne management must be obtained. You agree to hold Salemtowne harmless in all situations related to the provisions of such outside services. The Corporation has the right to require termination of such a service at any time.
- M. Resident Handbook.** You will be given a current copy of the Resident's Handbook as adopted by the Corporation. You understand that these documents will change from time to time.
- N. Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and Resident. The Corporation shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations, or promises are set forth in this Agreement or in an amendment to this Agreement signed by Salemtowne's President/CEO and by you. Electronic (e.g., pdf) versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.
- O. Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, responsible parties, powers of attorney, administrators, and assigns of you.
- P. Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, trustee, agent, or employee of ours shall have any personal liability hereunder to you under any circumstances. If Resident is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Resident's attending physician to be incapacitated, then in the absence of Resident's prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, Salemtowne shall have the right to commence a legal proceeding to adjudicate Resident incapacitated and to have a court appoint a guardian for Resident. The cost of the legal proceedings, including attorneys' fees, shall be paid by Resident or Resident's estate.
- Q. Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.

- R. Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, the Corporation reserves the right, upon thirty (30) days prior written notice to Resident, to modify or amend this Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to the Corporation, in particular, or to residential life care communities, in general, or whenever doing so is deemed by the Corporation to be in the best interest of the Corporation and the residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.
- S. Governing Law; Venue; Disputes.** This Agreement shall be governed by, interpreted, construed, and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit, or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts.
- T. Behavior Deemed Harmful to Salemtowne.** If Resident is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the President/CEO to be disruptive, hostile, illegal, or otherwise harmful to others or to Salemtowne, Salemtowne reserves the right to terminate this Agreement. If such a circumstance arises, Salemtowne will discuss the matter thoroughly with Resident to provide Resident with knowledge of the behaviors deemed intolerable by Salemtowne. Salemtowne will provide Resident a written warning to desist from the behavior or any similarly disruptive, hostile, illegal, or harmful behavior. Upon determination that Resident is continuing to engage in the behaviors against which Resident has been warned, Salemtowne will have the right to terminate this Agreement.
- U. Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of the singular shall include the plural.
- V. Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.
- W. Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege (“Right”) under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with



respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

**X. Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her stay at Salemtowne that remain unpaid as of such termination.

**Y. Notice Provisions.** Any notices, consents, or other communications to the Corporation hereunder (collectively “notices”) will be in writing and addressed as follows:

**Salemtowne:**

Office of the President/CEO Salemtowne  
1000 Salemtowne Drive  
Winston Salem, North Carolina 27106

**Resident:**

Your address for the purpose of giving notice prior to your move to Salemtowne is the address appearing after your signature below. Your address for the purpose of giving notice after your move to Salemtowne will be the current Living Accommodation address at the applicable time. You are responsible for notifying us of any changes in address and/or telephone number.

Salemtowne will stand behind all of the statements, promises, and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign this Agreement.

I (we) understand this matter involves a financial commitment and associated risk as well as a legally binding contract. I (we) was (were) encouraged to consult with an attorney and/or financial advisor who could advise me (us) concerning this Agreement.

**THE UNDERSIGNED RESIDENT(S) ACKNOWLEDGES RECEIPT OF SALEM TOWNE’S CURRENT DISCLOSURE STATEMENT. THE DISCLOSURE STATEMENT WAS RECEIVED PRIOR TO THE EXECUTION OF THIS AGREEMENT OR PRIOR TO OR AT THE TIME OF THE TRANSFER OF ANY MONEY OR OTHER PROPERTY TO SALEM TOWNE, WHICHEVER OCCURRED FIRST.**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first above written, one duplicate copy of this Agreement being retained by each party.

Your signature below certifies that you have read, understand and accept this Agreement as of this (current date) \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

<p><b>SALEM TOWNE</b></p>  <p>_____</p> <p>By (signature)</p>  <p>_____</p> <p>Printed Name</p>  <p>_____</p> <p>Title</p>	<p><b>RESIDENT(S)</b> <b>(or Resident(s)’s Attorney in Fact) (*)</b></p>  <p>_____</p> <p>(signature) (SEAL)</p>  <p>_____</p> <p>(signature) (SEAL)</p>  <p>_____</p> <p>Current Address: Street</p>  <p>_____</p> <p>City, State, Zip Code</p>  <p>_____</p> <p>Telephone</p>
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(\*) If Attorney-in-Fact signs on behalf of the Resident(s), a Filed Power of Attorney document must be attached to this Agreement.

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## Appendix B2

### Navigation at Home Member Services Agreement



# Navigation

AT HOME

PROTECTION | COORDINATION | CARE

## Member Services Agreement

**Member:** \_\_\_\_\_

**Address:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Check Plan Selected:**

- All Inclusive Plan
- Enhanced Plan
- Classic Plan
- Access Plan

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## MEMBER SERVICES AGREEMENT

This Member Services Agreement (together with all attachments, exhibits and schedules attached hereto and incorporated herein the "Agreement") is made this \_\_\_\_\_ day \_\_\_\_\_ of 2023 ("Effective Date") by and between MORAVIAN HOME, INCORPORATED d/b/a NAVIGATION AT HOME, a North Carolina nonprofit corporation (hereinafter the "Corporation"), and \_\_\_\_\_ hereinafter "Member", "You"), whose place of residence is at "Home", "Home Site"). Home or Home Site does not include any assisted living, skilled nursing, memory care, rehabilitation, hospice or any other similar unit, accommodation or residence at Salemtowne or any other community or facility.

WHEREAS, Corporation operates a continuing care retirement community (CCRC) located at 1000 Salemtowne Drive in Winston-Salem, North Carolina, known as "Salemtowne"; and

WHEREAS, Corporation has established a program known as Navigation at Home ("Program") which allows its members to remain in their private residence while enjoying the traditional benefits of a continuing care retirement community; and

WHEREAS, You desire to become a Member of the Program and to use and enjoy certain services, programs and facilities provided by the Program, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Member and Corporation agree as follows:

### I. DEFINITIONS

All terms not defined here shall have the meanings ascribed to them in the Agreement, or their common meaning.

**ADL (Activities of Daily Living) Deficiencies** means deficiencies, as determined by the Care Coordination Team, in activities of daily living, such as bathing, dressing, feeding, transferring, ambulating, toileting/continence.

**Adult Day Care Services** means a program of services in a congregate setting for a scheduled number of hours per week. Elements of an adult day care program may include transportation, meals and activities (both health related and social).

**Care Coordination Team** Comprised of one or more staff of the program, the Program's Medical Director (or his/her designee) and other clinical and operational professionals as deemed necessary by the Program. The Care Coordination Team may, at the Program's sole discretion, change titles and personnel from time to time.

Initials \_\_\_\_\_ Corporation  
\_\_\_\_\_ Member



**Care Coordinator** means the person appointed by the Program to handle the needs of the Member for Services, for conducting health assessments, and for making recommendations for Services, subject to review and final determination of the Member's eligibility for Services by the Care Coordination Team.

**Care Plan** means the written plan of long-term care services, including the type of service, start date, quantity, frequency, duration of service, name of Program-Approved Provider or Facility, and any special considerations, which is developed and approved by the Care Coordination Team for Member based on a comprehensive needs assessment. The Care Plan is agreed to and signed by Member.

**Companion** means a person designated by the Program to provide Companion Services to a Member at the Member's Home.

**Companion Services** means those services provided by a Companion when you need someone to be with you in your Home to ensure your safety. These services can include assistance with cooking, dishwashing, laundry and light housekeeping, if you are unable to perform these chores yourself, as well as conversation and social time.

**Deferred Fees** means any fees owed by Member which are to be paid at a later date.

**Designated Service Area** means the Program's area of coverage for Services, as defined by the Program. The Designated Service Area may be altered from time to time at the sole discretion of the Program. No change in the Designated Service Area by the Program will adversely affect this Agreement.

**Determined To Be Appropriate** means the Care Coordination Team, utilizing industry standards and accepted standards of healthcare practice, has assessed a Member's medical and functional status and concluded that Services are necessary and will be provided by the Program.

**Effective Date** means the date set forth in the first paragraph of this Agreement.

**Emergency Response System** means a 24-hour electronic call system activated by utilizing a device that signals a monitoring company that will be a company other than the Corporation. This system allows a Member to secure help from outside the Program in the event of a medical, physical, emotional, or environmental emergency. The Member agrees to allow designated responders, who are willing to participate, to have access to the Member's Home in the event of an emergency.

**Facility** means Assisted Living Facility, Adult Day Care Facility or Skilled Nursing Facility.

**Facility-Based Services** means Services provided in a Facility other than the Home Site, including Assisted Living, Adult Day Care and Skilled Nursing Facilities as described below:

- **Assisted Living Facility** is a residential facility licensed by the state of North Carolina for persons in need of assistance with activities of daily living.

**Skilled Nursing Facility** means a facility licensed by the state of North Carolina to provide various levels of nursing or convalescent care.

**Adult Day Care Facility** means a facility that offers Adult Day Services.

**Health Assessment** refers to the medical, functional, and cognitive screening conducted by Care Coordinators that serves as the basis for both your qualification as a Navigation at Home Member and your initial/ongoing Wellness and Care Plans.

**Home Care Aide or Home Care Agency** means a qualified person or provider licensed to provide Home Care Aide Services and designated by the Program to provide Home Care Aide Services to a Member at the Member's Home Site.

**Home Care Aide Services** may include assistance with bathing and dressing, an established activity regimen, such as range of motion exercises, nutritional needs, such as feeding assistance, and simple maintenance of the Member's environment.

**Homemaker** is a person designated by the Program to provide Homemaker Services to the Member at the Member's Home Site.

**Homemaker Services** are services provided by a Homemaker, which may include assistance with day-to-day chore activities in the Home Site, such as cooking, dishwashing, laundry, light housekeeping, and errands.

**Home or Home Site** means the Member's place of residence as specifically indicated in the first paragraph of this Agreement or such other place of residence of Member if Member changes his or her place of residence. Home or Home Site does not include any assisted living, skilled nursing, memory care, rehabilitation, hospice, or any other similar unit, accommodation, or residence at Salemtowne or any other community or facility.

**Home Site Services** means Services provided by the Program in a Member's Home or Home Site as defined herein.

**Long-term Care Insurance Policy** means an insurance policy that covers the costs of long-term care services and support and that is acceptable to approved by, and provided to the Corporation.

**Maximum Daily Benefit Amount** means the amount equal to the lesser of: (i) the actual fees, costs and charges to Member by Program or a Program-Participating Provider or Program-Participating Facility for the Services provided to Member in a day; and (ii) the maximum dollar amount limit of fees, costs and charges covered per day by Program as published by Program from time to time ("Published Cost of Care") for Facility Based Services, Home Care Services, Home Health Services or Residence Based Services provided Member under this Agreement, with both (i) and (ii) subject to the Program Plan (and corresponding percentages thereunder) selected by Member, subject to fees, costs and charges that are covered by any governmental payor program and/or insurance, and subject to Member being responsible for all co-payments, deductibles and limitations. ***The Published Cost of Care and the Maximum Daily Benefit Amount shall be subject to change from time to time at the sole discretion of the Program.***

**Medical Director** means a physician appointed by the Program to oversee the provision of medical and health care services provided to Members.

**Medical Record** means all records relating to the Member's medical history and condition, which may be maintained by the Program or by a Program-Participating Facility or a Program-Approved Provider.

**Medicare** means the Health Insurance for the Aging Act, Title XVIII of the Social Security Amendment of 1965, as amended, and regulations promulgated thereunder in effect from time to

time.

**Medicare-Covered Services** means all hospital, skilled nursing, home care and medical services covered and paid for by Medicare Parts A and/or B and the Medicare Supplemental Coverage.

**Medicare Supplemental Coverage** means a private health insurance plan, which is certified by the Secretary of Health and Human Services as meeting federal requirements for Medicare supplemental policies. In general, Medicare Supplemental Coverage, also referred to as Medicare Replacement Insurance or Secondary Insurance, pays some of the balance of the costs of care covered by Medicare parts A and B when full costs are not paid by Medicare. It pays for certain deductibles and copayments.

**Member** means the person accepted into the Program having signed a Member Services Agreement and paid the Membership Fee.

**Member's Designated Representative** means any person appointed and documented by Member to represent Member's interests, or granted a power of attorney or appointed guardian by a court.

**Program-Approved Provider** means a health care services firm having an agreement with the Program to supply Services to Members.

**Program-Participating Facility** means an Assisted Living, Adult Day Care or Skilled Nursing Facility having an agreement with the Program to supply Facility-Based Services to Members.

**Program Plan** means the pricing option selected in this Agreement. The names of the Program Plans may be changed by the Corporation from time to time.

**Provide** means that the Program will directly, or through a Program-Participating Facility or other provider, make Services available at the Program's cost, subject to the Maximum Daily Benefit Amount.

**Services** mean care coordination, Member home inspection, Home Site Services (including home health care, Homemaker Services, Companion Services, Emergency Response System, meals and Adult Day Care Services), Facility-Based Services (including Assisted Living, Adult Day Care and Skilled Nursing), limited transportation services that are provided to Member in the Program, subject to the Maximum Daily Benefit Amount.

## **II. ACCOMMODATIONS AND SERVICES**

By execution of this Agreement and subject to the payment of any and all applicable co-payments, deductibles, fees, costs and expenses by the Member to the Program and subject to the Maximum Daily Benefit Amount, the Program will provide to Member the Services described below and in Attachment A, in a manner consistent with the objective of enabling Member to maintain his or her own living arrangement in their Home for as long as is practical and to assist in arranging for Facility-Based Services if needed.

Member agrees to accept and pay for the Services in the manner set forth in this Agreement, including but not limited to Attachment A, and to abide by the rules and regulations of the Corporation and Program with respect to the Services, which such rules and regulations may be changed from time-to-time by the Program.

Program agrees to provide Member the Services set forth below and included in Attachment A, to

the extent provided for in the Program Plan selected by the Member and subject to the terms and conditions set forth in this Agreement, including, but not limited to, the Maximum Daily Benefit Amount.

***Program is responsible for paying on behalf of Member all fees, costs and charges incurred by Program or a Program-Participating Provider or Program-Participating Facility for Services Provided to Member by Program or a Program-Participating Provider or Program-Participating Facility pursuant to this Agreement, and Program will then bill Member and Member shall pay Program for all fees, costs and charges incurred by Member, subject to the Program Plan (and corresponding percentages thereunder) selected by Member and subject to the Maximum Daily Benefit Amount. All costs, fees, and expenses not covered by the Program are the responsibility of the Member.***

- A. **Care Coordination.** Upon becoming a Member, you will be partnered with a Care Coordinator. Under the direction of the assigned Care Coordinator, the Care Coordination Team, in consultation with the Member and/or the Member's Designated Representative, the Program shall prepare a Care Plan to meet the Member's particular needs from time to time during the term of this Agreement, as well as an annual health assessment and Wellness Plan. All decisions involving the Member's participation in various medical and health care services or temporary or permanent transfer from the Home Site to Facility-Based Services will be made by the Care Coordination Team following consultation with the Member or the Member's Designated Representative.
- B. **Member Home Assessment.** During the first year of membership and every other year thereafter (unless circumstances of a Member's health condition justify more frequent assessments), Program will provide a functional assessment of the Home Site for the purpose of ascertaining any functional and safety problems, and will make recommendations to the Member based on the assessment. The Program may require, based on circumstances of previous assessments or Member's health condition, that the Member permit Program to provide a functional assessment of the Home Site. Program does not, however, represent that it will undertake the steps necessary to effectuate any of such recommendations. Any recommended changes or corrections are the Member's sole responsibility. It is the Member's choice to make such recommended changes or corrections to his/her Home Site. If Member refuses any reasonable recommendation of the Care Coordination Team, Program shall have no responsibility or liability for the consequences of such refusal and may terminate the Agreement in accordance to section VII.B.
- C. **Home Site Services.** Home Site Services (as more specifically described in items a. through e. below) will be provided as determined by the Care Coordinator. Member must exhibit at least one or more ADL Deficiencies to be eligible for the following Home Site Services, and Member must use a Program-Approved Provider to be eligible for coverage. Program may require an examination by the Medical Director (or his or her designee) to determine eligibility for Home Site Services.
- a. **Home Care Aide Services.** Program will provide non-Medicare covered home care services, including personal care provided by a licensed

Home Care Aide or Home Care Agency as Determined To Be Appropriate by the Care Coordination Team and to the extent provided for in the Program Plan selected by the Member.

- b. **Homemaker Services**. Program will provide Homemaker Services as Determined To Be Appropriate by the Care Coordination Team and to the extent indicated in the Program Plan selected by the Member.
- c. **Companion Services**. Program will provide Companion Services as Determined To Be Appropriate by the Care Coordination Team and to the extent indicated in the Program Plan selected by the Member.

- D. **Facility-Based Services**. When Determined To Be Appropriate by the Care Coordination Team and prescribed by a physician, Program will provide or cause to be provided, Facility-Based Services, including Assisted Living Facility Services in a semi-private accommodation, Skilled Nursing Facility Services in a semi-private accommodation and/or Adult Day Care Services. Entry to such facilities may require a physician's order. Program may require the order to be given by the Program's Medical Director (or his/her designee) for eligibility for Facility- Based Services.

As Determined To Be Appropriate by the Care Coordination Team, these Facility-Based Services will be provided either in Salemtowne's Assisted Living or Skilled Nursing Facility, or in other Program-Participating Facilities.

- E. **Emergency Response System**. If requested by the Member, the Program will contract for an Emergency Response System for the Member's use at his or her Home Site.
- F. **Meals**. If due to a medical need and if Determined To Be Appropriate by the Care Coordination Team, Program will arrange to have meals delivered to Member in his/her home per the Program's then current policy which may change from time to time. Program reserves the right to deliver several meals at one time.
- G. **Transportation Services**. If the Member is unable to drive or instructed by his/her physician not to drive, Program will provide transportation to and from medically necessary out-patient procedures. This does **not** include transportation via ambulance or for regular physician office visits, dialysis, and routine specialist appointments.
- H. **Portability**. Member may request to permanently relocate from the Designated Service Area after one year of Membership. Approval of requests to provide Services outside the Designated Service Area are at the sole discretion of the Program and will be based on the ability to provide Services as well as current regulations. As of the date of this contract, Department of Insurance regulations do not allow the Program to provide Services to Members who have permanently relocated outside of the State of North Carolina. If the request is not approved or the Member permanently relocates outside the State of North Carolina, membership will be terminated in accordance with Section VII.B.

- I. **Common Facilities.** Member shall have access to certain common facilities that are otherwise available for the use and benefit of residents of Salemtowne retirement community, which may include dining venues, library heated swimming pool, multi-purpose rooms, art studio, and others as described in the then current literature. Use of the common facilities will be available for use by the Member where there is capacity and such use shall be subject to change or restriction from time to time at the sole discretion of the Program. Member will be responsible for dining and applicable activity charges.
- J. **Lifestyle and Wellness Programs.** Program, from time to time, may offer scheduled social, physical, intellectual, or spiritual events or activities designed to meet the needs of Members. Members will be advised of the schedules and the cost of these programs on an as-offered basis. Member will be responsible for these additional fees, if any.
- K. **Referral Service.** In addition to the Services outlined in this Agreement, the Program can make referrals to other services that you might need to remain safely at home. These may include lawn care, legal, home maintenance, and rental of medical equipment. You are responsible for the cost of any services rendered by the referred service providers.
- L. **Relocation to Independent Living at Salemtowne.** Should the Member desire to become a resident of Salemtowne continuing care retirement community, the Member will be subject to, and shall comply with, the entry requirements of the retirement community and applicable payment of fees including, but not limited to, providing the Corporation updated medical and financial information in order to determine Member's ability to live independently and to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. The Corporation reserves the right to decline Member's admission to Salemtowne for residency if Member's medical and financial circumstances have changed so that you are not able to live independently or are not able to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. Member shall have the right to continue or terminate this Agreement. Should Member terminate this Agreement upon moving into an Independent Living unit at Salemtowne, a portion of the Membership Fee made pursuant to this Agreement may be credited towards any future Salemtowne retirement community entry fees as more specifically set forth in Section VIII.E of this Agreement.

### III. **AGREEMENT REQUIREMENTS AND PROCEDURES**

- A. **Condition of Membership.** Navigation at Home is available to persons 62 years of age or older who meet all eligibility requirements established by Program. As a condition of membership Member must continue to meet all eligibility requirements established by Program, including but not limited to financial qualifications and health assessment that Member's health needs can be accommodated through the Program. Member agrees to provide such additional

information that Program may require from time to time to supplement the Application.

- B. **Representations**. The Member affirms that the representations made in the Membership Application and Financial Disclosure are true and correct and may be relied upon by the Program as a basis for entering into this Agreement.
- C. **Residence Home/Home Site**. Subject to the terms and conditions of this Agreement, Member shall remain in his or her existing Home or subsequent Home of his or her choice within the Designated Service Area to remain eligible for all Services of the Program.
- D. **Medical Insurance**. Member agrees to obtain and maintain in force, at Member's expense, the maximum coverage available to Member under Medicare Parts A and B, and one Medicare supplemental insurance policy or a Medicare Replacement Plan approved by the Program. If Member is not eligible for any of the above plans, Member will obtain and maintain in force a health insurance policy approved by the Program that is equivalent to both Medicare parts A and B, and supplemental coverage. If Member fails to arrange for or maintain such medical insurance coverage, Program may, in Program's sole discretion, terminate this Agreement. Should Member fail to obtain or maintain the insurance required by the Program, Member shall be responsible for any portion of such expense that would have been covered by this insurance. Member shall furnish to Program evidence of such coverage at any time upon request. All changes in insurance coverage must be submitted in writing to the Program within ten (10) calendar days.
- E. **Limitation of Liability in Case of Refusal to Leave Home Site**. If the Care Coordination Team determines that the Member should move to a Program Participating Facility for the health and safety of the Member, and Member refuses to make such move, or if Member refuses any other reasonable recommendation of the Care Coordination Team, the Program shall have no responsibility or liability for the consequences of such refusal, and the Program may terminate this Agreement. Member agrees to accept all responsibility for any damages or harm which may result from any injury, including permanent disability and death, arising from his or her actions or inactions because of Member's decision not to transfer to a higher level of living, but rather to reside in the Member's Home while utilizing private duty personnel, a spouse, family member or other person for the provision of care, including, but not limited to, private duty nursing, home care, home health or companion services.
- F. **Accident or Illness Outside of Designated Service Area**. If an accident or illness occurs while Member is outside of the Designated Service Area, Member shall make every reasonable effort to notify the Program as soon as possible. If medical care is required, Member shall arrange to return to Home Site or, if approved by the Care Coordination Team, to a Program-Participating Facility as soon as reasonably possible. To the extent provided for in the Program Plan selected by the Member, the Program will be responsible for the costs of nursing care services covered under this Agreement that are incurred by

Member in a Skilled Nursing Facility as a result of such accident or illness for a forty-five (45) day period of time after Member is admitted. The Program's responsibility for Skilled Nursing Facility charges will be limited to the Maximum Daily Benefit Amount. Member will be responsible for any and all other costs such as hospital costs, physician fees, and transport, as well as any other costs not specifically stated in this Agreement, which shall be paid by Member or Member's personal insurance.

- G. **Right of Subrogation**. In case of accident or injury to Member caused by third parties, Member agrees to begin suit for damages within three months following written notice by the Program to Member, of the Program's interest in such suit. If Member fails to begin suit, Member hereby grants power of attorney to the Program, which power shall not be affected by the disability of Member, at its election to bring any claims or initiate legal action, if necessary, against the person who has caused injury to Member for compensation for the injury or expenses thereby caused. Member agrees to execute such further authorizations as shall be desirable to prosecute such claims or causes of action. The Program, at its election, may sue on and enforce any cause of action for Member, for injury or damages so resulting, in the name of the Member or in its own name.

After all costs and damages incurred by the Program (including reasonable costs of care furnished to Member by the Program because of such accident or injury) shall have been paid for and reimbursed to the Program by such subrogation, the balance of any collection made will be refunded or credited to Member's account, or in the event of the death of Member, will be paid to Member's estate. The Program may limit its election as provided above to claims for recovery of the costs incurred by it, and in such event, the Program shall not be obligated to assert any claim of Member arising out of such accident or injury beyond the costs incurred by the Program.

- H. **Annual Physical Examination**. Program encourages Member to undergo an annual physical examination performed by Member's personal physician. Member is responsible for the cost of any such physical examination. Program encourages that a medical report be submitted by Member's personal physician to his/her Care Coordinator.
- I. **Program-Approved Providers and Program-Participating Facilities**. Member may have limited access to Program-Approved Providers and Program-Participating Facilities, based on the availability of such programs and facilities.
- J. **Right of Entry**. Member recognizes and accepts the responsibility of the Provider or Program-Approved Provider to enter Member's living accommodation, with notice when possible, in order to carry out the purpose and intent of this Agreement. The Provider recognizes Member's right to privacy and its responsibility to limit entry to the living accommodation to legitimate emergencies and scheduled work as set forth in the Agreement.



- K. **Required Notice Of Relocation From Home.** Member shall notify Provider in writing with a minimum of sixty (60) days prior to relocation to a new Home. Provider has the right to do a functional home inspection of the new Home, with notice, to determine compliance with the Program. Member understands that Provider has the right to terminate this Agreement upon Member's relocation to a new Home, community or facility if it is determined not to be compliant with Program requirements.

#### IV. TRANSFERS OR CHANGES IN LEVELS OF CARE

- A. **Transfer to Assisted Living or Skilled Nursing Facility.** The Member agrees that the Program shall have authority to determine if the Member should be transferred from the Member's Home Site to an Assisted Living or Skilled Nursing Facility. Such determination shall be based on a physical and mental assessment to determine the appropriate level of care for the Member and shall be made only after consultation to the extent possible with the Member or the Member's Designated Representative, and the Member's attending physician. Program is responsible for paying on behalf of Member all fees, costs and charges incurred by Program or a Program-Participating Provider or Program-Participating Facility for Services Provided to Member by Program or a Program-Participating Provider or Program-Participating Facility pursuant to this Agreement, and Program will then bill Member and Member shall pay Program for all fees, costs and charges incurred by Member, subject to the Program Plan (and corresponding percentages thereunder) selected by Member and subject to the Maximum Daily Benefit Amount. All costs, fees, and expenses not covered by the Program are the responsibility of the Member.
- B. **Transfer to Hospital or Other Facility.** Should a Member be diagnosed with a mental disorder (or psychiatric illness), or as having a highly contagious or dangerous disease, or it is determined that their continued presence in their Home Site or Facility where the Member resides is either dangerous or determined to be detrimental to the health or peace of the Member, staff or residents of the Facility, the Program shall have the authority to transfer the Member to a hospital, center, or institution equipped to give such care, which care will be at the expense of the Member. Such transfer of the Member will be made only after consultation to the extent possible with the Member, or in the case of incompetency, with Member's Designated Representative, and the Member's attending physician.
- C. **Permanent Transfer From Living Accommodation.** A Member may be transferred permanently to a Program-Participating Assisted Living or Skilled Nursing Facility if it is determined by the Care Coordination Team that the Member is no longer mentally or physically able to function safely in his or her Home. All decisions involving permanent transfer from Member's current living accommodation (including Home Site, Assisted Living Facility, Skilled Nursing Facility or hospital) to another accommodation will be made by the Care Coordination Team in consultation with the Member, or in case of incompetency, with the Member's Designated Representative, and the Member's attending physician. Program is responsible for paying on behalf

of Member all fees, costs and charges incurred by Program or a Program-Participating Provider or Program-Participating Facility for Services Provided to Member by Program or a Program-Participating Provider or Program-Participating Facility pursuant to this Agreement, and Program will then bill Member and Member shall pay Program for all fees, costs and charges incurred by Member, subject to the Program Plan (and corresponding percentages thereunder) selected by Member and subject to the Maximum Daily Benefit Amount. All costs, fees, and expenses not covered by the Program are the responsibility of the Member.

## V. FEES, TERMS, AND CONDITIONS

- A. **Membership Fee.** The Member agrees to pay the Program a one-time nontransferable, non-interest bearing Membership Fee of \$\_\_\_\_\_ (“Membership Fee”) as a condition of becoming a Member in the Program. This Membership Fee is payment for the\_\_\_\_\_Program Plan, the payments and benefits of which are described in this Agreement, including Attachment A.
- B. **Monthly Fee.** In addition to the Membership Fee, Member agrees to pay a monthly fee (“Monthly Fee”) for the term of this Agreement, which shall be payable in advance by the tenth (10<sup>th</sup>) day of each month. As of the date of this Agreement, the Monthly Fee associated with the Program Plan selected will be \$\_\_\_\_\_per month. After paying the Membership Fee, Member will commence paying the Monthly Fee. Monthly Fees are not subject to change or credit if a Member is away from the Home Site for any period of time.
- C. **Published Cost of Care** at time of Agreement: \_\_\_\_\_. *The Published Cost of Care is subject to change from time to time at the sole discretion of Program. Member is responsible for all costs and charges in excess of the Maximum Daily Benefit Amount.*
- D. **Adjustments in the Monthly Fee and Other Fees.** The Monthly Fee and other costs, fees, and expenses charged by the Program are made to provide the Services described in this Agreement and are intended to meet the cost of administration, staffing, and other expenses associated with the operation and management of the Program. The Program will usually set fees, costs and expenses annually but shall have the authority to adjust the Monthly Fee and the other costs, fees, and expenses charged by the Program from time to time as necessary to continue operating on a sound financial basis and to maintain the quality of services called for herein. The Program, upon thirty (30) days written notice to the Member, may make any such increases in the Monthly Fee, the Published Cost of Care, the Maximum Daily Benefit Amount and other costs, fees, and expenses charged by the Program.
- E. **Monthly Statements.** At the beginning of each month, the Program will furnish the Member with monthly statements showing the Monthly Fee and additional copayments, deductibles, service fees, costs, and expenses owed by the Member that shall be payable by the tenth (10<sup>th</sup>) day of the month. Program

may charge interest at a rate of one and one-half percent (1.5%) per month on any unpaid balance. In the event Member does not make payment on a timely basis, Member agrees to pay attorney's fees, if any, incurred by the Program in the collection of such fees, costs, and expenses. Member may not withhold Monthly Fees for any reason. In the event of non-payment of the Monthly Fee and/or additional service fees, costs, and expenses, Program reserves the right to terminate this Agreement.

Initials \_\_\_\_\_ Corporation  
\_\_\_\_\_ Member

- F. **Care in Other Assisted Living or Nursing Care Facilities.** If a Member transfers to a Facility other than at Salemtowne or other Program-Participating Facility, Member shall be solely responsible for all fees, cost and charges incurred at the Facility. Member will continue to pay the Monthly Fee for the Program unless this Agreement is terminated.
- G. **Care in Other Facilities.** Should Member need a level of care beyond that which Salemtowne or other similar Program-Participating Facility is licensed to provide and Member requires transfer to another facility, all copayments, deductibles, fees, costs, and expenses that result from such transfer and care shall be borne entirely by Member.
- H. **Assignment of Reimbursements.** Member agrees to apply for any federal, state, and local reimbursements for which Member may be eligible or entitled. The Program shall have the right to bill or have Program-Approved Providers bill, Medicare, Medicaid, and other third-party payers for any covered supplies and services provided by the Program or Program-Approved Provider. Any reimbursement for such supplies or services received by the Member shall be assigned to or paid to the Program to cover any copayments, deductibles, fees, costs, and expenses incurred by the Program or other Program-Participating Facility. The Member will pay any disputed or denied claims within thirty (30) days of the date of service.
- I. **Excess Costs.** Except as specifically provided by this Agreement, Member shall be solely responsible for services not covered by Medicare Parts A and B and Medicare Supplemental Coverage and for payments exceeding Medicare and Member's Supplemental Coverage limits or other insurance, and for payments exceeding Member's coverage limits in the Plan (and corresponding percentages thereunder) selected by Member, including co-payments, deductibles and limitations, and including but not limited to: audiological tests and hearing aids; eyeglasses and refractions; dentistry; dentures; dental inlays; organ transplants; orthopedic appliances; occupational, physical and speech therapy; podiatry; hospitalization and professional care for psychiatric disorders; treatment for alcohol or drug abuse medications; chiropractors; renal dialysis; extraordinary treatments; and experimental treatments as reasonably determined by Medical Director. Member will be responsible for the cost of all services and supplies not expressly provided for by the Program as set

forth in this Agreement. Such services and supplies include, but are not limited to, the cost of all prescription medicines, physician services, private duty nursing services, out-patient services, physical therapy, occupational therapy, speech therapy, IV therapy, respiratory therapy, oxygen, hospitals, eyeglasses, hearing aids, dentistry, orthopedic appliances, therapy for psychiatric disorders, treatment for mental illness, incontinent supplies, renal dialysis, personal laundry, non-medical supplies, routine or emergency transportation, or any services not specifically provided for by this Agreement. The Program may rent and charge to Member any specialized or personalized equipment, such as wheelchairs, walkers, kidney machine, or respiratory equipment.

- J. **Non-Payment.** If Member fails to make any of the Monthly Fee payments at the required time or pay any other amounts due to the Program on the monthly statement provided to Member by the Program within thirty (30) days after it is billed to the Member, the Program may give written notice to the Member to pay all such amounts. If the Member fails to comply with such notice within fifteen (15) days, the Program may terminate this Agreement, and provide the Member with any applicable refund set forth in Section VIII.
- K. **Transfer of Property.** The Member agrees not to make any gift or other transfer of assets for the purpose of evading the Member's obligations under this Agreement, or if a such gift or transfer would render such Member unable to meet such obligations under this Agreement.
- L. **Amount Due.** Member or Member's estate shall be liable to the Program for the full amount of any unpaid fees, including, but not limited to, Monthly Fees, additional service fees, and Deferred Fees. This Agreement shall operate as a lifetime assignment, transfer, and conveyance to the Program of so much of such Member's property as is necessary to cover such liability.
- M. **Financial Assistance.**
- i. **Subsidy.** In connection with its charitable mission, it is the desire of the Board of Trustees of the Corporation that no one terminates his or her affiliation with Salemtowne because of a lack of funds. Any disposition of Member's assets in any way other than for care of Member or related living/medical expenses to the extent that Member cannot adequately provide for Member's expenses or care will nullify this desire on the part of the Corporation and entitle the Corporation to terminate this Agreement and its obligations hereunder.
- The Corporation will make reasonable efforts to acquire the funds necessary to meet Salemtowne's fees for care. However, the resources of the Corporation to provide care for Members and residents are not unlimited, and the Corporation reserves the right to terminate services to any person, including Member, who cannot pay the full cost of Salemtowne's Monthly/Daily Fees and charges, and other costs in connection with such person's affiliation with Salemtowne.

In the event that a member, including Member, presents facts which

in the opinion of the Corporation justify special financial consideration, the Corporation will give careful consideration to subsidizing in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Member hereunder so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis.

In the event that the Corporation may subsidize in whole or in part the Monthly/Daily Fees and other Salemtowne charges payable by the Member hereunder, the Member will be required to execute a separate Financial Assistance Agreement with the Corporation.

In the event that we continue to provide the Services to you under the terms of this Agreement despite your financial inability to continue to pay the Monthly/Daily Fee or other Salemtowne charges payable under the terms of this Agreement, Salemtowne shall be entitled to require you to move to accommodations at Salemtowne that may be smaller and less costly than your Home.

Any determination by the Corporation with regard to the granting or continuation of financial assistance shall be within the sole discretion of the Corporation, under a separate agreement.

- ii. **Recovery of Subsidies Provided by Salemtowne.** When a Member dies or terminates this Agreement if said Member's fees have been subsidized wholly or partly by the Corporation, the Member or Member's estate, if any, will be liable to the Corporation for the full amount of the subsidy the Member received for the entire time of this Agreement. This Agreement will operate as a lifetime assignment, transfer, and conveyance to the Corporation of so much of the Member's property as is necessary to cover such liability. Any amount due the Corporation under this paragraph may be deducted from any refund payable to Member or to the Member's estate.
- iii. **Financial Assistance Funds.** The Corporation has established funds that will be used to assist members who would otherwise not be able to continue to receive services from Salemtowne. Such funds may be used for the purposes of providing financial assistance, but no Member shall have any claim to or expectation of receiving or continuing to receive any such assistance.
- N. **Hospital, Surgical, and Physician Care.** The Program will have no responsibility to pay for Member's surgical, hospital, or physician care.
- O. **Funeral and Burial.** The Program will not be responsible for making funeral or burial arrangements and is not responsible for related expenses.
- P. **Emergency Notifications.** Member agrees to provide Program with the following information prior to the Effective Date of this Agreement, as well as

any changes during the term of this Agreement:

- Names, addresses, and phone numbers of persons to notify in an emergency (a minimum of two are required)
- Names, addresses, and phone numbers of lawyer and executor
- Names, addresses, and phone numbers of Powers of Attorney
- Names, addresses, and phone numbers for pet emergency contacts, if applicable

## VI. RESCISSION PERIOD

- A. **Rescission.** This Agreement may be rescinded by Member by giving written notice of such rescission to Program within thirty (30) days following the latter of the execution of this Agreement or the receipt of the Disclosure Statement.

## VII. TERMINATION

- A. **By Member:** The Member may terminate the Member Services Agreement for any reason by providing written notice of such termination at least 30 days in advance of the termination date. In the case of death of the Member, this Agreement shall automatically terminate as of the date of death.
- B. **By Navigation at Home:** The Program may terminate the Member Services Agreement if 1) there has been a material misrepresentation or omission made by the Member in the Member's Membership and/or Financial Applications or Personal Health History form; 2) the Member fails to make payment to the Program of any fees, charges, costs, and expenses due within 30 days of the date due; 3) the Member does not abide by the rules and regulations adopted by Program and/or Corporation; 4) the Member breaches any of the terms and conditions of this Agreement; 5) the Member permanently relocates outside the Designated Service Area; 6) the Care Coordination Team reasonably determines that the Member poses a danger to him/herself or to others and Member or Member's Designated Representative refuses to allow the transfer of the Member from the Home Site or Facility to another facility; or 7) repeated conduct by the Member that is disruptive, hostile, illegal, or otherwise harmful to others or interferes with other Members', residents', staff's, or others' quiet enjoyment of a facility or service.

## VIII. REFUNDS

- A. **During the Rescission Period:** A refund of the Membership Fee paid, less a non-refundable fee of \$1,000, less the Monthly Fee and additional fees, costs, and expenses or portion applicable to the time this Agreement was in effect, will be paid within 30 days following receipt of the written notice.
- B. **Within the First 48 Months:** If the Member Services Agreement is terminated for any reason during the first 48 months following the Effective Date, the Member, or Member's estate, will receive a refund of the Membership Fee paid

less: 1) a non-refundable fee of 4% of the Membership Fee, and 2) less a percentage of the Membership Fee for each month the Agreement remained in effect (full or partial without prorating and including the month in which the refund is payable), and 3) less any additional copayments, deductibles, fees, costs, and expenses accrued.

The Membership Fee shall amortize as follows:

- Months prior to use of services – 2% per month
- Starting with first month of services used – 4% per month

Any refund due shall be refunded within 120 days of the date of termination of this Agreement.

The Program will have the right to set-off against any refund payable to the Member for the Membership Fee, for any deferred Monthly Fees, any other additional copayments, deductibles, service fees, costs, and expenses or amounts payable to the Program under this Agreement and other agreements between the Member and the Program or any affiliate of the Program and any copayments, deductibles, fees, costs and expenses that might be due, payable or incurred by the Member. Termination of this Agreement for whatever reason will not affect or impair the exercise of any right or remedy granted to the Program or Member under this Agreement for any claim or cause of action occurring prior to the date of such termination.

- C. **After 48 Months:** If this Agreement is terminated after the first 48 months or after the Membership Fee has fully amortized in accordance with the amortization percentages set forth above, following the Effective Date, no refund shall be given.
- D. **Right of Set-Off; Other Rights.** Program will have the right to set-off against any refund payable to Member under Section VIII, any accrued Monthly Fees that may have been deferred, any additional fees, costs or charges or other amounts payable to Program under this Agreement and under any other agreement between Member and Corporation or any affiliate of Corporation and any costs or expenses that might be due, payable or incurred by Member due to Member's violation of this Agreement.
- E. **Ability to Apply Net Membership Fee to Independent Living Entrance Fee.** Notwithstanding the foregoing provisions of this Article VIII, the full amount of the Membership Fee paid pursuant to this Agreement less: 1) a non-refundable fee of 4% of the Membership Fee; 2) any copayments, deductibles, fees, costs, or expenses paid or incurred by the Program for Services provided under this Agreement; and/or 3) any fees, costs or expenses due and owing to the Program by the Member under this Agreement may be credited towards any future Salemtowne retirement community entry fees for an independent living unit at Salemtowne but not for any assisted living, skilled nursing, memory care or other units, accommodation or residence at Salemtowne or any other community or facility. Such a credit shall apply to all Home Site Services Plans, including the All Inclusive,

Enhanced, Classic, and Access Plans. In the event the Member enters into a Residence and Care Agreement with the Corporation for an independent living unit at Salemtowne, in accordance with this section, this Agreement shall automatically terminate and be of no further force and effect except for those rights, obligations, and terms that survive termination in accordance with Section IX. X. of this Agreement.

## IX. GENERAL

- A. **Compliance with Applicable Laws.** Corporation and Member will comply with all laws, rules, regulations, and ordinances promulgated by lawful governmental authorities.
- B. **Right to Delegate.** Member acknowledges the right of Program to contract for the various services as provided by this Agreement, including, but not limited to, management services for the Program.
- C. **Confidentiality.** The Corporation has the responsibility to keep all of the personal, medical, and financial information you have supplied to it confidential. You consent to the release of any of your personal and medical records maintained by the Corporation (i) to the Corporation's employees, staff, and agents; (ii) to persons and organizations from whom you receive health care services; (iii) to third-party payors of health care services provided by the Corporation or other organizations; and (iv) to others deemed reasonably necessary by the Corporation for purposes of treatment, payment and operations of the Corporation, consistent with applicable state and federal health care privacy laws. You understand and agree that authorized agents of the state or federal government, including the Long Term Care Ombudsman, may obtain your records without your written consent or authorization. Release of your records for other purposes shall be made in accordance with applicable law, with a specific authorization from you or your legal representative where required.
- D. **Release of Medical Information.** The privacy of all Members will be protected as provided for by the Health Insurance Portability and Accountability Act (HIPAA), as amended, and other applicable regulations. Member hereby authorizes Corporation to release any medical information relating to Member to any doctor, hospital or other facility or individuals when it is deemed necessary or helpful in providing for Member's ongoing care or treatment, for the purpose of submitting claims for benefits payable for health care services or for carrying out or enforcing Member's and Corporation's rights and obligations under this Agreement. Member further authorizes the release of any information to Corporation from any health care provider when deemed necessary or beneficial for providing for Member's ongoing care or treatment.
- E. **Assignment.** Member's rights and privileges under this Agreement with respect to services and medical care are personal to the Member and may not be transferred or assigned by act of Member, or by any proceeding of law, or otherwise.



- F. **Management of the Corporation.** The absolute rights of management are reserved by the Corporation, its Board of Trustees and its administrators as delegated by said Board of Trustees. The Corporation reserves the right to accept or deny any person for residency or membership. Members do not have the right to determine entry or terms of entry of any other Member. The Corporation reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the Program or the Community in its sole discretion. Salemtowne retains the exclusive authority to make all management decisions with regard to the management of Salemtowne, including decisions about admission and discharges, setting charges, Salemtowne's policies and procedures, and the scope of services offered by Salemtowne, consistent with state law and the terms of this Agreement.
- G. **Uncontrollable Interruption of Service.** No breach of the Corporation's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, the contracted services under this Agreement due to an act of God or other cause beyond the reasonable control of the Corporation, specifically including, but not limited to, strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, inclement weather, epidemic or pandemic, or acts of the Member.
- H. **Moravian Affiliation.** The Corporation is affiliated with the Moravian Church in America, Southern Province ("Southern Province"). The Southern Province is not responsible for the financial and contractual obligations of the Corporation, including, without limitation, the financial and contractual obligations of the Program.
- I. **Indemnity.** Member agrees to indemnify, defend and hold the Corporation harmless from any and all claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with Member's acts or omissions or those of Member's guests including private duty nurses, companions, or others.
- J. **Limitation on Liability.** You understand and agree that the services provided by the Corporation and others within Salemtowne are not designed to protect you from the everyday, normal risks and responsibilities of living, including, but not limited to, such general accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from your failure to partake of food and drink. Additionally, you understand and agree that the services provided by the Corporation do not include one-on-one monitoring of you and that your expectations will be consistent with this understanding. The Corporation shall exercise reasonable care toward you based on your known condition. However, you agree that the Corporation is not an insurer of your welfare and safety. You agree that you will exercise due care to protect yourself from harm.
- K. **Severability.** The invalidity of any restriction, condition or other provision of

this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

- L. **Member Contracted Services.** If you wish to privately employ outside assistance, including Salemtowne employed staff, for whatever reason, all Salemtowne policies must be upheld, and prior written approval by Salemtowne management must be obtained. You agree to hold Salemtowne harmless in all situations related to the provisions of such outside services. The Corporation has the right to require termination of such a service at any time.
- M. **Member Handbook.** Member will be given a current copy of the Member's Handbook as adopted by the Program. Member understands that this document will change from time to time.
- N. **Entire Agreement.** This Agreement constitutes the entire agreement between the Corporation and Member regarding the Program. The Corporation shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement or in an amendment to this Agreement signed by an authorized officer of the Corporation and by Member. Electronic or facsimile versions of this Agreement shall have the same legal effect as originals, and all of which, when fully executed, shall constitute one and the same instrument.
- O. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, responsible parties, powers of attorney, administrators, and assigns of Member.
- P. **Capacity.** This Agreement has been executed on the Corporation's behalf by the Corporation's duly authorized agent, and no officer, trustee, agent or employee of the Corporation shall have any personal liability hereunder to Member under any circumstances. If Member is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Member's attending physician to be incapacitated, then in the absence of Members' prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, Salemtowne shall have the right to commence a legal proceeding to adjudicate Member incapacitated and to have a court appoint a guardian for Member. The cost of the legal proceedings, including attorneys' fees, shall be paid by Member or Member's estate.
- Q. **Tax Considerations.** Member should consult with his/her tax advisor regarding the tax considerations associated with this Agreement.
- R. **Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, the Corporation reserves the right, upon thirty (30) days prior written notice to Member, to modify or amend this Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform

the documents to the requirements of local, state, or federal laws and regulations applicable to the Corporation, in particular, or to residential life care communities, in general, or whenever doing so is deemed by the Corporation to be in the best interest of the Corporation and the residents or members in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.

- S. **Governing Law; Venue; Disputes.** This Agreement shall be governed by, interpreted, construed, and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit, or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts.
- T. **Behavior Deemed Harmful to Salemtowne or Program.** If Member is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the President/CEO to be disruptive, hostile, illegal, or otherwise harmful to others or to Salemtowne or Program, Salemtowne reserves the right to terminate this Agreement. If such a circumstance arises, Salemtowne will discuss the matter thoroughly with Member to provide Member with knowledge of the behaviors deemed intolerable by Salemtowne. Salemtowne will provide Member a written warning to desist from the behavior or any similarly disruptive, hostile, illegal, or harmful behavior. Upon determination that Member is continuing to engage in the behaviors against which Member has been warned, Salemtowne will have the right to terminate this Agreement.
- U. **Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine.
- V. **Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.
- W. **Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.
- X. **Survival.** Those rights and obligations that have accrued as a result of the

operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Member to pay costs or expenses of his or her participation in the Program that remain unpaid as of such termination.

- Y. **Notices.** Any notices, consents, or other communications to the Corporation hereunder (collectively “notices”) will be in writing and addressed to the Member as set forth in the first paragraph of this Agreement and to the Program as follows:

Chief Executive Officer  
Salemtowne  
1000 Salemtowne Drive  
Winston-Salem, North Carolina 27106

Corporation will stand behind all of the statements, promises, and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign this Agreement.

Member understands this matter involves a financial commitment and associated risk, as well as a legally binding contract. Member was encouraged to consult with an attorney and/or financial advisor who could advise Member concerning this Agreement.

**THE UNDERSIGNED MEMBER(S) ACKNOWLEDGES RECEIPT OF SALEMTOWNE’S CURRENT DISCLOSURE STATEMENT. THE DISCLOSURE STATEMENT WAS RECEIVED PRIOR TO THE EXECUTION OF THIS AGREEMENT, OR PRIOR TO OR AT THE TIME OF THE TRANSFER OF ANY MONEY OR OTHER PROPERTY TO SALEMTOWNE, WHICHEVER OCCURRED FIRST.**

Initials \_\_\_\_\_ Corporation  
\_\_\_\_\_ Member

**NOTICE OF CONSIDERATION OF RISKS**

**BECAUSE THE AUTHORITY TO ENTER INTO CONTINUING CARE WITHOUT LODGING CONTRACTS GRANTED BY THE NORTH CAROLINA DEPARTMENT OF INSURANCE IS NEITHER A GUARANTEE OF PERFORMANCE BY THE PROVIDER NOR AN ENDORSEMENT OF ANY CONTINUING CARE WITHOUT LODGING CONTRACT PROVISION, PROSPECTIVE RESIDENTS/MEMBERS MUST CAREFULLY CONSIDER THE RISKS, BENEFITS, AND COSTS BEFORE SIGNING A CONTINUING CARE WITHOUT LODGING CONTRACT AND ARE STRONGLY ENCOURAGED TO SEEK FINANCIAL AND LEGAL ADVICE BEFORE DOING SO.**

**If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign this Agreement.**

**IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first above written, one duplicate copy of this Agreement being retained by each party.**

Your signature below certifies that you have read, understand, and accept this Agreement.

By:  
**MORAVIAN HOME,  
INCORPORATED d/b/a  
NAVIGATION AT HOME**

By:  
**MEMBER**

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

## ATTACHMENT A

### NAVIGATION AT HOME SERVICE PLAN OPTIONS

The Program Plans below show the percentage of the Maximum Daily Benefit Amount covered by the Program for Services to Member.

<u>Type of Service</u>	All Inclusive	Enhanced	Classic	Access
<b>Care Coordination</b>	100%	100%	100%	100%
<b>Home Site Services:</b>				
Home Care Aide	100%	75%	50%	65%
Companion / Homemaker	100%	75%	50%	65%
Adult Day Care	100%	75%	50%	65%
Transportation (as limited in Agreement)	100%	75%	50%	65%
<b>Facility-Based Services</b>	100%	75%	50%	0%
<b>Adult Day Care Facility</b>	100%	75%	50%	0%
<b>Assisted Living Facility</b>	100%	75%	50%	0%
<b>Skilled Nursing Facility</b>	100%	75%	50%	0%

## Appendix B3

Salem Club – Early Acceptance Agreement





# Navigation

AT HOME

PROTECTION | COORDINATION | CARE

## Salem Club Early Acceptance Program

Member(s): \_\_\_\_\_

**Salem Club  
Early Acceptance Program Agreement**

This Salem Club Early Acceptance Program Agreement (the "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Effective Date") by and between MORAVIAN HOME, INCORPORATED d/b/a SALEMTOWNE OR NAVIGATION AT HOME, a North Carolina nonprofit corporation (hereinafter the "Corporation", "Salemtowne", "Navigation at Home", "we", "us" or "our"), and \_\_\_\_\_ (hereinafter "Early Acceptance Member", "Member", "member", "you", "your" or when two persons "Member", "member", "Member", "members", "you" or "your" shall apply to both persons except where the context otherwise requires).

**WHEREAS**, Corporation operates a continuing care retirement community located at 1000 Salemtowne Drive in Winston Salem, North Carolina, known as "Salemtowne"; and

**WHEREAS**, the retirement community (referred to as the "Community") consists of independent living homes, villas, and apartments, common areas and amenities, and on-campus facilities for certain outpatient services, assisted living care and skilled nursing care; and

**WHEREAS**, Corporation has established a program known as Navigation at Home ("Program") which allows for its members to remain in their private residences while enjoying some of the traditional benefits of a continuing care retirement community; and

**WHEREAS**, You desire to become a Member of the Program and to use and enjoy certain services, programs and facilities provided by the Program subject to the terms and conditions of this Agreement.

**NOW THEREFORE**, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, You and Salemtowne agree as follows:

**I. ACCEPTANCE OF SALEMTOWNE MEMBER WITHOUT LODGING**

**A. General.** You have gone through the admission process, and Salemtowne has accepted You as a member through its Salem Club Early Acceptance Program ("Early Acceptance Program") in order for You to access some of the services provided by Salemtowne while remaining in Your home and not residing at the Community. As an Early Acceptance Program Member of Salemtowne, You will continue to reside in Your own home and not at the Community, and You are hereby entitled to the services specifically set forth in this Agreement. If there is a fee related to particular services provided to You as a Member, You will be charged the then prevailing fee.

Initials \_\_\_\_\_ Member  
\_\_\_\_\_ Corporation

As an Early Acceptance Member under this Agreement, if You are already on our wait list for residency on our campus ("Wait List"), You will remain on our Wait List. Your Wait List date for purposes of priority will remain \_\_\_\_\_, which is the date on which You joined Our Wait List originally. If you are not already on our Wait List, by signing this Agreement, you will be placed on the Wait List, and Your Wait List date for purposes of priority will be the date of this Agreement.

At the time You choose to accept an accommodation on the Salemtowne campus, Member will be subject to, and shall comply with, the entry requirements of the retirement community and applicable payment of fees including, but not limited to, providing Corporation updated medical and financial information in order to determine Member's ability to live independently and to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. Corporation reserves the right to decline Member's admission to Salemtowne for residency if Member's medical and financial circumstances have changed so that You are not able to live independently or are not able to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. Member shall have the right to continue or terminate this Agreement.

- B. Execution of the Residence Agreement Following Acceptance.** Prior to taking occupancy and financial responsibility for a particular residential unit on Salemtowne's campus, You agree to execute Salemtowne's Residence & Services Agreement (the "Residence Agreement") then in effect. Your occupancy of a residence shall be expressly conditioned upon Your execution of such agreement. The executed Residence Agreement shall supersede and replace this Agreement in its entirety.

If the Residence Agreement is subsequently terminated, as outlined in that Residence Agreement, this Agreement may be re-executed upon mutual agreement of the parties, as long as the reason for termination of the Residence Agreement does not preclude the continuation of a contractual relationship with Salemtowne as determined by Salemtowne in its sole discretion.

Initials \_\_\_\_\_ Member  
\_\_\_\_\_ Corporation

## II. SERVICES

Subject to the terms and conditions of this Agreement, Corporation agrees to provide the following services (the "Services") to you as a Member from and after the Effective Date until the termination of this Agreement, pursuant to Section V of this Agreement:

- A. **Common Facilities.** Member shall have access to certain common facilities which may include dining venues, library, heated swimming pool, multi-purpose rooms, art studio, and others as described in the then current literature, any of which such common facilities may be subject to change from time to time at the sole discretion of Salemtowne. Use of the common facilities will be available for use by Member, and such use shall be subject to change or restriction from time to time at the sole discretion of the Program. Member will be responsible for dining and applicable activity charges.
- B. **Lifestyle and Wellness Programs.** Corporation, from time to time, may offer scheduled social, physical, intellectual, or spiritual events or activities designed to meet the needs of Members. Members will be advised of the schedules and the cost of these programs on an as-offered basis. Member will be responsible for these additional fees, if any.
- C. **Meals.** You may eat in the dining venues at Salemtowne, and You will be charged the meal rate and will be billed monthly.
- D. **Annual Assessment.** Once in each twelve (12) month period, you are entitled (but not required) to receive a health assessment in your home from Navigation at Home Program's care coordination team. The annual assessment is intended to provide recommendations to you regarding your health and wellness, living environment, or additional assistance needs, but is not intended to provide medical advice or substitute for your regular physician visits.
- E. **Home Care.** Salemtowne has identified preferred care agencies to provide in-home assistance to Members. Navigation at Home Program's Care Coordination Team can assist you in contacting our preferred agencies to arrange for in-home assistance. These agencies offer a range of options for in-home assistance, from light housekeeping and companionship to assistance with activities of daily living. The rates for in-home assistance are set by the agencies, and Members who choose to take advantage of this program will enter into a separate agreement with the agencies. You shall be responsible for all fees and costs for services provided by the agencies.

Initials \_\_\_\_\_ Member

\_\_\_\_\_ Corporation

- F. **Healthcare Access.** Should you require skilled nursing, rehabilitation, assisted living, or memory care services that are provided at Salemtowne, you may access these services on the following basis:

- 1. Room and Bed Discount Program.** If you are admitted to Salemtowne’s Health Care Center, Westerly Place, or Assisted Living Center, you are entitled to participate in the Room and Bed Discount Program, which provides Members of the Salem Club Early Acceptance Program who have paid a Membership Fee and have a stay in the Health Care Center, Westerly Place or Assisted Living Center a 20% discount from published rates.
  
- 2. Priority Access.** Members shall receive priority access to available beds/units in Salemtowne’s Health Care Center, Westerly Place or Masten Assisted Living ahead of persons who are not residents living at the Community and are not in the Early Acceptance Program. You, and your health insurance program and/or Medicare shall be responsible for all fees and costs for services provided in the Health Care Center, in Westerly Place and in Masten Assisted Living.
  
- 3. Separate Contracts.** In order to receive any services in the Health Care Center, in Westerly Place or in Masten Assisted Living, You will be required to enter into an agreement with Salemtowne in addition to this Agreement.

- G. **Other Services.** The Early Acceptance Program may offer other programs and benefits from time to time. These additional programs and benefits may require additional fees, which will be determined by the Early Acceptance Program and are the responsibility of the Member.

### III. FEES, TERMS, AND CONDITIONS

- A. **Membership Fee** Upon execution of this Agreement, Member agrees to pay Corporation a one-time nontransferable, non-interest bearing Membership Fee of \$\_\_\_\_\_ (“Membership Fee”) as a condition of becoming a Member in the Program. The Membership Fee is nonrefundable, except as set forth in Section V, which states you can use your Membership Fee as a credit towards an entrance fee at Salemtowne at move in.
- B. **Monthly Fee.** In addition to the Membership Fee, Member agrees to pay a monthly fee (“Monthly Fee”) for the term of this Agreement, which shall be payable in advance by the tenth (10th) day of each month. As of the date of this Agreement, the initial Monthly Fee will be \$\_\_\_\_\_ per month. After paying the Membership Fee, Member will commence paying the Monthly Fee. Monthly Fees are not subject to change or credit if a Member is away from the Home Site for any period of time.

Initials \_\_\_\_\_ Member  
 \_\_\_\_\_ Corporation

- C. **Adjustments in Monthly Fee.** Corporation usually sets fees annually but shall have the authority to adjust the Monthly Fee and any and all other fees, charges and expenses from time to time during the term of this Agreement as it, in its discretion, deems necessary. Any such increase in the Monthly Fee or other fees, charges or expenses may be made by Corporation upon thirty (30) days written notice to the Member.

In the event Salemtowne is assessed sales or use tax on Monthly Fees and/or other fees, charges and expenses, You agree to pay Corporation the amount of such taxes.

- D. **Charges for Other Services.** You will be billed for other services selected either at the time they are rendered or with the next billing cycle. The payment procedures for other service charges, including the imposition of late fees and interest, are the same as for the Monthly Fee. By signing this Agreement, you hereby acknowledge receipt of a copy of Salemtowne's schedule of current fees for other services. Salemtowne may, in its sole discretion, adjust the fees for other services for any reason upon providing thirty (30) days advance written notice to Members.

- E. **Monthly Statements.** We will furnish you with monthly statements showing the total amount of fees and other charges owed by you, which shall be payable by the 10th of the month. Late payments are subject to an interest charge of one and one-half percent (1.5%) per month from the first of the month. In the event Corporation initiates any collection actions or legal proceedings to collect payments due from you under this Agreement, you shall be responsible to pay all costs and attorneys' fees incurred by Corporation in pursuing the enforcement of your financial obligations under this Agreement. Corporation may terminate this Agreement if you have a past due amount upon thirty (30) days written notice. Termination of this Agreement does not end the obligation of you or your estate to pay all amounts due, no matter when incurred.

You, and your current and future responsible parties (i.e., power(s) of attorney, executor(s)) on your behalf, from your assets and income, agree to pay all costs, expenses, and reasonable attorneys' fees, in the event the same must be expended in the collection of any sums due and owed by You to Corporation.

Corporation reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly Fee is pro-rated on a per diem basis. Thereafter, Monthly Fees are paid in advance and are pro-rated at termination.

- F. **Rules, Regulations, Policies and Procedures.** You agree to be bound by the general rules, regulations, policies and procedures of Salemtowne contained within the Disclosure Statement or in such other documents or publications of Salemtowne, as they now exist or as it may later be amended by Salemtowne in

its sole discretion. Salemtowne may, in its sole discretion, amend or change policies, rules, and regulations from time to time, and will use its reasonable efforts to communicate through appropriate means to all Members the substance and content of such additions or changes. By signing this Agreement, you hereby understand and agree to comply with Salemtowne's policies, rules and regulations. You understand that failure to abide by such rules and regulations may result in termination of this Agreement. You agree not to: engage in any conduct that is harmful to property of Salemtowne or Members or associates of Salemtowne, or is disturbing to Members; engage in any commercial activity at Salemtowne; employ any person in or about Salemtowne whose employment may create a liability on our part; or hire any of our associates to perform any services at Salemtowne or in your home without our consent.

- G. **Weapons.** No weapons of any type shall be brought onto the Salemtowne property by you, your guests, or your personal service providers, without the express prior written permission of Corporation.
  
- H. **Relationships Between Members and Staff.** Salemtowne is built on mutual respect and instructs its staff to be cordial and helpful to residents and Members. The relationship is to remain professional. Staff must not be delayed or deterred by residents or Members in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. By signing this Agreement, you or your responsible party acknowledges receipt of a copy of Corporation's grievance procedure. Giving gratuities or bequests to staff or staff's families is not permitted. Member will not employ Salemtowne Staff nor hire former Salemtowne Staff without the prior written consent of Salemtowne Management.
  
- I. **Liability in General.** You accept full responsibility for any injury or damage caused to others, or suffered by you, as a result of your own acts or omissions, and those of your guests or invitees, and you shall indemnify and hold harmless Salemtowne and its respective directors, officers, agents, representatives, and employees (also referred to as associates) from any and all liability for such injury or damage, including attorneys' fees. We recommend that you maintain general liability insurance in an amount and form sufficient to cover such liability. You may be required to maintain additional insurance for personal service providers hired by you, including worker's compensation insurance, if and to the extent set forth in Salemtowne's policies and procedures.
  
- J. **Property Damage.** Salemtowne shall not be responsible for the loss of any property belonging to you due to theft, fire, water damage, or any cause beyond the control of Salemtowne. You shall also be responsible for any loss or damage that you or your guests cause to property at Salemtowne, excluding ordinary wear and tear. You hereby agree to indemnify and reimburse Salemtowne for any loss or damage suffered by Salemtowne because of your or your guests' or invitees' acts or omissions.

- K. **Sex Offender Registry.** Member hereby acknowledges that it is the policy of Salemtowne to conduct sex offender screening for every prospective Member, regardless of independent status or level of care, at the time of application for admission to the Early Acceptance Program and again prior to entering into a Residence Agreement. If the screening shows that the prospective Member is identified as a sex offender, Salemtowne will deny admission of Member on that basis and not execute an Early Acceptance Program Agreement or Residence Agreement. In addition, Member hereby acknowledges and agrees that if, after Salemtowne and Member have entered into this Agreement, Salemtowne becomes aware that Member is listed on any sex offender registry, Salemtowne may terminate this Agreement with Member.

#### **IV. ENTRY REQUIREMENTS**

- A. **Qualifications.** All Members must be 62 years of age or older and meet eligibility requirements established by Corporation. The Early Acceptance Program is offered on a nondiscriminatory basis and affords equal treatment and access to services to all eligible persons.
- B. **Condition of Membership.** You have completed the application for Salemtowne, including the Confidential Financial and Health Information contained in the Application, and demonstrated therein to the satisfaction of Corporation that you have the financial ability to pay the Membership Fee, Monthly Fee, and other expenses associated with your receipt of services by Salemtowne, and expenses as may be incurred by you in Salemtowne's Health Care Center, Westerly Place and Masten Assisted Living. You agree that your financial condition is substantially the same on the date this Agreement is executed, as it was on the date of the most recent financial statement provided to Salemtowne. You further understand that the submission of false information shall constitute grounds for the termination of this Agreement.
- C. **Medical Insurance.** Member agrees to obtain and maintain in force, at Member's expense, the maximum coverage available to Member under Medicare Parts A and B, and one Medicare supplemental insurance policy or a Medicare Replacement Plan approved by Corporation. If Member is not eligible for any of the above plans, Member will obtain and maintain in force a health insurance policy approved by Corporation that is equivalent to both Medicare parts A and B, and supplemental coverage. If Member fails to arrange for or maintain such medical insurance coverage, Corporation may, in Corporation's sole discretion, terminate this Agreement. Should Member fail to obtain or maintain the insurance required by the Program, Member shall be responsible for any portion of such expense that would have been covered by this insurance. Member shall furnish to Corporation evidence of such coverage at any time upon request. All changes in insurance coverage must be submitted in writing to Corporation within ten (10) calendar days.



- D. **Mental Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** Salemtowne is not designed to care for persons who have an active mental illness, a dangerous communicable disease, or who require treatment for drug or alcohol abuse. Should Salemtowne, in consultation with the Medical Director, determine that your physical or mental illness, or that your condition as a result of drug or alcohol abuse, is such that your continued presence is either dangerous or detrimental to your life, health or safety, or the life, health, peace or safety of others in the community, then Salemtowne may transfer you to another facility of your choosing and/or terminate this Agreement.
- E. **Power of Attorney.** You agree to execute and maintain in effect a durable power of attorney that is valid under North Carolina law and will survive your incapacity or disability. This durable power of attorney will designate an attorney-in-fact and an alternate attorney-in-fact who will act for you in managing your financial affairs and in filing for insurance or other benefits under private and public assistance programs as full and complete a manner as you could do if acting personally for yourself. **You will deliver a copy of a fully executed power of attorney to Salemtowne within thirty (30) days after the Effective Date of this Agreement.** You will not revoke or amend this durable power of attorney except upon execution of a replacement durable power of attorney, a fully executed copy of which will be delivered to Salemtowne. This document also may address at your option, other affairs, such as decisions concerning medical care.
- F. **Advance Directives.** You are encouraged to execute a Living Will and a Health Care Power of Attorney and deliver a fully executed copy thereof to Salemtowne, as well as any revisions as applicable, during the term of this Agreement.
- G. **Appointment of Guardian.** If you become unable to care for your business and financial affairs, Corporation reserves the right to institute action for the determination of your incompetence and the appointment of a guardian to fulfill the terms of this Agreement; unless such needed arrangements have already been made. The cost of the legal proceedings, including attorneys' fees, shall be paid by you or your estate.
- H. **Emergency Notifications.** Member agrees to provide Corporation with the following information prior to the Effective Date of this Agreement, as well as any changes during the term of this Agreement:
- Names, addresses, and phone numbers of persons to notify in an emergency(a minimum of two are required)
  - Names, addresses, and phone numbers of lawyer and executor
  - Names, addresses, and phone numbers of Powers of Attorney
  - Names, addresses, and phone numbers for pet emergency contacts, if applicable

## V. TERMINATION AND REFUND PROVISIONS

- A. **By Member.** You may terminate this Agreement by giving written notice to Salemtowne of your decision to terminate at least thirty (30) days in advance of the termination date. In the case of your death, this Agreement shall terminate automatically effective as of the date of your death.
- B. **By Salemtowne.** Salemtowne may terminate this Agreement at any time for good cause, upon giving you thirty (30) days written notice. Good cause shall include, but not be limited to, the following:
1. Your failure to perform any of your obligations under this Agreement, including your obligation to pay your Monthly Fee and other charges or expenses;
  2. You, your guests, or your personal service providers fail to abide by the rules, regulations, policies and procedures of Salemtowne, as described in the Member Handbook or in such other documents or publications as may be provided from time-to-time, as they now exist or as they may later be amended by Salemtowne in its sole discretion;
  3. Any material omission or misstatement in your Application and any and all other documents filed with Salemtowne by you or on your behalf;
  4. Your behavior creates an unreasonable and continuing disturbance within the Community that is detrimental to the health, safety or peaceful enjoyment of others.
- C. **Refunds.** Your Membership Fee refund, if applicable, shall be equal to the Membership Fee less a non-refundable fee of four percent (4%) of the Membership Fee; the remaining balance is subject to amortization of two percent (2%) for each month of membership, as defined herein, for up to forty-eight (48) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. Subtracted from any refund owed to you, if any, will be any unpaid fees or charges incurred by you. You will not be entitled to receive any interest on any monies paid to Salemtowne. Any refund to which you are entitled shall be paid to your estate unless you execute a designation and name a trust revocable by you at the time of your death to receive applicable refunds. Should you execute a revocable trust subsequent to signing this Agreement, you or your estate's executor may submit a written beneficiary designation form designating a trust, revocable by you at the time of your death, to receive applicable refunds. No refund of the Membership Fee shall be paid after forty-eight (48) months of membership. Any refund due shall be refunded within 120 days of the date of termination of this Agreement.
- D. **Residency at Salemtowne.** If you choose to become a resident of Salemtowne and enter into a new agreement with Salemtowne for residency,

your Membership Fee under this Agreement will be applied to the Entrance Fee for Independent Living accommodations only. For admission to licensed levels of care, the Entrance Fee will not be waived. This Agreement will be terminated when you become a resident of Salemtowne. Notwithstanding the foregoing, if you enter the Health Center for a short-term stay (for example, respite care or rehabilitation), this Agreement will remain in force.

## **VI. RIGHT OF RESCISSION**

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by you giving written notice of such rescission to Corporation within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, *et seq.* of the North Carolina General Statutes. In the event of such rescission, you shall receive a refund in an amount equal to the Membership Fee less a non-refundable fee of four percent 4% of the Membership Fee less any accrued expenses. Notwithstanding anything to the contrary in this Agreement, any such refund shall be paid by Corporation within fourteen (14) days following receipt of written notice of rescission pursuant to this paragraph.

## **VII. GENERAL**

- A. **Compliance with Applicable Laws.** Member and Salemtowne will comply with all laws, rules, regulations, and ordinances promulgated by lawful governmental authorities.
- B. **Confidentiality.** Corporation has the responsibility to keep all of the personal, medical, and financial information you have supplied to it confidential. You consent to the release of any of your personal and medical records maintained by Corporation (i) to Corporation's directors, officers, employees, staff, agents and representatives; (ii) to persons and organizations from whom you receive health care services; (iii) to third-party payors of health care services provided by Corporation or other organizations; and (iv) to others deemed reasonably necessary by Corporation for purposes of treatment, payment and operations of Corporation, consistent with applicable state and federal health care privacy laws. You understand and agree that authorized agents of the state or federal government, including the Long Term Care Ombudsman, may obtain your records without your written consent or authorization. Release of your records for other purposes shall be made in accordance with applicable law, with a specific authorization from you or your legal representative where required.
- C. **Assignment.** This Agreement and your rights and privileges under this Agreement to the facilities, services, and programs of Corporation are personal to you and may not be transferred or assigned by you or otherwise.
- D. **Member has no Tenancy Interest or Management Rights in Salemtowne.** The absolute rights of management are reserved by Corporation, its Board of Trustees, and its administrators as delegated by said Board of Trustees. Corporation reserves the

right to accept or deny any person for the Early Acceptance Program or for residency. Members do not have the right to determine entry or terms of entry of any other Member. Salemtowne reserves the right to amend, implement or terminate policies and/or guidelines related to the operation of the Community at its sole discretion.

Subject to the terms and conditions of this Agreement, this Agreement gives Member the right to receive or have access to the services and amenities described in the Agreement. Salemtowne retains the exclusive authority to make all management decisions with regard to the management of Salemtowne, including decisions about admission and discharges, setting charges, Salemtowne's policies and procedures, and the scope of services offered by Salemtowne.

- E. **Uncontrollable Interruption of Service.** No breach of Salemtowne's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, the contracted services under this Agreement due to an act of God or other cause beyond the reasonable control of Salemtowne, specifically including, but not limited to, strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, inclement weather, epidemic or pandemic, or acts of the Member.
- F. **Moravian Affiliation.** Salemtowne is affiliated with the Moravian Church in America, Southern Province ("Southern Province). The Southern Province is not responsible for the financial and contractual obligations of Salemtowne, including, without limitation, the financial and contractual obligations of Corporation.
- G. **Indemnity.** You agree to indemnify, defend and hold us harmless from claims, damages, or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your acts or omissions or those of your guests, including private duty nurses, companions, or others.
- H. **Limitation on Liability.** You understand and agree that the services provided by Corporation and others within Salemtowne are not designed to protect you from the everyday, normal risks and responsibilities of living, including, but not limited to, such general accidents and situations such as falling, choking on food, and weight loss and/or dehydration resulting from your failure to partake of food and drink. Additionally, you understand and agree that the services provided by Corporation do not include one-on-one monitoring of you and that your expectations will be consistent with this understanding. Corporation shall exercise reasonable care toward you based on your known condition. However, you agree that Corporation is not an insurer of your welfare and safety. You agree that you will exercise due care to protect yourself from harm.
- I. **Severability.** The invalidity of any restriction, condition or other provision of

this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

- J. **Member Contracted Services.** If you wish to privately employ Salemtowne employed staff, for whatever reason, all Salemtowne policies must be upheld, and prior written approval by Salemtowne management must be obtained. You agree to hold Salemtowne harmless in all situations related to the provisions of such outside services. Corporation has the right to require termination of such a service at any time.
- K. **Member Handbook.** You will be given a current copy of the Member's Handbook as adopted by Corporation. You understand that these documents will change from time to time.
- L. **Entire Agreement; Counterparts.** This Agreement constitutes the entire contract between Corporation and Member. Corporation shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Corporation, unless such statements, representations, or promises are set forth in this Agreement or in an amendment to this Agreement signed by Salemtowne's authorized representative and by you. This Agreement may be executed in counterparts, each of which shall be deemed an original and together shall constitute one and the same agreement. This letter and any amendments hereto, to the extent signed and delivered by means of a facsimile machine, electronic mail or other electronic means, shall be treated in all manners and respects and for all purposes as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.
- M. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of Corporation and the heirs, executors, responsible parties, powers of attorney, administrators, and assigns of you.
- N. **Capacity.** This Agreement has been executed on our behalf by our duly authorized representative, and no officer, trustee, agent, or employee of ours shall have any personal liability hereunder to you under any circumstances. If Member is, or becomes, unable to understand or communicate his or her health care or financial decision, and is determined by Member's attending physician to be incapacitated, then in the absence of Member's prior designation of an authorized legal representative, or upon the unwillingness or inability of a designated legal representative to act, Salemtowne shall have the right to commence a legal proceeding to adjudicate Member incapacitated and to have a court appoint a guardian for Member. The cost of the legal proceedings, including attorneys' fees, shall be paid by Member or Member's estate.
- O. **Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.

- P. **Amendments and Partial Invalidation.** Generally, this Agreement can be changed only by mutual written consent. However, Corporation reserves the right, upon thirty (30) days prior written notice to Member, to modify or amend this Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to Corporation, in particular, or to residential life care communities, in general, or whenever doing so is deemed by Corporation to be in the best interest of Corporation and the Members in light of changes in health insurance laws and coverages and/or local, state or federal tax or other laws or regulations.
- Q. **Governing Law; Venue; Disputes.** This Agreement shall be governed by, interpreted, construed, and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit, or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts.
- R. **Behavior Deemed Harmful to Salemtowne.** If Member is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the President/CEO of Salemtowne to be disruptive, hostile, illegal, or otherwise harmful to others or to Salemtowne, Salemtowne reserves the right to terminate this Agreement. If such a circumstance arises, Salemtowne will discuss the matter thoroughly with Member to provide Member with knowledge of the behaviors deemed intolerable by Salemtowne. Salemtowne will provide Member a written warning to desist from the behavior or any similarly disruptive, hostile, illegal, or harmful behavior. Upon determination that Member is continuing to engage in the behaviors against which Member has been warned, Salemtowne will have the right to terminate this Agreement.
- S. **Gender.** Throughout this Agreement, the use of the masculine gender shall include the feminine, and the use of the singular shall include the plural.
- T. **Interpretation.** Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement.
- U. **Waivers.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power, or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any Right preclude any other or further exercise of the same or of any Right, nor shall any waiver of any Right with respect to any other occurrence. No waiver shall be

effective unless it is in writing and is signed by the party asserted to have granted such waiver.

V. **Survival.** Those rights and obligations that have accrued as a result of the operation of this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Member to pay costs or expenses of his or her stay at Salemtowne that remain unpaid as of such termination.

W. **Notice Provisions.** Any notices, consents, or other communications to the Corporation hereunder (collectively “notices”) will be in writing and addressed as follows:

**Salemtowne:**  
Office of the President/CEO  
Salemtowne  
1000 Salemtowne Drive  
Winston Salem, North Carolina 27106

*[Signatures Follow on Next Pages]*

Salemtowne will stand behind all of the statements, promises, and representations in this Agreement, but no others. If you feel something has been promised to you, but it is not specifically mentioned in this Agreement, now is the time to discuss it – before you sign this Agreement.

I (we) understand this matter involves a financial commitment and associated risk as well as a legally binding contract. I (we) was (were) encouraged to consult with an attorney and/or financial advisor who could advise me (us) concerning this Agreement.

THE UNDERSIGNED MEMBER(S) ACKNOWLEDGES RECEIPT OF SALEMTOWNE'S CURRENT DISCLOSURE STATEMENT. THE DISCLOSURE STATEMENT WAS RECEIVED PRIOR TO THE EXECUTION OF THIS AGREEMENT OR PRIOR TO OR AT THE TIME OF THE TRANSFER OF ANY MONEY OR OTHER PROPERTY TO SALEMTOWNE, WHICHEVER OCCURRED FIRST.

Initials \_\_\_\_\_ Member

\_\_\_\_\_ Corporation



**NOTICE**

**BECAUSE THE AUTHORITY TO ENTER INTO CONTINUING CARE CONTRACTS GRANTED BY THE NORTH CAROLINA DEPARTMENT OF INSURANCE IS NEITHER A GUARANTEE OF PERFORMANCE BY THE PROVIDER NOR AN ENDORSEMENT OF ANY CONTINUING CARE CONTRACT PROVISION, PROSPECTIVE RESIDENTS AND MEMBERS MUST CAREFULLY CONSIDER THE RISKS, BENEFITS, AND COSTS BEFORE SIGNING A CONTINUING CARE CONTRACT AND ARE STRONGLY ENCOURAGED TO SEEK FINANCIAL AND LEGAL ADVICE BEFORE DOING SO.**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate, as of the day and year first above written, one duplicate copy of this Agreement being retained by each party.

Your signature below certifies that you have read, understand and accept this Agreement as of the Effective Date.

<p><b>SALEMTOWNE</b></p>  <hr/> <p>By (signature)</p> <hr/> <p>Printed Name</p> <hr/> <p>Title</p>	<p><b>MEMBER(S)</b> (or Member(s)'s Attorney in Fact) (*)</p>  <hr/> <p>(signature) (SEAL)</p> <hr/> <p>(signature) (SEAL)</p> <hr/> <p>Current Address: Street</p>  <hr/> <p>City, State, Zip Code</p>  <hr/> <p>Telephone</p>
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(\*) If Attorney-in-Fact signs on behalf of the Member(s), a Filed Power of Attorney document must be attached to this Agreement.

## Appendix C1

### Continuing Care – Schedule of Fees



## Schedule of Fees Effective April 1, 2023

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Salemtowne is a non-profit continuing care retirement community that promotes the well-being of its residents by providing a caring environment. Salemtowne is an ecumenical community that reflects the Moravian values of individual respect, hospitality, life-long learning, and love of the arts.

## Independent Living Cottages

(This schedule of fees is effective for New Residents entering the community)

	<u>Square Footage</u>	<u>Entrance Fee</u>	<u>Monthly</u>
<b>Wachovia Village</b>			
Hatteras - 2BR	1,172	\$197,000 - \$206,100	\$3,508
Emerald - 2BR	1,356	\$236,400 - \$240,000	\$3,656
<b>Salem Village</b>			
Bethania - 2BR	1,553	\$309,400 - \$315,300	\$4,012
Hickory - 2BR	1,560 - 1,755	\$301,300 - \$368,600	\$4,083 - \$4,499
Catawba - 2BR	1,678 - 3,210	\$323,700 - \$531,800	\$4,300 - \$5,084
<b>Bethabara Place</b>			
Mitchell - 2BR	1,440	\$327,000	\$4,081
Shenandoah - 2BR	1,617 - 1,698	\$369,100 - \$387,600	\$4,297 - \$4,440
Appalachian - 2BR	1,640 - 1,700	\$374,400 - \$388,100	\$4,367 - \$4,447
Rutherford - 2BR	1,817 - 2,259	\$369,100 - \$404,800	\$4,725 - \$5,461
Watauga - 2BR	2,400	\$561,900	\$5,323

**Monthly Fee for second occupant is \$845.  
Entrance Fee for second occupant is \$10,000**

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$195 per month per Resident dining plan.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne's Marketing team for information.

## Independent Living Apartments

(This schedule of fees is effective for New Residents entering the community)

	<u>Square Footage</u>	<u>Entrance Fee</u>	<u>Monthly Fee</u>
<b>Vogler Building / Bahnson Hall:</b>			
Forsyth – 1BR	530	\$83,600 - \$102,100	\$2,600
Winston – 2BR	790	\$112,400 - \$124,300	\$2,931
West End – 1BR	790	\$112,500 - \$122,000	\$2,931
Buena Vista – 2BR	1,055	\$156,300 - \$169,600	\$3,273
<b>Driscoll Apartment Building:</b>			
Reynolda – 1BR	751	\$143,800 - \$180,300	\$3,089
Sherwood – 1BR	936	\$171,700 - \$186,100	\$3,433
Piedmont - 2BR	1,073	\$214,000 - \$229,000	\$3,865
Brookstown – 2BR	1,107	\$218,400 - \$225,000	\$3,871
Twin City – 2BR	1,240	\$229,100 - \$241,200	\$4,147

**Monthly Fee for Second Occupant is \$1,081**

**Entrance Fee for second occupant is \$10,000**

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$408 per month per Resident dining plan.

Monthly fee includes: Bed and bath linen laundry service for Vogler Building and Bahnson Hall apartments.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne's Marketing team for information.

## The Woodlands

	<u>Square Footage</u>	<u>Entrance Fee</u>	<u>Monthly Fee</u>
Beech, 1BR w/ Den	1,215	\$214,600 - \$254,500	\$4,029
Dogwood – 2BR	1,395	\$293,500 - \$346,000	\$4,224
Hawthorne – 2BR	1,490	\$294,900 - \$368,900	\$4,328
Pine – 2BR w/ Den	1,640	\$355,000 - \$429,400	\$4,508
Sycamore - 2 BR w/ Sunroom	1,750	\$349,200 - \$452,000	\$4,689
Willow - 2 BR w/ Sunroom	1,875	\$416,800 - \$508,300	\$4,779

**Monthly Fee for second occupant is \$864**  
**Entrance Fee for second occupant is \$10,000**

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$256 per month per Resident dining plan.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne's Marketing team for information.

## Health Care Services – Assisted Living

	<u>Monthly Fee</u>
Assisted Living - Single occupancy	\$6,375
Assisted Living Suite - Single occupancy	\$8,457
Assisted Living – Memory Support – Single Occupancy (Westerly Place)	\$10,380
Assisted Living - Respite Stay	\$306 / day
Level of Care – Level 2	\$500/month
Level of Care – Level 3	\$1,000/month

Monthly fee includes: 3 meals per day, utilities (excluding telephone), cable, weekly housekeeping & maintenance, and bed and bath linen laundry.

## Health Care Services – Skilled Nursing

	<u>Daily Fee</u>
Babcock Health Care Center – Private Room	\$446 / day

Daily fee includes: 3 meals per day, utilities (excluding telephone), cable, daily housekeeping, maintenance and bed and bath linen laundry service. All rooms Medicare certified effective 1/1/2015 and 20 rooms are dually Medicaid certified.

A one-time, non-refundable, Entrance Fee of \$3,500 is required for direct admissions to the Babcock Health Care Center long-term care, Assisted Living, and Westerly Place.

Residents moving between assisted living and Health Care residences may be charged for renovation costs. It will be administration's discretion to evaluate costs of internal moves and determine their impact on the community. Should Administration determine that the cost of an internal move will adversely impact the community and the community cannot absorb the renovation costs, the renovation costs will be charged to the resident.

### Health Care Services - Entrance Fee Grace Days for Residents

(For Residents entering the community before May 1, 2014 as per your contract.)

Independent Living or Assisted Living Residents who entered through Independent living and having paid an entrance fee in Independent Living and are paying monthly fees and who have a temporary stay in the Health Care Center may use up to twenty-four (24) "Entrance Fee Grace Days" per fiscal year (non-cumulative) as outlined in the Entrance Fee Grace Days Policy. (This program is not available to residents who entered under the "new" fee program and is not available to residents who bought into the "new" fee program.)

**"Entrance Fee Grace Days"** – The fee that is not billed to a resident for an "Entrance Fee Grace Days" day, is defined as the current daily Health Care Services applicable rate for a

resident's "fee" program. The resident will be charged for supplies and services not included in the daily rate fee including but not limited to the following:

- Supplies
- Beauty Shop
- Pharmacy prescriptions
- Rehabilitation
- Activity fees
- Extra meals, etc.

**Up to twenty-four (24) "Entrance Fee Grace Days" per fiscal year** – Residents who reside at Salemtowne and meet the eligibility requirements for this policy will be granted up to 24 "Entrance Fee Grace Days" to use during the Salemtowne fiscal year. Salemtowne's fiscal year begins on April 1st and ends on March 31st of each year. Residents who do not reside at Salemtowne for a full fiscal year during their first year of residency will be granted a prorated number of "Entrance Fee Grace Days" based on the number of months the resident resides at Salemtowne during that year.

**Non-cumulative** – "Entrance Fee Grace Days" do not accumulate. A resident cannot carry forward unused "Entrance Fee Grace Days" to future fiscal years.

#### **Temporary Stay in the Health Care Center or the Assisted Living Center Program**

If a Resident is temporarily transferred to the Babcock Health Care Center or the Masten Assisted Living Center from their primary residence at Salemtowne and continues to maintain their primary residence, the resident will continue to pay the full fee for their primary residence during the "Entrance Fee Grace Days" period (up to 24 days per fiscal year).

During a temporary stay (up to 30 days) in the Health Care Center or the Assisted Living Center, the resident will pay a reduced fee for their primary residence after they have used their "Entrance Fee Grace Days". (This temporary stay discount program is not available to residents who entered under the "new" fee program and is not available to residents who bought into the "new" fee program.)

#### Health Care Services – Discount on Daily Fees for Residents

(For Residents entering the community on or after May 1, 2014, as per your contract.)

Residents entering the community under the new Entrance Fee program and residents who bought into the "new" fee program, will receive a 20% discount on room and bed daily charges (\*) for all private pay stays in the health care and assisted living centers. This discount does not apply to supplies, services, pharmacy, rehab, beauty shop, etc.

Residents who receive a discount on daily fees will not participate in the Entrance Fee Grace Days program nor the Temporary Stay in Health Care or Assisted Living discount program.



## Dining Services – Independent Living Flexible Dining Plans

Salemtowne’s Flexible Dining Plan empowers residents to have freedom in choosing what they like to eat, and when they prefer to dine. All dining items are a la carte and individually priced. Menu item prices will be available on the daily table menus. Salemtowne will provide you the ability to carry over your unused dining allowance to the next two months and use your dining plan for family and guests, for beer, wine and liquor, or a catered event on campus.

Flexible Dining Plan – Apartment Residents	\$408/month
<ul style="list-style-type: none"><li>• Required for all Independent Living Apartment Residents.</li></ul>	
Flexible Dining Plan – Cottage Residents	\$195/month
<ul style="list-style-type: none"><li>• Optional for Cottage Residents entering the community prior to May 1, 2014.</li><li>• Required for Cottage Residents entering the community on or after May 1, 2014.</li></ul>	
Flexible Dining Plan – Woodland Villa Residents	\$256 month
<ul style="list-style-type: none"><li>• Required for all Woodlands Villa Residents.</li></ul>	
Resident Individual Meal delivery	\$5/delivery
<ul style="list-style-type: none"><li>• No delivery fee will be charged for meal delivery due to resident illness.</li><li>• Call 336.714-3141</li><li>• Tipping is not permitted</li></ul>	

Dining Plans are included in the monthly service fee.
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## Ancillary Services

*All ancillary services prices subject to change based on cost.*

### Administrative Support Services

Monthly Billing Statement Copy (each).....	\$6.00
Copy of Medical Records or Administrative File Records (per page).....	\$0.50
Copier Fees (Black/White) (per page).....	\$0.16
Copier Fees (Color) (per page).....	\$0.32
Fax Fees (Local) (per page) .....	\$0.16
Fax Fees (Long Distance) (per page) .....	\$0.32
Scan & email (Black/White & Color) (per page).....	\$0.45
NSF (non-sufficient funds fee) for a returned check or ACH payment.....	\$50
Finance Fee for Late Payments .....	18% per annum

### Beauty Shop

Shampoo.....	\$10
Deep Conditioning Treatment .....	\$15
Set (or Blow Dry, Curling Iron) Only .....	\$25
Haircut Only .....	\$28
Shampoo & Style .....	\$38
Bang Trim.....	\$10
Clipper Cut.....	\$24
Neck Trim .....	\$10
Single Process Color .....	\$82
Temporary Color Rinse .....	\$10
Highlights.....	\$75-85
Perm Only .....	\$70
Truist Gloves .....	\$5
Manicure.....	\$27
Pedicure .....	\$40
Spa Manicure (Extra Massage & Sugar Scrub).....	\$38
Spa Pedicure (Extra Massage & Sugar Scrub).....	\$50
Polish Change / Nail Shaping.....	\$17
Toenail Clipping .....	\$18
1 Step Gel Manicure .....	\$35
Facial Grooming.....	\$15
Hair Removal Service (per service for Chin or Lip).....	\$15
Hair Removal Service (per service for Brow).....	\$15

## Healthcare and Assisted Living Supplies

*(This is not an all-inclusive listing)*

Oxygen 5 lpm concentrator – per day.....	\$1.50
Oxygen 10 lpm concentrator – per day.....	\$3.00
Oxygen Tank – per tank.....	\$11.50
Nebulizer – per day.....	\$1.50
Suction Machine – per day .....	\$1.50
Air Mattress – per day.....	\$8.50
Mattress Overlay – per day.....	\$8.50
Tube Feeding Supplies – Jevity/Osmolite per case .....	\$80
Colostomy Supplies – per box.....	\$85
CPAP – per day .....	\$4.50
BiPAP per day .....	\$5.50
Flu Shot.....	\$43
Pneumonia Shot .....	\$140
Wander Guard Bracelet (including battery replacement & strap).....	\$300
Negative Pressure Wound Therapy Vacuum – per day.....	\$85
Negative Pressure Wound Therapy Canister/Dressings – per day .....	\$40

## Incontinence Program

Size 1 – per day.....	\$3.80
Size 2 – per day.....	\$4.50
Size 3 – per day.....	\$6.10
Bariatric – per day.....	\$17.75

## Nutritional Supplements

Boost .....	\$4.00
Ensure .....	\$4.00
Ensure Plus .....	\$3.00
Ensure High Protein .....	\$2.00
Ensure Pudding .....	\$2.00
Protein Jello .....	\$3.50
Beneprotein Powder .....	\$30
Glucerna.....	\$5
ProStat.....	\$40
ProStat Advanced Wound Care .....	\$85
Gelatin Protein Gelatin.....	\$3

Enrichment Services

Personal Training – ½ hour.....	\$40
Personal Training – 1 Hour.....	\$50
Massage Therapy – 1 Hour .....	\$65
Power Move Group Class.....	\$5

Guest Services (Reservations through Housekeeping)

Guest Room – One Bedroom.....	\$100 per night
Guest Room – Studio .....	\$70 per night
Guest Room Cancellation Fee (less than 48 hours’ notice).....	\$47

Transportation Fees

Transportation for scheduled appointments (within a 15-mile radius) is available for a fee Monday through Friday between 9:00 a.m. and 4:30 p.m. except holidays. Forty-eight (48) hours’ notice is required to schedule transportation. Additional fees will be incurred for those appointments outside of normal service hours and for Residents who require staff accompaniment. For those residents that entered Salemtowne through Independent Living, there is up to a four (4) trip per month allowance per the Residence & Services Agreement.

**Up to 3-hour Trips:**

For each appointment during business hours (without CNA or staff person)	\$60
Before or after business hours (without CNA or staff person) .....	\$60
CNA or staff person accompaniment (during business hours).....	\$140
CNA or staff person accompaniment (before or after business hours).....	\$140

**3-hour to 4-hour Trips:**

Staff person or CNA accompaniment (during business hours) .....	\$140
Staff person or CNA accompaniment (before or after business hours) .....	\$140

Therapy Services

*(per 15-minute unit, not an all-inclusive listing)*

Occupational Therapy (OT).....	\$80
Speech Therapy (ST) .....	\$160
Physical Therapy (PT) .....	\$85
Physical Therapy (PT) Active Wound Care.....	\$95
ST Oral Function Evaluation/Re-evaluation.....	\$315
PT – Evaluation / Re-evaluation.....	\$165
OT – Evaluation /Re-Evaluation .....	\$160
OT – Wheelchair training .....	\$80
Oral Function Therapy.....	\$180
Assessment of Aphasia.....	\$160

ST – Clinical Evaluation Swallow.....	\$315
OT – Paraffin bath or massage therapy .....	\$80
PT – Orthotic FIT Training .....	\$83

Miscellaneous

PAL (personal alert line) new & replacement (includes necklace) .....	\$370
PAL Lanyard.....	\$5.00
PAL - Small or large wrist bracelet.....	\$14
Wireless Pull Cord for residence .....	\$415
Keys (extra or replacement).....	\$10
Replacement Name Tag .....	\$14
Replacement of Indiana Avenue Gate Access Card .....	\$20
Accommodation Trash and Belongings Removal.....	\$50 per hour
Furniture Removal, Disposal or Donation to Charity.....	\$40 per item
Optional Bed and Bath Linen Service (per residence).....	\$138 per month
Maintenance, Grounds & Housekeeping Special Services (upon request by Resident & approval by Administration):	
Regular.....	\$50/hour
Overtime.....	\$75/hour
Supplies .....	Costs + 20%
Outdoor Tent set-up & use on Salemtowne campus .....	\$205 per event per tent
Towne Club Entrance Fee.....	\$1,000
<i>(Independent Living Resident Application Fee to join the waitlist, refundable/applied to entrance fee upon settlement)</i>	
Pet Fees.....	\$500
<i>(One-time non-refundable pet fee for each pet that meets Salemtowne’s Pet Policy.)</i>	

## Home Care Services

### Administrative Support Services

Home Care Services – CNA/Caregiver per Hour\*\*:

Regular .....	\$27.00
Holiday .....	\$40.50
Home Care Services – RN Care per Hour .....	\$50.00
Accompaniment of Resident to Medical Appointment (up to 3 hours) .....	\$80.00
Additional time after 3 hours, per 15-minute intervals.....	\$10.00
Medication Reminder Visit .....	\$15.00
Pillbox Fill Visit.....	\$50.00

\*\*For Salemtowne residents, there is a 2-hour minimum visit for clients that are two or more times/week, and a 3-hour minimum per visit for clients that are one time/week. Non-Salemtowne campus residents have a 4-hour minimum visit.

Cancellations with less than 24 hours' notice are still billed for services.

Salemtowne campus clients that have services seven days per week and more than 8 hours per day are eligible for a discounted rate of \$25 per hour for CNA/Caregiver services.

## Appendix C2

### Navigation at Home – Schedule of Fees



PROTECTION | COORDINATION | CARE

## Schedule of Fees Effective April 1, 2023

### Membership Plans

Members will pay an initial membership fee (the “Membership Fee”) and an ongoing monthly fee (the “at Home Monthly Fee”). The Membership Fee is actuarially priced based upon the Member’s age and the plan option chosen. The Monthly Fee varies with the plan option chosen. The table below shows the new Membership Fee and the Monthly Fee for the three plan options for singles aged 65, 75 and 85 effective beginning April 1, 2023.

Membership Fee	Plan Type			
	All Inclusive	Enhanced	Classic	Access
<u>Age</u>	<u>Single</u>	<u>Single</u>	<u>Single</u>	<u>Single</u>
65	\$ 40,800	\$ 38,000	\$ 27,000	\$ 24,600
75	\$ 66,100	\$ 62,000	\$ 42,100	\$ 38,200
85	\$ 92,800	\$ 82,000	\$ 57,600	\$ 50,000
<b>Monthly Fee</b>	\$ 697	\$ 610	\$ 536	\$ 508

\*Couples receive a 5% discount on the Membership and Monthly Fee

### Care Coordination Only Plan

**Membership Fee** – one-time non-refundable fee of \$7,500 for each member

**Monthly fee** – \$325

### Health Support Services

Health Support Services coordinated by Navigation are charged at the provider’s rate.

Navigation Care Coordination - \$110 per hour.